

METHODIST RELIEF AND DEVELOPMENT FUND

Annual Report and Financial Statements

For the Year Ended 31 August 2009



Methodist Relief &
Development Fund

REGISTERED CHARITY NO. 291691

METHODIST RELIEF AND DEVELOPMENT FUND

Annual Report and Financial Statements

For the Year Ended 31 August 2009

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**METHODIST RELIEF & DEVELOPMENT FUND
REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009**

As trustees, we present our report for the year ended 31 August 2009 in accordance with the Charities Act 1993/2006 and the Statement of Recommended Practice (Accounting and Reporting by Charities) 2005, as follows:

1. REFERENCE AND ADMINISTRATIVE DETAILS

Charity Name:	Methodist Relief and Development Fund
Known as:	MRDF
Charity registration no:	291691
Registered office:	Methodist Church House 25 Marylebone Road, London NW1 5JR, UK
Website:	Details of MRDF's purpose, and all aims, activities and staff are available at www.mrdf.org.uk
Trustees:	Revd Caroline Ainger (until 16 Jul 2009) Ms Claire Boxall Mr John Cammack* (from 03 Nov 2008) Revd Peter Clark (until 30 Apr 2009) Mr Robert Dixon (until 30 Apr 2009) Mr Bala Gnanapragasam Revd Sonia Hicks Mr Richard Hide (until 29 Jan 2009) Mr John Hindson Ms Claire Holder (from 03 Nov 2008) Revd Kathleen Loughlin Prof David R Matthews (Chair)* Revd Eric Mustapha (from 03 Nov 2008) Mr Max Teare (Vice Chair)* Revd Graham Thompson (from 16 Jul 2009) Revd Mike Wilkinson (until 29 Jan 2009) Finance Management Group *
Management:	Ms Kirsty Smith* - Executive Director Ms Amanda Norman* - Supporter Relations Director (until 17 Dec 2008) Mr Simeon Mitchell* - Director of Fundraising, Marketing & Campaigning (from 09 Feb 2009) Mr David Fletcher* – Director of Finance and Operations (from 08 Jun 2009)
Auditor:	Baker Tilly UK Audit LLP, Statutory Auditor & Chartered Accountants Hartwell House, 55-61 Victoria Street, Bristol BS1 6AD
Bankers:	HSBC Bank Plc 4 - 8 Victoria Street, Westminster, London SW1H 0NJ
Custodian Trustees:	Trustees for Methodist Church Purposes Central Buildings, Oldham Street, Manchester M1 1JQ
Solicitors:	Pothecary & Barratt Talbot House, Talbot Court, Gracechurch Street, London EC3V 0BS
Investment Managers:	Central Finance Board of the Methodist Church 9 Bonhill Street, London EC2A 4PE

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2. FROM THE CHAIR OF THE TRUSTEES

Dear MRDF Supporter

We've had another year of extraordinary challenge, change and achievement. But with your generous help, despite the buffeting from the economic and financial storms, MRDF has continued to help those in some of the world's poorest countries. Thank you for your continuing invaluable support which has enabled us to maintain a broad outreach in sub-Saharan Africa, Asia and Latin America.

MRDF takes the biblical challenge for change as its prime commitment. It campaigns for justice and righteousness, and strives tirelessly for social, economic and health improvement among the most marginalised communities of the world. Recognising that development is far removed from simple largesse, the organisation has continued to focus successfully on sustainability and governance. Training farmers leads to better food, health improves, profits allow children to go to school, awareness-raising leads to less domestic violence, and women begin to transform their environment using micro-credit. So many individual stories have demonstrated how the concept of "small miracles" is not just a tag line, but a living and growing reality.

Climate change continues to be a huge worry. This year we have seen drought in Africa, devastating late monsoons in India and typhoons in East Asia. The very ground moves under our feet, with earthquakes and another appalling tsunami wreaking havoc in the Pacific. MRDF continues to contribute to these international aid efforts.

The greatest challenge of the year has, however, been sustainability in the face of the economic downturn. We feared that the recession would adversely affect MRDF income, but also the devaluation of the pound against many currencies meant our resources were stretched more tightly than ever. Notwithstanding these pressures, the staff team has continued its magnificent work, and we continue to administer more than £2million of relief and development aid.

So, thank you. MRDF continues to be grateful to the thousands of people who support us in our endeavour to increase the range of opportunities available to the most marginalised. Your support is vital. The miracles of change continue.

David Matthews
Chair of Trustees

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3 GOVERNANCE AND MANAGEMENT

The Methodist Relief & Development Fund (MRDF) is constituted by a trust deed and registered as a UK charity in 1985, regulated by the Charity Commission for England and Wales. The Fund's origins, however, go back to the Methodist Conference of 1946 when it was first set up with the mandate to promote the rights and opportunities of marginalised people, challenge injustice and fight poverty. The Methodist Conference of 2008 adopted an International Relief and Development policy which seeks to enable the Church to work for maximum impact in ways that draw on Methodism's strengths, values and emphases, while encouraging Methodist people to support the work and campaigns of MRDF and Christian Aid as the principal relief and development agencies of the Methodist Church. A Memorandum of Understanding between these bodies and the Methodist Church will seek to ensure that their approaches are complementary. At the same time, MRDF's Trust Deed was updated and MRDF's status recognised as a separate charity (and not as a restricted fund). Day-to-day management of the charity is in the hands of the Executive Director, Kirsty Smith, and a team of staff who, since September 2008, have been solely employed by the Board of Trustees. The focus of the organisation's work and its close ties with the Methodist Church family remain unchanged, with the trustees still governed by the Methodist Council, but the autonomy makes operational issues more straightforward, enabling MRDF to focus more resources on its partners and their work.

The charity is governed by a board of trustees, which meets four times each year. The trustees collectively oversee the work of the charity, setting its strategic direction, setting and reviewing policies, agreeing annual plans and resource allocation and monitoring progress through regular reporting by the management team. Appointments to the board are approved by the Methodist Council on the recommendations of the existing board, following a selection process that involves a skills audit, advertisement for trustees with the appropriate skills and expertise, and short listing by a subcommittee of the board. Appointments are normally for a six-year period.

All new trustees undergo induction to familiarise themselves with the aims and work of the charity, and to ensure they understand fully their responsibilities as board members and the organisational expectations in terms of their commitment. As part of the induction programme, trustees are provided with constitutional, governance, financial and organisational documentation. Trustees also receive regular correspondence and are made aware of relevant events and training opportunities when they arise. We are grateful to the five trustees who stepped down during the year. Thanks go to Revd Caroline Ainger, Revd Peter Clark, Mr Robert Dixon, Mr Richard Hide and Revd Mike Wilkinson for the advice, time and commitment they have given to MRDF during their tenure on the Board. We welcomed Mr John Cammack, Ms Claire Holder and Revd Graham Thompson as new trustees, and Deacon Myrtle Poxon as Methodist Council appointed advisor to the Board.

The Finance Management Group is a subcommittee of the board, comprising the Chair, Vice-Chair and at least one other trustee. It meets on a needs basis with the directorate to monitor budgets and attend to any other matters referred to it by the trustees.

Connected charities

As the name suggests, the Methodist Relief and Development Fund is part of the Methodist Church in Great Britain family. Full details of transactions with the Methodist Council and other Methodist bodies and any outstanding balances at the year-end are provided under Note 19 to the financial statements.

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Risk management

The trustees continue to review the significant financial, legal and operational risks to which the charity is exposed and are satisfied that appropriate systems are in place to monitor these risks and to mitigate any impact they may have on the charity. At the same time, it is recognised that the risk assessment strategy needs to be regularly revisited and the trustees have agreed to review the risk register regularly.

4 OBJECTIVES AND ACTIVITIES

MRDF's vision is a world where people living in marginalised communities have the resources, opportunities and skills to take control of their own development, and to challenge unjust structures. MRDF's mission is to bring about significant and long-term change in some of the world's most marginalised communities, and to empower people to change structures that are oppressive and unjust.

To fulfil this charge, MRDF has continued throughout this year to focus on 4 main priorities, carried out for the public benefit:

4.1) Supporting life-changing long-term development initiatives

MRDF believes this to be the most effective way of achieving sustainable change, and has prioritised 23 of the world's poorest countries in which to work with partners. Their projects encompass a range of activities, most notably:

1. sustainable agriculture
2. health
3. water and sanitation
4. education
5. income generation and micro-credit

(please see website for further details).

4.2) Increasing the effectiveness of local partners

MRDF does not directly implement any projects, but provides financial and technical support to local partners who have the experience and expertise to determine priorities and appropriate responses for their area. These projects have more chance of making a sustained impact if they are managed by organisations that know the local challenges and context intimately.

4.3) Providing rapid disaster relief, in particular to those areas where our long-term partners are working, and to 'forgotten emergencies' (those not well publicised)

MRDF recognises that although long-term change at structural and community level is our primary goal, emergency situations continue to need to be met. While MRDF does respond to high profile disasters (often through Action by Churches Together, ACT, or Methodist Churches overseas), we believe that we can make the most impact by working through our local partners, and especially by responding to emergencies that are less well publicised and which therefore attract less support.

4.4) seeking to influence decision-makers by challenging injustice at a structural level, both in our target countries and in the UK

MRDF is seeking to move towards a more rights-based approach and therefore seeks to ensure partners overseas consider advocacy as an integral part of their project work.

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In the UK, MRDF works in partnership with larger or more specialist agencies to provide our supporters with resources and opportunities for action, focusing our efforts on Methodist church congregations and Methodist-connected primary and secondary schools.

MRDF provides grants to campaigning organisations in the UK which are tackling issues of injustice most relevant to our overseas partners. In addition, MRDF works on joint educational and campaigning initiatives with specialist organisations able to provide expertise, personnel and resources.

MRDF works within a framework of our core values which are informed by the example of Christ, who, though he was rich, became poor for our sake (2 Cor. 8.9). So we seek to:

1. Be alongside, rather than in control
2. Respect, empower, enable and learn from those with whom we work, representing them accurately and with dignity
3. Seek to ensure best practice in the assessment, delivery and evaluation of grant aid, in advocacy and fundraising and in personnel management
4. Optimise economy, minimising administration and fundraising costs and conserving the world's resources
5. Be driven by efficiency (working strategically and avoiding duplication, recognising that we cannot do it all) and effectiveness (achieving outcomes that result in real and durable change)
6. Be approachable, transparent and accountable to supporters, to partner organisations and to communities with whom we work
7. Explore and develop mutually beneficial partnerships where possible, recognising that this enriches our learning and increases our impact
8. Encourage networking and the sharing of good practice both overseas and in the UK
9. Provide a professional, dynamic and learning environment for staff and partners
10. Be both compassionate and inspirational.

Public benefit

In setting its programmes each year, MRDF has regard to both the Charity Commission's general guidance on public benefit and prevention and relief of poverty for the public benefit. The trustees always ensure that the programmes undertaken are in line with MRDF's charitable objects and aims.

5. ACHIEVEMENTS AND PERFORMANCE

5.1. Development – supporting long-term development initiatives which contribute to the alleviation of poverty

Last year, MRDF reached out to a total of 20,675 women, 15,099 men and 11,774 children in its effort to support marginalised communities in realising their rights. It funded a total of 46 interventions in 21 of the following world's poorest countries:

Sub-Saharan Africa

East Africa: Ethiopia, Kenya, Tanzania, and Uganda

West Africa: Cameroon, Gambia, Ghana, Liberia, Mali, Niger, and Togo

Southern Africa: Malawi, Mozambique and Zambia

Asia: Bangladesh, Cambodia, India and Nepal

Latin America: Bolivia, El Salvador and Guatemala.

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The key programmatic achievements in the reporting period were:

a) Shift towards Rights-based Approach: In line with the latest development thinking and in an attempt to bring about sustainable social change, MRDF continued to strengthen its focus on projects based on a Rights Based Approach (RBA). RBA sees development as the realisation of human rights for all, and focuses on increasing the capacity of both right holders and duty bearers.

The specific activities undertaken to achieve this objective were: a) the August '09 issue of MRDF's capacity-building newsletter Strength to Strength for partners was on the theme of RBA b) the August '09 Strategic Planning Review identified RBA as a cross-cutting theme for all future development partnerships c) MRDF secured DFID CSCF funding for a project entitled 'Realising rights of the elderly in rural Cameroon' starting in August '09 d) MRDF has submitted the final application to DFID for a project titled 'Promotion, protection and realisation of Dalit Human Rights in rural Andhra Pradesh' e) 7 partners were provided training on the topic of Rights-based approach by MRDF Programme Officers

b) Responsible exit from Gambia and Liberia: Exit grants were provided to partners in Gambia and Liberia in preparation for a responsible exit from these countries; in the case of Gambia the exit was a planned one in adherence to our Country Identification Strategy¹, whereas in the case of Liberia it was prompted by a lack of available funding to build a broader programme. The focus of these grants was to build partner capacity so that they are able to diversify their donor base and gain organisational sustainability.

c) Strengthening Southern Africa programme: In line with the findings of the MRDF Country Identification Strategy, renewed effort was directed towards strengthening the programme in Southern Africa. MRDF now has 3 regular partnerships in Malawi and 2 regular partnerships each in Zambia and Mozambique.

d) Articulating and documenting MRDF Programme strategy papers: In an attempt to enhance the programmatic quality of MRDF's overseas partnerships, the programmes team has drafted Policy papers on MRDF's strategy on the following subjects: i) identification of new partners ii) effective financial reporting and monitoring iii) capacity building iv) impact assessment v) MRDF's exit from partnerships and vi) setting up rigorous financial systems and controls.

e) Revision of Partnership Agreements: MRDF programmes team also finalised revised agreements for long-term partners that contained clear guidelines for long-term partners on subjects like financial management, reporting requirements and organisational management.

In addition to the efforts undertaken to strengthen the MRDF Programme strategy listed above, we continued working on thematic areas that emerged as the felt needs of the community in some of the most resource-poor settings. The areas of intervention included:

i) Sustainable Agriculture:

A total of 6,193 farmers were supported with training and farm inputs through our partners in Kenya, Ethiopia, Uganda, El Salvador, Guatemala, Malawi, Mozambique, Zambia, Cameroon, Gambia, and Togo.

¹ The MRDF Country Identification Strategy paper provides a framework for identifying MRDF target countries based on their Human Development Index (HDI) status, MRDF staff capacity, fund availability and country transparency quotient.

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Farmers reported improvement in nutritional intake and health awareness, increased enrolment of children in schools and employment opportunities, and reduced incidence of domestic violence, as the direct and indirect outcomes of the income and food security gained through farming-support interventions.

All MRDF-supported projects on agriculture promoted group farm-management practices by setting up farmers' groups/cooperatives. Cooperative farming enabled groups to access high-value agricultural inputs like tractors, high-yielding varieties of seed and high-value marketing channels, in addition to a lessening of the work-load and strengthening of community networks.

In a country where over 70% of the population is still considered to be poor and a significant section of the population still relies on agriculture as their chief source of livelihood, almost all districts of Mozambique have reported reduced access to water and lower agricultural yields, thus creating a real threat of food insecurity. With large numbers of people already malnourished, even small reductions in food supply can have devastating social effects. APDCOMA, our partner in Mozambique supported farmers in preparing themselves to face extremes of weather through a range of measures, including: water harvesting, infiltration pits, granaries, drought tolerant crops, organic and mineral manuring, collective farm management practices through setting up of cooperatives, commercialisation of farm produce, inter-cropping and rotational cropping. These methods have enabled 329 farmers to gain greater food and income stability, thereby building ecological resilience to climatic extremes. Registration of cooperatives also has the big advantage of guaranteeing land use rights for the smallholders. The sudden acquisition of large tracts of land by private national/foreign companies in rural areas is not new to rural Mozambique, and the establishment of cooperatives with all the legal land-deed agreements in place ensures that the right to land is retained by the small-holders, thereby diffusing the risk of being cheated by companies wanting to set-up factories or commercial farming ventures.

"Now I don't have to ask my kids to go to sleep hungry and, in fact, can eat with them too!"
Geraldina Semoy, APDCOMA Farmers' Cooperative, Mozambique

ii) Health

The World Health Organisation says building stronger health systems is the key to reaching the Health Millennium Development goals. On several occasions in the past, health drives have focused on a single preventable disease, leading to an over-allocation of resources to one problem. This vertical approach's failure to improve public health standards reflects the need to focus on general health services. WHO warns that without rapid progress in developing health systems, large numbers of people will continue to succumb to preventable diseases every year.² MRDF has therefore funded a total of 9 projects in Nepal, Guatemala, Mali, Togo, Malawi and Zambia, with an aim to support and strengthen state capacity to provide basic health services for marginalised communities, in particular for women, children and People Living with HIV/AIDS (PLWHAs). Partners report that they have been able to reach out to 3,776 mothers and 3,084 children with their reproductive and child health services. In addition, partners have provided 556 PLWHAs with psychosocial support and counselling, referral facilities, training on positive living, income generation support and so on. Another 2,763 young people have participated in campaigns to promote safer sex practices; they have also been encouraged to undertake voluntary counselling and testing services.

² WHO: Most Poor Countries Will Not Meet Health Development Goal, 2009

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Partners report improved immunisation rates, better pre and post natal care, higher nutritional intake, better hygiene practices and greater regularity in medicinal intake within the community as a result of these interventions. In addition, beneficiaries report that the staff at primary health centres are present more often at their stations; they also have regular stocks of condoms/ free medicines/ oral dehydration solution as a result of the advocacy work undertaken by the community for improving health services.

One of the most innovative projects MRDF is supporting in the field of health focuses on the issue of Uterine Prolapse (UP) in Nepal. UP is a serious sexual and reproductive health problem with implications for the psychosocial well-being of the women suffering from it due to the stigma attached to the illness. 1 out of every 10 women in the Himalayan terrain report that they suffer from Uterine Prolapse due to a number of reasons including early marriage and repeated childbearing, inadequate food intake, huge physical workload, and little or no care/rest during the post-natal period³. It is in this context that MRDF has supported the Interdependent Society Surkhet (ISS) in its Uterine Prolapse Reduction Programme which reached out to over 215 women in Surkhet district. ISS' approach to the project has been extremely comprehensive, and has had a sustainable impact as it couples medical treatment/surgery with awareness-raising campaigns about the root causes of the problem. The project also works very closely with the government health apparatus – training is provided, for example, to staff at the health stations on the issue of surgical treatment for women suffering from UP. The project also provides alternate income generation options for single and elderly women who have undergone operations and lack the capacity to undertake heavy manual labour. These women confirm that, in the absence of support from ISS, they would have been left without any income to meet their family needs, and would have had to go back to heavy manual work to make a living, which would lead to a relapse.

“There aren't any organisations that bother to come to our village – our village doesn't have roads and you have to walk long hours before you can reach here from the nearest bus stand. ISS helped me get operated on for the prolapse, and I have got another chance at life after this operation. I feel normal again. I am now able to do all the household work without the pain and the bleeding that I earlier suffered due to the prolapse.”

Sushila Kshetri, Recipient of Uterine Prolapse surgical treatment, Surkhet, Nepal

iii) Water and Sanitation

In several countries in South Asia and sub-Saharan Africa, the groundwater level has dropped below 200 metres. As is the case with most calamities within patriarchal societies, this has had the most detrimental effect on women, who are usually responsible for water collection and storage. In many of these regions it was common practice for women to trek several miles to fetch water or to wash clothes. MRDF has been able to reach out to 7,601 community members in Uganda, Malawi and India to ensure access to sufficient quantities of safe water, better sanitary provision, and greater awareness about sound hygienic behaviour. Partners in these regions have been able to set up a total of 469 water supply systems and 518 toilets. In addition, a total of 17 rain-water harvesting structures were set up and communities were encouraged to direct sewage water from bathrooms to kitchen gardens, and sewerage from latrines to compost-pits.

MRDF supported VAD (Voluntary Action for Development) for its integrated water, hygiene and sanitation projects in the Wakiso sub-district in Central Uganda. The partner has been able to set up 113 water facilities, 6 communal latrines for schools, and 165 twin-pit latrines of different technologies used by 3,289 households.

³ Uterine Prolapse in rural Nepal: gender and human rights implications. A mandate for development, Culture, Health and Sexuality 2002, Vol 4, No 3, pp 281 – 296.

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In addition, 6 rain water-harvesting tanks were provided to schools in an attempt to recharge ground water levels. At the construction stage, beneficiaries were trained as masons to ensure a ready pool of skills for future repair and reconstruction work. Data from the Primary Health Centre suggests that the incidence of water-borne diseases like diarrhoea has gone down by 56% over a period of 3 years.

"I first heard about VAD through the leaders in my community. I received some training on water, hygiene and sanitation and because I am a widow caring for 5 grandchildren I was given a new latrine. My old one was made from logs which had been attacked by termites and it was very dangerous, especially for the children. The new one is made from cement and is safe and easy to clean."

Teresa Namatovu, Beneficiary, VAD

iv) Education

Based on MRDF's past experience of working with marginalised groups, we recognise the very positive impact of basic literacy and numeracy on an individual's ability to secure a decent livelihood. Accordingly, MRDF supported basic literacy programmes for a total of 1,866 marginalised individuals from groups like the indigenous communities of Maasais in Kenya and the Internally Displaced Persons (IDPs) in Nepal. Functional literacy programmes ensure that the education received has a strong social content and relevance for beneficiaries; it is a more holistic system of education where basic literacy is not the only focus. As a result of these programmes members have also become more confident in travelling on their own, in negotiating fair prices for their produce, in developing financial discipline while maintaining their family budget, and in negotiating group and family situations.

MRDF supported the 'Association Malienne pour la Promotion des Entreprises Féminines' (AMAPEF) in a non-formal education and micro-finance project which reached out to thousands of women in Western Mali. Women in this area have traditionally been excluded from economic activities, being forced to work for landlords in a prolonged attempt to repay crippling debts. The project supported adult education centres which provided basic literacy and numeracy skills, and established village-level savings groups and credit unions that allowed women to gain economic independence. Women were thereby better able to represent their own interests and have a stronger say in household decisions, to become active members of village committees and ensure they had the means to feed and school their children. AMAPEF understands that true empowerment for women will only come as a result of working with all members of a community. With this in mind, the project worked with existing village power structures, considering men important actors in the social change process which enables women to claim their rights.

"Learning to read, write and count will allow me to be protected from those who in business want to take advantage of me."

Fanta Kante, Sounty Community

v) Income generation

In sub-Saharan Africa and Southern Asia, the rate of poverty is expected to increase further in some of the more vulnerable and low-growth economies.⁴ MRDF has therefore continued to focus on strategies aiming to generate income security for resource-poor communities.

⁴ The Millennium Development Goals Report, 2009, United Nations

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Our partners have used a range of strategies towards achieving this end, including micro-credit support, vocational training, marketing support, livestock loan schemes and Self Help Groups/ Cooperatives or other forms of group enterprises. MRDF supported a total of 14 income generation projects in 12 of the poorest countries in Africa and South Asia, thereby generating an average of 62% increase in household income for over 7000 families.

Reports from partners suggest that formal credit channels are overly conservative in their risk assessment procedures, and therefore micro-credit assistance has gone a long way in enhancing the income flow for poor households.

Most of these income generation initiatives have focused on women, since it is widely recognised that women face the greatest difficulty in accessing dignified sources of income. This has led to the unintended benefit of increase in sense of self-worth amongst women.

MRDF's partner GADA is supporting rural women in Ethiopia in their efforts to improve their livelihood through the provision of small loans and training in business skills. Over the past year 560 women have formed 28 Self Help Groups (SHGs) and each group has received money to use as loans for group members. The women were previously being exploited by local moneylenders, who were demanding very high interest rates, but now the loans are low interest and all profits go back to the group to provide further loans. The women are using the loans to engage in income generating activities such as *injera* (bread) making, vegetable growing and sheep fattening. This intervention has proven that it is possible to use a collectivist ethos and group solidarity to maximise the availability of non-exploitative loans for people with limited credit-worthiness by conventional standards. It also leads to larger profits as the group as a whole gains from economies of scale and group negotiation powers.

"I bought chickens with the loan I received and now I sell the eggs. With the money I made from selling eggs I have been able to buy clothes and school books. This has really helped my family as without this I would have been forced to pay back more than I had borrowed from a traditional moneylender."

Mamitu Gabissa, Self Help Group Member, Ethiopia

Challenges

MRDF has also experienced challenges that have threatened to delay or reverse the realisation of our objectives. Some of the key challenges faced during the reporting period were:

i) Climate Change

Partners have reported interruption to project work due to more frequent disasters which are beyond the coping strategies of communities.

In January 2009, our partner in Zambia reported crops being totally destroyed by the floods that started in November. Annual rainfall in Zambia has increased from 900 mm to 1,300 mm, thereby disrupting cropping patterns that have endured over generations.

In August 2009, our partner in Andhra Pradesh working on food security for Dalits reported the failure of the South west Monsoon in this eastern coastal state of India. The state has seen a total of 165 mm of rainfall as against the normal 865 mm by Mid-August as a result of the monsoon.

Similar reports have been received from partners in El Salvador, Guatemala, Mozambique, Ethiopia and Togo.

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ii) Political instability and reduced democratic space for the civil society

As a result of an increasing trend within various countries of the global south to pass legislations that limit the democratic space available for the civil society, many MRDF partner organisations have reported reduced capacity to advocate for policy-level changes. Also, political instability in countries has led to delay in realising planned project activities, for example:

- Our humanitarian partner in Sri Lanka was unable to undertake project activities till March 2009 due to the army action against Tamil groups.
- Our partner in Bangladesh had to delay its Strategic Planning exercise due to the mutiny by the Bangladeshi Rifles in February 2009.
- Our partner in Orissa (India) was forced to suspend project activities temporarily and had to support beneficiaries in making make-shift camps when extremist Hindu right-wing groups burnt down four churches and attacked several Christian villages in Rayagada district in September 2008.
- Our partner in Ethiopia reported being unable to undertake any human-rights or advocacy work due to new legislation passed by the Ethiopian parliament which does not permit NGOs receiving more than 10% of their income from foreign sources to undertake any advocacy, human-rights, peace-building or conflict-resolution work.

iii) Global financial recession

The global economic crisis had two significant direct impacts on MRDF's work this year. First, the fall in value of sterling meant that the costs of fulfilling existing grant commitments, which were made in local currencies, increased by up to 30%. Secondly, like many charities, MRDF experienced a fall in voluntary income in the autumn of 2008. While additional fundraising efforts in the second half of the year helped to meet the budgetary shortfall, MRDF was unable to upscale any of its existing partnerships during the year.

5.2. Development – increasing the effectiveness of local partners through capacity-building support

Over the past several years it has become increasingly evident that increasing the capacity of local systems and structures is central to the quest for sustainable development. Instead of being regarded as merely a component or a by-product, capacity building of local partners has therefore become the principal priority for all MRDF partnerships. In order to help partners in strengthening their systems/structures/policies/practices, MRDF has focused capacity building support in several areas, including Governance, Strategic Planning, Financial Management, Human Resources Management, Office Administration and Fundraising. The specific ways in which MRDF directed capacity building support to partners during the reporting period included the following:

- MRDF devised specific guidelines for effective organisational governance, financial management and donor reporting.
- SAFAPO, a new partner in Malawi, visited COPRED which is a long-term partner to learn from their advanced systems of financial management, governance, publicity and campaign.
- Audit exercises were commissioned for PRTC (Cameroon), J&D (Mali), SMART (Kenya), IPES (El Salvador) with the purpose of strengthening their financial probity.
- A Strategic Planning exercise was co-ordinated for CSKS (Bangladesh) with the objective of enabling the partner to design a road-map for gaining organisational sustainability and for developing a rights-based approach to project work. Training in Child Protection was also provided to the partner for ensuring a strengthened understanding and implementation of best practice strategies for dealing with cases of child abuse, exploitation, violence and trauma.

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- MRDF's Programme Officers offered training to over 19 different partners in programmatic areas such as Project Cycle Management, Participatory Monitoring and Evaluation, Rights Based Approach, Advocacy and organisational development areas like Fundraising, Human Resource Management and Financial Management.
- In an attempt to strengthen and upscale existing partnerships, MRDF worked with 14 of our partners to submit 18 joint funding bids to external donors – out of these 8 were successful and the organisation is yet to hear about the outcome of 5 applications.

5.3. Development – Strengthening downward accountability and building meaningful partnerships

MRDF realises that its commitment to learn and grow as an organisation is central to any future plan or strategy. We also recognise that there is much to learn through our partnerships all over the world, and that these partnerships should not just involve a one-way transfer of knowledge or resources (intellectual or financial), which is profoundly unbalanced and undermines the dignity of our partners. We have therefore institutionalised various ways in which MRDF can learn from partners' values, perceptions, analyses, concerns and aspirations. The specific ways in which we have tried to do this include the following:

- Partners fill in a confidential Visit Evaluation Form after the visit of the relevant Programme Officer. Similar forms have also been designed for seeking partner feedback on visits co-ordinated by MRDF but conducted by external trainers/ auditors/ evaluators. These forms offer the opportunity to feed back on the visitor's approachability, behaviour, training content, methodology, logistical support, punctuality and so on, in an anonymous manner.
- Partners also fill in Annual Impact Evaluation Sheets which capture qualitative and quantitative details about the capacity building support received, details on direct and indirect project impacts, and any specific suggestions for enhancing the quality of partnership.
- Partners receive copies of MRDF's Annual Review to ensure that they are informed about MRDF's funding distribution across regions and thematic areas.
- We proactively seek inputs from partners for MRDF's Capacity building newsletter for partners, entitled Strength to Strength. Every issue of this newsletter features partner case studies for promoting south to south learning. Future topics for this newsletter are also proposed by partners based on self-identified capacity gaps.

5.4. Humanitarian crises – providing disaster relief

MRDF responds to emergency situations that have been caused by natural disasters, conflict, or political instability all over the world. It recognises the importance of responding to 'forgotten emergencies,' which are no longer in the media headlines but still require ongoing support. This year we have continued to provide emergency funds to SUNARMA, an MRDF partner based in Ethiopia, to give emergency seed supplies to farmers in order to combat the large-scale malnutrition and hunger caused by heavy rainfall in the north of the country during early 2008. Our partnership with the Methodist Church of Sri Lanka this year has focused on supporting displaced populations from the Tsunami of 2004 in rebuilding their lives through job training, building of homes, and income generation activities.

MRDF primarily responds to emergency situations through Action by Churches Together (ACT) International. This year we have worked through ACT in 11 different countries, funding well-known measures such as relief for the displaced in the Democratic Republic of the Congo (DRC), but also less-publicised efforts like assistance to returnees in Burundi. We have been encouraged by the response from our supporters to our special appeals for combating emergency situations in Zimbabwe, the Democratic Republic of Congo and Pakistan.

METHODIST RELIEF & DEVELOPMENT FUND REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009

The £50,000 raised for Zimbabwe has contributed to the ongoing ACT programme aimed at improving food security and water supply/sanitation for over 47,000 people. MRDF is also supporting an appeal through the Methodist Church that that will provide emergency assistance and counselling to those affected by the Sri Lankan conflict which culminated in mass displacement and high numbers of casualties in May this year.

The Emergency Strategy implemented this year provides a comprehensive set of guidelines for handling partnerships during major disasters and is vital in enabling MRDF to react effectively in the event of any future emergency.

This paper combines experiences and lessons learned, particularly the ones acquired during the Tsunami relief and rehabilitation programme.

5.5. Advocacy and Education – seeking to influence decision-makers by challenging injustice at a structural level in our target countries and in the UK

With an increasing shift towards the Rights Based Approach, MRDF has also strengthened its efforts towards building partner capacity to raise the issues upon which their work is focused at local, regional and national levels. This was done by providing advocacy training to partners, by funding awareness-raising, lobbying and campaigning components of projects, and by supporting partners in accessing regional networks and forums so as to strengthen the impact of their advocacy work. We believe that such processes will promote internal debate and questioning of policies which will bring about sustainable social change.

The specific activities undertaken in this regard included:

- MRDF's partner Permaculture Institute of El Salvador (IPES) mobilised a community-led advocacy campaign to seek state commitment for discouraging the use of chemical fertilisers and promote organic farming. Community members recognise the urgency for state action on this, and are contesting elections at council level in an attempt to influence state decisions in this direction.
- Our partner ADAC in Mali worked through Village Development Committees in an attempt to influence them to earmark a minimum of 7% tax revenue for setting up and strengthening health services.
- READ (India) sought state commitment for a lift irrigation project for Dalits in the region. This region has had no state-sponsored development schemes so far.
- RAIDS (India) organised a public hearing session where local and state-level officials had to respond to public queries about inadequacies and corruption in the public distribution system.
- The September '08 issue of Strength-to-Strength, our capacity building newsletter, focused on Advocacy.

Focusing on the key challenges facing our partners overseas, MRDF also undertook advocacy and education in the UK, seeking to help supporters and churches to develop a critical understanding of the causes of poverty and take positive action in the pursuit of justice. In 2008/09 we achieved this in two principal ways:

i) Resourcing church groups and individuals

Study pack on changing the world

4,500 copies of MRDF's six-week group study guide, 'What does the Bible say about Changing the World?' were distributed free-of-charge to groups and churches. Using stories of everyday heroes from the Bible and from MRDF's work, it aimed to inspire people to make a difference in the lives of some of the world's poorest communities.

METHODIST RELIEF & DEVELOPMENT FUND REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009

The study pack was supported by a partnership with Premier Christian Radio, which featured MRDF guests on its Sunday Breakfast programme every week during Lent. Six programmes were also produced for download from its website, featuring interviews with MRDF partners and sermons by Revd Stephen Poxon, President of the Methodist Conference 2008-09.

"The topics made us think together and provoked discussion."

Comment from user of 2009 study pack

Harvest resource on reclaiming land

MRDF's harvest resource pack for churches, 'Reclaim Harvest', highlighted the work being carried out by MRDF's partner in the highlands of Ethiopia to protect natural resources and improve the livelihoods of vulnerable farming communities. Activity and worship ideas enabled people of all ages to learn more about our work and to support MRDF in various ways.

"It was the easiest Harvest I have ever done – thank you!"

Feedback from minister

Make Your Mark conferences

MRDF organised five one-day conferences around the UK which aimed at deepening understanding of development issues and at equipping supporters to take positive action for change. These meetings attracted more than twice the number of attendees than similar events in 2008.

"An excellent day: informative, interactive and informed"

Attendee at Make Your Mark conference, May 2009

Work in Methodist and Ecumenical Schools

World AIMS, MRDF's joint initiative with Methodist Colleges and Schools, continued to act as a catalyst for developing the idea of global citizenship in the 70+ Methodist Foundation Schools in England and Wales across the state and independent sectors. Schools were involved in a range of educational, fundraising and campaigning activities which raised awareness, challenged attitudes, and provided opportunities to take action both locally and globally. Sixth Form students and teachers from Shebbear College and Rydal Penrhos School were able to experience development first hand during a visit to MRDF's partners in Uganda.

ii) UK Grants to development education and campaigning organisations

As a small charity, MRDF realises that its impact on the campaigning front will be increased by working in partnership with other organisations. In 2008/9 we made grants totalling £46,000 to support development education and campaigning work, carried out by expert partners, in the UK. Key achievements include the following:

- **Jubilee Scotland** advocated for the cancellation of illegitimate debt, targeting Scottish MPs and Whitehall departments.
- **World Development Movement** and **Trade Justice Movement** lobbied Baroness Ashton to stop unfair trade deals with Africa, Asia and Latin America. She received 4,500 action cards and 1,500 emails.
- **Jubilee Debt Campaign** worked with schools and congregations to develop champions for the cancellation of unpayable debt, to build public pressure for action on 'vulture funds' and to create an International Debt Tribunal.
- **RugMark UK** challenged child labour by securing the commitment of several major retailers to RugMark standards.
- **Eco-Congregation** supported churches in reducing their environmental impact; over 40 Methodist churches have now received the award.

METHODIST RELIEF & DEVELOPMENT FUND REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009

- **Labour behind the Label** highlighted conditions in the clothing industry through media work, parliamentary work, research and speaker tours. Over 90 MPs supported its call for the rights of workers producing merchandise for the London Olympics to be respected.
- **SPEAK Network** raised awareness of unfair trade systems through their 'Big Dress' campaign, and helped local student groups to call on European Parliamentary candidates to support new legislation on corporate social responsibility.

The recession caused uncertainty regarding secure future financing, no new UK partnerships were begun in 2008/9.

In the run-up to the G20 Summit in London in April 2009, MRDF also worked alongside its partner organisations as part of the Put People First coalition, calling on world leaders to tackle climate change and economic injustice as they responded to the global financial crisis.

6) FINANCIAL REVIEW

We are again grateful to our supporters and institutional funders, whose generosity meant that in a challenging economic climate, total income increased by over 3.2% to £2,034k (2008: £1,970k).

Unrestricted income increased by 1.4% to £1,302k (2008: £1,284k). General unrestricted donations decreased slightly by 1.4% to £1,028k (2008: £1,042k) but legacy income increased by over 13% to £274k (2008: £242k).

Restricted income increased by nearly 13% to £630k (2008: £558k). Restricted income for development projects increased by nearly 60% to £531k (2008: £332k), reflecting an increased level of institutional funding for specific projects, while restricted income for humanitarian projects decreased by 55% to £99k (2008: £220k) as a result of the reduction in major humanitarian appeals during the year.

Investment and other income reduced by over 20% at £102k (2008: £129k), reflecting the difficult economic climate and reduction in interest rates.

Methodist individuals and institutions remain our primary source of regular income, and we are most grateful to the Irish Methodist World Development and Relief Committee, to St Peter's Methodist Church, Canterbury, to the Trustees for Methodist Church Purposes, to Notting Hill Methodist Church, to the Ridge Methodist Church, Marple, to the Methodist Chapel Aid Association, to Romiley Methodist Circuit and to Trinity Methodist Church, Woking, for their substantial and ongoing support.

Essential and much appreciated continued funding was received from Comic Relief for work with street children in Dhaka. Much welcome support was also received from the Isle of Man Overseas Aid Committee, the Guernsey Overseas Aid Committee, the Big Lottery Fund, the Alison and Christopher Butler Foundation, the Grimmit Trust and the Donald Forrester Trust, as well as from an anonymous corporate donor.

Total expenditure increased by 16.4% to £1,927k (2008: £1,656k) and expenditure on charitable activities increased by 18.1% to £1,741k (2008: 1,474k). This major increase in cost is due mainly to the effect of the prior year adjustment (see note 21).

The amount of money spent on fundraising represented 5.8% (2008: 5.9%) of total income, which compares well with similar organizations. Governance costs represent 3.5% (2008: 4.0%) of total expenditure.

**METHODIST RELIEF & DEVELOPMENT FUND
REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009**

The charity's subsidiary, T Beckett (Saddler) Ltd continued to perform well. Income, which comprises rental and interest income, decreased by 3.7% to £65,287 (2008: £67,804), while expenditure dropped by 8.2% to £9,941 (2008: £10,824). The surplus of £55,346 (2008: £56,980) is donated to MRDF under gift aid.

6.1) Reserves policy

The trustees review the charity's reserves policy annually, balancing the need to hold back sufficient general reserves to protect the charity's charitable programmes with the objective of maximising the funding available for those programmes. These reserves and funds are invested in accordance with the charity's Investment Policy.

		at 31/08/2009
		£'000
Designated funds	Fixed asset fund	0
	Programme fund	440
	Emergencies fund	50
	Programme stabilisation fund	362
	Currency fluctuation fund	41
	Total	893
Free reserves	General reserves	66
Restricted funds	Development funds	8
	Emergency appeal funds	10
	Total	18
Permanent endowment		5
Total funds and reserves		982

At 31 August 2009, the charity held total funds and reserves of £982k. A detailed breakdown and rationale for the individual funds is provided in notes 13 and 14 to the financial statements.

The designated funds represent unrestricted monies that the trustees have designated for specific purposes, including to fund the fixed assets that the charity needs to operate and the funds that the charity needs to hold to limit the risk of disruption associated with the financial risks. As at 31 August 2009, these designated funds were fully funded at the levels set by the trustees and explained in note 13 to the financial statements.

At 31 August 2009, the charity also held "free" general reserves of £66k. These general reserves represent unrestricted funds over and above those set aside for designated purposes. They arise from a combination of receiving more general income than was expected and savings against budgeted expenditure. The trustees will allocate these free reserves to MRDF's programme and partners over the coming period.

The subsidiary, T Beckett (Saddler) Ltd, had reserves of £856k at 31 August 2009 (2008: £956k). These reserves are eliminated on consolidation.

METHODIST RELIEF & DEVELOPMENT FUND REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009

6.2) Investment policy

The charity's investment policy is reviewed annually by the Finance Management Group. The objective is to maintain high liquidity while ensuring maximum security, meeting the ethical standards of the Methodist Church and achieving the highest possible return.

To achieve this, the investment of surplus funds is operated via the Central Finance Board (CFB) of the Methodist Church. Funds are invested by the CFB in accordance with instructions received from the charity and in line with the CFB's agreed investment policies. The CFB continues to work closely with the Methodist Council to ensure that its activities are in line with the moral stance and teachings of the Methodist Church. A trustee of MRDF is a member of the CFB Council.

In its 2009 Annual Report, the CFB noted that, although the past year has been one of the most challenging for investors in living memory, it is some consolation that the low risk strategy followed by the CFB resulted in most of their funds producing better returns than their respective benchmarks. However the overall value of the charity's investments at the end of the year showed a revaluation loss.

The T Beckett Saddler investment property, has seen a further 11% drop in value, reflecting the general fall in property prices over the past year. Rental income from the property is unchanged. The property provides a high level of security for the charity and the sale of the property would enable it to continue its grant-making activities in the event of a downturn in donations. Trustees regularly review the possibility of selling the property to release funds.

6.3) Grant making policy

MRDF does not implement directly but all grants are made through local partners which are registered non-governmental organisations (NGOs), community based organisations (CBOs) or development offices of Methodist Churches in our priority countries. While partners must meet minimum standards in terms of financial controls, reporting capacity, and governance standards, MRDF prioritises support to small and locally managed organisations i.e. operating with an income of no more than £1,000,000.

Funding is prioritised to long term projects which focus on the doubly disadvantaged i.e. the poorest and most marginalised within these countries, and which encourage the participation of community members in every stage of the project cycle. MRDF accepted new applications from Ethiopia, Mozambique, Tanzania and Zambia this year, and proactively sought them from areas where no applications were forthcoming such as Malawi.

For new applications (organisations that have received no prior funding from MRDF), grants are allocated for one year only and for a maximum of £15,000 (average £5,000 - £10,000). For existing partners, new proposals can be for up to three years for a maximum of £30,000 per year (average £18,000 - £22,000 per year). Humanitarian aid is only allocated through organisations which are existing MRDF partners, or through ACT. The trustees have delegated to MRDF staff the authority to make grants with an upper limit of £30,000 per partner per year. Grants in excess of this amount may be allocated following consultation with the Chair or Vice-chair and one other trustee. Grants allocated for humanitarian aid and emergency relief sometimes exceed £30,000, particularly when restricted funding has been received in response to an appeal. All grants are brought to the next trustees' meeting for approval or ratification and the policy is reviewed each year.

**METHODIST RELIEF & DEVELOPMENT FUND
REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009**

7) FUTURE PLANS

Our future plans will be based on the priority areas identified during the Strategic Planning exercise the organisation carried out in the latter half of the reporting period. The organisation recognises the possibility of reduced income during the coming months due to the continued impact of the recession, and is therefore not planning any major expansion in its scale of work.

This is also in line with the need to consolidate our programmes in several countries. Existing institutional fundraising arrangements will be reviewed and efforts to diversify our donor base will be upscaled. The recruitment of a Programme Funding Officer, coupled with the recruitment of an in-house Director of Finance and Operations has enhanced the organisation's capacity to manage external grants. This arrangement will continue, while internal systems for grant management will be reviewed and strengthened.

7.1) Long-term development

MRDF will continue to provide funding and technical support in the area of sustainable livelihoods for communities. It will complement existing state health services for women who need reproductive and child health services, and for People Living with HIV/AIDS. It will aim to ensure access to safe water for underserved communities, and will also enable social and economic empowerment of women with a special focus on building women's leadership skills. It will also support projects against domestic violence and projects that seek to rehabilitate survivors of trafficking. Climate change will be a key consideration in expansion of the programme in existing or new countries, and an attempt will be made to build the coping capacity of communities in dealing with climatic changes and extremes.

The strategic plan for the next three years aims to make a shift from service-delivery projects to challenging the structures that make and keep people poor. Local advocacy will be introduced as a cross-cutting theme across all projects and greater capacity building support will be provided to partners in this area. The programmes team will finalise documented strategies for identification of new partners, partner capacity-building, exit strategy and impact assessment strategy. This will ensure greater clarity within MRDF and its partner agencies about the overall purpose and aim beyond the immediate project objectives. A minimum 12% of the project budget will be directed towards partner capacity building. In addition, all projects will have funded components for advocacy work.

Also, MRDF will work with partners on organisational sustainability, and Programme staff will pro-actively support partners in diversifying their donor base. MRDF will also make a gradual withdrawal of funding support for core partners in order to discourage single-donor dependency. Also, in light of the debates about the non-sustainability of supporting state facilities in the area of basic services like health, education and so on, partners will be encouraged to undertake support and capacity-building roles to local structures which avoid creating parallel service delivery channels. Efforts will also be directed towards strengthening the financial systems of partner organisations through increased training and advice and by funding and co-ordinating bi-annual project audits.

7.2) Humanitarian Aid

The need to respond to manmade and natural disasters remains imperative, and has been made all the more urgent by the increasingly visible effects of climate change. In order to use our limited resources as effectively as possible, MRDF will continue to respond to emergencies where they occur; it will draw supporters' attention to particular emergency operations through media and publication when necessary.

METHODIST RELIEF & DEVELOPMENT FUND REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009

We will continue to highlight emergency situations that have been ignored, and will prioritise geographical areas where our partners are already working. The effort will be to not only to provide immediate relief but also to equip our partners with the experience needed to prevent, or at least prepare for emergency situations. We will work in conjunction with the Methodist Church whenever possible.

7.3) Challenging injustice

A core dimension of MRDF's mission is a concern to tackle the causes of poverty and marginalisation at both local and international levels. As well as increasingly supporting and encouraging our overseas partners in their advocacy initiatives, over the next year MRDF intends to focus its educational and campaigning work in the UK for greater impact and effectiveness. In line with our partners' priorities, we will continue to call for fairer trade agreements, the cancellation of unfair debts and real commitments to reduce carbon emissions. We are exploring new ways of working with our UK partners, campaign coalitions and large agencies such as Christian Aid to increase understanding, change attitudes and stimulate action and policy change. We firmly believe that we must not let the current financial crisis deflect attention from the global injustices that need to be challenged if we are to fulfil our mission and bring about a more prosperous future for all.

8. STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources during that year. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements
- observe the methods and principles in the Charities' SORP
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the activities of the charity will continue.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008, the provisions of the Trust Deed, and the Statement of Recommended Practice, Accounting and Reporting by Charities 2005. They are also responsible for safeguarding the assets of the charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

**METHODIST RELIEF & DEVELOPMENT FUND
REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 AUGUST 2009**

The trustees are responsible for the maintenance and integrity of the charity and financial information on the Methodist Relief and Development Fund website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Report of the Trustees is approved and authorised for issue and signed on their behalf by:

Professor David Matthews
Chair of Trustees

Date:

**METHODIST RELIEF & DEVELOPMENT FUND
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE METHODIST RELIEF
& DEVELOPMENT FUND**

We have audited the financial statements of Methodist Relief and Development Fund for the year ended 31 August 2009 on pages 24 to 42.

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

The trustees' responsibilities for preparing the Report of the Trustees 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 as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. 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 Charities Act 1993. We also report to you if, in our opinion, the information given in the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Annual Report and Chair's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

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 charity'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.

**METHODIST RELIEF & DEVELOPMENT FUND
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE METHODIST RELIEF
& DEVELOPMENT FUND**

OPINION

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the charity and its subsidiaries as at 31 August 2009 and of their incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

BAKER TILLY UK AUDIT LLP
Statutory Auditor
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

METHODIST RELIEF & DEVELOPMENT FUND

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

	<u>Note</u>	<u>Unrestricted Funds</u> £	<u>Restricted Funds</u> £	<u>Endowment Funds</u> £	<u>Total 2009</u> £	<u>Total 2008 restated</u> £
Incoming resources from generated funds						
<i>Voluntary Income:</i>						
Donations & grants	2	1,027,763	629,691	-	1,657,454	1,599,530
Legacies		273,797	-	-	273,797	241,655
Investment income & interest	3	91,537	10,535	-	102,072	128,592
<i>Activities for generating funds:</i>						
Sales & other income	4	411	-	-	411	302
Total incoming resources		1,393,508	640,226	-	2,033,734	1,970,079
Resources expended						
<i>Cost of generating funds:</i>						
Fundraising & publicity	5	107,094	-	-	107,094	105,332
Cost of Sales & Investment Mgt		10,333	-	-	10,333	10,824
<i>Charitable activities:</i>						
Activities in furtherance of objects:						
Development	5-8	616,780	582,839	-	1,199,619	851,652
Humanitarian	5-8	38,325	298,026	-	336,351	330,245
UK Grants	5-8	12,201	-	-	12,201	115,912
Advocacy & Education	5	192,967	-	-	192,967	175,720
<i>Governance costs</i>	5	68,237	-	-	68,237	67,037
Total resources expended		1,045,937	880,865	-	1,926,802	1,656,722
Net incoming/(outgoing)resources		347,571	(240,639)	-	106,932	313,357
Other recognised gains/(losses)	10	(113,403)	-	-	(113,403)	(107,086)
Net movement in funds		234,168	(240,639)	-	(6,471)	206,271
Total funds brought forward at 1 September 2008		305,231	258,779	5,000	569,010	781,780
Prior Year adjustment		419,041	-	-	419,041	-
Total funds brought forward at 1 September 2008 (restated)		724,272	258,779	5,000	988,051	781,780
Total funds at 31 August 2009 as originally stated		958,440	18,140	5,000	981,580	569,010
Prior Year adjustment		-	-	-	-	419,041
Total funds at 31 August 2009 as restated		958,440	18,140	5,000	981,580	988,051

There are no recognised gains and losses other than those dealt with above. All operations are continuing during the year.

The notes on pages 26 - 42 form an integral part of these financial statements.

METHODIST RELIEF & DEVELOPMENT FUND
CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2009

		Group		Parent	
	<u>Notes</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
		£	restated £	£	restated £
Fixed Assets					
Tangible Assets	9	174	521	174	521
Investments	10	<u>987,417</u>	<u>1,100,819</u>	<u>1,043,155</u>	<u>1,156,557</u>
		<u>987,591</u>	<u>1,101,340</u>	<u>1,043,329</u>	<u>1,157,078</u>
Current Assets					
Debtors	11	59,449	86,779	113,242	141,703
Short term deposits		741,738	655,380	626,521	538,798
Cash at bank & in hand		<u>16,443</u>	<u>19,344</u>	<u>16,238</u>	<u>19,344</u>
		817,630	761,503	756,001	699,845
Creditors:					
Amounts falling due within one year	12	<u>(823,641)</u>	<u>(874,792)</u>	<u>(817,750)</u>	<u>(868,737)</u>
Net Current Liabilities		<u>(6,011)</u>	<u>(113,289)</u>	<u>(61,749)</u>	<u>(168,892)</u>
Total Net Assets		<u>981,580</u>	<u>988,051</u>	<u>981,580</u>	<u>988,186</u>
Representing:					
Income Funds					
Unrestricted	13	958,440	724,272	958,440	724,407
Restricted	14	18,140	258,779	18,140	258,779
Capital Funds					
Endowment	15	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
		<u>981,580</u>	<u>988,051</u>	<u>981,580</u>	<u>988,186</u>

Approved and authorised for issue by the trustees on 17 November 2009 and signed on their behalf by

Trustee

Trustee

The notes on pages 26 – 42 form an integral part of these financial statements.

1. Accounting Policies

Basis of accounting

The consolidated Financial Statements have been prepared under the UK historical cost convention except for investments which are stated at market value, and are in accordance with applicable UK accounting standards, the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities 2005, and the Charities Act 1993.

Basis of consolidation

MRDF owns the entire share capital of T Beckett (Saddler) Ltd, an investment property company received as a bequest in the year to 31 August 2005. The company has been consolidated as a subsidiary in accordance with FRS 2 and SORP 2005, on a line by line basis. A separate statement of financial activities for the parent has not been produced under the exemption offered in paragraph 397 of the SORP. The figures for the parent are disclosed in note 21.

Donations and Legacies

Donations are accounted for on a receivable basis. Legacies are accounted for on an accruals basis when the entitlement is both certain and measurable.

Investment Income

Investment income representing distributions from the Central Finance Board and bank interest is accounted for on an accruals basis. Rental income is accounted for on a receivable basis.

Grants payable

For grants, where the achievement of the grant conditions is in the hands of the grantee, the entire grant is recognised as expenditure in the year in which the grant is formally approved by the trustees and has been communicated in writing to the recipient. Where the trustees retain significant direction in determining whether future grant instalments will be paid, grants are recognised when all conditions are satisfied.

Any foreign exchange differences on grants that has arisen throughout the year, is written off against the statement of financial activities.

Tangible Fixed Assets

Computer equipment and office furniture with a purchase cost exceeding £1,000 are stated at cost less depreciation provided on a straight line bases, at the rate of 33.33% per annum.

Investments

Investment properties are revalued annually by independent chartered surveyors. The last valuation on the basis of market value as defined by the Royal Institution of Chartered Surveyors was by Sheldon Bosley in August 2009, reporting a revaluation loss of £100,000.

Investments, which are held in units in the Central Finance Board, are stated at the Board's published valuations.

Gains / (Losses) on Investments

Realised and unrealised gains and losses on investments are dealt with in the Statement of Financial Activities in the year in which they arise, based on the brought forward valuation or cost of subsequent additions.

METHODIST RELIEF & DEVELOPMENT FUND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

Cash Flow Statement

The Methodist Relief & Development Fund qualifies as a small charity and, accordingly, a cash flow statement is not required as per Financial Reporting Standard 1.

Resources expended and basis of allocation of costs

Support costs have been allocated to charitable expenditure based on the weighted average of staff time and remuneration. Expenditure is included on an accruals basis.

Charitable activities comprise those costs directly attributed to the day to day activities of MRDF. They also include an apportionment of support costs.

Governance costs include trustees' expenses, external audit fees and costs involved in meeting MRDF's statutory and constitutional responsibilities.

Cost of generating funds - these are costs incurred in attracting voluntary income and trading activities that raise funds.

MRDF is not registered for VAT. Irrecoverable VAT is charged to the statement of financial activities.

Pension Cost

Pension arrangements for staff are provided by the Pension and Assurance Scheme for Lay Employees of the Methodist Church. Whilst the scheme is of the defined benefit type, it is accounted for as a defined contribution scheme under the requirements and exemptions of Financial Reporting Standard 17, 'Retirement Benefits' (FRS 17). The scheme is a multi-employer scheme incorporating eleven employers. The actuary has confirmed that it is not practical to allocate the assets and liabilities of the scheme between participating employers. Amounts charged in respect of pension fund contributions for the year are disclosed in note 8.

Foreign exchange gains and losses

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. These are charged or credited to the SOFA in the year in which they are incurred and form part of the cost of grants.

Funds accounting

Funds held by the charity are:

Unrestricted funds - General funds that can be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds - Funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Designated funds – Funds representing unrestricted monies that the trustees have designated for specific purposes.

Endowment funds - Funds where the capital must be retained and the income used for purposes as required by the donor. In the case of the endowment fund held by MRDF there are no restrictions on the use of the income.

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

2. Donations and Grants

	2009	2008
	<u>Total</u>	<u>Total</u>
	£	£
Total donations and grants are analysed as follows:		
Big Lottery Fund	16,712	51,592
Gift Aid receivable	88,053	65,433
Other donations	<u>1,552,689</u>	<u>1,482,505</u>
	<u>1,657,454</u>	<u>1,599,530</u>

3. Investment Income & Interest

	Unrestricted	Restricted	2009	2008
	Funds	Funds	Total	Total
	£	£	£	£
Central Finance Board distributions	14,059	-	14,059	10,095
Central Finance Board deposit interest	12,023	10,535	22,558	50,693
Rental income and interest T Beckett (Saddler)	<u>65,455</u>	-	<u>65,455</u>	<u>67,804</u>
	<u>91,537</u>	<u>10,535</u>	<u>102,072</u>	<u>128,592</u>

4. Sales

Sales income mainly reflects sale of Harvest CDs

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

5 Cost of Generating Funds, Charitable Expenditure and Governance Costs

	<u>Fund Raising</u>	<u>Development</u>	<u>UK Grants</u>	<u>Humanitarian</u>	<u>Advocacy & Education</u>	<u>Governance</u>	<u>Total 2009</u>
	£	£	£	£	£	£	£
2008/2009							
Grants committed	-	988,474	-	298,026	-	-	1,286,500
Grant evaluation costs	-	13,360	-	-	-	-	13,360
Direct Staff Cost	54,768	133,694	8,821	27,987	105,820	42,498	373,588
Office Cost	12,500	35,740	1,419	4,628	34,727	6,725	95,739
Finance	9,067	21,942	1,390	4,533	16,925	14,703	68,560
Meetings & Conferences	117	385	18	59	3,229	2,686	6,494
Publication & Publicity	28,467	524	13	42	25,990	62	55,098
Human Resources	2,175	5,500	540	1,076	6,276	1,563	17,130
Investment Management	<u>10,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,333</u>
Total 2008/2009	<u>117,427</u>	<u>1,199,619</u>	<u>12,201</u>	<u>336,351</u>	<u>192,967</u>	<u>68,237</u>	<u>1,926,802</u>

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

	<u>Fund Raising</u>	<u>Development</u>	<u>UK Grants</u>	<u>Humanitarian</u>	<u>Advocacy & Education</u>	<u>Governance</u>	<u>Total 2008</u>
	£	£	£	£	£	£	£
2007/2008							
Grants committed	-	1,010,994	107,760	284,180	-	-	1,402,934
Prior year adjustment (see note 21)	-	(409,041)	(10,000)	-	-	-	(419,041)
Grant evaluation costs	-	7,588	-	-	-	-	7,588
Direct Staff Cost	61,352	125,303	13,335	34,878	97,346	40,977	373,191
Office Cost	14,959	46,543	2,687	6,048	34,874	30	105,141
Finance	6,092	23,308	1,938	4,708	13,292	21,691	71,029
Meetings & Conferences	89	44,467	28	62	2,900	4,339	51,885
Publication & Publicity	22,230	-	-	-	24,321	-	46,551
Human Resources	610	2,490	164	369	2,987	-	6,620
Investment Management	<u>10,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,824</u>
Total 2007/2008	<u>116,156</u>	<u>851,652</u>	<u>115,912</u>	<u>330,245</u>	<u>175,720</u>	<u>67,037</u>	<u>1,656,722</u>

Net incoming/ (outgoing) resources are stated after charging statutory audit fees of £10,869 (2008: £9,500).

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

6. Geographical distribution of grants paid in the year

	2009	2008		2009	2008
	£	restated £			Restated
ASIA			AFRICA		
Bangladesh	217,942	72,550	Burundi	1,000	2,000
Burma/Myanmar	33,491	70,000	Cameroon	124,134	130,626
Cambodia	16,232	12,908	Congo D.R.	23,193	-
China	4,100	16,000	Ethiopia	58,120	86,127
India	76,777	111,163	Gambia	38,594	18,963
Indonesia	-	1,210	Ghana	3,909	40,682
Iraq	-	2,300	Kenya	35,956	121,484
Nepal	62,321	82,079	Liberia	9,566	17,483
Pakistan	2,647	2,300	Madagascar	-	50
Palestine	8,308	-	Malawi	39,199	41,872
Sri Lanka	49,861	38,650	Mali	126,310	150,432
	<u>471,679</u>	<u>409,160</u>	Mauritania	-	500
			Mozambique	20,428	28,282
AMERICAS			Niger	7,130	14,875
Bolivia	12,500	25,000	Sierra Leone	-	29,009
El Salvador	61,102	55,349	Somalia	1,000	-
Guatemala	36,405	28,960	Sudan	848	26,691
Haiti	1,680	700	Tanzania	19,427	20,056
Jamaica	-	150	Togo	63,231	48,092
Mexico	-	1,215	Uganda	68,304	103,065
Peru	-	4,758	Zambia	14,840	27,590
	<u>111,687</u>	<u>116,132</u>	Zimbabwe	43,868	10,650
				<u>699,057</u>	<u>918,529</u>
EUROPE			TOTAL	1,330,652	1,599,731
Romania	-	100	Brought forward	(850,650)	(1,466,487)
United Kingdom	46,000	147,760	commitments		
	<u>46,000</u>	<u>147,860</u>	Foreign exchange	(62,722)	15,273
			movements		
PACIFIC			New grants approved	(1,291,406)	(1,418,208)
Fiji	-	50	Grants terminated	67,628	-
			Prior year adjustment	-	419,041
WORLDWIDE			Carried forward	806,498	850,650
ACT Ops Costs	2,229	8,000	commitment at year end		
			(Note 12)		

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

£

7. Major Grants Made

AFRICA

Cameroon	Community Development Volunteers for Technical Assistance	111,959
Congo DR	Action by Churches Together	23,193
Ethiopia	Sustainable Natural Resources Management Association	30,783
Kenya	SMART Initiative	21,970
Malawi	Community Youth in Development Activities	24,972
Mali	Group de Recherche pour l'Aide a la Femme et a l'Enfant	45,469
Mali	Association pour Développement et l'Appui aux Communautés	26,533
Mali	Association Malienne pour Promotion Entreprises Féminines	26,054
Mali	Jeunesse et Developpement	41,227
Mozambique	Association for the Development of Community and Environment	24,264
Togo	Espoir Vie Togo	20,087
Uganda	Voluntary Action for Development	60,000
Zimbabwe	Action by Churches Together	43,868

ASIA

Bangladesh	Chinnamul Shishu Kishore Sangstha	285,075
Burma/ Myanmar	Action by Churches Together	33,491
India	Rural Action in Development Society	38,436
Sri Lanka	Methodist Church Sri Lanka	178,200

Various	Grants < £20,000	250,919
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Total		1,286,500
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8. Staff costs

	<u>2009</u>	<u>2008</u> restated
	£	£
Salaries	309,908	306,269
Social Security costs	30,749	31,172
Pension costs	32,153	34,727
Volunteer costs	<u>778</u>	<u>1,023</u>
	<u>373,588</u>	<u>373,191</u>

The average number of staff employed during the year was 12 (2007/08 – 12). No employee received emoluments exceeding £60,000 (2008: nil).

Pension arrangements

For the year to 31 August 2009, all staff were employed by MRDF and pension arrangements were provided by the Assurance Scheme for Lay Employees of the Methodist Church. The scheme is a defined benefit scheme but we are unable to identify the share of the underlying assets and liabilities which relates to MRDF. The assets of this scheme are held separately from those of MRDF in an independently administered fund.

Contributions of £32,153 were made to the fund in 2008/09 (2008: £34,727). Contributions to the schemes are charged to the Consolidated Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Methodist Council.

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

The costs are determined by an independent actuary on the basis of triennial valuations using the Attained Age Method.

Under the rules of the assurance scheme for the lay employees of the Methodist Church, the Methodist Council has an undertaking to indemnify the trustees against any liabilities that might arise in the proper discharge of their duties as pension trustees. No provision has been made in the financial statements to 31 August 2009 in respect of this matter.

FRS 17 Disclosure

The Pension and Assurance Scheme for Lay Employees of the Methodist Church is a multi-employer scheme and in the opinion of the actuaries, it is not possible to identify on a consistent and reasonable basis, the share of the underlying assets and liabilities of the individual schemes attributable to MRDF Consolidated Accounts. The FRS 17 disclosure has thus been made as though it is a defined contribution scheme and relates to the full scheme as disclosed in the financial statements of the Methodist Council

The contributions by MRDF and the scheme members' contributions of the scheme were 18.1% and 7% of pensionable pay respectively for both years.

A scheme valuation was carried out as at 31 August 2009. The major assumptions used in the valuation are as follows:

	31/08/2009	31/08/2008
	% pa	% pa
Discount rate	5.4%	6.4%
Expected return on Scheme assets at 31 August (for following year)	6.7%	6.9%
Rate of increase in pensionable salaries	4.3%	5.5%
Rate of increase in deferred pensions – pre 2009 LPI 5%	3.3%	4.0%
Rate of increase in deferred pensions – post 2009 LPI 2.5%	2.5%	-
Rate of increase in pensions in payment fixed 5%	5.0%	5.0%
Rate of increase in pensions in payment LPI 5%	3.2%	3.9%
Rate of increase in pensions in payment LPI 2.5%	2.1%	2.5%

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 89 if female. For a member currently aged 45 the assumptions are that if they attain age 65 they will live on average until age 89 if they are male and until age 90 if female.

Changes in the present value of the defined benefit obligation are as follows:

	31/08/2009	31/08/2008
	£000	£000
Opening defined benefit obligation	27,845	27,231
Service cost	916	1,012
Interest cost	1,758	1,562
Contribution by members	378	348
Actuarial Losses / (Gains)	724	(1,592)
Benefits paid	<u>(841)</u>	<u>(716)</u>
Closing defined benefit obligation	<u>30,780</u>	<u>27,845</u>

METHODIST RELIEF & DEVELOPMENT FUND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

Changes in the fair value of Scheme assets are as follows:

	31/08/09	31/08/08
	£000	£000
Opening fair value of Scheme assets	28,380	28,135
Expected return	1,827	1,830
Actuarial Gains / (Losses)	(2,289)	(2,193)
Contributions by employer	985	976
Contributions by member	378	348
Benefits Paid	<u>(841)</u>	<u>(716)</u>
Closing fair value of Scheme assets	<u>28,440</u>	<u>28,380</u>

The assets held in the scheme have been valued at bid value and assets held in the prior year have been restated from mid-market value to bid value.

Analysis of accounts recognised in STRGL (Methodist Church)

	31/08/09	31/08/08
	£000	£000
Total Actuarial Gains / (Losses)	(3,012)	(601)
Changes in irrecoverable surplus effect of limit in para 41	<u>0</u>	<u>0</u>
Total Gain / (Loss) in STRGL	<u>(3,012)</u>	<u>(601)</u>
Cumulative amount of Gain / (Loss) recognised in STRGL	(8,032)	(5,020)

The assets in the scheme and the expected rate of return were:

	Value at	Value at	Value at
	31/08/09	31/08/08	31/08/07
	£000	£000	£000
CFB Funds – Equity	17,415	17,085	16,805
CFB Funds – Gilts	3,927	9,025	8,913
CFB Funds – Corporate Bonds	4,896	1,105	1,372
Property	1,116	1,165	1,116
Net Current Assets	697		
AVCs	389		
Total market value of assets	28,440	28,380	28,206
Present value of scheme liabilities	(30,780)	(27,845)	(27,231)
Surplus/(Deficit) of the scheme	(2,340)	535	975
Related deferred Tax liability	-	-	-
Net pension asset/(liability)	(2,340)	535	975

The actual return on scheme assets was £461,317 (2008: £363,493)

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

Employee Benefit obligations for the Methodist Church

Year ending 31 August	2009	2008	2007	2006	2005
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	30,780	27,845	27,231	26,830	22,193
Scheme assets	28,440	28,380	28,135	25,569	14,652
Surplus / (deficit)	(2,340)	535	904	(1,261)	(7,541)
Experience Gains / (Losses) on scheme assets	(2,288)	(2,193)	235	(2,501)	(2,465)
Experience Gains / (Losses) on scheme liabilities	1,901	325	302	(634)	(79)

Pension costs which may be allocated to the Statement of Financial Activities of the Methodist Church are as follows:

	31/08/2009	31/08/2008
	£	£
Current service cost	916,496	1,012,007
Interest on obligation	1,758,257	1,562,004
Expected return on Scheme assets	<u>(1,827,198)</u>	<u>(1,829,315)</u>
Pension costs which may be allocated to the Statement of Financial Activities of the Methodist Church	<u>847,555</u>	<u>744,696</u>

Description of the basis used to determine expected return on assets

The Methodist Council adopts a building block approach determining the expected rate of return on the Scheme's assets. Historically markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the disclosure year end.

The estimated contributions to be paid to the scheme for the year ended 31 August 2010 are £1,377,000.

9. Tangible Fixed assets

Parent and Group	<u>Computer</u>	<u>Office</u>	<u>Total</u>
	<u>Equipment</u>	<u>Furniture</u>	
	£	£	£
Cost at 1 September 2008 and 31 August 2009	26,425	1,122	27,547
Depreciation balance at 1 September 2008	25,905	1,122	27,027
Charge for period	346	-	346
Accumulated depreciation at 31 August 2009	26,251	1,122	27,373
Net book value at 31 August 2009	174	-	174
Net book value at 31 August 2008	521	-	521

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

10. Investments (UK Holdings)

	Group		Parent	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Managed Fixed Interest Fund	-	91,446	-	91,446
Managed Equity Fund	-	80,207	-	80,207
Managed Mixed Fund	169,277	-	169,277	-
Property Units	<u>18,140</u>	<u>29,166</u>	<u>18,140</u>	<u>29,166</u>
	187,417	200,819	187,417	200,819
Investment in Subsidiary (Note 19)	-	-	855,738	955,738
Add Investment Properties	800,000	900,000	-	-
	987,417	1,100,819	1,043,155	1,156,557

Investments (UK Holdings) contd.

	Group		Parent	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Market value at 1 September 2008	1,100,819	1,207,905	1,156,557	1,263,643
Additions	155,136	0	155,136	0
Disposals	(155,135)	0	(155,135)	0
Net gain / (loss) on disposals	(16,518)	0	(16,518)	0
Net unrealised investment gains/(losses)	3,115	(17,086)	3,115	(17,086)
Net unrealised investment property losses	<u>(100,000)</u>	<u>(90,000)</u>	<u>(100,000)</u>	<u>(90,000)</u>
Market value at 31 August 2009	<u>987,417</u>	<u>1,100,819</u>	<u>1,043,155</u>	<u>1,156,557</u>

The share capital of the subsidiary entity T Beckett (Saddler) Ltd is owned by the Trustees for Methodist Church Purposes, which is the custodian trustee for the Methodist Relief and Development Fund. T Beckett (Saddler) Ltd is incorporated in the UK.

11. Debtors

	Group		Parent	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Amounts due from subsidiary undertaking	-	-	55,346	56,580
Gift Aid Tax recoverable	52,825	65,433	52,825	65,433
Prepayments & accrued interest	<u>6,624</u>	<u>21,346</u>	<u>5,071</u>	<u>19,690</u>
Total debtors	<u>59,449</u>	<u>86,799</u>	<u>113,242</u>	<u>141,703</u>

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

12. Creditors: Amounts falling due within one year

	Group		Parent	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	£	£	£	£
Programme Creditors	806,498	850,650	806,498	850,650
Accruals	17,143	<u>24,142</u>	11,252	<u>18,087</u>
	<u>823,641</u>	<u>874,792</u>	<u>817,750</u>	<u>868,737</u>

Programme creditors represent grants approved that are yet to be paid to partners. Some grants for partners are approved in principle for two, three or five years. These subsequent grants represent planned future commitments, but are not recognised as a liability when they are approved, as payment is conditional upon performance and financial milestones. As at 31 August 2009, planned future commitments under formal multi-year funding cycle approvals amounted to £440k (2008: £419k). There are no amounts falling due after more than one year.

13. Unrestricted Funds balance

Group	<u>Balance</u> <u>01.09.08</u>	<u>Prior</u> <u>Year</u> <u>Adjust</u>	<u>Incoming</u> <u>resources</u>	<u>Resources</u> <u>expended</u>	<u>Investm't</u> <u>gain /</u> <u>(loss)</u>	<u>Balance</u> <u>31.8.09</u>
	£	£	£	£	£	£
Designated Funds						
Fixed Asset	521	0	0	(347)	0	174
Programme	0	0	440,102	0	0	440,102
Emergencies	0	0	50,000	0	0	50,000
Programme stabilisation	0	0	852,972	(490,972)	0	362,000
Currency fluctuation	0	0	40,325	0	0	40,325
Total	521	0	1,383,399	(491,319)	0	892,601
General Funds						
Free reserves	304,710	419,041	10,109	(554,618)	(113,403)	65,839
Total Unrestricted Funds	305,231	419,041	1,393,508	(1,045,937)	(113,403)	958,440

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

Parent	<u>Balance</u> <u>01.09.08</u>	<u>Prior</u> <u>Year</u> <u>Adjust</u>	<u>Incoming</u> <u>resources</u>	<u>Resources</u> <u>expended</u>	<u>Investm't</u> <u>gain/</u> <u>(loss)</u>	<u>Balance</u> <u>31.8.09</u>
	£	£	£	£	£	£
Designated Funds						
Fixed asset	521	0	0	(347)	0	174
Programme	0	0	440,102	0	0	440,102
Emergencies	0	0	50,000	0	0	50,000
Programme stabilisation	0	0	852,972	(490,972)	0	362,000
Currency fluctuation	0	0	40,325	0	0	40,325
Total	521	0	1,383,399	(491,319)	0	892,601
General Funds						
Free reserves	304,845	419,041	0	(544,644)	(113,403)	65,839
Total Unrestricted Funds	305,366	419,041	1,383,399	(1,035,963)	(113,403)	958,440

Designated fixed asset fund: This fund represents the net book value at the balance sheet date of unrestricted fixed assets. This fund is not therefore available for current expenditure, as the assets are used in the day to day operation of the charity.

Designated programme fund: This fund represents the value of planned future programme grants that are approved in principle but that are subject to performance and financial milestones and therefore not recognised as a liability in the balance sheet.

Designated emergencies fund: The trustees have established during the financial year 2008/09 an emergencies fund, set aside to meet exceptional needs that the charity's established partners may face in the event of a disaster. This is in addition to the amount already allocated in the charity's annual operating budget to allow the charity to react promptly and fund partners in response to the many low-profile emergencies that do not necessarily attract the attention of the media and of the charity's supporters. The level of the fund is based on the judgment of the trustees, balancing the charity's overall financial position and programme needs with the likely emergency needs of partners.

Designated programme stabilisation fund: The trustees have established a programme stabilisation fund to limit the risk of disruption to MRDF's charitable activities associated with the financial risks the organisation faces. The trustees consider the main financial risk to be an unexpected downturn in budgeted income. To cope with this downturn without damaging ongoing charitable activities, the charity would need at least two years to adjust its activities. Based upon a possible shortfall of 10% in the budgeted annual income and the need for two years to adjust its activities, the trustees have established the level of the programme stabilisation fund at one-fifth of the budgeted income for the coming year.

Designated currency reserve fund: This fund represents 5% of the value of outstanding programme grant commitments and allows for future adverse variations in foreign exchange. The charity's agreements with overseas partners limit the exchange exposure of MRDF to a maximum of 5% of the initial programme value.

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

General free reserves fund: General reserves are those “free” unrestricted funds in hand, over and above those set aside for designated purposes. These are held either because more budgeted general income has been received than was expected or because budgeted expenditure has not been incurred. The trustees have established a policy to spend promptly any general reserves on charitable activities.

14. Restricted Funds

Parent and Group	Balance 01.09.08	Incoming Resources	Outgoing Resources	Balance 31.08.09
	£	£	£	£
Bangladesh	31,357	174,715	(198,591)	7,481
Burma/Myanmar	30,883	2,620	(33,503)	-
Cambodia	-	14,880	(14,880)	-
Cameroon	-	43,704	(43,704)	-
Congo DR	-	23,740	(23,193)	547
Ethiopia	58	15,857	(15,915)	-
Gambia	-	36,071	(36,071)	-
India	425	27,529	(27,954)	-
Malawi	-	21,200	(21,200)	-
Mali	-	56,452	(56,452)	-
Mozambique	-	16,000	(16,000)	-
Nepal	80	20,417	(20,497)	-
Sri Lanka	181,975	8,956	(183,511)	7,420
Togo	-	14,184	(14,184)	-
Uganda	1,315	42,326	(43,641)	-
Uganda - Big Lottery Fund	-	16,712	(16,712)	-
Zambia	-	20,200	(20,200)	-
Zimbabwe	5,047	41,885	(46,932)	-
Other Restricted funds	<u>7,639</u>	<u>42,778</u>	<u>(47,725)</u>	<u>2,692</u>
Total	<u>258,779</u>	<u>640,226</u>	<u>(880,865)</u>	<u>18,140</u>

Restricted funds represent donations received and disbursed in respect of relief and development projects in twenty-nine countries. Interest is added to restricted balances when sums in excess of £5,000 are held by MRDF for more than three months.

15. Endowment

Parent and Group Balance

	<u>01.09.08</u>	<u>Incoming Resources</u>	<u>Outgoing Resources</u>	<u>31.08.09</u>
	£	£	£	£
Endowment funds	5,000	-	-	5,000

This endowment was created with a gift received from the estate of Miss Mary Elizabeth Wilson. Miss Wilson directed that her gift should form part of MRDF's permanent endowment. There is no restriction on the use of the income.

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

16. Analysis of Net Assets between funds

	<u>Tangible Fixed Assets</u> £	<u>Investments</u> £	<u>Current Assets less Liabilities</u> £	<u>Total 2008 restated</u> £
Group				
Endowment funds	-	-	5,000	5,000
Restricted funds	-	-	258,779	258,779
Unrestricted funds	<u>521</u>	<u>1,100,819</u>	<u>(377,068)</u>	<u>724,272</u>
Total	<u>521</u>	<u>1,100,819</u>	<u>(113,289)</u>	<u>988,051</u>

Parent				
Endowment funds	-	-	5,000	5,000
Restricted funds	-	-	258,779	258,779
Unrestricted funds	<u>521</u>	<u>1,156,557</u>	<u>(432,671)</u>	<u>724,407</u>
Total	<u>521</u>	<u>1,156,557</u>	<u>(168,892)</u>	<u>988,186</u>

	<u>Tangible Fixed Assets</u> £	<u>Investments</u> £	<u>Current Assets less Liabilities</u> £	<u>Total 2009</u> £
Group				
Endowment funds	-	-	5,000	5,000
Restricted funds	-	-	18,140	18,140
Unrestricted funds	<u>174</u>	<u>987,417</u>	<u>(29,151)</u>	<u>958,440</u>
Total	<u>174</u>	<u>987,417</u>	<u>(6,011)</u>	<u>981,580</u>

Parent				
Endowment funds	-	-	5,000	5,000
Restricted funds	-	-	18,140	18,140
Unrestricted funds	<u>174</u>	<u>1,043,155</u>	<u>(84,889)</u>	<u>958,440</u>
Total	<u>174</u>	<u>1,043,155</u>	<u>(61,749)</u>	<u>981,580</u>

17. Expenses reimbursed to Trustees (Group)

	<u>2009</u> £	<u>2008</u> £
Expenses in connection with trustees' meetings	2,474	3,160
Number of trustees reimbursed	10	15

No trustee received a salary or other remuneration from the Charity (2008: none)

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 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

18. Related parties

During the year MRDF made payments to the Methodist Church Fund (MCF), which is controlled by the Methodist Council, in respect of (a) accountancy services provided £55,601 (2008: £53,463), (b) accommodation charges and other expenses incurred by MCF on behalf of MRDF £56,968 (2008: £57,201), and (c) reimbursements for staff costs of £369,951 (2008: £372,168). The balance due from/to MCF at 31 August 2009 was £nil (2008: £9,376).

During the year MRDF received grants totalling £22,000 (2008: £nil) from The Trustees for Methodist Church Purposes (TMCP), which is controlled by the Methodist Council. The balance due from/to TMCP at 31 August 2009 was £nil (2008: £nil).

19. Investment in subsidiary T Beckett (Saddler) Ltd

PROFIT AND LOSS ACCOUNT

for the Year Ended 31 August 2009

	2009 £	2008 £
Turnover	62,362	62,724
Cost of Sales	<u>(8,031)</u>	<u>(9,023)</u>
Gross profit	54,331	53,701
Administrative expenses	<u>(57,256)</u>	<u>(58,781)</u>
Operating profit/loss	<u>(2,925)</u>	<u>(5,080)</u>
Interest receivable and similar income	2,925	5,080
Profit on ordinary activities before taxation	-	-
Tax on profit on ordinary activities	-	-
Profit for the financial year after taxation	-	-

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Deficit on revaluation of property	(100,000)	(90,000)
Total recognised gains and losses	(100,000)	(90,000)

METHODIST RELIEF & DEVELOPMENT FUND
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2009

BALANCE SHEET

as at 31 August 2009

	2009 £	2008 £
Fixed Assets	800,000	900,000
Current Assets	117,014	118,238
Creditors: amounts falling due within one year	<u>(61,276)</u>	<u>(62,500)</u>
Net Current Assets	<u>55,738</u>	<u>55,738</u>
Total Assets less current liabilities:	<u>855,738</u>	<u>955,738</u>
Representing:		
Shareholders' Fund	<u>855,738</u>	<u>955,738</u>

20. Charity SOFA

In accordance with paragraph 397 of SORP 2005, the following are the results of the charity:

	2009 £	2008 £
Total incoming resources	2,023,625	1,959,255
Total resources expended	<u>(1,916,828)</u>	<u>(1,645,898)</u>
Net incoming / (outgoing) resources	106,797	313,357
Other recognised gains / (losses)	<u>(113,403)</u>	<u>(107,086)</u>
Net movement in funds	(6,606)	206,271

21. Prior year adjustment

The group's accounting policy is for grant commitments to be recognised only when certain conditions have been met. In previous years, multi-year grants were recognised in entirety in the financial statements at the date of approval. Accordingly, a prior year adjustment to correct this fundamental error has been made, increasing net funds at 31 August 2008 by £419,041. The group's net funds at 31 August 2008 are restated to £988,051 from £569,010. For the year ended 31 August 2008, the group's resources expended are restated from £2,075,763 to £1,656,722 and the net movement in funds is restated from a deficit of £212,770 to a surplus of £206,271. The impact on the SOFA for the year ended 31 August 2009 is to increase net incoming resources by £21,057 from £85,874 to £106,931.

Narrative	2009 £	2008 £
Reserves		
At 1 September as previously reported	569,010	781,780
Prior year adjustment	<u>419,041</u>	-
As restated	988,051	781,780
Result for the year	(6,471)	(212,770)
Prior year adjustment	-	<u>419,041</u>
As restated	-	<u>206,271</u>
At 31 August	<u>981,580</u>	<u>988,051</u>