

ANNUAL REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2009

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OFFICE HOLDERS AND PROFESSIONAL ADVISERS

PATRON

- HRH The Princess Royal

HONORARY PRESIDENT

- Jonathan Dimbleby

HONORARY VICE-PRESIDENTS

- Dick Bird OBE
- The Rt Hon Baroness Blackstone
- The Rt Hon Earl Cairns CBE
- The Rt Hon Lord Carrington KG GCMG CH MC PC
- Baroness Warwick of Undercliffe

MEMBERS OF THE BOARD OF TRUSTEES

- a denotes member of the audit committee
- m denotes member of the merger committee
- n denotes member of the nominations committee
- r denotes member of the remuneration committee
- i denotes member of the merger integration committee
- l denotes member of the Latin America and Caribbean integration committee
- ukc denotes member of the UK committee

Affiliation, where given, is for identification purposes only.

- Dr Grace Aguilin-Dalisay – Chair of VSO Bahaginan Inc, Miriam College, Quezon City, Philippines
- Enrique Alvarez l – Trustee Director CUSO-VSO (from November 2008)
- Hilary Armstrong MP – Member of Parliament for North West Durham
- Mark Astarita l – Fundraising Director, British Red Cross
- Stewart Butterfield a, ukc – Consultant, marketing and media (to November 2008)
- Sir Suma Chakrabarti KBE n, r – Permanent Secretary, Ministry of Justice (Chair of the Board of Trustees)
- Cameron Charlebois m, i – Co-Chair of CUSO-VSO
- Sir Andrew Cubie CBE FRSE, m, ukc – Consultant
- David Dinkin m, n, ukc – Said Business School, Oxford
- Arvinda Gohil a, n, ukc – Consultant (to November 2008)
- Superna Khosla a, r, ukc – PriceWaterhouseCoopers LLP
- Kibaya Laibuta – Chair of VSO Jitolee
- James Lawrie a, m, n, r – Christ Church, Oxford (Honorary Treasurer of the Board of Trustees)
- Jean Penders i – Chair of Stichting VSO Nederland
- Robert Ward l – Executive Director of Edmonton Community Foundation and Co-Chair of CUSO-VSO (from November 2008)

MEMBERS OF THE COUNCIL

- Geoffrey Barnett OBE (to November 2008)
- James Boyle
- Dr David Bryer CMG (to November 2008)
- Tony Cunningham MP
- Dame Judi Dench CH DBE
- David Essex OBE
- Professor Richard Feachem CBE (to November 2008)
- John Fowler
- Mike Gapes MP
- Sarah Gilbert
- Sir David Green KCMG (to November 2008)
- Justine Greening MP
- Brenda King
- Glenys Kinnock MEP (to November 2008)
- Sir Tim Lankester KCB
- Professor Peter Mortimore OBE (to November 2008)
- Hugh Richardson
- Professor Bhupinder Sandhu
- Nicholas Selbie ukc (to November 2008)
- Charles Sinclair ukc
- Jon Snow
- The Rt Hon Alderman Sir John Stuttard

MANAGEMENT

- Mark Goldring CBE, Chief Executive (to November 2008)
- Marg Mayne, Chief Executive (from December 2008)
- Joanna Knowles, Director of Finance and Company Secretary
- Judith Brodie, Director of VSO UK
- Richard Hawkes, Director of International Programmes Group
- Joan Howard, Director of HR and Organisation Development
- Brian Rockcliffe, Director of VSO Federation

SENIOR MEDICAL ADVISER

- Dr Susanna Maybin

BANKERS

- HSBC Bank Plc, 19 Grosvenor Place, London SW1X 7HT

AUDITORS

- BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey KT17 1HS

PROPERTY AGENTS

- Braham Gold, 8 Wimpole Street, London W1G 9SW

NAME IN WHICH THE CHARITY IS REGISTERED

- Voluntary Service Overseas

CHARITY REGISTRATION NUMBER

- 313757 England and Wales
- SC039117 Scotland

COMPANY REGISTRATION NUMBER

- 00703509

PRINCIPAL AND REGISTERED OFFICE

- 317 Putney Bridge Road, London SW15 2PN

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

INTRODUCTION

The trustees present their report and the financial statements of the charity and the group for the year ended 31 March 2009. The group comprises Voluntary Service Overseas and its wholly owned subsidiaries, VSO Trading Limited and British Executive Service Overseas (**beso**), which are both registered in England and Wales.

Voluntary Service Overseas, also known as VSO (the charity), is a company limited by guarantee and governed by a Memorandum and Articles of Association. VSO's trustees, who are also the directors of the company, are appointed by VSO's Council from its members.

OBJECTIVES AND ACTIVITIES

The objects of VSO, as defined in its Memorandum of Association, are to advance education and to aid in the relief of poverty in any part of the world. In practice, VSO works in the poorest countries where it can make a significant contribution and where it is safe to do so. To fulfil its object, VSO:

- sends volunteers to other countries to share and develop their skills and understanding, and to share their experience with others on their return
- undertakes or assists in works and projects of all kinds
- educates the public concerning the nature, causes and effects of poverty and limited education in other countries; conducts and pursues research concerning these matters and publishes or otherwise makes the results of such research available to the public.

VSO's purpose is to promote volunteering to fight global poverty and disadvantage. VSO brings people together to share skills, creativity and learning to build a fairer world. VSO's strategy as an international development agency working through volunteers is described in its strategic plan, *Focus for Change* (available on www.vso.org.uk). This sets out VSO's vision, purpose and goals. 2008/9 is the sixth full year of its implementation.

VSO works in close cooperation with the UK government Department for International Development (DFID). This relationship is governed by a six-year Partnership Programme Agreement, of which 2008/9 is the fourth year. VSO greatly values its strategic relationship with DFID, alongside the funding support, which enables it to carry out this work.

VSO'S GOALS

VSO's work is focused on six developmental goals, which reflect the priorities of its partner organisations, international development targets as set out in the Millennium Development Goals, and VSO's distinctive competence of volunteering. The six goals are outlined below.

- **Education:** VSO aims to increase the accessibility, gender equity, relevance and quality of education for disadvantaged people in poorer countries.
- **HIV and AIDS:** VSO aims to combat stigma, support prevention and increase the availability of treatment, care and support for

those infected and affected by the HIV and AIDS pandemic.

- **Disability:** VSO aims to support disabled people in exercising their rights, and to promote their full inclusion and active participation as equal members of their families, communities and societies.
- **Health:** VSO aims to support disadvantaged people in fulfilling their rights to physical, mental and social well-being and to good quality, essential services.
- **Secure livelihoods:** VSO aims to strengthen the ability of disadvantaged people to make a viable living.
- **Participation and governance:** VSO aims to strengthen the ability of people to participate in their communities and influence decisions that affect their lives.

PUBLIC BENEFIT

VSO works for, and often directly with, disadvantaged people in the poorest countries where it can make a significant contribution and where it is safe to have country programmes – in Africa, Asia and the Caribbean and Pacific islands. VSO does this by working with partner organisations, including community-based organisations; local, national and international non-governmental organisations; small businesses and government bodies at all levels, including local schools, district and regional offices and national ministries.

VSO enables volunteers from developed and developing countries to work with partner organisations. VSO volunteers work in diverse ways, responding to the needs of the country and community. This can range from delivering services directly, for example as a doctor or a teacher, to strengthening partner organisations so that they are better able to deliver for their beneficiaries; this could be in supporting new approaches to quality assurance in a hospital, improving the effectiveness of teacher training or advising small enterprises on accessing local markets. VSO also supports advocacy initiatives to achieve changes in policy, process and practice that benefit disadvantaged people.

During 2008/9, VSO worked to strengthen its ability to capture and communicate its contribution to development and, with DFID, is piloting a method of measuring its impact on beneficiaries (page 11). We have referred to Charity Commission guidance on public benefit when reviewing our aims and planning our future objectives. The next section provides more detail on how VSO contributes to improvements in the lives of disadvantaged people.

WORKING WITH PARTNER ORGANISATIONS

VSO's approach is to develop close, long-term partnerships with local organisations in order to arrive at a joint understanding of their development priorities and how best to address them. For each country programme, country-level plans identify the three broad development areas (or goals) within each country to which VSO can best contribute. Detailed plans then set out the contribution VSO will make to each of these goals.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

VSO offers partners a range of options for working together. At its heart is an international volunteering programme including long-term, short-term, youth and exchange volunteers. International volunteers work alongside partner organisations, sharing skills and learning, in order to achieve jointly agreed development objectives. VSO also promotes and supports community, national and Diaspora volunteering as well as sharing experience through workshops and training, exchanges and study visits. Our work with Diaspora and national volunteers is focused on providing volunteer management, recruitment and placement expertise to those partners developing Diaspora programmes and development projects utilising national volunteers. In addition, VSO and its volunteers undertake development awareness activities, policy research and advocacy work.

WORKING THROUGH VOLUNTEERS

Volunteers and volunteering are central to the charity's objectives and activities. VSO's expertise is in working with international volunteers who are recruited by VSO to work for the charity's partners in country development programmes. During their placements, volunteers are employed by the partner organisation in the country where they work. Volunteers work outside of their own country for periods of between six weeks and two years, and there is a clear need for some financial support to volunteers to enable this to happen. However, it is central to VSO's approach that volunteers should live alongside the people with whom they work and, as far as possible, share the living conditions of their immediate colleagues. The charity believes that this way of working, with volunteers well attuned to the realities of life for their employers and their peers, is more likely to result in sustainable development. In this context, international volunteers receive a monthly subsistence allowance comparable to that received by their peers and set to enable them to maintain their health and well-being. Housing, provided by their employers, is generally of a modest local standard and volunteers are given no additional resources or special equipment.

VSO volunteers bring specific skills and experience to bear on their work and are expected to share those skills, both to upgrade the capacity of their colleagues, but also, by working alongside their peers, to apply a combination of skills and contextual understanding to key development challenges. Our volunteers also benefit through their experience of different cultures and communities, and then share this experience on their return. It is the charity's view that a distinctive and lasting impact can be achieved with this approach and significant resources are applied to supporting it, including training for volunteers in language and key skills for working in development.

VSO is increasing its focus on national volunteering in its development programmes, working to strengthen partner

organisations that support people to volunteer within their own communities and countries.

STRUCTURE, GOVERNANCE AND MANAGEMENT

VSO works within an international federation of member organisations that contribute to a development programme in order to achieve VSO's vision, purpose and values. The federation consists of the charity together with four independent members based in Canada (CUSO-VSO), Kenya (VSO Jitolee), Netherlands (Stichting VSO Nederland), and the Philippines (VSO Bahaginan Inc), each with its own governing board.

The role of federation members is to contribute resources, particularly volunteers and funds, in order to help VSO maximise its contribution to tackling poverty. Each federation member has a strategy that sets out its focus and planned contributions in relation to Focus for Change. Federation members also promote public understanding of and engagement in development in their respective countries, including supporting their returned volunteers in this undertaking. The charity operates as a member of the federation and undertakes most of the joint, international federation functions that support VSO's development programme. Under the terms of this agreement, the charity may provide funds to federation members to allow them to undertake agreed activities in pursuit of VSO's aims.

In November 2008, our Canadian federation member, VSO Canada, merged with CUSO, an existing Canadian volunteer sending organisation, to form CUSO-VSO. The merger was approved by the VSO Board of Trustees after completing operational, financial and legal due diligence. CUSO-VSO was admitted as a member of the VSO Federation at this time. VSO has agreed to take over the responsibility of delivering the existing CUSO development programmes and is presently part way through the integration project to achieve this, with only the Latin American and the Caribbean programmes yet to be integrated at the end of March 2009. The merged entity has provided VSO with an opportunity to increase our impact through improved ability to raise funds, recruit volunteers and deliver programmes.

VSO Ireland, an independent entity with its own governing board based in the Republic of Ireland, has continued the process of becoming a full federation member. VSO also recruits volunteers in India, through a partnership with the Indian volunteering organisation, iVolunteer, and in Australia through a contractual arrangement with Australian Volunteers International.

VSO is also registered as a Scottish cross-border charity and, following the advice of the Office of the Scottish Charity Regulator, is covering Scottish activities as part of this report.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

VSO's Board of Trustees (the International Board) seeks to include members with a range of skills and includes a trustee from the board of each federation member. The main responsibilities of the International Board, which meets three times a year, are:

- to approve and monitor VSO's long-term strategy and annual corporate objectives and budget
- to approve any constitutional changes
- to nominate new trustees
- to appoint the chief executive
- jointly with the chief executive, to make other senior management appointments.

Trustees serve on a voluntary basis and are only reimbursed for out-of-pocket expenses.

During the year, the International Board had seven sub-committees:

- **Audit committee:** responsible for assessing the effectiveness of operational and financial risk management and internal control
- **Merger committee:** responsible for overseeing the merger between VSO Canada and CUSO
- **Merger integration committee:** responsible for overseeing the successful integration of the VSO Canada and CUSO merger
- **Latin American and Caribbean integration committee:** responsible for overseeing the integration of the CUSO-VSO Latin American and Caribbean programmes into VSO
- **Nominations committee:** responsible for recommending appointments to the International Board and its sub-committees
- **Remuneration committee:** responsible for recommending remuneration for the senior management team
- **UK committee:** benefits from the skills of co-opted members not on VSO's International Board or Council and responsible for providing a greater level of oversight on UK volunteer recruitment, fundraising and development awareness.

The nominations committee undertakes recruitment and nomination of new trustees. Vacancies are publicly advertised where appropriate. VSO's Council then appoints new trustees. In November 2008, Stewart Butterfield and Arvinda Gohil stepped down as trustees. Also in November, Robert Ward, the co-chair of the newly merged entity CUSO-VSO and Enrique Alvarez, a director of CUSO-VSO were appointed as trustees. Comprehensive induction programmes are organised for new trustees and the International Board undertakes periodic reviews of its own performance.

The charity is organised in five operational groups. The directors of each group, together with the chief executive, comprise VSO's senior management team. The senior management team meets monthly and is responsible for recommending corporate and group annual objectives and budgets, organisational policy and terms and conditions for the employment of staff.

VSO has a subsidiary company, VSO Trading Limited, the purpose of which is to organise events to raise funds for the

parent charity. Events during the year included treks in Tanzania, Nepal and India, VSO's Big Curry Night, and participation in the Flora London Marathon, the British 10K Run and the Three Peaks Challenge. The company organised events including the VSO 50th Anniversary Concert at the Royal Albert Hall and the Christmas Concert in London. The company also receives income from letting conference facilities at VSO's training centre in Harborne, Birmingham.

STAFF

During the year, the charity employed an average of 247 staff in the UK and 460 overseas. Changes to staff terms and conditions of employment and ongoing employee consultative processes are determined through a Joint Liaison Committee, which comprises representatives of management and elected representatives of the recognised UK trade union (Unite). VSO is currently working with the trade union to update the partnership agreement, which has the prime aim of creating a climate of positive employee relations within the organisation. Work has also been progressed on establishing a solid baseline for human resource policy and practice across the VSO Federation.

A detailed review of the overseas programme office structures was carried out in 2008/9 to ensure better distribution of resources, improved clarity of accountability for individual roles and greater focus on volunteer support and engagement. Other changes have also been implemented throughout VSO in the UK and its federation members in 2008/9 to streamline processes and improve overall cost-effectiveness.

As a consequence of the merger of CUSO and VSO Canada, the integration of CUSO programmes into VSO's international programmes structure was completed satisfactorily for Africa and Asia in the autumn of last year. Work is continuing to ensure effective integration of the Latin American and Caribbean programmes in the autumn of 2009.

As part of VSO's performance management process, staff are appraised annually with regular reviews throughout the year against clearly defined objectives, linked, wherever possible, to the achievement of the organisation's corporate objectives. A performance link to pay for senior staff was introduced in the year. VSO continues to introduce measures to help all staff perform at their best for the benefit of its partners and beneficiaries. It has installed a more proactive approach to identifying, developing and retaining its talent base and ensuring there are succession plans for senior positions in the UK and overseas.

VSO remains committed to inclusivity in its employment policies and practices and considers equal opportunities to be integral to all aspects of working life. VSO continues to be recognised by the Department for Work and Pensions as a Two Ticks employer for its commitment to making more job opportunities accessible to disabled candidates.

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Alongside our staff, 80 trained, unpaid selectors have supported VSO by selecting volunteers throughout the year and a small, but extremely helpful, number of voluntary workers has continued to assist in VSO's fundraising and other departments.

RISK MANAGEMENT AND FINANCIAL MANAGEMENT POLICIES

RISK MANAGEMENT

The trustees continue to keep under consideration, through the risk register, the risks to which VSO is exposed, together with their likelihood and possible effects. The trustees consider that the greatest risks faced by VSO during 2008/9 were the risk to reputation arising from the potential for ineffective management of donor funds; the risk to financial stability arising from a reduction in the scale of DFID funding; the risk of shortfall in funding due to the adverse economic environment, potential for changes in donor funding strategies over the medium term and exposure to foreign exchange-rate fluctuations.

The trustees are satisfied that, through the senior management team, there are procedures in place commensurate with the size of these and other identified risks to prevent or manage their effects. These procedures include active implementation of control systems and processes, the transfer of risk to external insurers and the acceptance of risks that cannot be avoided. In this case, and where appropriate, financial provision may be made on the balance sheet against those risks, or reserves set aside in case of adverse events in the future. In addition, the internal audit plan, developed and implemented each year, is based on and consistent with the annual risk assessment undertaken by the Board. The audit committee monitors the implementation of the internal audit plan.

The balance sheet makes full provision for all the liabilities for returning volunteers and staff that have been incurred at the end of the financial year, including all the necessary airfares, resettlement grants and saving scheme contributions.

2008/9 was a particularly volatile year for the international purchasing power of sterling. VSO estimates that sterling's depreciation is increasing the full year cost of our international operations by £2.5 million on a like-for-like basis. Given that 80 per cent of VSO's income is received in sterling, and given the range and nature of the international currencies that VSO purchases to finance its activities, it is not possible to hedge entirely the risk of exchange rate volatility from our operations. However, during the year, the Board approved the opening of a number of currency accounts and an extension of the policy of buying forward contracts in order to limit VSO's exposure to future foreign exchange movements.

RESERVES POLICY

A fundamental reappraisal of VSO's reserves policy was undertaken in 2005/6, in the light of the organisation's evolving

structure and risk profile. The policy governs the level of free reserves that would be immediately available for activities within VSO's overall purpose and which it would be appropriate for the charity to hold on a continuing basis. The level takes into account potential volatility in income streams and allows for uncontrollable fluctuations in essential expenditure. It also reflects the possible adverse effects of large-scale external events and the need to respond rapidly to unforeseen strategic opportunities. The policy also sets out the actions that trustees expect to take to maintain reserves at an appropriate level and to review this level periodically.

The reserves policy takes into account the partnerships that the charity has developed with the other members in the VSO Federation and, specifically, risks faced by each member within this structure. The same reserves policy statement is used by each member of the VSO Federation.

During 2007/8, an annual review was completed of VSO's risk profile and the appropriate range of reserves to be held by the charity. As a result, the Board decided to reduce the target for VSO free reserves by £0.6 million to a range of between £5.4 million and £5.9 million. As at 31 March 2009, free reserves stood at £5.6 million, in compliance with VSO's reserves policy.

FINANCIAL PLANNING

VSO undertakes regular financial planning and monitoring activities throughout the year. Annual budgets support the objectives and operational plans for the year and are consistent with the reserves policy. These plans are reviewed and approved by the trustees in March of each year. Monitoring and reporting against plans and budgets takes place regularly throughout the year, and a comprehensive review of operational and financial performance is undertaken at mid-year. In addition, a review of results for the year is undertaken after each year-end.

INVESTMENT POLICY

VSO's memorandum gives it the power to invest monies in such investments, securities and property as may be thought fit, subject to any legal requirements. VSO's policy is to hold investments in cash or cash equivalents in order to maintain capital value. Our reserves have therefore been protected from the significant losses experienced during 2008/9 in other asset classes (for example, equities), although earning a reduced average return of 6.6 per cent in 2008/9 (9.7 per cent in 2007/8).

ACHIEVEMENTS AND PERFORMANCE IN 2008/9

In 2008/9, VSO's key priorities were to maximise its contribution to tackling poverty by focusing on:

- sustaining volunteer delivery
- expanding national volunteering
- the successful merger of VSO Canada and CUSO, following the approval of the decision to merge.

Further work streams were identified as being crucial to achieving our medium-term strategies. These were to:

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

- develop the potential of partnerships to support VSO's work
- strengthen development awareness
- increase VSO's profile and brand
- achieve a major increase in fundraising
- achieve organisational efficiencies in order to allow increased allocation of resources to programme delivery.

The Trustees' report describes the activities that have been undertaken during 2008/9 to deliver these corporate objectives and work streams. In addition, we describe VSO's achievements in two of its six goals on a rolling basis. This report describes some of the achievements in participation and governance and secure livelihoods to which VSO has contributed this year.

VOLUNTEER DELIVERY AND IMPACT

Delivery

Overall, VSO has met our targets for new volunteer placements and has increased total departures by 8 per cent compared to 2007/8. Eight hundred and eighty-one volunteers departed to fill long-term placements working with VSO partner organisations for seven months or more. This result was in line with our target and at a similar level to 2007/8. Two hundred and eighty-eight short-term volunteers departed for placements lasting six months or less, again, beating the target (250) but falling short of the 2007/8 result of 341 departures. Three hundred and ninety-three young people participated in youth, community and regional exchanges, an increase of 68 per cent on the prior year and ahead of target by 9 per cent. VSO supported Diaspora organisations in placing 100 Diaspora volunteers, a 30 per cent increase over the 2007/8 results, but behind target due to delays in securing funding.

Approximately 1,520 volunteers were working with partner organisations on long-term or short-term placements at any point during the year, which is slightly higher than the levels in 2007/8. Twenty-nine per cent of this effort was focused on education; 16 per cent on HIV and AIDS; 21 per cent on secure livelihoods; 16 per cent on participation and governance; 10 per cent on disability and 8 per cent on health.

During the year, VSO Federation members worked with programme staff to improve VSO's ability to recruit volunteers with the necessary skills and experience from across the world and place them with partner organisations. VSO UK recruits some 47 per cent of the total long-term and short-term volunteers, CUSO-VSO 14 per cent, VSO Bahaginan 11 per cent, VSO Netherlands 10 per cent and VSO Jitolee 9 per cent. Smaller numbers of longer-term volunteers are recruited through VSO Ireland and contractual relationships with iVO (India) and Australian Volunteers International. VSO UK also supports the delivery of Youth for Development volunteers, Diaspora organisation volunteers and Global Xchange volunteers (the latter in partnership with the British Council).

In 2008/9, the Diaspora Volunteering Programme in partnership with VSO commenced. The programme is supported and funded by DFID. The programme funds and builds the capacity of UK-based Diaspora organisations to run their own volunteering and development awareness programmes. Currently, the programme is supporting 17 organisations and has sent 100 volunteers to eight countries in Asia and Africa.

Impact

In order to strengthen its ability to plan and report on achievements at programme level, during 2008/9, VSO developed a set of top-line corporate programme objectives that summarise VSO's aims in each goal. These objectives are based on detailed plans drawn up by each country working on those goals. The summaries of achievements in participation and governance and in secure livelihoods that follow are drawn from detailed annual country-level reviews and analysis that have been incorporated into full reports on VSO's achievements in each goal.

During 2008/9, VSO also worked with DFID to continue the development of a pilot programme to measure the impact of VSO's work in three sample goals – education, HIV and AIDS and disability – and also in development awareness. Baselines have been set during 2008/9 and the impact will be reported on during 2010/11. It is hoped that this will be a useful contribution to the difficult task of establishing methods of measuring impact that the sector faces. One reason for this is that a development organisation like VSO is, of course, just one of many influences for change.

ACHIEVEMENTS IN PARTICIPATION AND GOVERNANCE

VSO's development of a fragile states framework of analysis for international development assistance means that much greater attention is being given to understanding why states are failing to sustain development progress: weak policies and institutions that affect their capacity to deliver services to their citizens; inability to maintain stability and security and lack of capacity to implement pro-poor policies.¹ Our participation and governance goal seeks to address this by focusing on citizens who are actively participating in good government, accessible justice and stability and peace.

In 2008/9, VSO ran 17 participation and governance programmes in 16 countries (Ethiopia, Uganda, Zambia, Cameroon, Ghana, Sierra Leone, Bangladesh, India, Nepal, Pakistan, Sri Lanka, Indonesia, the Philippines, Thailand, Papua New Guinea and Vanuatu). Overall, reports from the programmes show that good progress has been made towards the overall aim of the objectives: to support the governance systems, structures, policies and practices of government and civil society partners in order to empower poor and marginalised groups, especially women, to participate in

¹ This is a mix of The World Bank, Development Assistance Committee and DFID definitions of fragile states. DFID defines them as, "countries where the government cannot or will not deliver its basic functions to the majority of its people". DFID (2008) Making it Happen Chapter 8

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decision-making that has a direct impact on their human rights, and their access to basic services in areas such as health, education, livelihoods.

Inclusion

Our first objective was to work with our civil society partners to improve their strategic capacity to engage with the state in ensuring the rights of poor and marginalised groups, especially women. In 2008/9, VSO worked in 15 programmes with over 70 partners to achieve this objective. The voice and advocacy of these partners were well supported. For example, in Thailand, volunteers worked with Burmese civil society in exile, especially with women living in camps on the Thailand–Burma border. In Nepal, dalit and disability partners developed targeted, evidence-based advocacy strategies aimed at raising their voice in the constitutional development process. We have also supported NGO partners to provide training to local government staff and elected representatives. For example, training was delivered in Cameroon to district council staff by NGO partners on gender, human rights and good governance awareness. Training to mayors has resulted in better resource allocation for health, disability and basic services.

Voice

We have supported our partners to develop networks and coalitions that increase the voice of the poor and marginalised groups with whom they work. In the Philippines, our civil society partners are working together to create a culture of peace between Christian and Muslim communities. This improves their voice and influence with local government and state institutions. National volunteering projects have played a very important part in 2008/9 in developing community leadership skills at the grassroots level, in particular among women and youth volunteers. This has been the focus of our national volunteering plans and partner activities in, for example, Bangladesh, India, Pakistan and Sierra Leone. As a result, community leaders are in a stronger position to make representations to local government institutions regarding community development needs and the provision of resources to address those needs.

Public service delivery

Our second objective was to support government institutions as partners to improve delivery of basic services in a way that is more responsive, transparent and accountable. Our target was for seven programmes to work towards this objective and in 2008/9, VSO has worked in nine programmes. Our support for decentralisation and capacity-building within local government has helped build participation and inclusion and improve responsiveness, transparency and accountability in development planning and service delivery. In Bangladesh, we supported partners to plan together with district councils to develop more responsive programmes. The volunteerism of the citizens committees inspired local people and the local councils to work together and build a canal to solve water-logging problems, which was severely affecting poor people's livelihoods and mobility.

In Sierra Leone, working with our partners, we developed innovative national volunteering placements with local councils to improve transparent financial management, revenue raising and accountability through publishing budgets. While in Sri Lanka, VSO volunteers work directly with the Ministry of Children and Welfare to improve operational systems and strategic planning.

Civil society

Our third objective was to build civil society credibility and good governance in civil society's organisation, systems and activities. VSO worked with over 100 partners across 15 participation and governance programmes. Organisation management advisers in Pakistan have supported transparent management policies and procedures, with greater emphasis on developing internal accountability and efficiency. The purpose of this was to have an impact on service delivery through improved service planning and work practices of frontline staff. Many programmes have focused on developing better methods of measuring partners' capacity, activities, impact and success. For example, in Nepal, partners have been supported by volunteers to develop innovative methods of organisational review in terms of strategic and operational planning, finance and human resources, management systems, marketing, information and communication technology and fundraising.

Peace-building

Significant work has also been carried out in supporting capacity building of NGOs and community organisations working to build peace in areas affected by conflict, as well as that of government institutions to plan for post-conflict and crisis recovery. In Sri Lanka, organisational and management support to chambers of commerce has been helping to rebuild economic development across and between communities in different areas divided by conflict. Partners have learned about building confidence and trust from a study tour to the Republic of Ireland and Northern Ireland.

ACHIEVEMENTS IN SECURE LIVELIHOODS

During 2008/9, VSO operated 18 secure livelihoods programmes across 18 countries (Kenya, Tanzania, Malawi, Mozambique, Namibia, Zambia, the Gambia, Ghana, Nigeria, Sierra Leone, Cambodia, Indonesia, Laos, the Philippines, Thailand, Guyana, Mongolia and Tajikistan). The merger of VSO Canada with CUSO has brought great opportunities for learning and strengthening our combined work on natural resource management and environment issues and working with youth and livelihoods.

The global economic crisis has come hard on the heels of the global food and fuel crisis, which had been building during the first half of 2008. Declining commodity prices and reduction in global trade, less foreign investment, declining remittances and reduced levels of development aid from developed countries all contribute to a likely negative impact on economic growth that will have severe implications for the livelihoods of poor and

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

marginalised people. Added to this is the increasing knowledge of the impact that climate change will have on poor and marginalised people. In light of these external developments, in 2008/9, we clarified our focus and approach within the secure livelihoods goal area and committed to focusing on two objectives.

Improving food and income security

VSO's first objective in secure livelihoods was to improve food and income security for poor and marginalised women, men and young people through sustainable natural resource management. Fifteen programme areas with approximately 154 partners have contributed to the progress made towards this objective this year.

The majority of work contributing to this objective continues to be in strengthening partner capacity to deliver services through improved internal management systems, improved food production and sustainable natural resource management techniques, as well as developing alternative sources of income for poor people dependent on natural resources in environmentally sensitive areas. For example, in Malawi, VSO volunteers working with Ministry of Agriculture staff have enabled 4,000 smallholder farmers dependent on marginal lands to develop irrigation systems on approximately 50 sites. Irrigation has allowed these farmers to grow additional crops during the dry cool season to meet their own household needs during the year and, in some cases, generate a surplus for sale.

Seven countries now have partnerships working at a strategic level to engage in policy development for improved natural resource management. This is a significant increase over last year and points to the growing recognition of the importance of engaging at a strategic level within country programmes. In Zambia, VSO's sustained involvement with the Zambia Land Alliance and other civil society organisations advocating pro-poor land reform has enabled the Zambia Land Alliance to increase recognition and support for their campaign from a range of stakeholders, including traditional rulers, civil society and international organisations and donors.

Making markets work for the poor

Good progress is also being made towards the achievement of our second objective of increasing access to and participation in market supply chains for poor and marginalised women, men and young people. In 15 countries, approximately 100 partners are supporting poor people to gain greater access and participation in market chains, a significant increase on the level of engagement and involvement in this area last year. Accenture is a major supporter of this part of our secure livelihoods work through a number of flagship programmes.

In ten countries, our partners are more able to identify barriers and opportunities for poor people that affect their participation in markets. For example, in Guyana, a VSO volunteer supported a local women's group to identify the barriers that prevented them entering higher value markets in the capital, Georgetown,

for their pepper sauce. Having analysed costs to bring down price and re-branding the product, they have been able to increase sales from a maximum of Guyana \$120,000 per month to Guyana \$900,000 per month within a four-month period, enabling them to pay dividends to group members for the first time.

VSO partners have successfully facilitated market linkages for poor and marginalised women, men and youth in Ghana, the Gambia and Kenya. In Kenya, under the EU-funded Improving Sustainable Livelihoods project, VSO hosted a fruits and handicrafts exhibition for VSO partners involving 25 external exhibitors. As a result, VSO partners were able to obtain new orders and develop contacts with other organisations supporting trade development.

VSO is strongly engaged in supporting partners to provide a wide range of services that will increase access to markets for poor people in 13 countries. This includes access to financial services. VSO partners in Kenya and Mozambique have developed community-based savings and loans schemes, which provide access to credit, mainly for women, by mobilising savings within the community. Having access to a small loan has enabled the women to engage in developing their own business initiatives.

ACHIEVEMENTS IN NATIONAL VOLUNTEERING

Over the past year, national volunteering has been continuing to develop and grow, and remains a growth priority for VSO. Nearly all countries in which we operate have now included national volunteering in their planning processes, with many having completed research and feasibility studies within their country context. During the year, new national volunteering plans were developed in six countries (Pakistan, Indonesia, Thailand, Guyana, Vietnam and Cambodia). 2008/9 saw the establishment of a number of national volunteering pilots, many of which are producing promising results, particularly in youth volunteering. For example, work with a number of partners in India is promoting the role of young people as agents of change, building their leadership skills and encouraging them to identify and implement their own development programmes at community level.

MERGER

The merger between VSO and the Canadian NGO, CUSO, was successfully launched in November 2008, with a transition plan leading to full programme integration by March 2010. The result is a stronger global VSO, with extended reach to a new continent, Latin America, and a more significant presence in North America with the federation member, CUSO-VSO.

ACHIEVEMENTS IN PARTNERSHIPS

VSO sustained strong partnerships with Accenture and AstraZeneca during the year, supporting our secure livelihoods and health work respectively. A new partnership with Cadbury Plc is supporting work with cocoa communities in Ghana.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

VSO developed its public sector strategy during the year. The strategy focuses on volunteer recruitment but is also mindful of fundraising and development awareness opportunities that exist in the sector. Continued engagement with central and devolved government and new initiatives with employers and unions play a central part in the strategy.

VSO was part of the consortium that won a contract with the Department of Health to develop an International Development Framework for the UK health-care sector. Working with another third-sector organisation and a health-care consultancy, the framework's main aim is to guide and to encourage individuals and organisations working in the UK to engage in international development.

International Learning Opportunities, the leadership programme that VSO runs for the Welsh Assembly Government in association with Public Service Management Wales, went from strength to strength. We have now sent 25 Welsh leaders overseas on short-term placements to countries such as Cameroon, Zambia and Ghana, with a further 20 departing in the near future. The success of this partnership should help VSO secure future support from the Welsh Assembly.

VSO continued its recruitment activities within Scotland and Wales during the year. VSO has a satellite office in Edinburgh to support a partnership with the Scottish government and NHS Scotland that has continued after a successful pilot in the 2007/8 year.

ACHIEVEMENTS IN DEVELOPMENT AWARENESS

Building development awareness is integral to VSO's vision and purpose. Working for global change and a global community where people of all cultures are seen as equals, learn from each other and share a common sense of rights and responsibilities as global citizens lies at the heart of VSO's organisational strategy.

In 2008/9, VSO volunteers, returned volunteers, supporters, partners and staff have together made a significant contribution to building development awareness in the UK. This has been achieved through embedding development awareness throughout the volunteering journey, by offering a range of accessible and attractive engagement options to potential supporters and by working with partners to become more development aware. Developing robust reporting systems has been integral to facilitating this process.

Global citizenship is at the heart of Global Xchange, an exchange programme for young people in the UK and countries in the South, run in partnership with the British Council. Nineteen youth exchanges between the UK and 18 other countries, involving 393 volunteers (including 24 regional and 45 community exchange participants), were started in 2008/9, compared to nine exchanges in 2007/8.

To raise development awareness and encourage active global citizenship, VSO Active Community supporters and Youth for

Development volunteers have undertaken a range of inspiring and innovative school-based and community-based projects and events across the UK. Examples include a Faith for Fun day to encourage social cohesion in Birmingham; a community event to challenge stereotypes between Rwanda and the Isle of Wight and a photographic exhibition, Driving with Dignity, focusing on Bangladeshi rickshaw pullers. In the same way, working in partnership with Diaspora organisations, development awareness has been raised within their communities in the UK. Examples include a community day entitled Change the World from Walthamstow!, attended by Douglas Alexander, the Secretary of State for International Development.

During 2008/9, VSO continued to build on the success of last year's Women Matter campaign with a new campaign, Help Women Help The World. Thousands of supporters have already taken part, calling on the United Nations to create a new agency with the money and influence to improve women's lives on a global scale. As a result, our campaigner base has nearly doubled to 4,300 supporters, 44 per cent of whom are completely new to VSO. This demonstrates how VSO UK's campaigns have successfully reached out beyond our traditional returned volunteer base to engage new audiences.

In 2008/9, we also significantly increased understanding of VSO among UK parliamentarians through an innovative short-term volunteering scheme. In the summer of 2008, 11 MPs from across the political spectrum gave up a part of their holidays to volunteer with VSO on placements lasting between one and three weeks. Despite their short length, programme offices reported valuable impacts from the placements. MPs themselves have reported that the experience gave them real and valuable insights, helping them speak out against poverty on their return to Parliament. The scheme will be repeated in 2009.

The successful launch of the annual VSO Student Prize celebrated the inspiring work of students in UK schools who demonstrated a sustained commitment to global citizenship and proactively raising development awareness in their community and overseas. The prize winners came from primary and secondary schools and enjoyed a day in London touring the House of Commons, meeting DFID ministers, taking part in a lively Dragons' Den event and rounding off with an evening of world music at the VSO Stars of Africa event.

ACHIEVEMENTS IN SUPPORTING OVERALL PROGRAMME DELIVERY

In addition to the achievements in participation and governance and in secure livelihoods, VSO supported programme delivery across all six goals during 2008/9. During this year, 19 of VSO's 37 country programmes focused on education as one of their three priority areas, and 20 focused on HIV and AIDS. Eighteen programmes focused on secure livelihoods and 17 on participation and governance, as well as the 13 country programmes working in disability and eight in health.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

Advocacy

Advocacy continues to be an important element of VSO's approach in achieving changes in policy and practice that benefit disadvantaged people. 2008/9 delivered success in VSO's AIDS Agenda campaign, which seeks to mitigate the impact of HIV and AIDS on women, girls and vulnerable men, and to address the gender inequalities that currently drive the pandemic. The campaign researches how gender inequality drives the HIV pandemic and proposes policy and practice changes at national, regional and international level to address these inequalities and limit the spread of the HIV pandemic.

VSO India built the capacity of partner Child In Need Institute (CINI) to conduct national advocacy research in India for the Walking The Talk, a VSO global policy report on women's rights and access to HIV services. The report findings led CINI to launch a very successful pilot project supporting primary caregivers that had a huge impact on the lives of many families: 95 per cent of people living with HIV on the pilot have gained weight within three months and their immune systems have strengthened since their last medical check-up; there has been a remarkable increase in attendance levels of people living with HIV and their family members for regular health check-ups and men in the families are now also taking up care-giving responsibilities.

At the regional level, VSO's programme experience and advocacy on reducing the burden of HIV care on women and girls through our Regional AIDS Initiative of Southern Africa (RAISA) has been recognised as leading the field by the Southern Africa Development Community (SADC). In April 2008, SADC asked VSO to lead work with the World Health Organization on forming national guidelines on home-based care to be presented to regional Ministers of Health at the SADC meeting in August 2009.

At the international level, VSO's work with DFID throughout 2007, particularly through the Walking The Talk report, was influential in the new DFID HIV strategy Achieving Universal Access, including a number of VSO's key points on gender and rights. The strategy, launched in June 2008, includes recognition of the burden of HIV care on women and girls for the first time, a definition of care and support that reflects the definition proposed by VSO.

Our Valuing Teachers campaign saw the publication and dissemination of a new international report entitled Managing Teachers, produced in partnership with CfBT Education Trust, which synthesises learning and recommendations from 13 national Valuing Teachers reports. Pleasingly, VSO has been selected as a civil society representative on the new UNESCO-hosted International Task Force on Teachers for Education For All. Further examples of successful national-level advocacy include the publishing of two new Valuing Teachers reports in Cambodia and the Maldives.

2008/9 also saw the start of a new advocacy strategy in support of VSO's health goal. Evidence from our programmes indicates that many countries have high health-worker shortages, which makes it very difficult to support quality health service for the poorest people. We have commenced a programme of focused advocacy with major donors and institutions with an aim to increase training and retention policies for health-care resources.

Profile and brand

VSO continued the celebration of our 50th Anniversary during 2008. The objective of all the anniversary events was to demonstrate that VSO's approach to international development through volunteering has evolved and remains contemporary and relevant. Additionally, our objective was to increase our profile to support volunteer and staff recruitment, fundraising and development-awareness activities. Events held included significant media and promotional activity, reunion events, a film event collaboration between the Imperial War Museum and VSO and a week-long exhibition celebrating VSO's programme activities in Beira, Mozambique. The celebrations of the anniversary concluded with the highly successful Stars of Africa concert held at the Royal Albert Hall in November.

PLANS FOR FUTURE PERIODS

VSO is driven by the contribution we seek to make to tackle poverty. In order to achieve this, we have set ourselves the aim of significantly scaling-up our programmes, making sure they are high quality and cost-effective. VSO has a three-year rolling plan that sets out the strategies for achieving this aim. These are to:

- achieve a step change in national volunteering
- achieve a step change in development awareness in the North
- support VSO's development partners by increasing the international volunteering programme and other programme activities in response to demand.

VSO is aware that in an environment of high financial uncertainty and risk, it is even more important that we remain committed to delivering effective programmes to tackle poverty. VSO has focused on a small number of objectives that are closely aligned with the medium-term plan, but which also will position VSO well to respond to the changing external environment in the future. These objectives include:

- maintaining volunteer delivery at current levels and growing the impact of national volunteering
- realising the benefits from the CUSO-VSO merger through completion of the programme integration plans
- maximising returns from fundraising and seeking to increase fundraising levels
- continuing to implement the three-year organisational efficiency plan to allow an increased allocation of resources to programme delivery
- undertaking a strategic review to identify how VSO can adapt to improve our impact over the medium term, given the substantial changes in our external environment.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

FINANCIAL REVIEW FOR 2008/9

INCOME

Total income raised during the year amounted to £49.5 million, an increase of £6.1 million (14 per cent) on the previous year.

VSO works in close cooperation with DFID, a relationship governed by a six-year Partnership Programme Agreement, which provided funding of £28.0 million per annum for the first three years of the agreement. 2008/9 constituted the fourth year of this agreement and VSO gratefully acknowledges the receipt during the year of an increased grant of £28.8 million, in line with the agreed three-year 3 per cent inflation allowance.

VSO undertakes a wide range of fundraising and other income-generating activities, which raised an additional £20.7 million in 2008/9, an increase of £5.3 million (34 per cent) on the previous year. £1.7 million of this increase came from a new arrangement with the Canadian International Development Agency (CIDA) for programme activities across Africa and Asia and a reserves transfer of £0.5 million via CUSO-VSO, the entity created in Canada from the merger between VSO Canada and CUSO. A further £1.6 million is funding new work on Diaspora and Global Xchange programmes in the UK. Additional international programme funding contributed £1.5 million of growth as a result of increased funding across nearly all goal areas and specifically due to significant growth in the funding for the Malawi health programme and HIV and AIDS work across Southern Africa.

EXPENDITURE

In accordance with the requirements of *Accounting and Reporting by Charities: Statement of Recommended Practice* (SORP 2005), charitable expenditure is presented by VSO goal. This has been achieved through the direct allocation of costs to activities undertaken in furtherance of each goal, together with the indirect allocation of costs, which cannot be directly attributed to a single goal. The bases for cost apportionment include staff headcount, volunteer numbers and assessment of time spent on particular activities.

In 2008/9, the charity increased its spend on charitable activities by 13 per cent to £44 million, 91 per cent of total expenditure. £1 million of this relates to the costs of additional programme work arising from the merger with CUSO and a further £1.6 million from the UK Diaspora and Global Xchange work referred to above.

£3.9 million or 9 per cent of charitable expenditure was on health-related programmes. While still a relatively small proportion of overall expenditure, this represents a £1.1 million or 40 per cent increase over 2007/8 as a result of sustained management attention to growing this area of our work, with increased activity on health specifically in Malawi and Cambodia and across the goal through funding from AstraZeneca.

From the beginning of the third quarter, the purchasing power of sterling declined on average by 16 per cent against the worldwide currencies in which VSO operates, at a cost to our budgets for 2008/9 of £1.1 million. This was compensated for by budget underspends across the range of VSO activities, including overheads and programmatic expenditure.

VSO initiated a cost efficiencies programme during 2008/9, setting a target to reduce expenditure on a like-for-like basis by £3 million per annum over three years. The first year target of a saving of £0.5 million per annum was delivered for 2008/9, with particular focus on identifying savings in volunteer recruitment and fundraising activities, and was reinvested in additional volunteer placements and related international programme expenditure.

Fundraising costs have decreased by £0.5 million to £3.8 million as a result of the Lord Mayor's Appeal coming to an end and a temporary reduction arising from staff vacancies during the year, compensated for by an increase in events costs related to the 50th Anniversary celebrations. Continuing to improve the cost-effectiveness and return of investment of our fundraising programme remains an important target.

Governance costs rose marginally to £0.7 million, reflecting the increased governance and compliance requirements arising from continued development of the VSO Federation.

VSO has continued to manage its carbon footprint in 2008/9 by working in ways that reduce unnecessary staff air travel, particularly within the United Kingdom. Over the past two years, we have reduced internal United Kingdom flights by 60 per cent.

FUNDS HELD

Total funds carried forward at 31 March 2009 amount to £10.8 million, up £1.1 million on 2007/8. Within that, restricted fund balances increased by £1.5 million as a result of income being received in advance of expenditure across a range of grants (see note 12 of the accounts for further details). Unrestricted funds remained stable at £5.6 million as a result of a combination of an operating deficit of £0.9 million and a transfer of £0.5 million of reserves to VSO arising from the CUSO merger.

Between 31 March 2009 and the previous year end, debtors increased by £2.4 million due to a £1.5 million increase in the amount of grant debt recorded at the year-end, a £0.5 million accrual for the CUSO reserves transfer and a £0.5 million pre-payment for grant payments made under the 2009/10 Diaspora programme. Over the same period, cash at bank reduced by £1.8 million.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED MARCH 2009

Company Law requires the trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year, and of the surplus or deficit of the group for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

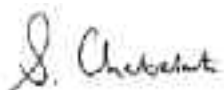
This report and accounts comply with all current statutory requirements, the requirements of VSO's Memorandum and Articles of Association and the Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005).

In accordance with Company Law, as the trustees of the charity, we certify that:

- so far as we are aware, there is no relevant audit information of which the charity's auditors are unaware
- we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

AUDITORS

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the next Annual General Meeting.



On behalf of the Board of Trustees
Sir Suma Chakrabarti
Chair
16 July 2009

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF VOLUNTARY SERVICE OVERSEAS

We have audited the financial statements of Voluntary Service Overseas for the year ended 31 March 2009 which comprise the Consolidated Statement of Financial Activities, the Consolidated Summary Income and Expenditure Account, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities 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) are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under the Companies Act 1985 and under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report to you in accordance with regulations made under those Acts. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity and other members of the group is not disclosed.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and the Charities and Trustee Investment (Scotland) Act 2005 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or the Charities and Trustee Investment (Scotland) Act 2005 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BASIS OF AUDIT OPINION

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

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

OPINION

In our opinion:

- the group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 31 March 2009 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the parent charitable company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent charitable company's affairs as at 31 March 2009;
- the financial statements have been prepared in accordance with the Companies Act 1985, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Eligible to act as an auditor in terms of section 25 of the Companies Act 1989
Epsom, Surrey
Date: 16 July 2009

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2009

INCOME AND EXPENDITURE	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2009 £'000	Total 2008 £'000
Incoming resources					
Incoming resources from generated funds:					
<i>Voluntary income</i>					
Core grant from Department for International Development		28,800	-	28,800	27,960
Grants and donations		4,202	14,113	18,315	13,119
<i>Activities for generating funds</i>					
Community projects and events		606	1,397	2,003	1,795
Income from lettings		83	-	83	65
<i>Investment income</i>		328	-	328	413
Total incoming resources		34,019	15,510	49,529	43,352
Resources expended					
Cost of generating funds		3,606	174	3,780	4,226
Charitable activities	2				
Education		8,954	3,311	12,265	12,144
HIV and AIDS		5,696	3,072	8,768	7,414
Disability		3,233	1,589	4,822	3,637
Health		2,622	1,299	3,921	2,771
Secure livelihoods		4,854	2,421	7,275	6,408
Participation and governance		4,922	2,070	6,992	6,437
Governance costs	3	626	60	686	636
Total resources expended		34,513	13,996	48,509	43,673
Net incoming resources	4	(494)	1,514	1,020	(321)
Gain on investment assets		84	-	84	162
Net movement in funds		(410)	1,514	1,104	(159)
Total funds brought forward		6,936	2,779	9,715	9,874
Total funds carried forward		6,526	4,293	10,819	9,715

All amounts relate to continuing activities.

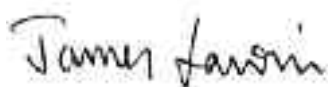
The notes on pages 19 to 31 form part of these financial statements.

BALANCE SHEETS AS AT 31 MARCH 2009

	Note	Group 2009 £'000	Group 2008 £'000	Charity 2009 £'000	Charity 2008 £'000
Fixed assets					
Tangible assets	7	931	1,093	931	1,093
Investments	8	4,560	4,401	4,560	4,401
		5,491	5,494	5,491	5,494
Current assets					
Debtors	9	5,339	2,897	5,289	3,314
Short-term deposits		3,109	2,918	3,024	2,918
Cash at bank and in hand: in the United Kingdom		650	2,909	650	2,016
overseas		923	470	923	470
		10,021	9,194	9,886	8,718
Creditors: amounts falling due within one year	10	(2,948)	(3,555)	(2,814)	(3,079)
Net current assets		7,073	5,639	7,072	5,639
Total assets less current liabilities		12,564	11,133	12,563	11,133
Creditors: amounts falling due after one year	11	(1,745)	(1,418)	(1,745)	(1,418)
Net assets		10,819	9,715	10,818	9,715
Restricted funds:					
Income funds	12, 14	4,293	2,779	4,293	2,779
Unrestricted funds:					
Designated funds					
Fixed asset fund	13, 14	931	1,093	931	1,093
General fund		5,595	5,843	5,594	5,843
		10,819	9,715	10,818	9,715

The notes on pages 19 to 31 form part of these financial statements.

The financial statements were approved by the Board of Trustees and authorised for issue on 16 July 2009



James Lawrie, Honorary Treasurer

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009	2008
		£'000	£'000
Net cash (outflow)/inflow from operating activities	16	(1,413)	833
Returns on investments and servicing of finance			
Interest received		328	413
		<u>328</u>	<u>413</u>
Capital expenditure and financial investment			
(Purchase) of tangible fixed assets	7	(494)	(934)
(Purchase) of investments	8	(76)	(74)
Sale of tangible fixed assets	16	-	9
		<u>(570)</u>	<u>(999)</u>
Cash (outflow)/inflow before use of liquid resources and financing		(1,655)	247
Management of liquid resources			
(Increase)/decrease in short-term deposits	18	(191)	235
		<u>(191)</u>	<u>235</u>
(Reduction)/increase in cash	18	<u>(1,846)</u>	<u>482</u>

The notes on pages 19 to 31 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

1. ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards, Accounting and Reporting by Charities: Statement of Recommended Practice (SORP 2005) and the Companies Act 1985.

The consolidated accounts incorporate the financial statements of the charity and of its subsidiary undertakings (the group). The results of the subsidiary undertakings have been included on a line-by-line basis in the statement of financial activities. The overall results of the group are materially the same as those of the parent charity, therefore, the charity has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own statement of financial activities in these financial statements. The income of the parent charity was £48.4 million (2008: £42.7 million) and the expenditure was £47.3 million (2008: £42.8 million).

FUND ACCOUNTING

- *Restricted funds:* The charity generates significant income that is tied to specific programmes on which volunteers are working. Contributions are made towards the charity's costs of placing and supporting the volunteers on these programmes, the costs of the local organisations within which volunteers are working and the costs of other charitable activities, including the charity's youth and national volunteering programmes. When the funds are subject to specific trusts imposed or implied by the donor, these are shown as restricted income funds.
- *Designated funds:* Designated funds are amounts set aside at the discretion of the trustees (see note 13).

INCOMING RESOURCES

All incoming resources are included in the statement of financial activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of either the charity being notified of an impending distribution or the legacy being received. For grants from institutional donors, entitlement is the earlier of the charity having incurred the expenditure to which the grant relates or the grant having been received.

VSO operates a training centre at Harborne in Birmingham. The centre is used primarily for volunteer pre-departure training. Income from lettings is derived from letting the training centre to other organisations when it is not needed for VSO activities.

COST OF GENERATING FUNDS

These include the salaries, direct expenditure and overhead costs of the staff in the UK and overseas who are engaged in fundraising activities, including negotiating grants for operational programmes and organising fundraising events.

RESOURCES EXPENDED AND BASIS OF ALLOCATION OF COSTS

Resources expended are recognised in the period in which they are incurred.

Under SORP 2005, VSO has chosen to report its charitable expenditure by the six goals set out in its strategic plan Focus for Change. Where possible, resources expended have been allocated directly to the relevant goal. Support costs, which include central functions, have been allocated to goals on the basis of staff headcount.

The costs of recruiting, selecting and training volunteers, matching them to a suitable placement and supporting them while in their placement and on their return are included in other direct costs (see note 2). Other direct costs also include the cost of programme management and development and other programme inputs, such as workshops and study visits.

GOVERNANCE COSTS

Governance costs comprise the salaries, direct expenditure and overhead costs of the chief executive's office and internal audit, together with the costs of auditing and publishing the annual report and financial statements.

GRANTS PAYABLE (SEE NOTE 2)

Under the terms of the partnership agreements that exist between the charity and the other members of the VSO Federation, the charity provides funds to federation members in order to allow them to undertake agreed activities in pursuit of VSO's aims.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets costing more than £500 are capitalised and included at cost, including any incidental expenses of acquisition.

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets except freehold land, over their expected useful lives. It is calculated at the following rates:

Assets held in the UK:

Leasehold improvements	over the length of the lease
Furniture, equipment, fixtures and fittings	20% per annum
Computer equipment	25% per annum

Assets held overseas:

All categories	100% in the year
----------------	------------------

The trustees consider it prudent to depreciate fully equipment and motor vehicles purchased for use overseas in the year of their acquisition in view of the uncertainty of conditions overseas. It is the parent charity's policy to write these assets out of the accounting records after a period of three years.

INVESTMENTS

VSO's investments are held in funds managed by HSBC and Royal London Cash Management (see note 8). A proportion of these investments has been set aside by the trustees for the long term, and these are classified on the balance sheet as fixed asset investments. Short-term deposits are held when cash in hand temporarily exceeds operational requirements.

All investments are stated at market value, except for the 100 per cent shareholding in VSO Trading Limited, which is stated at cost. Realised gains and losses are shown in the statement of financial activities.

LIABILITY FOR RETURNING STAFF AND VOLUNTEERS

Provision is made in the financial statements for the outstanding cost to the parent charity of return air fares and grants accrued (pro rata to length of service) for all volunteers and expatriate staff in the field at the end of the financial year.

FOREIGN CURRENCIES

Foreign currency transactions are translated at the rates of exchange ruling at the dates of the transactions. Foreign currency balances, including balances in hyper-inflationary countries, are translated into sterling at the rates of exchange ruling at the balance sheet date.

Gains or losses resulting from conversion of foreign currencies have been dealt with in the statement of financial activities.

PENSION COSTS

The parent charity contributes to a defined contribution pension scheme administered by the Pensions Trust, an independent company. On 1 April 2005, the parent charity merged with British Executive Service Overseas (beso). The parent charity contributes to a group personal pension scheme administered by Prudential Plc on behalf of staff who were previously employed by beso. The pension costs represent the contributions payable by the parent charity to these schemes for the year.

OPERATING LEASES

Rentals are charged to the statement of financial activities as incurred.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

2. CHARITABLE ACTIVITIES

By goal:	Grants payable £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	Total costs £'000
Education	1,507	3,343	6,305	1,110	12,265
HIV and AIDS	1,009	2,282	4,742	735	8,768
Disability	631	1,176	2,621	394	4,822
Health	555	1,008	2,015	343	3,921
Secure livelihoods	763	1,917	3,957	638	7,275
Participation and governance	738	1,979	3,582	693	6,992
Total	5,203	11,705	23,222	3,913	44,043

Breakdown of apportioned support costs:	Facilities and purchasing £'000	Human resources £'000	Finance £'000	Information technology £'000	Total £'000
Education	417	164	230	299	1,110
HIV and AIDS	261	112	157	205	735
Disability	146	59	82	107	394
Health	129	51	71	92	343
Secure livelihoods	236	95	133	174	638
Participation and governance	262	102	143	186	693
Total	1,451	583	816	1,063	3,913

3. GOVERNANCE COSTS

	2009 £'000	2008 £'000
Chief executive's office	268	260
Board meetings	28	21
Internal and external audit	84	91
Diversity initiatives	7	50
Other federation governance activities	299	214
	686	636

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

4. NET INCOMING RESOURCES	2009	2008
	£'000	£'000
This is stated after charging:		
Depreciation:		
UK assets	292	324
Overseas assets	365	507
Auditors' remuneration:		
Audit of Voluntary Service Overseas	24	22
Audit of VSO Trading Limited	3	3
Loss on exchange rate movements	106	65
	<hr/>	<hr/>

5. TRUSTEES' REMUNERATION

The trustees received no remuneration during the year (2008: £Nil). Expenses reimbursed for activities undertaken on behalf of the charity were claimed by five trustees, amounting to £5,205 (2008: four trustees amounting to £3,830).

6. EMPLOYEE EMOLUMENTS	2009	2008
	£'000	£'000
Employee costs during the year:		
Wages and salaries	14,293	13,222
Social security costs	840	835
Other UK pension costs	285	291
Temporary staff	337	367
	<hr/>	<hr/>
	15,755	14,715
	<hr/>	<hr/>
Average number of persons employed		
UK	247	286
Overseas UK appointed	46	57
Locally appointed	414	412
	<hr/>	<hr/>
	707	755
	<hr/>	<hr/>

The number of staff whose emoluments fall into the following bands is:

	2009	2008
£60,001–£70,000	3	3
£70,001–£80,000	3	-
£80,001–£90,000	-	-
£90,001–£100,000	-	1
	<hr/>	<hr/>

Four of these staff are members of VSO's pension scheme. The pension costs payable on behalf of these staff members for the year were £21,441 (2008: £22,723). These were paid into a defined contribution money purchase scheme administered by the Pensions Trust.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

7. TANGIBLE FIXED ASSETS

Group and charity	Leasehold improvements £'000	Furniture, equipment, fixtures & fittings £'000	Computer equipment £'000	Assets held overseas £'000	Total £'000
Cost					
1 April 2008	1,872	1,180	1,284	1,470	5,806
Additions	8	27	94	365	494
Disposals	-	(17)	(76)	(55)	(148)
At 31 March 2009	1,880	1,190	1,302	1,780	6,152
Accumulated depreciation					
At 1 April 2008	1,024	1,149	1,070	1,470	4,713
Charge for the year	138	18	136	365	657
Disposals	-	(17)	(76)	(55)	(148)
At 31 March 2009	1,162	1,150	1,129	1,780	5,221
Net Book Value					
At 31 March 2009	718	40	173	-	931
At 31 March 2008	848	31	214	-	1,093

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

8. FIXED ASSET INVESTMENTS	2009 £'000	2008 £'000
Group and charity		
Market value at the beginning of the year	4,401	4,165
Additions and unrealised gains	159	236
	<hr/>	<hr/>
Market value at 31 March	4,560	4,401
	<hr/>	<hr/>
Market value at 31 March represents:		
HSBC Liquidity Plus Fund	2,240	2,201
Royal London Cash Management	2,320	2,200
	<hr/>	<hr/>
	4,560	4,401
	<hr/>	<hr/>

HSBC liquidity plus fund

VSO has purchased shares in the HSBC Liquidity Plus Fund. The fund is invested in a diversified portfolio of money market instruments including certificates of deposit, government bonds, treasury bills, Eurobonds and corporate bonds.

Royal London Cash Management Limited (RLCM)

Royal London Cash Management Limited provides an outsourced treasury management function for VSO. Funds are invested on VSO's behalf in call accounts and certificates of deposit issued by major UK and European banks.

VSO Trading Limited

The investment in VSO Trading Limited (see note 19) is held at a cost of £2 in the books of the parent charity.

9. DEBTORS	Group 2009 £'000	Group 2008 £'000	Charity 2009 £'000	Charity 2008 £'000
Due within one year				
Amounts due from VSO Trading Limited	-	-	-	601
Other debtors	2,431	1,413	2,431	1,413
Pre-payments	1,108	586	1,062	544
Accrued income	1,800	898	1,796	756
	<hr/>	<hr/>	<hr/>	<hr/>
	5,339	2,897	5,289	3,314
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 £'000	Group 2008 £'000	Charity 2009 £'000	Charity 2008 £'000
Liability for returning volunteers and expatriate staff	1,323	1,046	1,323	1,046
Liability for national staff end-of-service costs	85	93	85	93
Trade creditors	189	316	189	316
Accruals and deferred income	588	1,029	452	757
Taxation and social security	257	249	241	244
The Pensions Trust	45	51	45	51
Bank overdrafts	232	192	234	170
Other creditors	229	579	228	402
Amounts due to VSO Trading Limited	-	-	17	-
	<u>2,948</u>	<u>3,555</u>	<u>2,814</u>	<u>3,079</u>

During the year, VSO handled £61,798 (2008: £103,271) of conduit funds on behalf of two other charities that are beneficiaries, with VSO, of The Independent Appeal in 2008/9. These amounts are included above in other creditors.

Accruals and deferred income includes £Nil (2008: £356,451) of income deferred because the donor contracts commence on 1 April 2009.

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group and Charity 2009 £'000	Group and Charity 2008 £'000
Liability for returning volunteers and expatriate staff	1,173	1,062
Liability for national staff end-of-service costs	254	280
Liability for dilapidations on leased properties	318	76
	<u>1,745</u>	<u>1,418</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

12. RESTRICTED FUNDS – GROUP AND CHARITY

Restricted income funds <i>(where resources expended during the year were greater than £150,000)</i>	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Closing balance £'000
Teacher development centres – Malawi	17	266	233	50
HIV and AIDS programme – Papua New Guinea	-	197	197	-
Mainstreaming inclusive primary education – Cambodia	9	398	332	75
AstraZeneca-funded health programmes – South-East Asia and Uganda	226	500	523	203
Strengthening Nigeria's response to HIV and AIDS	62	253	303	12
Improved human rights for dalits and people with disabilities – Nepal	73	94	167	-
Empowering People with Disabilities – The Gambia	23	181	167	37
Malawi Health Programme	12	982	994	-
Regional Aids Initiative of Southern Africa (RAISA)	131	1,313	892	552
Support for realising the rights of disabled people – Rwanda	62	279	288	53
Promoting democratisation, rights and reconciliation among Burmese refugees in exile – Thailand	4	212	165	51
Disability programme – Namibia	-	235	235	-
CUSO Volunteer Co-operant programme – Various	-	761	761	-
International Learning Opportunities Programme for Public Service Managers in Wales – Various	41	180	160	61
Accenture Foundation-funded livelihoods programmes – Various	150	125	275	-
Youth exchange projects (Global Xchange)	159	1,779	1,587	351
Diaspora volunteering initiative	21	817	828	10
Other specific programme funds	1,789	6,938	5,889	2,838
	<u>2,779</u>	<u>15,510</u>	<u>13,996</u>	<u>4,293</u>

The restricted income funds comprise the unexpended balances of donations and grants held for specific purposes. It is anticipated that these funds will be expended within the coming year. Other specific programme funds include approximately 204 individual projects.

As at 31 March 2009, there were grant payable commitments amounting to £231,956 (2008: £Nil) in relation to the Diaspora volunteering initiative. These future commitments are fully covered by future donor funds.

13. DESIGNATED FUNDS

Fixed asset fund

The fixed asset fund represents the extent to which funds are invested in tangible fixed assets for use by the group. The decrease of £0.162 million in this fund to £0.931 million reflects the reduction in net book value of the group's tangible fixed assets during the year under review.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

14. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General fund £'000	Fixed asset fund £'000	Restricted funds £'000	Total funds £'000
Group				
Fund balances at 31 March 2009 are represented by:				
Tangible fixed assets	-	931	-	931
Fixed asset investments	4,560	-	-	4,560
Current assets	5,728	-	4,293	10,021
Current liabilities	(2,948)	-	-	(2,948)
Long-term liabilities	(1,745)	-	-	(1,745)
Total net assets	<u>5,595</u>	<u>931</u>	<u>4,293</u>	<u>10,819</u>

15. COMMITMENTS

As at 31 March 2009, the parent charity was committed to making the following non-charitable payments during the next financial year in respect of operating leases expiring:

	2009 £'000	2008 £'000
In the UK:		
Within five years	747	648
After more than five years	-	-
Overseas:		
Within five years	1,104	605
After more than five years	2	-
	<u>1,853</u>	<u>1,253</u>

16. RECONCILIATION OF NET INCOMING RESOURCES TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2009 £'000	2008 £'000
Group		
Net incoming resources	1,020	(321)
Depreciation	657	832
Profit on disposal of fixed assets	-	(9)
Investment income	(328)	(413)
(Increase)/decrease in debtors	(2,442)	207
(Decrease)/increase in creditors falling due within one year	(647)	384
Increase in creditors falling due after more than one year	327	153
Net cash (outflow)/inflow from operating activities	<u>(1,413)</u>	<u>833</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

17. RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET FUNDS	£'000
Decrease in cash in the year	(1,846)
Increase in short-term deposits in the year	191
	<hr/>
Movement in net funds in the year	(1,655)
Opening net funds	6,105
	<hr/>
Closing net funds	4,450
	<hr/>

18. ANALYSIS OF NET FUNDS

	At 1 April 2008 £'000	Cash flow £'000	At 31 March 2009 £'000
Cash at bank and in hand	3,379	(1,806)	1,573
Bank overdrafts	(192)	(40)	(232)
Short-term deposits	2,918	191	3,109
	<hr/>	<hr/>	<hr/>
Total	6,105	(1,655)	4,450
	<hr/>	<hr/>	<hr/>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

19. SUBSIDIARY COMPANIES

VSO TRADING LIMITED

VSO Trading Limited is wholly owned by Voluntary Service Overseas and is registered in England and Wales. As at 31 March 2008, the investment of Voluntary Service Overseas in VSO Trading Limited was £2 (2008: £2).

The principal activity of the subsidiary is to organise events for the purpose of raising funds for the parent charity. Profits made by the subsidiary are transferred by Gift Aid to the parent charity.

A summary of the results of VSO Trading Limited for the year is shown below. Full accounts will be filed with the Registrar of Companies.

	2009 £'000	2008 £'000
Profit and loss account		
Turnover	1,724	1,446
Other income	-	16
	<hr/>	<hr/>
Total costs	(1,200)	(850)
	<hr/>	<hr/>
Net profit	524	612
Gift Aid payable to Voluntary Service Overseas	(524)	(612)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	2009	2008
	£'000	£'000
Balance sheet		
Current assets	153	1,077
Creditors: amounts falling due within one year	(153)	(1,077)
	<hr/>	<hr/>
Net assets	-	-
	<hr/>	<hr/>
Capital and reserves		
Called up share capital	2	2
Profit and loss account	(2)	(2)
	<hr/>	<hr/>
Net assets	-	-
	<hr/>	<hr/>

The results of the company are stated after charging £517,894 (2008: £300,000) of expenditure recharged from VSO.

BRITISH EXECUTIVE SERVICE OVERSEAS (BESO)

Following the merger between the two organisations on 31 March 2005, all **beso**'s assets, liabilities and reserves were transferred to VSO on that date. VSO is the sole corporate member of **beso**, a company limited by guarantee. **beso** undertook no transactions in either or 2007/8 or 2008/9.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

20. PENSION COSTS

The charity contributes to a scheme available to all employees and other contribution schemes for certain employees. In 2008/9, the total cost of these contributions was £285,000 (2007/8: £291,000).

The scheme available to all staff is the Pension Trust's Growth Plan. This is a multi-employer pension plan and, in most respects, is a money purchase arrangement, although it does include certain guarantee elements as described below.

Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from normal retirement date. From October 2001, contributions were invested in personal funds that have a capital guarantee and that are converted to pension on retirement, either within the growth plan or by the purchase of an annuity. The capital is guaranteed through investing in short-term, high-quality securities and deposits.

The assets of the scheme are co-mingled for investment purposes and as a result, it is not possible to break down scheme assets by participating employer, and accordingly it is not possible to analyse the ongoing funding deficit by individual employer. Accordingly, due to the nature of the plan, the accounting charge for the year under Financial Reporting Standard 17 – *Retirement Benefits* (FRS 17), represents only the employer contribution payable. There is a contingent liability of £4.65 million (2008: £2 million) in the event that Voluntary Service Overseas was to withdraw its membership of the Pension Trust's Growth Plan.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2009

21. GRANTS FOR OPERATIONAL PROGRAMMES

VSO gratefully acknowledges receipt of the following amounts, included in the statement of financial activities under 'Grants and donations', which are required to be identified separately under the terms of the relevant agreement.

	£
From the Department for International Development:	
Core grant under Partnership Programme Agreement	28,800,000
Regional Aids Initiative of Southern Africa (RAISA)	350,000
Teacher development centres – Malawi	184,254
Health programme – Malawi	655,404
Strengthening Nigeria's response to HIV and AIDS	229,399
Support for realising the rights of disabled people – Rwanda	270,333
BESPOR Gambia Education Project	23,586
Research into teachers' and health workers' motivation – Mozambique	31,774
Diaspora volunteering initiative	434,737
Re-establishment of country programme – Sierra Leone	26,268
From the Big Lottery Fund:	
HIV and AIDS programme – Papua New Guinea	35,703
Improved human rights for dalits and people with disabilities – Nepal	88,934
Empowering People with Disabilities – The Gambia	177,340
Diaspora volunteering initiative	72,876
From the European Commission:	
Action for Building capacity, Learning together and Empowering disabled people – Guyana	131,698
Children with Disabilities Empowerment Programme – Kenya	141,314
Mainstreaming Inclusive Education – Cambodia	123,654
Education for All – Thailand	138,364
Strengthening Community Rights and Empowerment – Bangladesh	97,866
Addressing the exclusion of disabled people and people living with HIV and AIDS – India	132,414
Promoting democratisation, rights and reconciliation among Burmese refugees in exile – Thailand	138,100
Disability programme – Namibia	115,583
Support and developing rights-based mental health services – Sri Lanka	105,753
Support to non-state actors and community-based organisations – Vanuatu	30,871
From AusAid:	
Response HIV – Vanuatu	16,160
Building Capacity of all Health Service Providers – Vanuatu	219,648
HIV and AIDS programme – Papua New Guinea	96,123
From UK Sport:	
Youth in Action – Malawi	35,359
Community Sports Volunteers Project – South Africa	34,503
From Comic Relief and AS Hornby Educational Trust: Tackling Education Needs Inclusively – Ghana	564,058
From AstraZeneca Plc: Health goal champion	500,000
From Accenture Foundation: Livelihoods goal champion	190,148
From The World Bank (Japan Social Development Fund): Mainstreaming inclusive primary education – Cambodia	245,878
From British Airports Authority: Youth exchange project (Global Xchange)	158,200
From The Wood Family Trust: Youth exchange project (Global Xchange)	60,565

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VSO IS AN INTERNATIONAL DEVELOPMENT CHARITY
THAT WORKS THROUGH VOLUNTEERS

REGISTERED CHARITY NUMBERS:
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SCOTLAND SCO SC039117

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