

WAR CHILD
ANNUAL ACCOUNTS
2012



Table of contents

Balance sheet as per December 31, 2012	3
Statement of income and expenses in 2012	4
Cash flow statement	6
1. Accounting policies for the balance sheet and statement of income and expenses	7
2. Notes to the balance sheet as per December 31, 2012	8
3. Notes to the statement of income and expenses in 2012	13
4. Other information	20
5. Analysis of differences between annual accounts 2012 versus budget 2012	21
6. Budget 2013	22
7. Long-term budget 2013 - 2015	24

Balance sheet as per December 31, 2012

(after proposed profit appropriation)

		31 dec 2012		31 dec 2011	
Assets	See note:				
Tangible fixed assets					
Property, plant and equipment	(2.1)	<u>36.190</u>	36.190	<u>49.886</u>	49.886
				-	
Current assets					
Accounts receivable	(2.2)	2.179.910		1.473.106	
Securities	(2.3)	-		-	
Cash and cash equivalents	(2.4)	<u>5.680.262</u>	7.860.172	<u>6.078.678</u>	7.551.784
		<u>7.896.362</u>		<u>7.601.670</u>	
Liabilities					
Reserves and funds					
Reserves					
Continuity reserve		5.623.289		4.650.000	
Earmarked reserve	(2.5)	<u>121.189</u>	5.744.478	<u>526.505</u>	5.176.505
Funds					
Earmarked funds	(2.6)	<u>-</u>	-	<u>-</u>	-
Short-term liabilities					
Accounts payable	(2.7)	770.620		396.195	
Taxes and social security payments	(2.8)	188.824		120.870	
Accruals, provisions and other liabilities	(2.9)	<u>1.192.439</u>	2.151.884	<u>1.908.100</u>	2.425.165
		<u>7.896.362</u>		<u>7.601.670</u>	

Statement of income and expenses in 2012

in euro

	Realisation 2012	Budget 2012	Realisation 2011
Income			
<i>Income own fundraising</i>			
Donations, gifts and grants	11.601.061	11.671.000	10.596.088
Legacies	608.745	200.000	543.040
Gifts in kind	157.561	95.000	111.670
	12.367.366	11.966.000	11.250.798
<i>Share in actions of third parties</i>			
Dutch Postcode Lottery	1.350.000	1.400.000	1.400.000
Common Humanitarian Fund (CHF)	551.940	5.473	
UNICEF	421.714	274.029	221.608
Other third parties	801.837	2.397.198	147.578
	3.125.490	4.076.700	1.769.186
<i>Government grants</i>			
PSO	80.742	89.062	213.476
Royal Netherlands Embassy (Sudan)	267.838	296.542	509.398
Dutch Ministry of Foreign Affairs	5.346.704	4.927.568	3.610.876
European Union*	733.911	521.789	788.854
ECHO*	677.358	110.000	320.081
Security Subsidy Dutch MoFA	34.057		
	7.140.609	5.944.961	5.442.685
* EU and ECHO were reclassified from third parties to government grants			
<i>Other income</i>			
Other financial income	See note: (3.0)	48.806	-
			82.922
Sum of income	22.682.271	21.987.661	18.545.591
Expenses			
See note:			
<i>Expenditure on behalf of the objective</i>			
	(3.1)		
Project activities	(3.1.1)	15.540.255	15.089.623
Preparation & coordination	(3.1.2)	958.782	1.131.476
Communication & awareness raising	(3.1.3)	2.006.430	1.830.316
Subtotal expenses on behalf of the objective		18.505.467	18.051.415
<i>Expenditures fundraising</i>			
	(3.2)		
Costs of own fundraising	(3.2.1)	1.799.765	1.733.591
Costs of obtaining third party & government grants	(3.2.2)	304.885	288.884
Subtotal expenses fundraising		2.104.650	2.022.475
<i>Management & administration</i>			
	(3.3)		
Costs management & administration	(3.3.1)	1.504.181	1.358.475
Subtotal management & administration		1.504.181	1.358.475
Sum of expenses		22.114.298	21.432.365
Surplus / (Deficit)		567.974	(499.800)

Appropriation of the surplus / (deficit)

in euro

	2012		2011
Surplus / (Deficit)	567.974		(499.800)
Addition / (Withdrawal) from:			
Continuity reserve	446.784	(400.000)	
Earmarked reserve	121.189	(99.800)	
General reserve	-	-	
Earmarked funds	-	-	
	<u>567.974</u>	<u>(499.800)</u>	
Balance at the end of the financial year	-		-

See note 2.5 for more information about the composition of reserves.

RATIOS

	Realisation 2012	Budget 2012	Realisation 2011
% Costs of own fundraising / income own fundraising	14,6%	14,5%	18,2%
% Costs obtaining third party & government grants / income from third parties and governments	3,0%	2,9%	3,0%
% Costs of fundraising / Total income	9,3%	9,2%	12,2%
% Costs management & administration / Total Expenses	6,8%	6,3%	6,2%
% Total expenditure on behalf of the objective / Total income	81,6%	82,1%	84,2%
% Total expenditure on behalf of the objective / Total expenses	83,7%	84,2%	82,0%

The cash flow statement is as follows:

in euro

	2012	2011
Cash flow from operational activities		
Surplus / (Deficit)	567.974	(499.800)
Adjustment for depreciation	31.109	75.619
Gross cash flow from operational activities	<u>599.082</u>	<u>(424.181)</u>
(increase) / decrease in accounts receivable	(706.804)	47.660
increase / (decrease) in short-term liabilities	<u>(273.281)</u>	<u>571.128</u>
	(980.085)	618.788
Net cash flow from operating activities (A)	<u>(381.003)</u>	<u>194.607</u>
Cash flow from investment activities		
Investments in tangible fixed assets	<u>(17.413)</u>	<u>(28.013)</u>
Cash flow from investment activities (B)	(17.413)	(28.013)
Cash flow from financing activities (C)	-	-
Change in cash and cash equivalents (A+B+C)	<u><u>(398.416)</u></u>	<u><u>166.593</u></u>
Cash and cash equivalents per 1 January	6.078.678	5.912.085
Cash and cash equivalents per 31 December	<u>5.680.262</u>	<u>6.078.678</u>
Change in cash and cash equivalents	(398.416)	166.593

Notes to the cash flow statement

The cash flow statement is drawn up according to the indirect method. The cash and cash equivalents have decreased in 2012.

Although the result of the year is positive, the net cash flow from operating activities is negative due to a substantial increase in accounts receivable and a decrease in short-term liabilities.

Accounts receivable

The amount of accounts receivables increased by € 706.803. Main increases concern legacies to be received and funds to be received from donors for project activities. The latter mainly concerns MFS II funding. See also note 2.2.

Short-term liabilities

Short-term liabilities decreased by € 273.281. This change is mainly due to the decrease of the amount received in advance from institutional donors.

Again this change relates to MFS II funding. In 2011 there was an underspending in relation to the budget, whereas in 2012 there was an overspending in relation to the budget. This has had a substantial effect on our cash flow. See also note 2.7.

1. Accounting policies for the balance sheet and statement of income and expenses

1.1 *General*

This report is drawn up following the principle of historical costs. Unless indicated otherwise, assets and liabilities have been admitted against no-par value. The annual accounts are arranged according to "Guideline 650 Fundraising Institutions". The guideline has to be used uniformly by every fundraising institution.

1.2 *Tangible fixed assets*

Tangible fixed assets are valued at purchase price minus depreciation, determined on estimations of their economic life span. Tangible fixed assets which are applied as part of the objective are depreciated in full. In the notes to the tangible fixed assets this is, as far as it is relevant, additionally clarified.

1.3 *Reserves and funds*

The equity of the foundation is in place in order for the organisation to achieve its objectives. The equity is divided into reserves and funds. The difference between earmarked reserves and earmarked funds is that earmarked reserves are decided upon by the Board of Trustees -upon recommendation by the management-, whereas earmarked funds exist because third parties have prescribed a destination for the funds. The reserves within War Child consist of the continuity reserve and the earmarked reserve.

1.4 *Other assets and liabilities*

The other assets and liabilities are valued against no-par value. The valuation of accounts receivable is done by deduction of a provision because of irrecoverability based on the individual valuation of the accounts receivable.

1.5 *Foreign currency*

Receipts and expenditures in foreign currency are converted to euro at the exchange rate of the transaction date. At the end of the financial year all accounts receivable and liabilities in foreign currencies are converted to euro on the basis of the exchange rate as per balance date. Exchange rate results have been added to the income statement.

1.6 *Contributions, donations and grants*

The income consists of the proceeds from contributions, donations, grants and other income which are ascribed to the financial year concerned. Funds donated without defined obligations are accounted for in the year in which these were received. Grants with obligations are accounted for when the project expenses are realised. Expenses are taken into account in the financial year they originate in or as soon as losses are anticipated.

1.7 *Gifts in kind*

Gifts in kind are valued against fair value in The Netherlands. The fair value is estimated as the regular selling price of the supplier minus a reduction which best reflects the circumstances in which the gift is made (e.g. discounts for adverse conditions and context, etc.). Contributions from volunteers are not financially accounted for.

Processing gifts in kind does not affect War Child's result and its equity, but increases only the volume of income as well as expenses with equal amounts. The income of gifts in kind is accounted for under the income from own fundraising, whereas the expenses are accounted for in the category that is relevant for the nature of the product received.

1.8 *On-charged expenses*

Based on Guideline 650, six main activities can be distinguished within the organisation:

- * Project activities;
- * Preparation & coordination;
- * Communication & awareness raising;
- * Fundraising;
- * Obtaining grants;
- * Management & administration.

The organisation has costs in support of these activities. These costs are distributed to the activities, determined per staff member based on the time spent on an activity. Direct costs on behalf of the main activities are also ascribed to the year concerned.

1.9 *Costs own project activities / project obligations*

Costs on behalf of the own projects are directly attributed to these projects in the year in which the activities are realised.

Funds paid to external partners related to projects to be realised by the partner are accounted for as expenses in the year of payment.

2. Notes to the Balance sheet as per 31 december 2012

in euro

2.1 Tangible fixed assets

2.1 Property, plant and equipment (in euro)

	Assets head office	Project goods	Total
Purchase value of assets	456.976	-	456.976
Cumulative depreciations	(407.090)	-	(407.090)
Value as per 1 January 2012	49.886	-	49.886
Investments during the financial year	10.523	25.234	35.757
Depreciations during the financial year	(31.109)	-	(31.109)
Purchase value of goods exported to projects	-	(18.344)	(18.344)
Value as per 31 December 2012	29.300	6.890	36.190
Cumulative purchase value of assets	467.499	6.890	474.389
Cumulative depreciations	(438.199)	-	(438.199)
Directly charged to project	-	-	-
Value as per 31 December 2012	29.300	6.890	36.190

The depreciation percentage on assets used in head office is 33.33%.

Assets head office

The investments in 2012 largely concern ICT hard- and software.

Project goods

The project goods concern purchased laptops for distribution to the field. Costs are charged to the project after placing it at the disposal of the project. Goods sent to project offices abroad are fully depreciated during the same financial year. War Child does not depreciate these goods linearly over a longer time period, since the projected life span in the field is less than one year and repatriation of goods is not feasible in most circumstances. The remaining asset value of project goods concerns goods that are at head office at year end and are awaiting overseas shipment or other use.

2.2 - 2.4 Current assets

in euro

2.2 Accounts receivable

	31 dec 2012	31 dec 2011
Legacies due	679.519	337.932
Subsidy accounts receivable	622.445	722.372
Interest savings accounts	9.503	32.376
Advances	1.558	5.194
Deposits	0	290
Prepayments in project countries	667.913	141.082
Other accounts receivable	198.972	233.860
	2.179.910	1.473.106

2.3 Securities

Since inception, War Child has never invested any money in securities. Any reserve that we hold is either to be spent on relative short notice on a specific purpose or is to be held as a continuity reserve - which may have to be spent on short notice in case of an unfortunate event. Therefore, long-term investing is not appropriate for War Child. Short-term investing with a speculative character is not in our mandate either. That leaves only room for short-term investing in the safest short-term securities, which we have not applied so far.

2.4 Cash and cash equivalents

	31 dec 2012	31 dec 2011
Savings accounts head office	1.758.015	1.335.760
Current accounts head office	2.884.068	3.785.008
Current accounts field	1.037.306	956.348
Cash	873	1.562
	5.680.262	6.078.678

War Child deposits the cash and cash equivalents in project countries at renowned banks. In some of countries War Child works in, it is hard to find a renowned bank. War Child more intensively monitored the financial state of these banks and the impact of the financial crisis on these banks.

2.5 Reserves

in euro

	(A) Continuity reserve	(B) Earmarked reserve				(C) General reserve	TOTAL
		Asset operational management	Project activities	Projects HQ	Total Earmarked reserve		
Balance as per 1 January 2012	4.650.000	49.957	150.000	326.548	526.505	-	5.176.505
- Additions from result 2012	446.784	-	121.190	-	121.190	-	567.974
- Additions from earmarked 2012	526.505	-	-	-	-	-	526.505
- Withdrawals	-	(49.957)	(150.000)	(326.548)	(526.505)	-	(526.505)
Balance as per 31 December 2012	5.623.289	-	121.190	-	121.190	-	5.744.479

A) Continuity reserve

The continuity reserve financially covers War Child's short term risks and makes sure War Child can fulfill its obligations even if income dries up.

War Child monitors the desired size of its continuity reserve twice every year based on risks perceived, for approval by its Board of Trustees.

War Child's Continuity Reserve complies with the demands of the VFI as stipulated in its policy for financial control of NGOs ("Financieel Beheer Goede Doelen").

The maximum continuity reserve is 1.5 times specified annual costs of the organisation. For War Child this means a maximum of $1.5 \times € 5.6 \text{ mln} = € 9.75 \text{ mln}$.

B) Earmarked reserve

The earmarked reserve is the part of the reserve which is set aside by the Board of Trustees for a specific purpose, upon recommendation by the management.

The earmarked reserves at the beginning of the year were spent during the year in concordance with their designated purpose.

The addition to the earmarked reserve relates to upgrading the security measures in the Democratic Republic of Congo.

2.6 Earmarked funds

When a donor gives a specific destination for their donation, gift, grant or legacy and if we don't spend this in the same year that we record the income, then the remaining balance is accounted for as "earmarked funds". This situation did not occur in 2012, nor in 2011.

Short-term liabilities

in euro

2.7 Accounts Payable

	31-12-2012	31-12-2011
Accounts payable head office	383.373	288.042
Accounts payable field	387.247	108.152
	770.620	396.195

2.8 Taxes and social security payments

	31 dec 2012	31 dec 2011
Income tax head office to be paid	75.752	63.805
Social security charges head office to be paid	39.777	34.129
Income tax field to be paid	3.708	131
National insurance contributions field to be paid	69.587	22.805
	188.824	120.870

2.9 Accruals, provisions and other liabilities

	31 dec 2012	31 dec 2011
Provision holiday allowance and holidays	310.546	308.840
Donations received in advance	321.312	174.383
Transistoria credit - head office	38.934	66.407
Provisions staff - field	180.058	119.933
Received in advance from institutional donors	341.589	1.238.537
	1.192.439	1.908.100

2.10 Obligations not included in the balance sheet

In 2008 an office rental obligation was engaged in for a period of five years until 31-5-2013. Total rental obligation is € 999,000 + annual indexation. The remaining rental obligation for 2013 is € 95.010, The contract will end on 31-5-2013 and no new rental contract has been signed to date.

In addition, obligations have been entered into with partners to execute long-term programs related to War Child's objectives. At the end of the financial year, such obligations amounted to € 4,825,482 for 2013 and afterwards. This amount is including an amount of approximately € 3.4 million to be paid to our MFS II partners Child Helpline International, Free Press Unlimited and TNO in the period 2013 to 2015. The latter obligation is conditional to the payment to War Child by the Dutch Ministry of Foreign Affairs.

3. Notes to the statement of income and expenses in 2012

in euro

3.0 Other financial income

	2012	2011
Interest received	42.114	52.701
Interest paid	-	-
Payment differences	10	-
Exchange rate differences	6.681	30.221
	<u>48.806</u>	<u>82.922</u>

War Child uses a list of criteria for the selection of banks where it can deposit its funds. War Child does not have investments.

War Child does not use derivatives or other products to minimize exchange rate risks. War Child keeps most of its funds in euros and a small part of it in US Dollars as well as in local currencies of its field offices.

3.1 Expenditure on behalf of the objective

War Child distinguishes three main activities on behalf of the objective:

- project activities: The implementation of War child's projects in our field offices;
- preparation & coordination: Preparation and management of our projects;
- communication & awareness raising: Communicating to donors and beneficiaries about issues that are relevant in War Child's field of focus.

The costs within these main activities can be divided into costs directly spent on the activity and indirect support costs. The latter includes for instance activities in head office related to the development of child safety activity, as management and administration costs. The total indirect support costs are reported in 3.5. The llocation of support costs to War Child's main activities is specified under (3.6). Direct as well as allocated support costs are specified hereinafter for each activity.

3.1.1 Costs of project activities

	2012			2011		
	Own Projects (see note 1):	Contracts with local partners:	Total per country:	Own Projects (see note 1):	Contracts with local partners:	Total per country:
Afghanistan	305.050	160.103	465.153	208.530	176.369	384.899
Burundi	706.000	192.857	898.857	385.699	21.124	406.823
Colombia	539.395	474.741	1.014.136	513.251	545.064	1.058.315
DR Congo	1.650.994	109.124	1.760.118	1.285.001	61.680	1.346.681
South Sudan	1.433.556	131.747	1.565.302	-	-	-
Israel / occupied Palestinian territories	403.843	482.986	886.829	404.361	481.090	885.451
Lebanon	523.383	243.602	766.984	210.510	141.628	352.138
Sierra Leone	778.719	62.735	841.454	894.629	-	894.629
Sri Lanka	99.446	200.000	299.446	100.524	200.000	300.524
Sudan	1.214.010	134.811	1.348.820	2.207.892	190.176	2.398.068
The Netherlands	-	-	-	-	70.000	70.000
Uganda	2.414.277	406.768	2.821.045	2.022.448	345.502	2.367.950
MFS II alliance partners (see note 2)	-	1.543.340	1.543.340	-	1.151.039	1.151.039
Projects general	533.291	-	533.291	513.631	-	513.631
Allocated support costs	795.480	-	795.480	717.351	-	717.351
	11.397.442	4.142.813	15.540.255	9.463.827	3.383.672	12.847.499

(1) War Child realises self-implementing projects as well as projects implemented by a partner organisation.

Self-implementing projects are accounted for under the column "Own Projects", where informal partners such as communities and young people are involved.

If War Child has a contract with a local partner organisation, these expenses are accounted for under the column 'Contracts with local partners'.

Expenses of partner projects are accounted for in the financial year that payments to partners have been made. See note 1.9 in chapter 1.

(2) This amount relates to payments made to MFS II alliance partners. Payments from War Child to its alliance partners can be specified as follows:

	2012	2011
Child Helpline International (CHI)	459.274	CHI 463.600
Free Press Unlimited (FPU)	790.066	FPU 378.439
TNO	294.000	TNO 309.000
	<u>1.543.340</u>	<u>1.151.039</u>

3.1.2 Costs of preparation & coordination

	2012	2011
Methodology development	72.128	48.590
Recruitment, training and preparation field staf	85.203	55.347
Security	70.500	47.817
Conn@ct.Now Global	38.887	-
Global Advocay	15.897	64.572
Other costs	6.035	8.885
Allocated support costs	670.132	650.230
	958.782	875.441

3.1.3 Costs of communication & awareness raising

	2012	2011
General communication & awareness raising	864.570	887.186
Printed news letter	42.552	78.942
Field visits	17.664	7.200
Management Information System	-	3.395
Other communication & awareness raising	209.026	62.477
Allocated support costs	872.618	847.397
	2.006.430	1.886.597

3.2 Expenses on fundraising

3.2.1 Costs of own fundraising

	2011	2011
Recruitment private donors	968.031	1.291.618
Management Information System	7.896	41.782
Other fundraising costs	129.601	105.035
Allocated support costs	694.237	604.085
	1.799.765	2.042.520

	2012	2011	2010	2009	2008
Costs own fundraising	1.799.765	2.042.520	1.354.529	1.442.104	1.201.698
Income own fundraising	12.367.366	11.250.797	9.490.760	10.005.220	8.877.454
% costs own fundraising	14,6%	18,2%	14,3%	14,4%	13,5%

The Central Bureau of Fundraising (CBF) sets a maximum of 25% to the costs of own fundraising in relation to the income generated by own fundraising. In view of our low cost policy, War Child has the intention to keep the percentage for own fundraising costs below 15%.

3.2.2 Costs of obtaining third party & government grants

	2012	2011
Direct costs	20.440	17.361
Allocated support costs	284.444	197.167
	304.885	214.528

	2012	2011
Costs obtaining third party & government grants	304.885	214.528
Income third party & government grants	10.266.099	7.211.871
% costs obtaining grants	3,0%	3,0%

3.3 Management & administration

3.3.1 Costs of management & administration

	2012	2011
Allocated support costs	1.504.181	1.178.805
	1.504.181	1.178.805

	2012	2011	2010	2009	2008
Costs management & administration	1.504.181	1.178.805	1.120.085	913.588	742.587
Total costs	22.114.298	19.045.391	15.379.244	14.246.077	12.526.572
% Costs management & administration	6,8%	6,2%	7,3%	6,4%	5,9%

In the light of its low cost policy, War Child has the intention to keep the percentage for Management & Administration below 7%. Indirect costs are allocated to activities in line with the guideline from VFI. For staff, allocation is in accordance with the time spent on activities.

3.4 Specification and on-charge expenses to destination

in euro

Destination	Objective			Fundraising					Management & Administration	Total 2012	Budget 2012	Total 2011
	Communication & Awareness raising	Preparation & Coordination	Project activities	Own Fundraising	Joint actions	Third party actions*	Subsidies (third parties & govmt)	Investments				
Subsidies & Contributions	-	288.650	14.744.775	-	-	-	20.440	-	-	15.053.865	14.771.004	12.372.720
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Purchases & acquisitions	-	-	-	1.105.528	-	-	-	-	-	1.105.528	1.030.729	1.438.437
Outsourced activities	-	-	-	-	-	-	-	-	-	-	-	-
Publicity and communication	1.133.812	-	-	-	-	-	-	-	-	1.133.812	1.041.467	1.039.200
Staff costs	741.545	569.474	675.994	589.959	-	-	241.719	-	1.278.244	4.096.936	3.851.565	3.560.854
Housing costs	48.963	37.601	44.634	38.954	-	-	15.960	-	84.400	270.511	286.500	272.297
Office and general costs	80.049	61.474	72.973	63.685	-	-	26.093	-	137.985	442.260	383.550	220.691
Depreciation and interest paid	2.061	1.583	1.879	1.639	-	-	672	-	3.552	11.385	67.550	141.192
Total expenses	2.006.430	958.782	15.540.255	1.799.765	-	-	304.884	-	1.504.181	22.114.298	21.432.365	19.045.391

The above overview is in accordance with the "Model Toelichting lastenverdeling" from "Richtlijn 650 Fondsenwervende Instellingen".

* Please note that until 2012, War Child did not track expenses of sharing in third party actions separately. Expenses of obtaining funds from third party actions and from governments were administrated jointly.

3.5 Support costs

in euro

	2012	2011
Salaries, pensions & social security charges		
Gross wages	2.764.049	2.374.659
<i>Uitkering ziektewetverzekering</i>	(51.420)	(101.215)
Pension premiums*	223.965	175.153
Social security charges	476.225	395.159
Provisions holiday allowance	214.649	187.018
	3.627.468	3.030.774
Other staff costs		
Educational costs	59.977	19.117
Health and safety executive	15.162	7.448
Canteen costs	2.626	3.408
Absence insurance	21.403	19.099
Recruitment and selection office staff	31.143	21.386
Travel costs living/work	80.761	51.529
Temporary staff	240.966	378.247
Other staff costs	17.431	29.846
	469.468	530.080
Board/Management Team costs		
Management Team costs	1.301	1.893
Field visits management team	18.234	16.207
	19.535	18.100
Housing costs		
Rent	215.800	212.507
Gas, water and electricity	28.432	33.678
Other housing costs	26.279	26.112
	270.511	272.297
Office costs		
Office supplies	20.938	24.143
Communication costs	41.202	19.333
Postage	26.357	40.541
Other office costs	89.489	49.967
	177.985	133.984
Other general costs		
Administration costs	26.871	23.541
Consultancy costs	34.622	38.658
Costs money transfers	66.646	64.649
Subsequent proceeds/costs	(18.808)	(37.188)
Depreciation costs	31.109	62.725
Doorbelaste Afschrijvingskosten MIS	(19.724)	(52.043)
User costs Management information system	93.709	78.468
Other general costs	41.701	30.989
	256.125	209.799
Total support costs	<u>4.821.092</u>	<u>4.195.034</u>

* Since 2012 we have reclassified pension premiums under salaries, pensions and social security charges.
In order to ensure comparability between financial years 2011 and 2012, we have also adjusted the classification in 2011.

4. Other information

in euro

4.1 Employees

The average number of fulltime equivalents (FTE) at Amsterdam head office in 2012 was 76, including 9 interns (2011: 57 excluding interns). In the field the number of fulltime equivalent employees in 2012 amounted to 316, including 31 expats (2011: 307 including 31 expats).

Reward Board:

No remuneration is offered to board members and no loans, advances or guarantees were given.

Reward Directors:

Name Function	Total	Mark Vogt General Director	Hendrik van Gent Interim Director	Bernard Uyttendaele General Director
Duration		Ended	Indefinite	5-year contract
hours/week		40	40	40
part-time percentage		100%	100%	100%
Period director		01/01/12 - 22/2-2012	22/2/2012 - 31/5/2012	1/6/2012 - 31/12/2012
Annual income (euro)				
Gross salary		11.873	21.419	43.870
Holiday allowance 13e/14e month		950	1.714	3.510
Variable annual income / bonus		-	-	-
Total annual salary 2012	83.336	12.823	23.133	47.380
Social security charges (employer part)	12.070	3.576	5.364	3.129
Taxable compensations	-	-	-	-
Pension premium (employer part)	9.268	1.209	1.524	6.535
Other rewards	-	-	-	-
End of service benefits	-	-	-	-
Total salary + employer charges 2012	104.674	17.609	30.020	57.045
Total salary + employer charges 2011	101.391	101.391	0	0

Following War Child's stringent low-cost policy, remuneration of the director is set below the guidelines of the Dutch Fundraising Institutions Association (VFI) for management salaries of charitable organisations (see www.vfi.nl).

War Child's total director's remuneration of € 83,336 (1 FTE/12 months) is well below the VFI guideline of € 140,046 (1 FTE/12 months), corresponding to War Child's BSD-score of 505 points. No loans, advances or guarantees were given to War Child's directors.

In 2012 War Child has had three successive managing directors. Mark Vogt served as general director until February 22nd 2012, when his mandate was changed into the development of War Child International until August 31st 2012. He received no other payments, compensation, rewards or benefits than his regular remuneration. War Child welcomed its new permanent executive director Bernard Uyttendaele on June 1st 2012. In the period February 22nd to May 31st, War Child employee Hendrik van Gent served as interim director.

We refer to paragraph 3.6 of the annual report for further information about War Child's policy on its director's remuneration.

5. Analysis

5.1 General

In 2012 War Child succeeded to grow its total income with 22% compared to 2011. The increase is mainly related to the 5-year MFS II grant, which generated income of € 3.6 mln in 2011 and € 5.3 mln in 2012. Furthermore, funds from large organisation such as ECHO, UNICEF and CHF substantially increased compared to 2011. In addition, income from individual donors was higher, amongst others since more and larger actions were organised and a higher amount was received from legacies in 2012.

5.2 Income

War Child generated approximately € 22.7 million in income, 3% above budget and a 22% increase from 2011.

- Income of own fundraising ended 3% above target and increased 10% compared to the income of own fundraising in 2011. In this category, income from legacies was more than triple its target and was 12% higher than the income from legacies realised in 2011.
- Income from third parties was below target, but increased by as much as 77% compared to 2011. War Child received funding from the Nationale Postcode Loterij of € 1,350,000. New contracts with existing and new institutional donors were signed, but not as much as ambitiously budgeted.
- The income from government grants is 32% above budget and 31% above the level of 2011. This category relates mainly to the MFS II grant that will be received in the period 2011-2015. Since War Child and its coalition partners underspent on the budget reported to the Ministry of Finance in 2011, the coalition raised its budget during the year 2012, which explains the overspending in relation to the original budget 2012 and the actuals 2011.
- Other income relates mainly to interest received on deposits as well as exchange rate gains/losses on currencies in the field. This amount was not budgeted for in 2012.

5.3 Expenses

Total expenses in 2012 amounted to € 22.1 million, 3% above plan and 16% above the previous financial year. Higher expenses are a result of extra income, that War Child has spent for the most part on the objective of helping children and raising awareness and advocacy.

- The expenses on the objective in 2012 are 2% above planning and 18% above the expenses in 2011. We were able to spend almost € 2.7 mln more on project activities than in 2011.
- Fundraising costs were higher than budgeted, but lower than last year's expenses on fundraising. The increase compared to budget is due to costs of own fundraising, while costs of obtaining government grants are on schedule. The ratio costs of own fundraising is 14.6%, below War Child's internal maximum target of 15% and well below the maximum as set by the Central Bureau of Fundraising of 25%.
- Management and administration costs are higher than budgeted in 2012 and significantly higher than the level of 2011. The increase mainly relates to staff and overhead costs in a growing and more complex organisation. The costs as a percentage of total expenses (6.8%) are however still below War Child's maximum target of 7% and well below the maximum as set by VFI.

6. Budget 2013

in euro

	Budget 2013	Actual 2012	
Income			
<i>Income own fundraising</i>			
Donations, gifts and grants	12.181.625	11.601.061	
Legacies	404.718	608.745	
Gifts in kind	-	157.561	
	<u>12.586.343</u>	<u>12.367.366</u>	
<i>Share in actions of third parties</i>			
Dutch Postcode Lottery	1.350.000	1.350.000	
Other third parties	337.261	1.775.490	
	<u>1.687.261</u>	<u>3.125.490</u>	
<i>Government grants and others</i>			
PSO	-	80.742	
Royal Netherlands Embassy (Sudan)	-	267.838	
Dutch Ministry of Foreign Affairs	4.754.282	5.346.704	
European Union*	1.066.620	733.911	
ECHO*	400.594	677.358	
Security Subsidy Dutch MoFA	-	34.057	
	<u>6.221.496</u>	<u>7.140.609</u>	
<i>Other income</i>			
Other financial income and expenses	-	48.806	
Sum of income	<u><u>20.495.100</u></u>	<u><u>22.682.271</u></u>	
Expenses			
<i>Expenditure on behalf of the objective</i>			
Project activities	13.924.658	15.540.255	
Preparation & coordination	917.273	958.782	
Communication & awareness raising	1.810.463	2.006.430	
	<u>16.652.393</u>	<u>18.505.467</u>	
<i>Expenditures fundraising</i>			
Costs own fundraising	2.207.530	1.799.765	
Costs obtaining government grants	287.526	304.885	
	<u>2.495.055</u>	<u>2.104.650</u>	
<i>Management & administration</i>			
Costs management & administration	1.347.651	1.504.181	
	<u>1.347.651</u>	<u>1.504.181</u>	
Sum of expenses	<u><u>20.495.099</u></u>	<u><u>22.114.298</u></u>	
Surplus / (Deficit)	1	567.974	

Notes to the budget 2013

War child's budget 2013 was conservatively estimated at approximately € 20.5 million while the most recent outlook is that we will likely achieve the 2012 income level of €22.5 million given unbudgeted grants by the Dutch Postcode Lottery and UNHCR as well as numerous grant proposals still in consideration at the time of writing. In previous years, our budgets were less conservative, partly taking into account the unsecured grants.

Our original budget 2013 forecasts relatively stable income from own fundraising, while income from third parties and government grants was estimated to decrease significantly, mainly due to a decrease in budget for MFS II. This decrease will likely be leveled by unbudgeted grants that will be successfully awarded to us in 2013.

In the course of 2013 we will adjust the budget quarterly, based on events and developments during the year.

Cost of own fundraising is planned at 17.5% while costs for management and administration are budgeted at 6.6%. When income rises according to our recent outlook and ambition, both ratios will decrease.

Reserves

	Budget 2013	Actual 2012	
Continuity reserve	5.744.479	5.623.289	
General reserve	-	-	
Earmarked funds	-	-	
Earmarked reserve	-	121.189	
Subtotal Reserves and Funds	5.744.479	5.744.478	

Ratios

	Budget 2013	Actual 2012
% Costs of own fundraising / income own fundraising	17,5%	14,6%
% Costs obtaining third party & government grants / income from third parties and govern	3,6%	3,0%
% Costs management & administration / Total Expenses	6,6%	6,8%
% Total expenditure on behalf of the objective / Total income	81,3%	81,6%
% Total expenditure on behalf of the objective / Total expenses	81,3%	83,7%

7. Long-term budget 2013 - 2015

in millions of euro

	Budget 2013	Strategy 2013	Strategy 2014	Strategy 2015
	mln eur	mln eur	mln eur	mln eur
Income				
<i>Income own fundraising</i>				
Donations, gifts and grants	12,18	18,47	22,13	23,67
Legacies	0,40	0,78	0,98	1,33
Gifts in kind	-	-	-	-
	12,59	19,25	23,10	25,00
<i>Share in actions of third parties</i>	1,69	3,48	4,32	4,55
<i>Government grants</i>	6,22	4,79	5,13	5,45
Sum of income	20,50	27,53	32,55	35,00
Expenses				
<i>Expenditure on behalf of the objective</i>				
Project activities	13,92	19,44	23,01	26,35
Preparation & coordination	0,92	1,14	1,18	1,23
Communication & awareness raising	1,81	1,53	1,59	1,66
Subtotal expenses on behalf of the objective	16,65	22,10	25,78	29,23
<i>Expenditures fundraising</i>				
Costs own fundraising	2,21	2,89	3,49	3,80
Costs obtaining government grants and third parties	0,29	0,41	0,43	0,46
Subtotal expenses fundraising	2,50	3,30	3,93	4,26
<i>Management & administration</i>				
Costs management & administration	1,35	1,11	1,14	1,17
Subtotal management & administration	1,35	1,11	1,14	1,17
Sum of expenses	20,50	26,51	30,84	34,67
Surplus / (Deficit)	0,00	1,02	1,71	0,33

Notes to the budget 2013-2015

A strategic review was planned to take place in 2012, but was rescheduled to 2013 due to changes in senior management.

RESERVES AND FUNDS

Continuity reserve	5,74	7,0	8,3	8,8
General reserve	-	-	-	-
Earmarked funds	-	-	-	-
Earmarked reserve	-	0,7	1,2	1,0
Subtotal Reserves and Funds	5,74	7,70	9,45	9,75

RATIOS

% Costs of own fundraising / income own fundraising	17,5%	15,0%	15,1%	15,2%
% Costs obtaining third party & government grants / income from third parties and governments	3,6%	5,0%	4,6%	4,6%
% Costs management & administration / Total Expenses	6,6%	4,2%	3,7%	3,4%
% Total expenditure on behalf of the objective / Total income	81,3%	80,3%	79,2%	83,5%
% Total expenditure on behalf of the objective / Total expenses	81,3%	83,4%	83,6%	84,3%