



Voluntary Service Overseas

Annual Report and Financial Statements
for the year ending 31 March 2016

Charity number: 313757
Company number: 703509



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Cover image: ©VSO/Teresa Menka

7-year-old Blessing Asokiyine (centre) with her 6-year-old classmate Kelvin Atinga and VSO volunteer Mary Carnable at Goriko Kindergarten in Talensi District, Bolgatanga, Ghana, on 16 March 2016. Blessing has Down's syndrome, and has been helped to feel more included at school by Mary, who is a special education needs officer for the Tackling Education Needs Inclusively project, which works with communities and authorities in Ghana to help children with disabilities access education.

Welcome from the Chair and the Chief Executive

Annual report introduction – Mari Simonen and Philip Goodwin

This time last year we were on the brink of a huge moment for international development. In the final months before the Sustainable Development Goals (SDGs) were finalised, VSO volunteers and partners brought their voices and experiences to the heart of UN negotiations. In September 2015, world leaders signed up to the 17 SDGs. These set a framework – a rallying cry – for how governments, organisations like VSO and citizens all around the world can come together to improve people's lives.

We know VSO has a strong part to play, not least because the UN endorses the value of volunteering. To quote the UN Secretary-General:

Volunteerism can help to expand and mobilise constituencies, and to engage people in national planning and implementation for the Sustainable Development Goals. And volunteer groups can help to localise the new agenda by providing new spaces of interaction between governments and people for concrete and scalable actions.

At VSO we enable people – their institutions, organisations and communities – to play a more active role in development and tackle the global challenge of poverty together. We know that VSO's approach works. Our incredible diversity of committed volunteers – community, national, international, corporate, political and youth – are catalysts for change through:

- **Extending the reach of services** – our volunteers and partners work in remote communities in Nepal to ensure children can access education, while VSO and our partners are breaking ground in improving the quality of and access to health services for prisoners in Southern Africa.
- **Supporting social innovation** – VSO's Cocoa Life corporate partnership with Mondelez in Ghana empowers cocoa farming communities to take the lead in their own development through training and support.
- **Strengthening accountability** – our work with the national government in Zambia is improving how local government services are being delivered, with greater accountability and effectiveness.
- **Providing a pathway to active citizenship** – VSO is giving young people in Bangladesh the space to engage in communities on issues they find important and relevant. This has led to safe environments in which girls and women can openly discuss sexual and reproductive health.

We have changed a lot over the past five years, to ensure we deliver even more impact from our programmes.

We are looking forward to the next five years with hope and optimism. We have some big ambitions around our global leadership and programmes. Similarly, we have set out goals to engage with our partners, volunteers and alumni, and everybody else with an interest in tackling poverty (see page 25).

With the considerable efforts and commitment of our volunteers, partners and staff, we will achieve these ambitions and continue to bring people together to fight poverty.



Philip
Z



Mari

STRATEGIC REPORT

About VSO: objectives and activities

Vision

VSO's vision is a world without poverty.

Mission

Since 1958 our mission has been to bring people together to fight poverty through the lasting power of volunteering.

Values

- By thinking globally, we can change the world.
- Progress is only possible through working together.
- People are the best agents of change.
- Knowledge is our most powerful tool.

Objectives

VSO's objects, for which the charity was established, are, for the public benefit, to:

- advance education and aid the relief of poverty in any part of the world
- promote the effective use of resources for the purpose of advancing education or relieving poverty in any part of the world
- promote the voluntary sector.

Where we work

We operate where we can make the most difference fighting poverty. Our global network includes VSO members and country offices that work together to deliver programmes.

In 2015/16 we had a presence in: Bangladesh, Cambodia, China[#], Ethiopia, The Gambia^{*}, Ghana, India[~], Ireland^{~^}, Kenya[^], Lesotho[°], Malawi, Mozambique, Myanmar, Nepal, the Netherlands^{~^}, Nigeria, Pakistan, Papua New Guinea, the Philippines[^], Rwanda, Sierra Leone, South Africa, South Sudan, Swaziland[°], Tanzania, Thailand, Uganda, the UK[^], Zambia and Zimbabwe.



Key

[#] Winding down in 2015/16. We plan to withdraw completely once de-registration is completed.

^{*} Closed during 2015/16.

[~] Separate legal entity.

[^] Manages applications from volunteers.

[°] Programmes managed by our office in South Africa.

How we work

In 2015 our work focused on delivering sustainable change in three thematic areas: **education, health** and **secure livelihoods**. We organised our efforts in these areas in six core programmes. These are detailed in the appropriate sections later in this report (see pages 6, 8 and 11).

In addition, we recognise that social inclusion, gender equality and social accountability are critical to ensuring sustainable, systemic change. These are now core to our development approach. They are a core component of all new programming. Before the change in our approach, **participation and governance** was a fourth thematic area. Our narrative and finances for the current and past year reflect this.

To deliver the necessary change in our programme areas, we have made significant changes to how we organise ourselves. This is so that we can keep resources and people exactly where we need them – in some of the poorest communities in Africa and Asia.

We bring people together to solve problems through our unique development approach. Anyone who is willing to step forward to tackle issues that cause poverty is a volunteer. The officials in India who considered there should be greater accountability in their communities can be seen as having a spirit of volunteerism. So too can the teachers in Cambodia who understood that their skills needed to be improved to educate the children in their schools. Everyone can volunteer to deliver positive social change.

The Valuing Volunteering research we launched last year shows the positive impact of volunteering. Over time volunteers become trusted insiders. They help break down suspicion of outsiders and broker relationships that help communities. VSO volunteers live and work alongside local professionals, helping to improve the quality of life for people trapped in poverty.

Our volunteers work with peers in communities to empower individuals and, in turn, their communities and organisations, to take action on poverty and inequality. This promotes active citizenship, greater inclusion and stronger local accountabilities, ensuring development is sustainable.

VSO volunteers come from a range of countries, backgrounds and experience. From young people on our International Citizen Service (ICS) programme, to experienced health workers from the Philippines, our volunteers have stepped forward and taken action. We thank them for their ongoing support and commitment.

Thematic area: education



140 partners

16 countries

78,000 practitioners supported
(target: 82,000)

922,000 people benefitting from services
we support (target: 938,000)

We reached 98% of our targets in this area, improving access to quality education for the world's most vulnerable children. In the past 12 months we made strong progress despite working in areas that faced big challenges. This included the devastating earthquakes in Nepal, ongoing political volatility in Nigeria, and drought in Papua New Guinea. All of which caused many schools to close.

One of the greatest measures of the success of the VSO approach is our impact on the partners with whom we work. Last year we focused on a smaller group of education partners to deliver greater change. We are proud that our work helped more than 90 of them to improve their capacity to deliver better services. This included four district education offices in Nepal. They now deliver education that is of a higher quality and more inclusive of girls and boys than in the past. In Uganda, three teacher training colleges made improvements in their planning processes as a result of VSO support.

Empowering people through training and the exchange of ideas is at the heart of what we do. Last year we trained 78,595 education practitioners. More than half of these were trainee teachers, whose skills and confidence we helped improve. This, in turn, improved learning for vulnerable children and will provide long-term impact. We also support teachers, head teachers and community educators who are in-service.

Making progress

We further aligned our work around two core programme areas to have the greatest impact:

- inclusive education – improving equity of access to quality education for all children
- technology in education – innovating to increase the scale, reach and effectiveness of education.

We have reduced the total number of in-country education partners we work with. However, the number of government departments and offices we work with in education has not changed. These critical partnerships are delivering strong, sustainable outcomes. For example, VSO has developed a new teacher training curriculum in Cambodia, focusing on child-centred learning. This was completed at the request of the Cambodian Ministry of Education, Youth and Sport.

VSO has focused predominantly on education for early years and primary age groups. This year, we completed research to assess the potential for expanding our work into new areas of education. We are already putting into practice findings from that research. For example, VSO now supports science and maths teaching in Nigeria. We have also increased our focus on early adolescent and youth education in Tanzania.

A key aim for VSO is to influence national policies based on replicating the most successful interventions and best practice. We participate in forums and networks such as the National Commission for Education

Network in Nepal and the National Union of Disability Organisations in Rwanda. Both of these have influenced national education policies in 2015/16.

Case study: Supporting teachers to improve English language learning in Cambodia



Over 15,000 children in Cambodia have improved their English through an innovative VSO technology-based intervention. Independent research suggests this is at least as effective as private tutoring.

Many teachers and teacher trainers struggle with poor English and teaching capacity. This threatens one of Cambodia's national priorities: English learning to accelerate national development and create more opportunities. We were approached by the country's Ministry of Education, Youth and Sport to improve the skills of teachers and their pupils. The result is the Basic English Language (BEL) project. VSO worked with the national Teacher Training Department to:

- develop teaching and learning materials for use in teacher training colleges and primary schools
- train directors and English trainers in all teacher training colleges, as well as teachers and directors of district offices of education from five provinces
- deliver ongoing support, coaching and mentoring through volunteers.

These materials, training and support were made possible through the work of volunteers.

Resources developed included books for teachers and pupils and digital apps for smartphones. These contained innovative audio-visual material that can be easily accessed and updated even in remote areas. Four training videos have been produced so far. These have activities for use in classrooms, with more in production for the BEL YouTube channel.

Tablet computers are also being trialled to deliver real-time class observations that are often difficult and costly to provide in remote areas.

Initial research by the Royal University of Phnom Penh highlights very positive outcomes for the BEL project. These include improved listening skills of pupils when compared with those of the control group. More specifically, students' learning outcomes show that the added value of the BEL project's resources and subsequent training is increasing the quality of state education. Children who benefited from the project made the same progress as those in the control group who were receiving private tuition on top of attending school.

Thematic area: health



127 partners

15 countries

31,000 practitioners supported
(target: 22,000)

984,000 people benefitting from services
we support (target: 638,000)

We have exceeded our targets in our work improving access to, and demand for, quality healthcare. This reduces suffering and can help break the cycle of poverty.

Our partners in health range from hospitals to government departments. Over 70% of these partners show improved capacity as a result of our support in the past year. In Mozambique, the Mozambican Mine Workers Association (AMIMO) supports migrant mineworker communities vulnerable to HIV. AMIMO has improved its income-generation capacity through our partnership. These improvements allow our partners to deliver better quality services to the communities they work with. In Ethiopia, for example, 16 hospitals have improved the quality of their diagnoses and treatment.

We have trained health workers and managers who are leading community change. This investment has improved the sustainability of health systems. Last year, we improved the knowledge and skills of 31,863 health practitioners. This is an increase on the previous year. We achieved this by being more strategic in our work, for example, by scaling-up the training of midwives in Tanzania.

Emergency response work is a growing area of success for us. We continue to support Sierra Leone in addressing the impact of the Ebola pandemic on health infrastructure. This year we published research into the effects on maternal healthcare and on the mental health of health professionals with the Liverpool School of Tropical Medicine. VSO also mobilised emergency teams to rebuild maternal and neonatal health services in Nepal after the April 2015 earthquake.

Making progress

We are constantly seeking to have a greater impact. This year, we made efforts to further focus our work around two core programme areas:

- maternal and newborn health
- adolescent and youth sexual and reproductive health and rights.

VSO continues to work with marginalised groups in its health programmes. These include prisoners, people living with HIV, and survivors of gender-based violence.

We have also conducted research into specific health challenges, to strengthen VSO's programme response.

Case study: Rolling out life-saving newborn and child care across Ethiopia



Our work in maternal and neonatal health care in Ethiopia goes from strength to strength. In the past year, we increased the number of VSO-supported neonatal intensive care units (NICUs) to 16. These were spread across three provinces.

In the past year, 33,231 newborn babies, pregnant women and sick children have been able to access better quality health services. This is a direct result of VSO support.

NICUs are critical in reducing the risks to new life in the first 28 days. This is the most dangerous time for mothers and their newborn babies. VSO supports the development of NICUs to provide quality care. We do this by:

- investing in health workers through training and development
- upgrading infrastructure and facilities
- championing the use of basic and standard medical equipment
- ensuring relevant guidelines and manuals are used.

The NICUs are demonstrating the huge potential of relatively straightforward interventions. These include providing designated rooms to care for babies with different levels of vulnerability. For example, rooms where premature babies can be kept warm, rooms where newborns can get the skin-to-skin contact needed to improve their survival chances, and rooms where children suffering infections are nursed separately to avoid spreading illness.

Mothers and their new arrivals are cared for by neonatal nurses who have the appropriate skills and knowledge to monitor babies.

VSO and our volunteers have transformed the level of medical expertise through providing training and on-the-job mentoring. We also upgraded essential medical equipment. This has substantially improved the survival chances for babies. The admission rate of the units is growing fast as more mothers enjoy a safer haven in which to have their children.

In 2014/15, our learning led us to establish a paediatric intensive care unit for children at one hospital. This cares for children aged 6–17. Over the past 12 months, three more have opened with VSO support. As a

result of the improved standard of care, hospital stay time has been reduced from around 15 days to just 5 days. This reduces by many hours the pain, fear and anxiety experienced by children and their families.

VSO has also supported the opening of a maternity waiting home at one partner hospital. Initial results have been promising. Over 60 women with significant late stage pregnancy complications have been admitted to date. With the sad exception of one stillbirth, all other babies were delivered safely. Without the benefit of this unit most of the women would have experienced risky home deliveries.

During my two weeks' stay here in the NICU I observed that the level of care for me as well as for the baby was high. The nurses are good, the care is good, they advised me how to feed my baby and his weight increased. Everything is good. Had I and my baby been at home, the situation would have been much worse.

Haimanot Haile, 18, new mother and beneficiary of Arba Minch General Hospital's neonatal intensive care unit, established with support from VSO.

Thematic area: secure livelihoods



108 partners

15 countries

10,000 practitioners supported
(target: 9,000)

146,000 people benefitting from services
we support (target: 155,000)

We reached 94% of our targets in this area. We commissioned a review to understand the challenges of providing secure livelihoods and are putting its findings into practice. Everyone should be able to access a safe, decent and sustainable source of food and income to support themselves and their families.

We work with partners ranging from farmers' cooperatives facing the threat of climate change in Malawi, to government departments improving their support to small businesses in Tanzania. As a result of VSO's support over the past year, 63 partners reported improvements in their capacity and working. The Cambodian Rural Development Team has enhanced financial and human resource oversight and management capacity. All Farmers Association Nigeria has improved knowledge and market awareness as a result of working with us.

More than 10,000 people were trained to increase their skills and capacity to provide secure livelihoods. The majority were volunteers, who help people in their communities develop ways to make a living, and build resistance to financial shocks caused by climate or markets. We also supported government officials and service delivery staff in their attempts to achieve this aim.

Making progress

Our work in livelihoods is evolving around two core programme areas where we can have the greatest impact:

- agri-based value chains
- youth employment and enterprise.

VSO continues to work with marginalised groups in its livelihoods programmes, including young mothers, unemployed graduates, people with disabilities, and communities with limited access to markets. Challenges to making a living do not exist in isolation. Education remains a huge barrier to employment. Illness can have a devastating financial impact on families. Stereotyping groups such as young people or women can affect their livelihoods.

We are exploring ways to reflect linkages between livelihoods and these other thematic areas in our programmes. Our Gender Empowerment and Development to Enhance Rights project in Southern Africa supports income generation and savings through women's groups. These groups also take part in gender empowerment activities and address sexual health and rights. In Tanzania and India there are links between our vocational and agricultural training and our education programmes. In Ethiopia, VSO has been supporting the income-generation skills of mothers in order to allow their children to access education.

There is a growing potential for VSO to address community resilience to disasters. This builds on learning from our experiences in the Nepal earthquake response. Exploratory work is planned or under way in Ethiopia, Pakistan and the Philippines.

Case study: Raising Bangladeshi farmer incomes with Syngenta



In rural Bangladesh, seven in every 20 people live below the poverty line. The majority of people farm in some way. But many struggle to grow enough to feed themselves and their families, let alone sell crops for a profit, because they lack access to modern techniques and market know-how.

Our project Growing Together is supported by agribusiness firm Syngenta. The project is lifting farming communities in northern Bangladesh out of poverty, while reducing reliance on unsustainable pesticide use.

Together we have focused on delivering three types of support: agronomic training, support and demonstration to increase yields and productivity; community development to ensure long-term sustainability; and providing better links and access to markets through the creation of farmer hubs.

This year the project has helped 1,800 smallholder farmers. The impressive results from the pilot project will be published soon.

Growing Together is underpinned by the contribution of corporate volunteers. These are senior employees from Syngenta who work in cycles to share their expertise in modern agricultural techniques, technology and markets with farmers. As a result, 95% of Syngenta volunteers reported an increased understanding of Syngenta's business and its role in meeting global food challenges.

I am really enjoying being part of the group. I've learned how to properly plant vegetables, how to measure and apply fertiliser – this was all new to me. We will have a lot of good produce this harvest. I hope to sell more produce in the future, and plan to keep the extra money for my children's education, and for investing in my crops.

Selina Kerketa, 28, chair of a 30-strong all-female farmers' group, supported by VSO's project Growing Together in Durgapur, northwest Bangladesh.

If you don't help farmers change their practices and have access to new technologies, then we might not be able to supply food for an increasing population. Syngenta knows that we must make partnerships with NGOs and governments to make this happen. Our challenges centre around recognising how we make it all work together. Essentially it is about making the work we do with smallholder farmers become an instrumental and fundamental piece of our organisation. The experience was phenomenal.

Amanda Scott, Syngenta volunteer.

Thematic area: participation and governance



36 partners

9 countries

4,000 practitioners supported

124,000 people benefitting from services we support

For 2016/17, participation and governance will be an approach that sits within all our programmes. As a result, we will no longer report these outcomes as a separate thematic area.

Everyone deserves a voice in decisions that affect them. Everyone should enjoy fair and equal status in society. We will not achieve our mission of ending poverty without strong social accountability and good governance. We work with local and national governments to improve policy and procedures. We work with citizens and civil society to increase their ability to call governments, civil society and the private sector to account.

Through our projects last year, almost 125,000 people enjoyed increased responsiveness of government services or increased ability to influence decisions affecting them. These are some of our successes:

- Our support enabled 36 partners to increase their capacity to operate more effectively.
- More than 4,000 government officials, community volunteers and civil society organisation staff received training to improve their knowledge and skills. This helps them participate more fully in society and improve governance.
- In Rwanda, VSO supported community volunteers to increase the membership of 14 organisations of people with disabilities from 10,000 to 30,000. They can now lobby much more strongly for the inclusion of people with disabilities in decision-making and service provision.
- In Myanmar, we gave support to build the capacity of a women's organisation to train civil society leaders in preparation for the election: 23 of the women went on to be elected as local leaders.

In the past year, we worked to develop a better overall understanding of social accountability, inclusion and gender. In 2016/17 we will use this understanding to integrate social accountability, inclusion and gender into all our programmes. We will increase our focus on the poorest and most marginalised – including women and girls and people with disabilities. We want to help give them a fairer say in the development and running of services.

Case study: Using technology to improve accountability in communities in India



What if a mobile health unit does not turn up as arranged, a school is closed without warning, or government services fall short in other ways? People in Odisha state, India, have until recently had few options to demand their rights. Travelling to the district centre to lodge a complaint can be time-consuming and costly, especially for marginalised communities living in remote regions.

Samadhan – meaning ‘resolution’ in Hindi – is also the name of a technology-driven online platform for logging grievances about public services. This was developed by VSO. The aim is to enhance efficiency, accountability and transparency in the delivery of public services to citizens.

The system allows people to lodge complaints either online, by SMS or through a free phone call. The public complaint can then be tracked in real time until it is resolved, through web portals such as <http://kalahandi.samadhan.org.in>

VSO community volunteers have ensured there is mass awareness of the programme in the target tribal and marginalised communities. We also ensure people are aware of their rights. Through Samadhan, these communities can ensure that their voices are heard and can hold government to account for the services to which they are entitled.

In Kalahandi district alone, 1,707 complaints were filed over the past year. Of these, all were acknowledged and 66% addressed. Around half (795) were fully resolved.

These are some of the successful resolutions communities have won through Samadhan:

- Tentiliguda village got electricity for the first time as a result of citizen action.
- Construction of new primary schools in Jamuli village began in response to complaints.
- Working hours of a village nutrition centre in Kantapada village were regularised.
- Households below the poverty line in Tayaput village received financial assistance under the government’s housing scheme.

Samadhan was launched as a joint initiative of Koraput district administration, United Nations Millennium Campaign, VSO India and South Orissa Voluntary Action.

Youth programming



8,585* ICS youth volunteers delivered:

11,226 hours of peer education

1,339 action research projects

611 community infrastructure projects were created

Young people are shaping the world we live in every day. VSO is proud of its history supporting young people to contribute to creating better, fairer societies through volunteering.

The International Citizen Service (ICS) programme

The ICS consortium is led by VSO and works in partnership with 10 respected development organisations. In February 2016, the ICS consortium celebrated engaging 20,000 volunteers from around the world since the programme started in 2012. During this financial year the ICS 1 contract has ended and performance has exceeded expectations, with over 13,500 volunteers participating in the programme through VSO and our partners. From the start of the second phase until 31 March 2016 there have been over 5,000 volunteers commencing a placement overseas.

ICS brings national and UK volunteers together to achieve poverty reduction and sustainable development outcomes in their host countries. Building on the success of the first contract, the second phase of the ICS programme began in June 2015. During the past year, the volunteers engaged by ICS:

- delivered 11,226 hours of peer education
- completed 1,339 action research projects
- delivered 7,412 hours of awareness raising
- provided 10,689 hours of training
- developed 1,429 resources
- created 611 community infrastructure projects, including building latrines and eco-stoves
- established 300 community networks.

In doing so, young people are supporting communities and partner organisations – while experiencing significant personal development themselves.

Volunteers are working with young people in communities to change attitudes and promote active citizenship. This includes life-skills sessions that raise awareness of environmental issues. It includes peer education on sensitive issues such as sexual health and hygiene. It includes supporting youth clubs to lobby district administration to improve sanitation.

ICS volunteers support the work of local partner organisations in the communities in which they are placed. During the second phase of the ICS contract, nine out of 10 (89%) partner organisations say that because of ICS support they are better able to bring about positive change in the local community.

* The number of young people UK and in-country across the ICS consortium who were on placement at some point during 2015/16.

Action does not finish with the end of placement. Each participant commits to at least one action in their home community inspired by their experiences volunteering. During the past year, volunteers achieved 3,021 of these activities in UK communities alone, by supporting local causes and raising awareness of global issues.

Case study: Youth programming



Zambia is the fifth youngest country in the world, with half of all people under the age of 15. At least 12 in every 100 people here are HIV positive. Young people face risks including child marriage, forced sex and stigma around contraception and sexually transmitted infections.

Groups of Zambians and UK nationals have been volunteering in Zambia since 2013 on ICS. The outcomes of their sexual and reproductive health projects show how effective peer education, mentoring and youth volunteering can be.

Nyimba is situated in Zambia's Eastern Province, where eight out of ten people live below the poverty line. ICS volunteers consulted community members and heard that action on issues relating to sexual and reproductive health was a priority for Nyimba's residents.

We wanted to create something that was by young people for young people – to create a space where you could speak to somebody closer to your age who you can have more of a conversation with.

Sarah Meath, ICS volunteer from the UK

Sarah Meath volunteered to lead ICS teams in the township of Nyimba, where HIV prevalence is high and health services are overstretched. Young people here access health services far less frequently than older people do.

Over 12 weeks, Sarah's team of youth volunteers:

- established a youth-friendly corner at a hospital, increasing the number of young people accessing sexual and reproductive health services and information
- recruited 11 local young people in the community to be leaders on the project
- arranged training for the youth leaders in delivering sexual and reproductive health services and information.

The youth leaders have now taken full ownership of the youth-friendly corner, running services without the involvement of ICS teams. They have also begun outreach in local schools.

Youth volunteers work in 12-week cycles, with teams working in relay to complete longer-term project outcomes. In Nyimba, ICS has supported two local partner organisations: the youth activism group Community Youth Concern and NZP+, an organisation that has supported people living with HIV and AIDS since 2013.

The host organisations of ICS attest to the difference made by the volunteers' energy and enthusiasm:

We have not had very active youth programmes for some time now at Community Youth Concern – therefore ICS being here for over two years has really helped us in being active as an organisation.

Edward Chipungu, organisation coordinator, Community Youth Concern

Since ICS has been working with us, we have an increasing number of young people joining local NGOs and willing to work as volunteers providing health education to local communities. We've also seen an increased number of health clubs in the district.

Vincent Phiri, field officer, NZP+

Private sector partnerships

In 2015 the private sector was formally recognised as a key partner in delivering the SDGs. In July 2015, VSO Knowledge Exchange launched as VSO's flagship corporate volunteering programme. This is seed-funded by the Department for International Development (DFID), which is responding to the increased demand for private sector skills in development programmes.

VSO Knowledge Exchange draws on the skills and expertise of the private sector. It enables businesses to create sustainable change for poor and marginalised people, develop their employees through learning projects and create inclusive business practices.

Partnering with the private sector to unlock the potential of our shared resource, expertise and networks is vital in ensuring the SDGs promise is kept.

This year, volunteers from two new partnerships, NTT Data and Citi, have worked on skills-based programmes in Ghana and Kenya. Other partners include Accenture, BG Group, IBM, Randstad and Shell, which have supported VSO programmes through volunteers and funding.

VSO secured a further three years of funding from Mondelēz for the Cocoa Life programme in Ghana. Significant impact has also been made through our partnership with Syngenta, a global agri-business company. Through group corporate volunteering, the expertise of senior leaders has supported smallholder farmers in Bangladesh to increase their yields, incomes and food security.

Influencing global and national policy

In September 2015, VSO's chief executive Philip Goodwin was in New York to witness world leaders adopt the SDGs. This is an ambitious package of goals and targets that will guide development efforts across the world for the next 15 years.

VSO worked hard to ensure that the new set of goals recognised that:

- achieving gender equality and women's rights is central to reducing poverty
- people must be actively engaged in their own development
- the role volunteers can play in the delivery of the SDGs is unique.

We brought the voices and experiences of our partners and volunteers into the heart of the UN negotiations in New York. Our messages were heard at the highest level.

We worked with and through our country offices, partner organisations, volunteers and political volunteers, and coalitions of civil society organisations. VSO was able to influence national conversations on the SDGs. These took place in Belgium, India, Ireland, Kenya, Nepal, the Philippines, Southern Africa and the UK. Work was also carried out in Cambodia, Ghana, Papua New Guinea, Thailand and Zambia.

In addition, we mobilised volunteers to engage with the public and decision-makers to raise awareness about the SDGs in the India, Kenya and the UK.

In the UK, as lead for the ICS programme, VSO played a key role in organising the Youth Summit with DFID. This brought together over 300 returned ICS volunteers to share their hopes for the SDGs. They focused on the role that young people can play in holding governments to account with ministers and senior officials.

VSO also influences policy in the countries in which we work.

In Zambia, VSO is advocating for changes in land legislation to enable poor and marginalised people, especially women, to have official legal rights over their land. In Nepal, VSO supported the National

Commission for Education Network to write a position paper on children with disabilities. This has led the Ministry of Education to develop an inclusive education policy.

We participate in forums and networks such as the National Commission for Education Network in Nepal and the National Union of Disability Organisations in Rwanda. Both of these groups have influenced national policies in 2015/16.



Media

Global coverage of VSO's activities across print, broadcast and online media has generated worldwide opportunity for people to learn about VSO in the year to 31 March 2016. VSO was mentioned 1,193 times in print, broadcast and online media, reaching an estimated 182 million people.

VSO's strongest media engagement on a single issue was around our work in Nepal and our response to the earthquake of April 2015. We placed over 150 stories in the media, including in the *Telegraph*, the *Daily Mail*, the *Mirror*, *BBC 1 6pm News*, *Sky News*, *BBC Radio 5 Live*, *BBC World Service*, *Reuters*, *Press Association*, *Huffington Post*, the *Himalayan Times* and scores of local newspapers and radio stations across the country.

ICS also featured strongly within national media, generating over 310 stories. A *BBC Online* feature to mark 'International Volunteer Day' reached a global audience of over 1.7 million. This highlighted some of the finalists of the ICS photography competition and their individual volunteering stories. Other ICS coverage includes the *Independent*, the *Times*, the *Guardian*, *Pink News*, *BBC News* channel, *STV*, *SBTV* and the *Daily Record*.

Our work on Ebola was covered in the *British Medical Journal*, the *New York Times*, *Reuters* and the *BBC World Service* while our work on women's empowerment made it into the *Independent*, the *Guardian*, *Marie Claire*, *Grazia*, *Glamour Magazine*, *BBC World Service* and *London Live*. VSO's Christmas Concert was featured in *Time Out* and on *BBC Radio 3* and *CNN*.

Other national hits include *BBC Radio 4*, *BBC Radio 2*, the *Sun*, the *Evening Standard* and *Prima Magazine*. Other international hits include the *BBC World TV*, *Wall Street Journal*, the *Australian*, *Bangladesh Daily Star*, *Bloomberg*, *Chicago Tribune*, the *Globe & Mail* (Canada), *Gulf News*, the *Hindu* (India), the *Irish Times*,

the *Jakarta Post*, the *Kenyan Daily Post*, *New Zealand Herald*, the *Peninsular* (Qatar), *Shanghai Daily*, the *Straits Times* (Singapore), *Tanzanian Citizen*, *Ugandan* and the *Daily Monitor*.

Income generation

VSO works with a number of donors to achieve our aims. This ever-diversifying base of support includes the Australian Department for Foreign Affairs and Trade, Big Lottery, Comic Relief, DFID, the European Union, Global Affairs Canada, the Royal Norwegian Embassy, the Swiss Agency for Development and Cooperation, UNICEF and the US Agency for International Development.

Our overall income-generation objectives for 2015/16 were to:

- diversify and grow our income portfolio, bringing in a wider range of donors and funders around our core programme areas of work
- deepen our partnerships with key strategic allies
- extend our pipeline analysis and invest in positioning for longer-term, significant opportunities on the horizon.

During 2015/16 we secured an additional £18.4 million in grants. This contributed to an annual income base of £81.2 million – reflecting 5.5% growth on the previous year.

We continue to partner with the private sector to access technical skills through corporate employee volunteering and to attract additional financial investment for our work, often implemented jointly. We have expanded relationships with Accenture, Mondelēz, onebillion, Syngenta and Vodafone.

Our pipeline remains strong, with an estimated £58 million awaiting funder decisions. Our ambition continues to grow – our average funding application request is over £1 million and our success rate is over 60%.

Private philanthropy continues to play a strong role in supporting VSO's mission. This includes the ability to innovate through pilot programmes and new ways of working. Our trust and foundation partners around the world and members of the Million Hours Fund, VSO's philanthropic collective, help us to improve more lives.

In the aftermath of the earthquakes in Nepal in April and May 2015, we launched a public appeal for emergency funds. With support from a wide range of donors, including thousands of individual supporters in the UK, we raised over £700,000. This enabled us to tackle immediate needs and to provide longer-term support for health and education programmes.

A partnership was forged with the British Council to celebrate the 400th anniversary of William Shakespeare's death. This will allow us to raise the visibility of dedicated funds for VSO's inclusive education work.

We have recruited over 11,500 individual donors who make regular donations to VSO. Community fundraising activities continue to provide both reliable financial support and a growing number of people who are connected to VSO global network. We set ourselves the highest standards of fundraising, and we are continually improving our fundraising practices to put our supporters first. We are proud members of the Fundraising Standards Board (FRSB), the Institute of Fundraising, and the Public Fundraising Association (PFRA), actively following their codes of fundraising conduct.

We would also like to recognise those who remember VSO in their wills and leave a global legacy that continues to spread through the work of VSO. We could not function without the generosity of such supporters, and that of thousands of others who give regularly to VSO.

Leadership at VSO

Last year we worked hard to transform our organisation to be more programme focused and mission driven. As part of this change process a new Executive Board has been formed comprising five strategic leaders.

During the year the Executive Board has focused on increasing the impact of VSO's programmes, while ensuring our financial sustainability, through:

- reorganising our programme strategy management to reflect our core programming areas
- developing cross-functional teams to deliver quality programmes
- restructuring to prioritise activity and avoid duplication, particularly in the wake of the changes to our federation structure
- achieving diversity in our fundraising to avoid over reliance on any single source of funding
- strengthening our financial reserves.

Key learning

When problems arise, we tackle them head on and use each incident as a learning experience. Following serious incidents* on our youth programme, we recognised that the way we work with the families of our volunteers had to change. We want every volunteer and family member to be able to share their thoughts with us, and for us to work together to improve the experience of people on our programmes.

The Executive Board has reviewed key policies including its criminal practices and whistleblowing policy, and has undertaken a thorough review of organisational risks. Much attention has been paid to ensuring very high standards of safety and security of volunteers and employees as we continue to work in less-developed and fragile communities. Senior leaders have undertaken incident management training and taken part in a simulation exercise.

We take all incidents seriously. We have given special attention to supporting those who have been sexually assaulted. Over the past year, we have asked people who have been sexually assaulted to help us shape our approach to gender equality in our programming. We thank these courageous women for giving their time so freely.

As a globally networked organisation, we have embraced technology that allows us to engage with our volunteers and employees. Our chief executive and the Executive Board members invite all VSO volunteers, employees, consultants and VSO member teams to discussions on strategy and key activities.

We conducted post-closure evaluations of our programme work in Sri Lanka and Cameroon, which closed in 2014 and 2015 respectively. One year after we finished working in Sri Lanka, 75% of the skills, income and process developments that VSO supported are being sustained. This was established through extensive research involving research and performance monitoring of VSO's former partners in the country.

We also conducted a meta-evaluation across all of VSO's programmes to assess the strength and rigour of our evidence. The findings are shaping the priorities for further evaluations and our practice in future.

VSO sowed a seed and the seed is growing.

Mayor, Santa Council, Mezam Division, North West Cameroon

**please see p38-39 for further detail*

Corporate objectives

Our quarterly business review is used as an opportunity to monitor our progress. This process enables us to be accountable to our colleagues, funders, trustees and ultimately those we work with in our programmes.

Education, health and livelihoods

We have largely delivered against the education, health and livelihoods targets set in our strategic agreement with DFID. This is the result of hard work across the organisation. It also results from decisions taken to shift our resources strategically to targeted countries and programmes in order to meet our objectives.

Youth volunteering and ICS

We have delivered on our ICS targets. This is particularly notable given our decision in the middle of the year to focus significant amounts of time and resources on managing safety and security within the programme. Over 20,000 ICS volunteers have now been involved since the programme started.

Legal status in countries around the world

We have made significant progress establishing our legal status in a number of countries around the world, notably Ethiopia, India, Pakistan and the Philippines. This is important as it affects our ability to deliver our mission in those countries.

Financial targets

We have met our financial targets, including a £4 million savings target set as part of our reserves strengthening plan. This plan was developed to address the uncertainty facing the sector from the future funding environment.

Resourcing

We integrated VSO Bahagian, VSO UK and VSO ICS into a single VSO global resourcing team. This has been recognised externally as a successful recruitment model at scale and we were pleased to see VSO being highly commended for having effective employer brand development at the 2016 UK Recruiter Awards. Our internal teams recruited over 2,000 people to VSO this year, finding people in over 30 countries for opportunities in over 20 countries.

Income

As a result of efforts from team members around the world, we have increased income overall by 5.5% against last year's result: up from £77.0 million to £81.2 million.

Future plans

VSO's strategic priorities are designed to further improve our influence as a UK registered international organisation.

Global programmes

- Our programmes will address inclusion, social accountability and resilience, with a particular focus on fragile spaces.
- VSO will bring the power of volunteering to unlock the potential of technology.
- Our programmes will support post-crisis rehabilitation and recovery.
- We will build on our established strengths in education, health and livelihood programming.

Global leadership

- VSO will take global leadership on volunteering and active citizenship as key mechanisms to achieve the SDGs.
- We will invest in research, and use a programming approach that is evidence based and responds flexibly to changing situations.
- VSO will be innovative, and build on our distinctive ability to provide insight and take effective action.
- We will build on our approach for volunteers – international, corporate, political, national and youth – to be catalysts and connectors for change.

Global engagement

- Over the next five years VSO will deepen our engagement with our global network of former volunteers.
- We will focus on youth engagement in achieving the SDGs, across the global north and global south, in the UK and with new corporate partnerships.
- VSO will develop new partnerships between civil society, the private sector and governments.
- Our global brand and identity will be capable of generating broad-based global support.

Principal risks and uncertainties

The Executive Board identifies key risks facing VSO after considering input from our globally organised functions and country offices. These are documented in a risk register, which is discussed with the Audit and Risk Committee and International Board of Trustees.

The risk register is updated to reflect recent operational and financial developments, strategic annual organisational objectives, and changes in the external environment. Each risk item is analysed according to its perceived potential impact and likelihood of occurrence, together with actions that either have been, or will be, taken in mitigation. The risk register is reviewed quarterly, and amended for changes regarding risks, mitigating controls and actions.

The risk management process has resulted in a priority on mitigating controls and actions for the following risks:

- over reliance on one major source of unrestricted funding, which inhibits VSO's organisational independence; the withdrawal of such funding has significant consequences for the organisational shape of VSO in the short to medium term
- serious injury, illness or assault while volunteering for VSO, which gives rise to the risk of litigation, reputational damage and/or programme cancellation
- the inability to recruit sufficient volunteers, which weakens our ability to deliver programme impact and undermines our reputation.

The trustees have confirmed that there are procedures in line with the key risks and other identified risks to prevent or manage their effects. These procedures include implementation of control systems and processes throughout the entire organisation, the transfer of risk to external insurers, and the management of risks that cannot be avoided. Where appropriate, financial provision may be made on the balance sheet, or reserves set aside in case of adverse events in the future. In addition, the internal audit plan developed and implemented each year is based on and consistent with the identified risks. The Audit and Risk Committee monitors the implementation of the internal audit plan.

The trustees are satisfied that the level of reserves held are commensurate with the risks facing VSO.

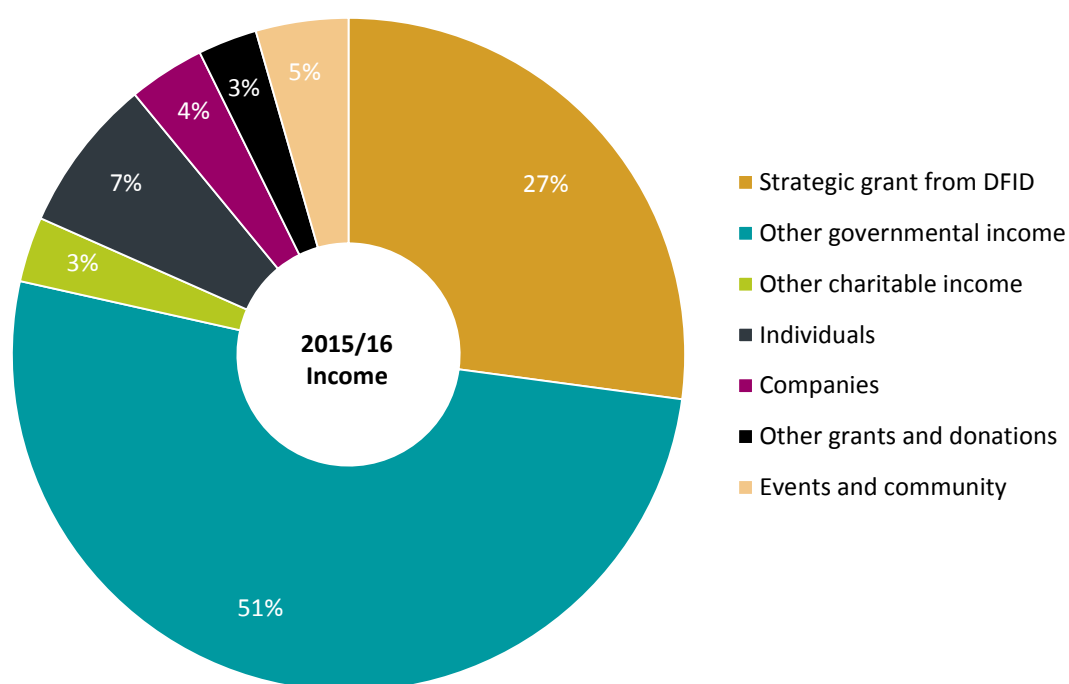
Our trustees recognise that some areas of work require the acceptance and management of risk if our key objectives are to be achieved.

Financial review

In 2015/16 VSO reported a surplus of £6.5 million, with £6.2 million relating to unrestricted funds, mainly the result of successful delivery of the transformational Change Programme undertaken by VSO during the year. This was initiated to deploy resources efficiently as close as possible to our development programmes, and to increase our free reserves to a minimum target level of £7.5 million.

As at 31 March 2016 free reserves exceeded target, totalling £9.9 million. The free reserves total includes the negative pension deficit designated fund of £4.3 million. This increased level of reserves provides VSO with the financial resilience needed for uncertainty in the funding environment and other operating risks, and to invest appropriately in programme delivery capacity.

Income



In 2015/16, incoming resources totalled £81.2 million, an increase of £4.2 million (5.5%) on the previous year (£77 million). Income continues to increase year-on-year with business development being a key investment area for VSO. These results have been achieved by diversifying our institutional income through targeting specific opportunities in our core programme areas and through public fundraising initiatives.

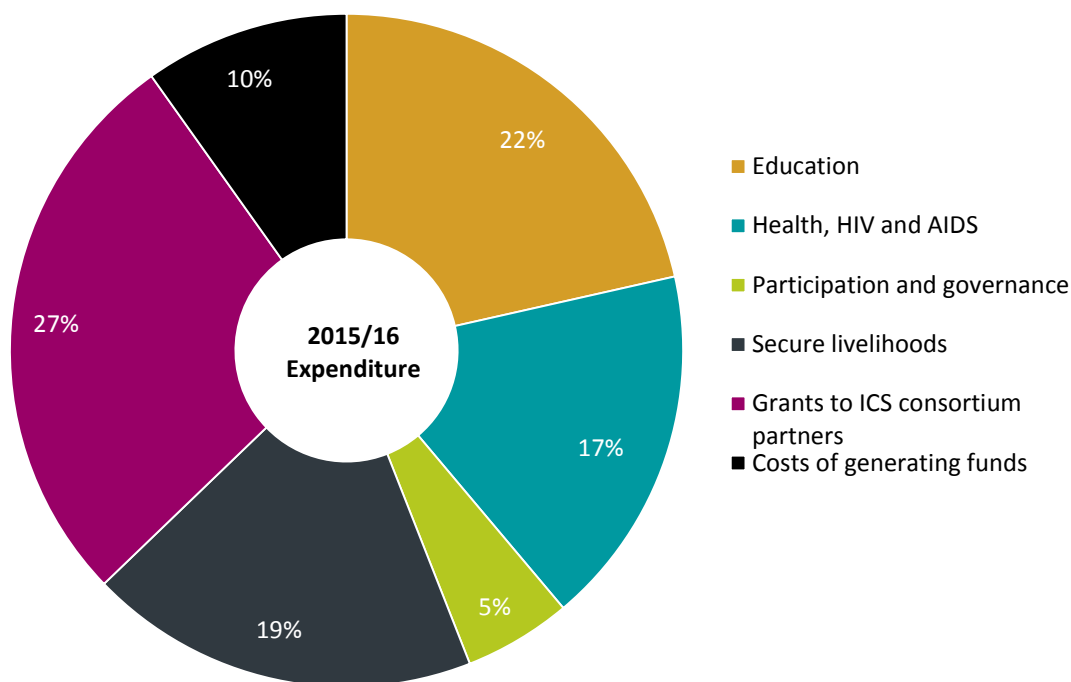
Nearly one-third (32%) of income in 2015/16 related to the ICS programme. During the year the three-year contract award to VSO by DFID in 2012/13 to manage the ICS 1 programme came to an end and VSO was pleased to be awarded a further three-and-a-half-year contract for the ICS 2 programme. In 2015/16, these contracts represented £26.3 million of income, an increase of £1.8 million (7.4%) on 2014/15. Part of the ICS work is sub-contracted by VSO to 10 other consortium partners, representing £20 million of the total expenditure in 2015/16.

In April 2011, a three-year strategic grant agreement was signed with DFID. This was subsequently extended to 31 December 2016, to provide funding of £22 million per financial year. VSO is grateful to DFID for its continued support and looks forward to maintaining a strong relationship in the future.

Individual giving remains a key source of unrestricted income for VSO. This year we have seen a slowdown in the recruitment of individual donors consistent with the traditional fundraising environment in the UK,

with income falling marginally by £0.1 million. Investment in core programme areas and business development during the year has contributed to a 29% growth in income from corporates and will provide a strong funding pipeline as we move into 2016/17.

Expenditure



Charitable expenditure is presented in relation to each of VSO's four thematic areas, in accordance with the requirements of *Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) 2015*. Expenditure is allocated directly to the relevant area where possible, with measures such as employee headcount and volunteer expenses used to allocate costs not directly attributable to a particular area. New core programme areas are currently being developed and the presentation of charitable expenditure will be adjusted as needed to reflect this in next year's annual report.

The transformational change work in 2015/16 was initiated with the aim of focusing all VSO work on our mission: developing cross-functional teams to work on maintaining, developing and engaging others in quality core programme content; restructuring to prioritise activity and avoid duplication of effort, particularly in the wake of the changes to our federation structure; and increasing capacity in country-level programme delivery.

This has resulted in a reduction in the number of UK-based employees. The number of employees has been increased in the other countries in which we work.

VSO spent £66.1 million on charitable activities in 2015/16. This was 90% of total expenditure. This is a 2% increase on 2014/15, with a £0.4 million increase in expenditure against the health, HIV and AIDS goal and a £0.5 million increase in expenditure against the secure livelihoods goal. Expenditure on education has reduced by £1.8 million because of reduced restricted grant funding in this area. Spend on participation and governance has reduced by £0.3 million year-on-year as we are starting to embed inclusive governance within each of our other thematic areas.

Payments to ICS consortium partners for delivery against contracts have increased by £2.3 million in 2015/16 to £20 million. As in previous years, the ICS contract is presented separately to highlight the different thematic areas introduced by other consortium partners.

In 2015/16, fundraising costs decreased by £1 million. We achieved 11,575 new individual donors in the year, but this was below our expectations because of challenges in the UK public fundraising environment. We are developing and piloting new public fundraising and engagement models and are confident we will see an increase in this valuable income stream in the future.

Funds held

Total funds carried forward as at 31 March 2016 amounted to £21.6 million:

- £6.2 million relates to restricted funds.
- £15.4 million relates to unrestricted funds, increased from £9.2 million in 2014/15 by the current year surplus of £6.2 million. Unrestricted funds are further divided as follows:
 - as required by SORP 2015, a designated pension deficit repayment plan negative fund of £4.3 million
 - the designated transformational Change Programme fund of £1.4 million, reduced from £2.2 million in 2014/15 reflecting use of funds on Change Programme initiatives
 - the designated ICS fund of £2.7 million; the end of the ICS1 contract resulted in a surplus of £2.6 million; £1.2 million relating to volunteer fundraising activities has been retained in the ICS reserve for use on the ICS programme, and the balance of £1.4 million is released to the general fund
 - the designated fixed asset fund of £1.4 million.
- The general reserve at 31 March 2016 stands at £14.2 million, increased from £5.2 million as at 31 March 2015.

Reserves policy

The reserves policy prescribes the appropriate level of free reserves that should be immediately available and the actions that trustees are expected to take to maintain reserves at an appropriate level.

In response to changes in governance structure and new accounting standards, VSO revised its reserves policy during the year. VSO operates this policy to insulate it against volatility in income and uncontrollable fluctuations in operating expenditure, to deal with any setbacks, and to provide it with flexibility to take advantage of strategic opportunities. This policy was reviewed by the Audit and Risk Committee before recommendation to and approval by the International Board.

In March 2015, a free reserve minimum target level was agreed of £7.5 million. The trustees continue to consider this an appropriate minimum for the coming year. On 31 March 2016, VSO's free reserves stood at £9.9 million, consisting of the £14.2 million general reserve less the £4.3 million relating to the pension deficit repayment plan fund.

The strong level of reserves ensures that VSO can respond financially to uncertainties in future funding flows. The trustees review this quarterly and will continue to evaluate the appropriate reserve levels as we proceed through 2016/17.

Investment policy

Aim

The main aim of VSO's investment policy is to preserve capital, while holding reserves in liquid or near-liquid assets.

Policy

VSO's policy is to maintain a risk profile with no assets rated less than single A and with no single credit exposure amounting to more than 20% of the total at any one time. The International Board reviews the policy annually, to consider whether a different policy should be applied. VSO's Articles give it the power to invest monies in such investments, securities and property as is thought fit, subject to any legal requirements. The Finance Team reports regularly to the Audit and Risk Committee on the composition of investments held and their maturity profile. Cash deposits are held with Barclays, Standard Chartered and the Charities Aid Foundation.

Achievements

During 2015/16 short-term deposits have increased because of the higher level of reserves and funds relating to ICS. Deposits are diversified between Barclays, Standard Chartered and the Charities Aid Foundation with the aim that no more than 60% of funds are to be held with Barclays (our main banking partner) and the remaining 40% split between Standard Chartered and the Charities Aid Foundation. The Finance Team and Audit and Risk Committee continue to review the best options available for investment of our funds.

Reference and administrative details

Charity name:	Voluntary Service Overseas
Charity registration:	313757 (England and Wales), SC039117 (Scotland)
Company registration:	703509
Registered office:	100 London Road, Kingston upon Thames KT2 6QJ

The International Board of Trustees as at 31 March 2016

Mari Simonen (Chair)†	Member of the Independent Oversight and Audit Committee of the UN Refugee Agency; former deputy executive director, United Nations Population Fund, USA
Sam Younger CBE (Vice Chair)†	Chair of CILEx Regulation, council member of the Advertising Standards Authority, public interest observer at the Chartered Institute of Taxation, UK
John Bason	Finance director, Associated British Foods plc, UK; non-executive director of Compass Group plc; chairman of FareShare, UK; worked as a VSO volunteer in Ghana (Honorary Treasurer)*
Baroness Hilary Armstrong	Baroness Armstrong of Hilltop, Member of the House of Lords, worked as a VSO volunteer in Kenya, ex-member of VSO's parliamentary volunteer scheme, UK
Hardeep Jhutti	NHS Improvement, responsible for overseeing providers of NHS healthcare in England, UK
Dr Noerine Kaleeba†	Patron and founder, TASO Uganda; Vice chair, Uganda National Health Research Organization, Uganda; Vice chair, Uganda National Health Research Organisation Board; CEO, Nnabagereka Development Foundation, Uganda
Chris Merry*	CEO, Ipes, UK
Stephen Pidgeon*	Founder of marketing agencies Tangible and Brightsource; fundraising speaker, teacher, consultant, author and conference presenter, UK
Amanda Rowlatt CBE†	Senior civil servant, UK
Anjali Sen*	Regional director, International Planned Parenthood Federation South Asia region, India

Independent International Board sub-committee members as at 31 March 2016

Jose Gonsalves*, Neil Menzies* (Neil Menzies will step down following the June Audit and Risk Committee meeting).

Former members of the International Board of Trustees (during reporting year 2015/16)

Wayan Vota, Pamela Culpepper, Rasheda Choudhury and Tom Carver – all resigned July 2015.

* Audit and Risk Committee (Board Sub-committee)

† Governance Committee (Board Sub-Committee)

The Executive Board as at 31 March 2016

Dr Philip Goodwin	Chief Executive
Donne Cameron	Executive Director of Programmes
Kathryn Gordon	Executive Director of People and Organisational Development
Graham Loader	Executive Director of Finance and Corporate Services
Andrew Webb	Executive Director of Business Development

Royal patron: HRH The Princess Royal

Banker: Barclays Bank plc, 1 Churchill Place, Canary Wharf, London E14 5HP

Auditor: BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

Structure, governance and management

Our structure

Voluntary Service Overseas (VSO) is a company limited by guarantee, registered in England and Wales, registration number 313757, with company number 703509. It is registered as a charity in England and Wales and as a Scottish cross-border charity, registration number SCO39117. VSO's activities in Scotland are the same as those carried out in England and Wales. As required by the Office of the Scottish Charity Regulator, VSO is reporting on its Scottish activities as an integral part of this report.

VSO has three wholly owned subsidiaries: VSO Trading Limited (England and Wales), British Executive Service Overseas Limited (England and Wales) (dormant) and Beijing VSO Consulting Company Limited, a Chinese-registered, wholly foreign-owned enterprise (winding down in 2015/16; we plan to withdraw completely from China once de-registration is completed).

VSO's governing document is its Articles of Association.

Our governance

International Board of Trustees

VSO's governing body is the International Board, currently comprising 10 trustees, who are the statutory directors and members of VSO. The International Board meets at least three times a year in person and once by telephone. It has further discussions by telephone if necessary. Face to face meetings typically last for at least one full day, with an additional briefing as necessary to offer the opportunity for further engagement and insight into VSO's work, and a working dinner with the Executive Board. Trustees are generally appointed for an initial period of three years, which can be extended for a further three-year period.

The trustees are recruited through an open selection process. They receive a comprehensive induction on appointment, and ongoing training and engagement throughout their term of office through regular updates from the chief executive, field visits to VSO programmes, and participation as expert advisers to organisational working groups. During the year all trustees attended formal training, which included scenario exercises. Review of the performance of the International Board as a whole is a continuous process. Feedback is requested by the chair and received after each board meeting and this contributes to the planning of the next meeting. Individual trustees make annual commitments to VSO over and above their responsibilities as directors and members.

There is a formal list of matters reserved for the International Board in VSO's Schedule of Delegation. The Board is responsible for approving and monitoring implementation of VSO's long-term strategy, annual corporate business plan, objectives and budget, key policies, constitutional changes and the appointment of the chief executive.



Mari Simonen
Chair
Governance Committee



John Bason
Honorary Treasurer
*Chair of Audit and Risk
Committee*



Sam Younger CB
Vice Chair
*Chair of Governance
Committee*



Amanda Rowlatt CBE
Governance Committee



Baroness Hilary Armstrong



Stephen Pidgeon
Audit and Risk Committee



Dr Noerine Kaleeba
Governance Committee



Hardeep Jhutti



Anjali Sen
Audit and Risk Committee



Chris Merry
Audit and Risk Committee

International Board sub-committees

During 2015/16, the International Board had two sub-committees, one of which has independent members (see page 31 for details):

- the Audit and Risk Committee, responsible for assessing the effectiveness of operational and financial risk management and internal control
- the Governance Committee, responsible for managing the framework for policy or remuneration of VSO senior management, recommending potential new trustees to the International Board, and reviewing VSO's governance arrangements.

Executive Board

The International Board delegates VSO's day-to-day management to the chief executive and the Executive Board. The Executive Board has operational oversight of VSO's global work. Each member is responsible for an area of VSO's global operations, including programmes, business development, people and organisational development, and finance and corporate services.

The Executive Board meets weekly to oversee implementation of strategic and operational activity, allocate resources, set and monitor standards, and determine core approaches to how VSO works. The Executive Board formally reviews achievements against VSO's development, operational and financial objectives quarterly, in collaboration with senior employees across the organisation.



Dr Philip Goodwin
Chief Executive



Donne Cameron
Executive Director of Programmes



Kathryn Gordon
Executive Director of People and Organisational Development



Graham Loader
Executive Director of Finance and Corporate Services



Andrew Webb
Executive Director of Business Development

Changes to VSO's governance

VSO's governance had historically involved three separate bodies as provided in the VSO Federation Agreement. These were the International Board, the Federation Council and the UK Board, a sub-committee of the International Board. This complex structure has been simplified to achieve greater accountability, cost effectiveness and clarity in VSO's governance, and the federation has been disbanded. VSO now has agreements in place for cooperation with VSO Netherlands and VSO Ireland. It has branch offices in Kenya and the Philippines. The UK Board was dissolved in July 2015.

Pay policy for key management personnel

The key management personnel at VSO are the trustees who make up the International Board and the executive team members who make up the Executive Board.

There are currently 10 trustees, who are the statutory directors and members of VSO. All trustees serve VSO voluntarily. They do not receive any employee benefits and receive payment only for reimbursement of out of pocket expenses. See note 5 in the financial statements.

They formally delegate day-to-day executive responsibility to the chief executive and the members of the Executive Board, as detailed above.

The remuneration levels, pay and benefits for the Executive Board members are determined by the International Board of Trustees, through the governance sub-committee. Determination is based on a pay philosophy that commits to compensate employees in a manner that is fair, consistent and reflective of the external market, while providing recognition for the achievement of organisation goals, objectives and professional competency. VSO benchmarks actual pay with the market position, and internally considers accountability, problem solving and know-how as the parameters to determine pay levels. The total cost to VSO for remunerating the Executive Board is currently £520,000.

Other information

Public benefit

VSO developed its People First strategy and three-year corporate business plan to advance its charitable objectives of promoting the voluntary sector and the effective use of resources for the purpose of advancing education and relieving poverty in any part of the world. Our strategy ensures we provide public benefit based on guidance published by the Charity Commission on the Public Benefit requirement under the Charities Act 2011. Through the process of monitoring performance delivery of the business plan in line with strategic intent, our Executive Board members and trustees ensure that our activities continue to be in line with our charitable objectives while contributing to public benefit. In 2015/16 the Executive Board and trustees began to update and refresh the strategy.

Grant-making policies

Under the terms of the partnership agreements that existed in 2015/16 between the charity and the other members of the former VSO Federation, ICS consortium partners and in-country partner organisations, the charity provides funds to such organisations in order to allow them to undertake agreed activities in pursuit of VSO's aims.

VSO in Scotland

VSO hosted a panel debate in Edinburgh, in support of the SDGs, to stimulate discussion on how cross-sector partnership working can deliver impact. The event was introduced by Fiona Hyslop, a member of the Scottish Parliament's cabinet, and was chaired by a representative of the United Nations Institute for Training and Research. Philip Goodwin was part of a panel comprising speakers from academia, the private sector and a member of the Scottish Parliament. The event was attended by participants including supporters and young returned volunteers.

The Scottish Government-funded project Unlocking Talent in Malawi uses tablet-based technology to improve literacy and numeracy learning outcomes for primary school children. It completed its first year. Two Scottish volunteers with experience in school inspection helped build the capacity of the Malawi Directorate of Inspection and Advisory Services to adapt inspection guidelines. This enabled them to evaluate the quality of learning over the project.

Delegates from five Scottish organisations with an interest in climate change visited Malawi. The exchange was part of a project funded by the Scottish Government Climate Justice Programme. The exchange included local partners as well as VSO staff from Rwanda, Tanzania and Zambia. Key topics included the participatory process of scenario planning and flood management.

Another Scottish Government-funded project in Orissa, India, was completed this year. Almost 4,400 women are now able to access health services and there are now fewer neonatal deaths than in the past. Over 38,000 children can access integrated child development services, resulting in improved nutrition and health.

VSO in India

To optimise development programme opportunities, fundraising and volunteer recruitment in India, VSO has agreed to transfer its operations to an independently operated charitable trust – the VSO India Trust – whose trustees are all of Indian nationality. The VSO India Trust carries out the work of VSO in India by agreement with VSO. Anjali Sen, one of the members of the International Board, is a member of the Board of the VSO India Trust.

Accountability

We recognise the importance of being accountable to those we work with and for. In 2015/16 we maintained our existing processes and procedures, while taking steps to improve and strengthen our accountability to those with whom we work. Each quarter we review our progress against the plans set out in our corporate business plan. This allows us to see what we are doing well, and where we may need extra resources and support to achieve targets.

This year we carried out five internal audits of our country offices according to a rotating schedule. These audits are designed to ensure that we have strong financial and non-financial processes in place, and to identify and mitigate risks. Our regional structure and a self-audit tool allow for regular reviews between audits. We carry out due diligence checks on organisations with which we work, and maintain an ethical review log to ensure that our private sector partners and donors meet the criteria set out in our ethical fundraising policy.

During 2015/16 we maintained the International Aid Transparency Initiative (IATI) standards, and published financial and strategic information on the IATI website each quarter. We publish key documents on our website, including current and previous annual reports and financial statements, the results of our independent progress reviews, and external evaluations of our programmes.

VSO is a partner of the International Civil Society Centre (ICSC). We work with other world-leading international civil society organisations to promote robust accountability and transparency in setting objectives, measuring results and reporting within the sector. Together we work to develop effective leadership and strategies for successfully navigating change. This maximises VSO's ability to create a more sustainable and equitable world. In 2015/16, our chief executive, Philip Goodwin, became a board member of the ICSC.

The way we understand and explain the effect we have on people living in poverty keeps improving, thanks to continued investment in evaluation and research. We meet our partners regularly to discuss, analyse and learn from our volunteers' work with them. We also speak directly with community members about their experience and the changes in their lives. These conversations help us make sure that that future work is guided by the people we exist to support.

We also continue to refine the collection and collation of consistent data from across our global portfolio. This lets us be more rigorous in tracking progress towards our development goals. In 2015/16 we further strengthened our data management systems, and will continue this work in the coming year. Our country offices will be supported in measuring and monitoring the impact of their own programmes. In addition, we look to improve our capacity to conduct a greater number of more robust evaluations.

Equal opportunities

VSO is committed to the principle of equal opportunities and diversity. Our success depends on making best use of individuals' strengths. We aim to treat employees, volunteers and applicants for jobs fairly, and ensure they are recruited, trained and promoted solely on the basis of their abilities. We value their right to dignity at work.

VSO will not tolerate bullying, discrimination, harassment or any other form of unwanted behaviour, whether based on age, caste or class, civil partnership status, disability, ethnic or national origin, HIV status, marital status, political or religious beliefs, pregnancy, race, sex, sexual orientation, spent convictions of ex-offenders, trade union activity or transgender status. This is reinforced in our Code of Conduct, the framework that all employees and volunteers must engage with and adhere to. We expect that VSO policies and practices that promote equality of opportunity, diversity and inclusion and support human rights and dignity are the standards for appropriate workplace behaviour.

VSO is committed to strive constantly to create a productive environment, representative of, and responsive to, different cultures and groups, where everyone has an equal chance to succeed at all levels. VSO ensures we have an appropriate level of disability awareness and make reasonable adjustments in the workplace to help people with disabilities achieve their career potential and access volunteering opportunities.

Safeguarding

Protecting children, young people and vulnerable adults from harm is central to achieving our mission of ending global poverty.

We are committed to ensuring that people who work with our organisation are free from any abuse or exploitation. Everyone who comes into contact with any person associated with VSO should at all times feel respected and safeguarded. To enforce this, VSO's global safeguarding policy has a range of measures and systems to prevent any form of abuse. We have clear procedures for disciplinary action in the event this policy is breached.

Modern slavery

VSO recognises the breadth of forms that modern slavery encompasses, including slavery, servitude, forced and compulsory labour, and human trafficking. VSO will provide training to heighten awareness of modern slavery and how to report it, incorporating this into our criminal practices awareness training for all.

VSO will not contract with, provide funds for, or assist organisations that are known or suspected to have links to slavery, human trafficking or other criminal activities, and completes due diligence on suppliers to ensure they have no convictions in these areas. If links between an existing partner, supplier and identified organisation (or front for an identified organisation) are suspected, interaction with that partner or supplier will immediately cease.

Engagement and reporting

VSO provides information to its employees through the VSO intranet and organisation-wide emails, webinars and online learning sessions. Employees, through their union representatives, and volunteers, through representative forums, are consulted on issues that affect them. Our annual You First survey, which monitors levels of engagement among employees and volunteers, asks if people feel they can communicate openly with each other regardless of position. Organisational performance at VSO requires engagement and information is disseminated via our quarterly reporting process.

Policies and procedures are in place for the health and safety of our people, and we maintain incident-reporting mechanisms. Concerns can be raised through our complaints and grievance procedures. VSO encourages all employees and volunteers and external parties with serious concerns about any aspect of VSO's work or suspicions about criminal practices to follow our whistleblowing process.

Security and safety incidents at VSO are defined as crisis events, critical events or incidents

Crisis events are those that result in a continued interruption to operations and services, damage resulting from legal action or accidents involving multiple VSO or ICS casualties, kidnapping, life-threatening injuries that cannot be stabilised locally and disease outbreaks requiring relocation, loss of donor confidence, loss of life, major reputational damage, sexual assault (assault by penetration of another person by any part of the body or by object), significant damage to assets, and significant financial loss. Crises require external resources and intervention. If a crisis is not managed effectively it will have a significant negative impact on the delivery of work.

Critical events are those that result in a temporary interruption to operations or services, illness or injury that requires emergency transport within the country or movement to another country (including surgery requiring anaesthetic and life-threatening injuries that can be stabilised or treated appropriately locally), localised minor reputational damage, sexual assault (touching without consent), limited and localised damage to assets, and limited financial loss to the organisation. A critical incident is an event that does not require out-of-country intervention, but if untreated or not managed effectively may escalate into a crisis.

Incidents are local events, such as changes to planned activity that do not result in an interruption to operations or services, illness or injury that require some medical support but can be treated in the immediate locality or in the capital without ambulance transport, sexual harassment (unwelcome sexual advances without touching) and incidents that result in minor damage to or loss of assets. Incidents include near-miss events, such as an attempted burglary where the burglars did not get into the building, or attempted assault where the intended victim got away before being hurt. An incident is an event that does not require out-of-country intervention, and if untreated or not managed effectively may escalate into a critical incident.

Safety, security and medical incidents reported in 2015/16	Crisis [^]	Critical	Incident	Total
VSO total	5	125*	581*	711
ICS contract (as a sub-total of VSO total)	5	17	184	206
ICS sub-contracted agencies (further sub-total of ICS contract total)	5	15	126	146

Notes:

[^] The crisis incidents were all serious sexual assaults; an external auditor completed a review of all of them. The VSO Security Committee reviews findings and decides if programme delivery work can continue, depending on the local conditions and mitigation measures available.

* Include major medical incidents all classified as critical incidents, and minor medical incidents all classified as incidents. Figures are based on reported incidents.

People working for VSO and ICS sub-contracted agencies are encouraged to report anything that they feel needs to be recognised as an incident. This is because we prefer to have as much information as possible regarding potential threats. This might include civil unrest near to where volunteers are located, or potentially hazardous environmental conditions. Serious incidents occurring within VSO and ICS are reported to the donor as they happen. They are also reported to the Charity Commission in line with their requirements. After the event, serious incidents are thoroughly investigated.

Responses to incident reviews are comprehensive in demonstrating the validity of existing measures and identifying areas of improvement.

Data protection

In preparation for full compliance with the new 2016 EU Data Protection Regulation, VSO has formed a multi-disciplinary working group with a remit to review VSO's policy and procedures well ahead of the regulation coming into force in 2018. This is to ensure there is accountability throughout the organisation in a culture of sensitivity, awareness and frequent monitoring through the capture, use and retention of personal data.

Note on data quality

The numbers indicating our development outcomes within this report have been collected by VSO volunteers and staff, and validated with each of the 411 partner organisations who hosted a volunteer or received a grant from VSO during 2015/16.

In our efforts to maintain and improve our accountability to stakeholders, we are continuously working to improve the quality of data relating to the depth and breadth of our work. Standardised definitions and methodologies maintain consistency across all countries, partners and areas. In addition we have improved processes to discounting data that cannot be verified, eliminating double counting. These efforts are ongoing and we will keep improving data integrity in reporting on our work.

Each country provides a detailed report of its programme work in the past year, giving narrative and context to the numerical information, and sharing examples of best practice. Numbers alone only partially explain the change that has happened. For this reason, throughout the report we have included quotes, stories and examples of how the work of VSO, through our volunteers, has helped to bring about meaningful and lasting change in the lives of many of the poorest people in the world.

Statement of trustees' responsibilities

The charity trustees (who are also the directors of VSO for the purposes of company law) are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

Company law requires the charity trustees to prepare financial statements for each year, which give a true and fair view of the state of affairs of the charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing the financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- observe the methods and principles in the Charities SORP 2015
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on disclosure to our auditors

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the Board of Trustees



Mari Simonen, Chair

07 July 2016

Independent auditor's report to the members and trustees of VSO

We have audited the financial statements of VSO for the year ended 31 March 2016, which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report, incorporating the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters, where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us
- the parent charitable company financial statements are not in agreement with the accounting records or returns
- certain disclosures of trustees' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.



Don Bawtree, Senior Statutory Auditor

for and on behalf of BDO LLP, Statutory Auditor

Gatwick, UK

Date: 19 July 2016

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of financial activities for the year ended 31 March 2016

	Note	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000	Restated Unrestricted funds £'000	Restated Restricted funds £'000	Restated Total 2015 £'000
INCOME AND EXPENDITURE							
Income from:							
Donations and legacies	2						
Strategic grant from Department for International Development (DFID)		22,000	-	22,000	22,000	-	22,000
Contributions from governmental bodies		26,263	15,298	41,561	24,442	13,756	38,198
Other grants, donations and legacies		7,650	6,183	13,833	7,819	4,924	12,743
Other trading activities	2						
Community projects, events and volunteer fundraising		407	3,198	3,605	519	3,328	3,847
Income from lettings		101	1	102	110	10	120
Bank interest and investments		131	-	131	103	1	103
Total income		56,552	24,680	81,232	54,993	22,019	77,012
Expenditure on:							
Raising funds		7,213	-	7,213	8,182	-	8,182
Charitable activities	3						
Education		7,409	8,330	15,739	9,426	8,097	17,523
Health, HIV and AIDS		5,789	6,957	12,746	6,758	5,569	12,327
Participation and governance		2,241	1,548	3,789	2,636	1,470	4,106
Secure livelihoods		6,202	7,559	13,761	6,232	7,010	13,242
ICS consortium contracts		20,049	-	20,049	17,719	-	17,719
Interest payable and similar costs		53	-	53	90	-	90
Total expenditure		48,956	24,394	73,350	51,044	22,146	73,190
Net income/(expenditure)	4	7,596	286	7,882	3,949	(127)	3,822
Other recognised (losses)							
Actuarial (losses) on defined benefit pension schemes		(1,370)	-	(1,370)	(135)	-	(135)
Net movement in funds		6,226	286	6,512	3,814	(127)	3,687
Reconciliation of funds							
Total funds brought forward		9,157	5,960	15,117	5,343	6,087	11,430
Total funds carried forward		15,383	6,246	21,629	9,157	5,960	15,117

All amounts relate to continuing activities

The notes on pages 47 to 68 form part of these financial statements.

Balance sheets as at 31 March 2016

	Note	Group 2016 £'000	Restated Group 2015 £'000	Charity 2016 £'000	Restated Charity 2015 £'000
Fixed assets					
Tangible assets	8	1,388	1,676	1,388	1,676
Investments	9	-	-	-	12
		1,388	1,676	1,388	1,688
Current assets					
Debtors	10	10,633	11,095	11,228	11,435
Short-term deposits		11,599	2,534	11,000	2,000
Cash at bank and in hand:					
In the UK		12,442	13,230	12,442	13,220
Overseas		2,744	2,669	2,744	2,669
		37,418	29,528	37,414	29,324
Creditors: amounts falling due within one year	11	(4,108)	(12,173)	(4,104)	(11,981)
Net current assets		33,310	17,355	33,310	17,343
Total assets less current liabilities		34,698	19,031	34,698	19,031
Creditors: amounts falling due after one year	12	(8,200)	-	(8,200)	-
Provisions for liabilities	13	(4,869)	(3,914)	(4,869)	(3,914)
Net assets		21,629	15,117	21,629	15,117
Restricted funds:					
Income funds	14,16	6,246	5,960	6,246	5,960
Unrestricted funds:					
Designated funds					
Pension deficit repayment plan fund	15,16	(4,293)	(3,264)	(4,293)	(3,264)
Change programme fund	15,16	1,443	2,210	1,443	2,210
ICS fund	15,16	2,677	3,329	2,677	3,329
Fixed asset fund	15,16	1,388	1,676	1,388	1,676
General fund	15,16	14,168	5,206	14,168	5,206
		21,629	15,117	21,629	15,117

The notes on pages 47 to 68 form part of these financial statements.

The financial statements were approved by the Board of Trustees and authorised for issue on 15 July 2016.


John Bason, Honorary Treasurer on behalf of the trustees

Consolidated cash flow statement for the year ended 31 March 2016

		2016		2015	
	Note	£'000	£'000	£'000	£'000
Cash inflow from operating activities	18		9,219		6,841
Cash flows from investing activities					
Interest income		131		104	
Purchase of tangible fixed assets	8	(999)		(697)	
			(868)		(593)
Increase in cash and cash equivalents in the year	20		8,351		6,248
Cash and cash equivalents at the beginning of the year			18,432		12,184
Total cash and cash equivalents at the end of the year			26,784		18,432

Notes forming part of the financial statements for the year ended 31 March 2016

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102), the Charities Accounts (Scotland) Regulations 2006 and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes(s).

The charity meets the definition of a public benefit entity under FRS 102.

The accounts have been produced on the going concern basis. There are no material uncertainties about the charity's ability to continue.

Group financial statements

The consolidated financial statements incorporate the financial statements of the charity and its subsidiary undertakings (the group). The results of the subsidiary undertakings have been included line by line in the statement of financial activities. Balances and transactions between the charity and its subsidiary undertakings are eliminated on consolidation. The overall results of the group are materially the same as those of the parent charity, therefore the charity has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 in not presenting its own statement of financial activities in these financial statements.

Reconciliation with previous generally accepted accounting practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP the restatement of comparative items was required:

- At the date of transition in applying the requirement to recognise liabilities arising for multi-employer defined benefit pension schemes for which a deficit reduction plan has been agreed, a liability was recognised for agreed repayments due from the parent charity to the Pensions Trust. The initial liability was for £3.42 million.
- At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlements from the parent charity for paid annual leave. The initial liability recognised at the date of transition was for the annual leave entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £0.3 million.

No other restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided.

Reconciliation of group funds and balances

	1 Apr 14	31 Mar 15
	£'000	£'000
Fund balances as previously stated	15,161	18,691
Pension deficit repayment plan	(3,421)	(3,264)
Short-term compensated absences	(310)	(310)
Fund balances as restated	<u>11,430</u>	<u>15,117</u>

Accounting policies (note 1) continued

Transition to FRS 102

The opening fund balances at the date of transition have been restated (see above) but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2014.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, which are described above, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from these estimates.

There is an ongoing review of estimates and underlying assumptions. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

- Pension liabilities – The charity recognises its liability to its defined benefit multi-employer pension scheme, which involves a number of estimations as disclosed in note 23.

In the view of the trustees, no other assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of the charity.

Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose (see note 15).

The charity generates significant income that is tied to specific programmes on which volunteers are working. Contributions are made towards the charity's costs of placing and supporting the volunteers on these programmes, the costs of the local organisations within which volunteers are working, and the costs of other charitable activities, including the charity's youth and national volunteering programmes. When the funds are subject to specific conditions imposed or implied by the donor, these are shown as **restricted income funds**.

Income

Income is recognised when the charity has entitlement to the funds, any conditions attached to the item(s) of income have been met, it is probable that the income will be received, and the amount can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material (see note 10).

Accounting policies (note 1) continued

For restricted grants, where income is related to performance or actual expenditure of the grant, entitlement is either the charity having incurred the expenditure to which the grant relates, or the grant having been received, whichever occurs earliest.

Pro bono services and gifts in kind are valued at the estimated value to the charity.

Gift aid recovered on donations is treated as part of the related gift unless specified otherwise by the donor or in the terms of the appeal.

Contracted funds constitute the income generated via the provision of a service. Where a contract activity extends for a period exceeding one year these are treated as long-term contracts. Income is accounted for as unrestricted and any excess of income over expenditure during the life of the contract is shown as designated funds until the completion of the contract (see notes 14 and 15).

Expenditure and basis of allocation of costs

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party; it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure on raising funds include the salaries, direct expenditure and overhead costs of the staff in the UK and other countries where we work who are engaged in fundraising activities, including negotiating grants for operational programmes and organising fundraising events.

Under SORP 2015 (FRS 102), VSO has chosen to report its charitable expenditure by the four thematic areas set out in its strategic plan. Where possible, resources expended have been allocated directly to the relevant areas. Support costs, which are those functions that assist the work of the charity but do not directly undertake charitable activities, have been allocated to goals on the basis of employee headcount.

The costs of recruiting, selecting and training volunteers, matching them to a suitable placement and supporting them while in their placement and on their return are included in other direct costs (see note 3). Other direct costs also include the cost of programme management and development and other programme inputs, such as workshops and study visits.

Governance costs are the salaries, direct expenditure and overhead costs incurred by the chief executive, legal, corporate communications and internal audit, in the strategic planning processes of the charity and compliance with constitutional and statutory requirements.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Grants and consortium payments

Under the terms of the partnership agreements that existed between the charity and the other members of the former VSO Federation, VSO provided funds in order to allow them to undertake agreed activities in pursuit of VSO's aims. Cooperation agreements with some of the former VSO Federation members have provided for continued funding for agreed activities in line with VSO's mission. Also included under this heading are payments made to the consortium partners of the ICS Programme. These grants and payments are recognised as expenditure in the year they are due.

Accounting policies (note 1) continued

Tangible fixed assets and depreciation

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

Depreciation is provided to write down the cost or valuation, less estimated residual values, of all tangible fixed assets except freehold land, over their expected useful lives. It is calculated on a straight line basis as outlined below:

Assets held in the UK

Leasehold improvements	over the length of the lease
Furniture, equipment, fixtures and fittings	over 5 years
Computer equipment	over 4 years

Assets held overseas

All categories	fully in the year of acquisition
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The trustees consider it prudent to fully depreciate equipment and motor vehicles purchased for use outside of the UK in the year of acquisition fully, in view of the uncertainty of conditions in the operating environment. It is the parent charity's policy to record these assets as disposals after three years.

Investments

The only investments VSO currently holds are in its subsidiary companies. Investments are stated at market value, except for the 100% shareholding in VSO Trading Limited, which is stated at cost, and the 100% shareholding in Beijing VSO Consulting Company Limited, which is stated at its expected future value.

Realised gains and losses are shown in the statement of financial activities. An impairment of the investment in Beijing VSO Consulting Company Limited has been recognised in the year, reducing the investment value to the subsidiary's expected future value.

Short-term deposits are held when cash in hand temporarily exceeds operational requirements. This includes fixed-term and notice accounts with a maturity of three months or more from the date of acquisition or opening of the deposit or similar account.

Cash at bank and in hand

Cash at bank and cash in hand includes cash and short-term highly liquid investments with a maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Debtors

Debtors are recognised at the settlement amount due after any discount applicable. Prepayments are valued at the amount prepaid net of any discounts due.

Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third part and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due. A provision is recognised where there is uncertainty regarding the timing or the amount (see note 13).

Accounting policies (note 1) continued

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Foreign exchange transactions

Foreign currency transactions are translated at the rate of exchange ruling at the dates of the transaction. Foreign currency balances, including balances in hyper-inflationary countries, are translated into sterling at the rate of exchange ruling at the balance sheet date. All exchange differences are taken to the statement of financial activities.

Pension costs

Pension contributions paid by the parent charity in respect of employees to a defined contribution scheme are charged to the statement of financial activities when they become payable (see note 23).

Pension contributions paid by the parent charity in respect of employees to a defined benefit, multi-employer scheme are charged to the statement of financial activities when they become payable. This is in line with FRS 102 requirements for multi-employer schemes where the assets are co-mingled for investment purposes, and benefits are paid out of the scheme's total assets (see note 23). A provision has been recognised for the present value of VSO's contribution to the agreed deficit reduction plan (see notes 13 and 23 for further details).

Operating leases

The leases of offices, printing and postage equipment are classified as operating leases; the title remains with the lessor and the assets are used for less than expected economic life.

Operating lease payments and any related lease incentives are charged to the statement of financial activities on a straight line basis over the term of the lease.

Income from the sub-letting of office space is also accounted for on a straight line basis over the term of the lease, adjusted for lease incentives where applicable.

2 Income analysis

Contributions from governmental bodies

Contributions from governmental bodies are defined as income from public institutional agencies, including those where the contribution is funded by government agencies, e.g. governments, the European Union, the United Nations and the World Bank.

	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000	Total 2015 £'000
Department for International Development:				
Core strategic grant	22,000	-	22,000	22,000
Other income	26,263	5,325	31,588	32,485
Australian Department for Foreign Affairs and Trade	-	1,410	1,410	310
British Council	-	377	377	300
European Union	-	1,361	1,361	483
Irish Aid	-	371	371	464
National Department of Education Papua New Guinea	-	808	808	23
Norwegian Embassy	-	567	567	776
Scottish Government	-	626	626	607
Sweden / Norad	-	835	835	845
Swiss Development	-	1,185	1,185	253
UN Agencies	-	1,208	1,208	685
USAid	-	886	886	211
Other public funding	-	339	339	756
	48,263	15,298	63,561	60,198

Other grants, donations and legacies

Other grants, donations and legacies includes all income from private individuals, companies, private trusts and foundations, public lotteries, Comic Relief and any other sources.

	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000	Total 2015 £'000
Big Lottery Fund	-	571	571	258
Comic Relief	-	734	734	1,012
Companies	539	2,435	2,974	2,298
Cuso International	1	68	69	256
Gifts in kind and pro bono services	496	-	496	722
Individuals	5,746	270	6,016	6,142
Legacies	633	30	663	680
Major donors	86	402	488	300
Other charitable organisations	3	881	884	233
Trusts and foundations	75	776	851	767
Other	71	17	87	75
	7,650	6,183	13,833	12,743

Other trading activities

	Unrestricted funds £'000	Restricted funds £'000	Total 2016 £'000	Total 2015 £'000
Community projects	32	6	38	60
Events	206	-	206	326
Lettings and property	101	1	103	120
Volunteer fundraising	169	3,192	3,361	3,461
	508	3,199	3,707	3,967

3 Charitable activities

	Grants and consortium payments £'000	Direct staff costs £'000	Other direct costs £'000	Apportioned support costs £'000	2016 Total costs £'000	Restated 2015 Total costs £'000
By thematic area						
Education	283	4,827	8,643	1,986	15,739	17,328
Health, HIV and AIDS	184	3,813	7,329	1,420	12,746	12,208
Participation and governance	75	1,293	1,934	487	3,789	4,059
Secure livelihoods	204	3,871	8,338	1,348	13,761	13,135
ICS consortium contracts						
Balloon Kenya	1,299	-	-	-	1,299	241
Challenges Worldwide	1,271	-	-	-	1,271	447
Lattitude Global Volunteering	1,034	-	-	-	1,034	1,299
Pravah	147	-	-	-	147	-
Progressio	2,509	-	-	-	2,509	1,830
Raleigh International	5,010	-	-	-	5,010	4,741
Restless Development	2,679	-	-	-	2,679	2,593
Skillshare International	1,285	-	-	-	1,285	1,266
Tearfund	1,296	-	-	-	1,296	1,929
United Nations Association International Service	2,126	-	-	-	2,126	2,475
Y Care International	1,393	-	-	-	1,393	899
Total	20,795	13,804	26,244	5,241	66,084	64,449

Charitable activities (excluding apportioned support costs) include pro bono services valued at £147,000 (2015: £157,000).

Breakdown of apportioned costs

	Governance and CEO costs £'000	Facilities and purchasing £'000	Human resources £'000	Finance £'000	Information technology £'000	Total 2016 £'000	Restated Total 2015 £'000
Education	334	267	440	405	539	1,986	2,332
Health, HIV and AIDS	239	191	315	290	385	1,420	1,423
Participation and governance	82	66	108	99	132	487	565
Secure livelihoods	226	182	299	275	366	1,348	1,255
Apportioned support costs - charitable activities	881	706	1,162	1,070	1,422	5,241	5,575
Raising funds	303	243	400	368	489	1,802	1,289
Total apportioned support costs	1,183	948	1,562	1,438	1,912	7,043	6,864

£1,567,000 (2015: £1,125,000) of total apportioned support costs are covered by restricted or designated funds.

Apportioned support costs include pro bono services valued at £349,000 (2015: £282,000).

Governance and CEO costs include costs directly related to the chief executive role, including remuneration, travel and executive assistance, of £208,000 (2015: £315,000).

4 Net incoming resources

	2016 £'000	2015 £'000
Net incoming resources is stated after charging:		
Auditors' remuneration	28	25
Audit of VSO Trading Limited	3	3
Depreciation:		
UK assets	444	485
Overseas assets	841	351
Loss on exchange rate movements (realised and unrealised)	51	132

The loss on exchange rate movements in the year to 31 March 2016 includes losses of £35,000 (2015: gains of £35,000) of unrealised exchange rate movements, which have predominately arisen from the translation of non-sterling cash balances for reporting purposes.

5 Trustees remuneration and expenses

The trustees received no remuneration or other benefits during the year (2015: £nil).

Expenses reimbursed to trustees or paid for on their behalf for activities undertaken on behalf of the charity amounted to £26,000 (2015: £31,000), paid to 10 trustees (2015: ten).

6 Employee emoluments including the cost of key management personnel

	2016 £'000	Restated 2015 £'000
Employee costs during the year:		
Salaries and wages	17,019	17,508
Social security costs	1,094	1,266
Pension costs	1,961	789
Other employee benefits	1,097	1,035
Temporary staff	306	702
	21,477	21,300

The 2016 wages and salaries figure includes an amount of £550,000 (2015: £397,000) relating to severance pay. This primarily relates to the transformational Change Programme (see note 15 for details).

The table below shows which bands the emoluments of individual staff fell into during the financial year.

	2016	2015
£60,001–70,000	12	9
£70,001–80,000	6	3
£80,000–90,000	3	6
£90,001–100,000	1	2
£100,000–110,000	-	3
£110,001–120,000	5	3
£120,001–130,000	2	-
£130,001–140,000	-	1
£140,001–150,000	1	-

Total emoluments disclosed in the above bands include contracted service payments of £61,000 (2015: £137,000), termination costs of £80,000 (2015: £ nil), and medical, housing, education and income tax costs of £495,000 (2015: £416,000).

The pension costs recognised on behalf of these staff members totalled £96,000 (2015: £92,000). Five are members of the Pension Trust scheme and 12 are members of the Scottish Widows scheme (see note 23 for more details on pension schemes).

Employee emoluments including the cost of key management personnel (note 6) continued

The key management personnel of the charity comprise the trustees who make up the international board, and the executive team, led by the chief executive.

All trustees serve VSO voluntarily. They do not receive any employee benefits; they receive payment only for reimbursement of out of pocket expenses. See note 5.

As part of the change process VSO implemented in the year, the key management personnel group was reorganised, the team of nine replaced with a five member executive board. The total compensation payable was £782,000 (2015: £695,000).

7 Staff numbers

Average monthly headcount and full-time equivalent (FTE) number of persons employed:

		2016	2016	2015	2015
		Headcount	FTE	Headcount	FTE
UK		241	230	270	261
Overseas	UK appointed	56	56	58	57
	Locally appointed	423	414	408	394
		<hr/>	<hr/>	<hr/>	<hr/>
		720	700	736	712

8 Tangible fixed assets

	Leasehold improvements	Furniture, equipment, fixtures & fittings	Computer equipment	Assets held overseas	Total
	£'000	£'000	£'000	£'000	£'000
Group and charity					
Cost					
At 1 April 2015	1,326	528	1,244	1,676	4,774
Additions	-	5	152	841	999
Disposals	-	(349)	(143)	(438)	(931)
At 31 March 2016	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,326	184	1,253	2,079	4,842
Accumulated depreciation					
At 1 April 2015	246	457	719	1,676	3,098
Charge for the year	133	32	279	841	1,285
Disposals	-	(349)	(142)	(438)	(929)
At 31 March 2016	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	379	140	856	2,079	3,454
Net book value					
At 31 March 2015	1,080	71	525	-	1,676
At 31 March 2016	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	947	44	397	-	1,388

9 Investments

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Group and charity				
Market value at the beginning of the year	-	-	12	43
Impairment	-	-	(12)	(31)
Market value at 31 March	-	-	-	12

Investments held by the charity at 31 March 2016 comprise £2 held in VSO Trading Limited and £nil held in Beijing VSO Consulting Company Limited. VSO Trading Limited is stated at cost and Beijing VSO Consulting Company Limited has been written down to a nil value based on expected future value of this investment. See note 21 for further information.

10 Debtors

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Accrued income	4,512	5,145	4,440	5,145
Amounts due from ICS consortium partners (working capital advances)	2,463	3,686	2,463	3,686
Amounts due from VSO Trading Limited	-	-	667	342
Other debtors	1,238	1,665	1,238	1,663
Prepayments	700	599	700	599
Trade debtors	2,000	-	2,000	-
Provision for doubtful debts	(280)	-	(280)	-
	10,633	11,095	11,228	11,435

All amounts above are due within one year with the exception of the amounts due from ICS consortium partners, which are due within two to five years.

Legacy income of £49,000 has been accrued at 31 March 2016. VSO has been notified of entitlement to further legacy income of approximately £95,000 but, as accurate estimates of the values of these legacies are not available, this income has not been recognised in the current financial year.

11 Creditors: amounts falling due within one year

	Group 2016 £'000	Restated Group 2015 £'000	Charity 2016 £'000	Restated Charity 2015 £'000
Accruals and deferred income	1,340	1,204	1,336	1,012
Liability for volunteer allowances	11	18	11	18
Other creditors	153	509	153	509
Pension contributions payable	83	171	83	171
Accrual for compensated employee leave	310	310	310	310
Taxation and social security	503	764	503	764
Trade creditors	1,708	2,697	1,708	2,697
Working capital advance from DFID for ICS	-	6,500	-	6,500
	4,108	12,173	4,104	11,981

12 Creditors: amounts falling due after one year

	Restated	
	Group and Charity	
	2016	2015
	£'000	£'000
Working capital advance from DFID for ICS	8,200	-
	8,200	-

No interest is incurred on any of the above creditors.

13 Provisions for liabilities

	Group and Charity				Total
	Volunteer				
	flights	End of service	Dilapidations	Pension deficit	£'000
	£'000	£'000	£'000	£'000	£'000
At 1 April 2015 (restated)	141	223	286	3,264	3,914
Arising in the year	-	27	-	1,370	1,397
Utilised/released in the year	(23)	(78)	-	(341)	(441)
At 31 March 2016	118	172	286	4,293	4,869

Volunteer flights

Provision is made in the financial statements for the cost to the charity for return airfares for all long-term volunteers on placement at the end of the financial year.

End of service

Provision is made in the financial statements for the cost to the charity for the lump sums payable to staff on non-UK contracts at the end of their contract in lieu of VSO paying monthly amounts into a pension scheme.

Dilapidations

The provision for dilapidations is to cover the probable future costs of restoring properties to their required condition at the end of their lease.

Pension deficit

VSO participates in the Pensions Trust's Growth Plan, a multi-employer defined benefit scheme in the UK. The rules of the Plan give the trustees the power to require employers to pay additional contributions in order to ensure the scheme has sufficient assets to meet its past service liabilities. If the actuarial valuation reveals a deficit, the trustees agree a recovery plan to eliminate it over a specified period of time. The agreed contribution by VSO to the current recovery plan has been recognised as a provision at the present value of future payments. See note 23 for further detail.

14 Restricted funds – group and charity

Movement on restricted funds

Project name	Country	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Closing balance £'000
Achieving Learning Outcomes for All	Rwanda	(36)	17	(19)	-
Accelerated care and treatment for mothers and neonates	Tanzania	-	188	138	49
Addressing HIV and AIDS in the Beira Corridor	Mozambique	45	123	168	-
Business of Girl's Education	Mozambique	(1)	293	393	(101)
Canadian Programme Partnership Agreement	Global	16	(3)	-	13
Capacity building towards the realisation of HSDP IV of SNNPR programme	Ethiopia	35	-	35	-
Cash 2 project	Tanzania	188	-	156	32
Coaching on the quality of care services and health management and administration at SFRH	Tanzania	124	507	520	110
Ebola response initiative	Sierra Leone	-	500	500	-
Education funding for Rwanda	Rwanda	(17)	1,378	1,361	-
Education Strengthening in Papua New Guinea	PNG	(41)	267	195	31
Effect - Education	Myanmar	(28)	332	301	3
Elementary support programme	PNG	-	158	102	56
English language teacher training	Tanzania	(124)	221	91	7
Enhancing employability through vocational training	Tanzania	345	-	57	287
Enhancing employability through vocational training Lindi	Tanzania	82	317	399	-
Enhancing the quality of childhood education	Rwanda	5	161	165	-
Equipment and Technology for Sub-Consultancy	Malawi	20	234	253	-
EU Governance for Cambodia	Cambodia	-	348	-	348
Evaluating and Improving Primary Education	Africa	-	371	371	-
Every Child Reading	PNG	16	-	7	9
Every Child Reading Phase 2	PNG	-	194	42	152
Fahama, Ongea, Sikilizwa II	Tanzania	51	178	225	4
Health Partnership Scheme through THET	Malawi	305	(72)	232	-
Healthier Lives for Prison Inmates in Zimbabwe	Zimbabwe	(6)	211	206	-
IBM Corporate Services Corp	Global	21	55	76	-
Joy Ambassadors October 2013	Ghana	(120)	174	54	-
Knowledge Exchange	Global	165	373	457	80
Land Access Network for Development and Justice	Zambia	-	155	85	70
Linking youth to enterprise and employment opportunity	Tanzania	(40)	156	116	-
Literacy, Language and Learning Initiative	Rwanda	(219)	559	340	-
Maji Project	Malawi	117	345	329	133
Making Markets Work for the Poor II	Global	216	548	472	292
Million Hours Fund	Global	179	157	193	142
Non-formal skills & vocational training for jobs	Uganda	-	186	112	74
Ntcheu Intergrated Maternal Health Project	Malawi	1	13	14	-
Nutrition & Dietetics Support Project	PNG	-	191	191	-
Nursing Education Support Project	PNG	-	182	168	14
Overcoming poverty through innovative livelihood	Bangladesh	14	114	128	-
Provincial capacity building project/UNDP	PNG	39	163	203	-
Regional HIV/AIDS Initiative for Southern Africa	RHAISA	767	912	1,478	201
Rural Enterprises Support Project	Ghana	435	169	264	340
SRHR & HIV and AIDS in Prisons	RHAISA	-	678	229	449
Sisters for Sisters Education	Nepal	(23)	620	598	-
Strengthening Education Management PLUS	Cambodia	2	184	186	-
Tackling Education Needs Inclusively II	Ghana	729	734	626	838
T-LED Extractive Industries	Tanzania	-	397	140	257
Tanzania Local Enterprise Development (Canada)	Tanzania	93	662	672	84
Teacher Education Support Program	PNG	-	432	340	92
Uganda School Health and Reading Programme	Uganda	-	196	184	12
Unlocking Talent Through Technology	Malawi	774	567	851	490
Unlocking Talent Through Technology	Malawi	-	167	-	167
VSO DFID Programme	South Sudan	87	-	1	87
VSO PAC/DAC Capacity Building Project	PNG	205	(80)	5	120
Waters: Towards equitable resource strategies	Malawi	14	-	3	10
Youth development programme - capacity building and support provision to vocational training institutions and functional youth literacy programme	Uganda	448	2,142	2,590	-
Other specific programme funds*	Global	1,079	7,607	7,393	1,293
		5,960	24,679	24,393	6,246

Restricted funds – group and charity (note 14) continued

* Programmes listed individually have income or expenditure over £150,000, have an opening balance, or have been detailed at the specific request of the donor. All other amounts are included in 'Other specific programme funds', made up of approximately 170 individual projects.

The closing balance of the restricted funds comprises the unexpended balances of donations and grants held for specific purposes. It is anticipated that any surpluses on funds will be expended during the coming financial year. Any shortfall in funding relating to the negative fund balance reported at the yearend will be covered by unrestricted funds.

Contracted funds – group and charity

Movement on contracts	Opening £'000	Incoming £'000	Resources £'000	Closing £'000
DFID - International Citizen Service (ICS)	3,329	26,263	25,555	4,037

Income and expenditure relating to the above contract is recorded under the unrestricted column on the Consolidated Statement of Financial Activities. The closing balance is shown on the balance sheet as a designated fund for ICS.

15 Unrestricted funds – group and charity

Movement on unrestricted funds

	Restated General fund £'000	Restated Pension deficit repayment plan fund £'000	Designated fund - Change Programme £'000	Designated fund - ICS £'000	Designated fund - fixed assets £'000	Restated Total £'000
At 1 April 2015 (restated)	5,206	(3,264)	2,210	3,329	1,676	9,157
Surplus / (deficit) for the year	7,314	(1,029)	(767)	708	-	6,226
Transfers between funds	1,648	-	-	(1,360)	(288)	-
At 31 March 2016	14,168	(4,293)	1,443	2,677	1,388	15,383

Pension deficit repayment plan fund

The pension deficit repayment plan fund is equal to the present value of future contributions payable by VSO to meet the obligation resulting from a funding agreement to eliminate the funding deficit on the Pensions Trust Growth Plan. Please see note 23 for details.

The Change Programme fund

The Change Programme fund was set up to finance the transformational change work which ensures that activities are prioritised and focused on a mission basis and resources are efficiently deployed at programme delivery level in country.

Of the current year deficit, £571,000 relates to staff costs, including redundancies, £70,000 relates to travel and accommodation costs for leadership development change workshops, £50,000 is for consultancy, and £59,000 is a provision for a potential bad debt on amounts due from a former federation member.

The balance is carried forward to fund the ongoing programme of change.

Unrestricted funds – group and charity (note 15) continued

ICS fund

The ICS fund consists of the surplus of income over expenditure relating to the ICS contracts; this has been designated by the trustees to be held for future use on the ICS project until such time as the project is completed. The ICS 1 contract completed in 2015/16. From the surplus of £2.6 million, £1.2 million derived from volunteer fundraising activities has been retained for use on ICS initiatives; the balance has been released to general funds.

Fixed asset fund

The fixed asset fund represents the extent to which funds are invested in tangible fixed assets for use by the group. Transfers to the fixed asset fund represent capital additions less disposals and depreciation charges for the year.

16 Analysis of net assets between funds

	General fund £'000	Pension deficit repayment plan fund £'000	Change programme fund £'000	ICS fund £'000	Fixed asset fund £'000	Restricted funds £'000	Total funds £'000
Group							
Fund balances at 31 March 2016 are represented by:							
Tangible fixed assets	-	-	-	-	1,388	-	1,388
Current assets	18,852	-	1,443	10,877	-	6,246	37,419
Current liabilities	(4,108)	-	-	-	-	-	(4,108)
Long-term liabilities	(576)	(4,293)	-	(8,200)	-	-	(13,069)
Total net assets	14,167	(4,293)	1,443	2,677	1,388	6,246	21,629

17 Operating leases

As at 31 March the charity was committed to making non-cancellable operating lease payments over various periods, as set out in the table below.

	2016 £'000	2015 £'000
In the UK		
Within one year	391	391
Within two to five years	1,512	1,531
In more than five years	403	776
Overseas		
Within one year	588	491
Within two to five years	189	23
	3,083	3,212

Operating leases (note 17) continued

As at 31 March the charity was entitled to receive non-cancellable operating lease receipts during the various periods, as set out in the table below.

	2016 £'000	2015 £'000
In the UK		
Within one year	71	71
Within two to five years	283	283
In more than five years	150	221
	504	575

The receipts detailed above relate to the charity's sublease agreement for part of the VSO UK office building. The current agreement is due to end in May 2023.

18 Reconciliation of net incoming resources to net cash inflow from operating activities

	2016 £'000	Restated 2015 £'000
Group		
Net incoming resources	6,512	3,820
Depreciation	1,285	837
Investment income	(131)	(104)
Decrease in debtors	461	2,699
(Decrease)/increase in creditors falling due within one year	(8,064)	3,203
Increase/(decrease) in creditors and provisions falling due after more than one year	9,156	(3,614)
Net cash inflow from operating activities	9,219	6,841

19 Reconciliation of net cash inflow to movements in net funds

	2016 £'000
Increase in cash in the year	(713)
Increase in short-term deposits in the year	9,065
Movement in net funds in the year	8,352
Opening net funds	18,432
Closing net funds	26,784

20 Analysis of net funds

	At 1 April 2015 £'000	Cash flow £'000	At 31 March 2016 £'000
Cash at bank and in hand	15,899	(714)	15,185
Short-term deposits	2,534	9,065	11,599
Total	18,433	8,352	26,784

21 Subsidiary companies

	2016	2015
	£	£
Shares in subsidiary companies:		
VSO Trading Limited	2	2
Beijing VSO Consulting Company Limited	-	11,568

VSO Trading Limited

VSO Trading Limited is wholly owned by VSO and is registered in England and Wales (company number 02315724). As at 31 March 2016, the investment of VSO in VSO Trading Limited was £2 (2015: £2).

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

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

	2016	2015
	£'000	£'000
Profit and loss account		
Turnover	423	211
Total costs	(378)	(161)
Net profit	45	50
Gift Aid payable to Voluntary Service Overseas	(45)	(50)
Retained profit for the year	-	-
	2016	2015
	£'000	£'000
Balance sheet		
Current assets	672	534
Creditors: amounts falling due within one year	(672)	(534)
Net assets	-	-

The results of the company are stated after recognising £33,825 (2015: £23,000) of expenditure recharged from VSO.

Beijing VSO Consulting Company Limited

Beijing VSO Consulting Company Limited is a wholly foreign-owned enterprise registered in China. The objective of the company is to contribute to the development of the Chinese market, to strengthen economic cooperation between China and other countries, and to enable VSO (as the sole shareholder) to achieve satisfactory economic benefits. It does this by providing consultancy, training and market promotion services. A decision was taken in the prior financial year to wind down Beijing VSO Consulting Company Limited because of the difficult operating environment, and the need for VSO to place resources elsewhere in order to achieve its objectives. The process to wind down can take from 18 months to 2 years.

Registered on 20 June 2012, VSO is the sole shareholder of the company. The original registered capital of the company was US\$210,000. The value of the investment by VSO in Beijing VSO Consulting Company Limited was impaired in prior years to US\$17,119 based on the company's net asset value. A further impairment has been recognised in the current year to US\$nil based on the future expected value of this investment.

Subsidiary companies (note 21) continued

A summary of the results of Beijing VSO Consulting Company Limited for the year to 31 March is shown below. In accordance with Chinese legislation, the financial year end of the subsidiary is 31 December. Full accounts are available on request from VSO.

	2016 £'000	2015 £'000
Profit and loss account		
Turnover	-	-
Other income	-	-
	<hr/>	<hr/>
Total costs after exchange adjustment	(5)	(31)
	<hr/>	<hr/>
Net profit/(loss)	(5)	(31)
	<hr/>	<hr/>
Retained profit/(loss) for the year	(5)	(31)
	<hr/>	<hr/>
	2016 £'000	2015 £'000
Balance sheet		
Current assets	8	12
	<hr/>	<hr/>
Net assets	8	12
	<hr/>	<hr/>
Issued share capital	132	132
Retained earnings	(124)	(120)
	<hr/>	<hr/>
Equity	8	12
	<hr/>	<hr/>

22 Related party transactions

In 2016 the following transactions took place between the charity and its wholly owned subsidiary VSO Trading Limited:

- a management charge to VSO Trading for staff and overheads to support VSO Trading's activities; £33,825 was charged for the year to 31 March 2016 (2015: £23,000)
- the transfer under Gift Aid of the trading profits of VSO Trading Limited to the charity of £44,526 (2015: £49,739).

As at 31 March 2016 a balance was due from VSO Trading to the charity of £667,000 (2015: £342,000). This balance is expected to be settled within one year.

The charity received donations without conditions from related parties totalling £26,730 (2015: £26,540).

There were no other related party transactions in the year.

23 Pension costs

The charity contributes to two main schemes – Scottish Widows and the Pensions Trust Growth Plan – and to other schemes for certain employees, including those based outside the UK.

Scottish Widows is the first main scheme available to all UK employees. This defined contribution scheme began in October 2009 and has been the primary scheme for the charity's employees since then. Scottish Widows has also provided an auto-enrolment scheme for all eligible UK employees since February 2014.

The Pensions Trust Growth Plan Series 4 is the second main scheme; it has been closed to new entrants since October 2009.

Pensions costs (note 23) continued

The table below shows the cost of pension contributions in 2015 and 2016.

	2016	Restated 2015
	£'000	£'000
Scottish Widows	228	262
The Pensions Trust	91	126
The Pensions Trust - deficit reduction liability: unwinding of discounting	53	90
The Pensions Trust - deficit reduction liability: revaluation	1,370	135
Other - country specific schemes, non-UK	219	176
	1,961	789

The Pensions Trust Growth Plan

- a. VSO participates in the Pensions Trust Growth Plan (the Plan), a multi-employer scheme, which provides benefits to some 1,300 non-associated participating employers. The Plan is a defined benefit scheme in the UK. It is not possible for VSO to obtain sufficient information to enable it to account for the Plan as a defined benefit scheme. Therefore it accounts for the Plan as a defined contribution scheme. Current members of the Pensions Trust scheme are members of the Growth Plan Series 4 scheme, which is a defined contribution scheme. Deferred members and pensioners are in the defined benefit scheme.
- b. The Plan is subject to the funding legislation outlined in the Pensions Act 2004, which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.
- c. The Plan is classified as a 'last-man standing arrangement'. Therefore VSO is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.
- d. The Plan trustees commission an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.
- e. The rules of the Plan give the trustees the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as technical provisions.
- f. If the actuarial valuation reveals a deficit, the trustees will agree a recovery plan to eliminate the deficit over a specified period of time, by obtaining additional contributions from employers, investment returns or a combination of these.
- g. A full actuarial valuation for the Plan was carried out at 30 September 2011. This valuation showed assets of £780 million, liabilities of £928 million and a deficit of £148 million. If an actuarial valuation reveals a shortfall of assets compared with liabilities, the trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.
- h. The Pensions Trust put a plan in place to recover these deficits by employers making additional contributions over 10 years, commencing 2013/14, with a review of the amounts payable by each employer every three years. VSO's additional contributions to date are shown in the table below, increasing 3% per annum.

	<u>£'000</u>
2013/14	371
2014/15	382
2015/16	394

Pensions costs (note 23) continued

- i. A full actuarial valuation for the Plan was again carried out at 30 September 2014. This valuation showed assets of £793 million, liabilities of £970 million and a deficit of £177 million. To eliminate this funding shortfall, the trustee has asked the participating employers to pay additional contributions to the scheme for an additional 2.5 years, up to 30 September 2025.
- j. Under the new accounting standards introduced by FRS 102, where the Plan is in deficit and where the employer has agreed to a deficit funding arrangement, the employer must recognise a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost. This is a change from prior years where no liability was recognised, and has therefore required the restatement of opening balances and comparatives (see note 1).
- k. The present value of provision at 31 March 2016 was £4.293 million (2015: £3.264 million; 2014: £3.421 million).
- l. Reconciliation of opening and closing provisions.

	2016	2015
	£'000	£'000
Provision at start of period	3,264	3,421
Unwinding of the discount factor (interest expense)	53	90
Deficit contribution paid	(394)	(382)
Remeasurements - impact of any change in assumptions	(67)	135
Remeasurements - amendments to the contribution schedule	1,437	-
Provision at end of period	4,293	3,264

- m. The discount rates per annum were 2.07% for 2016 (2015: 1.74%; 2014: 2.82%). These discount rates are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.
- n. As at 31 March 2016 VSO employed 25 (2015: 32) active members of the Pensions Trust Defined Contribution Growth Plan Series 4. VSO has closed the Plan to new entrants.
- o. When an employer withdraws from a multi-employer defined benefit pension scheme that is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. Although closed to new entrants, VSO currently has no intention to withdraw from the scheme.

24 Grants and contracts

Below we present the grant and contract income received in the current financial year, recognising the contribution of our funding partners, and detailing the programmes and countries supported.

	Country	2016 £'000
Australian Department for Foreign Affairs and Trade		
Improving child nutrition in Mondulkiri	Cambodia	29
Nutrition and Dietetics Support Project	PNG	191
Nursing Education Support Project	PNG	182
Tanzania Local Enterprise Development	Tanzania	662
T-LED Extractive Industries	Tanzania	397
VSO PAC/DAC capacity building project	PNG	(80)
Others	PNG	29
British Council		
Amatae 2	Myanmar	73
Capacity Building, Realizing the Quality of UNICEF	Ethiopia	8
Myanmar amatae participation and governance	Myanmar	(73)
eFect - English language education centres	Myanmar	332
Strengthening Civil Society through Active Youth	Ethiopia	37
Department for International Development		
Achieving learning outcomes for all	Rwanda	17
Core grant under strategic partnership agreement	Global	22,000
Education quality improvement project	Tanzania	221
Fahama, Ongea, Sikilizwa II	Tanzania	178
Gender Institutional Strengthening Support Project	Zambia	50
Health partnership scheme through THET	Malawi	(72)
Improved quality of services	Rwanda	1,378
International Citizen Service contract	Global	26,263
Knowledge Exchange	Global	373
One Community, One Family: Preventing Violence against W&G	Nepal	56
Sisters for Sisters education	Nepal	620
The business of girls' education	Mozambique	293
VSO Regional Enterprise Development	Tanzania	70
Youth development programme - capacity building and support provision to vocational training institutions and functional youth literacy programme	Uganda	2,142
European Union		
Addressing Family and Sexual Violence in PNG	PNG	113
Enhanced livelihood and social inclusion of young people	Tanzania	139
EU Aid volunteers building in resilience	India/ Pakistan	(5)
EU-MAFF (PGA- Livestock & Fishery)	Cambodia	39
EU Governance for Cambodia	Cambodia	348
International Citizen Service	Global	134
Inclusive local development	Rwanda	(8)
Land Access Network for Development and Justice	Zambia	155
Non-formal skills and vocational training for jobs	Uganda	186
Teaching to learn	Nepal	94
Unlocking Talent through Technology	Malawi	167
Foreign & Commonwealth Office		
Madagascar scoping study	Madagascar	5
International Organisation for Migration		
IOM NDC Disaster Management Programme	PNG	108
Regional AIDS Initiative for Southern Africa	Africa	159
Irish Aid		
Supporting ministry, local government and housing	Africa	371
National Department of Education Papua New Guinea		
Grade 8 exam data entry	PNG	808
Royal Norwegian Embassy		
Unlocking Talent through Technology	Malawi	567

Grants and contracts (note 24) continued

	Country	£'000
Scottish Government		
Maji project	Malawi	345
Ntcheu integrated maternal health project	Malawi	13
Strengthening community action for better health and nutrition	Malawi	128
Unlocking Talent through Technology	Malawi	140
Sweden / Norad		
Gender empowerment and development to enhance rights	Africa	752
Other	Myanmar	82
Swiss Development Corporation		
RHAISA SHARP	Africa	678
Support to St. Francis referral hospital	Tanzania	507
UN Agencies		
Capacity building in-service training all health workers	Sierra Leone	7
Capacity building, realizing the quality of UNICEF	Ethiopia	68
Creating child friendly schools 2013-15	Malawi	234
Early childhood centres facility survey	PNG	46
Enhancing the quality of childhood education	Rwanda	161
Gender based violence	PNG	92
Improve child registration rates through CAP building	Tanzania	9
Inclusive education	Uganda	6
Nepal Emergency Appeal	Nepal	101
Provincial capacity building project	PNG	163
Safe cities for women	PNG	7
Sports for Promoting Equity and Quality in Prime Education	Bangladesh	63
Strengthening education management PLUS	Cambodia	184
Standards and Guidance Support	PNG	35
UN entity for gender equality and women empowerment	Tanzania	33
USAID		
Literacy, language and learning initiative	Rwanda	559
School health and reading programme	Uganda	196
Strengthening HIV/AIDS Services for MARP's in PNG	PNG	97
Volunteer Mentor Programme under FHI's Burma Civil Society	Myanmar	34
World Bank		
Improving agricultural productivity and grower associations	Gambia	2
Other income from governmental bodies		
	Global	65
Total income from governmental bodies		63,561
Accenture Foundation		
Improving market access for the poor	Global	548
Other		12
Amplify Change		
Amplified Change for Pakistan	Pakistan	57
BG Group		
Enhancing employability through vocational training in Lindi	Tanzania	317
Enhancing employability through vocational training in Mtwara	Tanzania	25
Making education more relevant to future employment opportunity	Tanzania	45
Big Lottery Fund		
Addressing HIV and AIDS in the Beira Corridor	Mozambique	123
Healthier Lives for Prison Inmates in Zimbabwe	Zimbabwe	211
Overcoming poverty through innovative livelihoods	Bangladesh	114
TALK Adolescents: Training and Local Knowledge	Zambia	122
Comic Relief		
Tackling education needs inclusively II	Ghana	734
Cuso International		
Canadian programme partnership agreement	Global	(3)
VOICE Project	Tanzania	64
Other	Global	7

Grants and contracts (note 24) continued

	Country	£'000
JHPIEGO National Midwifery Strengthening Program	Myanmar	34
Handicap International Inclusive futures	Rwanda	23
IBM IBM International foundation	Global	134
JTA International Pty Limited Capacity Building - Phase III	PNG	267
MasterCard Foundation Making education more relevant to employment opportunities in Lindi Driving Youth New Agribusiness and Micro Enterprises	Tanzania Uganda	127 75
Medicor Foundation The Business of Girls Education	Mozambique	82
Mondelēz International Rural enterprise support project	Ghana	400
MOTT MACDONALD Equip-T Sub-Consultancy Teachers Development Programme	Tanzania Nigeria	96 8
New Britain Palm Oil Limited One Hour - Community Development Pilot	PNG	58
Pharo Foundation Newborn child health	Ethiopia	94
Randstad VSO Randstad partnership	Global	70
Save the Children Emergent literacy and maths initiative	Rwanda	8
Syngenta Farmers First	Bangladesh	317
Water Aid Water Aid support for Sierra Leone	Sierra Leone	500
Zochonis Charitable Trust TENI II Zochonis Model School Project Others	Ghana Ghana	50 50
Other grants and donations income not individually listed above		9,063
Total income from other grants and donations		<u>13,833</u>

Thank you

Our volunteers generously give up their time and salaries in order to take the opportunity to work in our programmes around the world. Without them, our work, making change happen, would not be possible. We also have many volunteers who contribute to VSO by raising funds and promoting our work, before they leave for placement and after they have returned home, and in helping select future youth and professional volunteers. VSO could not function without these individuals, and the enthusiasm and support of thousands of others who give regularly to VSO.

We are very grateful to those who include VSO in their wills and leave a legacy that continues to spread through the work of VSO in the world.

We would also like to thank our large funding partners, including those not individually listed below, for their continued vital support of our work. In addition, we thank the group of individual donors who have given their generous personal support through VSO's innovative Million Hours Fund.

Accenture
Amplify Change
Australian Department of Foreign Affairs and Trade
BG Group
Big Lottery Fund
Bill and Melinda Gates Foundation
British Council
Charities Aid Foundation
Clifford Chance
Comic Relief
European Union
Foreign and Commonwealth Office
GIZ
Greg Dyke and Sue Howes
Guernsey Overseas Aid Commission
IBM
International Organization for Migration
MasterCard Foundation
Medicor Foundation
Mondelēz International
New Britain Palm Oil Foundation
Pestalozzi Children's Foundation

Pharo Foundation
Randstad
Royal Norwegian Embassy
Schroder Foundation
Scottish Government
Shell
Stanley Thomas Johnson Foundation
Sweden/Norad
Swire Group
Swiss Agency for Development and Cooperation
Syngenta
The Million Hours Fund
The Partnership to Strengthen Innovation and Practice in Secondary Education
Tropical Health and Education Institute
UK Government (Department for International Development)
United Nations Development Programme
UNICEF
US Agency for International Development
WaterAid
Zochonis Charitable Trust

