

Charity Registration No. 327461

Company Registration No. 2132178 (England and Wales)

THE KARUNA TRUST

(A COMPANY LIMITED BY GUARANTEE)

TRUSTEES' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2002

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
INFORMATION**

Trustees	D Zukas W Stones D Houlder
Secretary	P Joseph
Charity number	327461
Company number	2132178
Principal address	72 Holloway Road London N7 8JG
Registered office	72 Holloway Road London N7 8JG
Auditors	Carter Backer Winter Hill House Highgate Hill London N19 5UU
Bankers	Abbey National plc Abbey House Carfax Oxford OX1 1HB
Solicitors	Bates Wells and Braithwaite Cheapside House, 138 Cheapside London EC2V 6BB

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
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**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002**

The Trustees present their report and accounts for the year ended 31 December 2002.

Objects of the charity

The charity is a company limited by guarantee and registered with the Charity Commission as a charity. The registered charity number is 327461.

The Trustees who are also the directors give their time free to the management and governance of the charity/company. The trustees have overall responsibility for all the project grants made and the governance of the charity. They liaise closely with the management team and project management team who are paid staff and are responsible for ensuring the standard of care required by the trustees is carried out in the areas of Grant management, administration, fundraising and publicity.

Review of activities and future plans

The charity's principal activity is the collection of donations for the relief of poverty, advancement of education, cultural conservation, advancement of the Buddhist religion and other charitable purposes.

The primary beneficiaries that the trust supports are members of the Indian Dalit community. In 2002 we were able to help 50,000 boys, girl and adults through our support of 24 Indian NGOs. The Karuna trust believes in forming strong, long-term partnerships with our project partners. As well as funding projects we have also provided capacity building support to a number of our partner charities. It is our aim to continue to seek out projects of excellence and support them over the long term. In this regard we hope to increase the number of projects we fund in 2003 and the future.

The charity was able to contribute £610,579 to projects in India this year compared to £568,145 for the year 2001.

In 2002 Karuna had another good response to its project fund-raising with income of £1,051,727 compared to £971,414 in 2001.

The two main methods of fund-raising are still door-to-door campaigns, and applications to Charitable trusts and Foundations. This year, we also embarked on a street fundraising campaign, our initial trial was successful in recruiting 380 new regular donors. The combined number of new regular donors recruited through door to door and street fundraising was 1,544 compared with 908 in 2001. The annual value of these commitments for 2002 amounts to £160,000 that is an increase of 33% over last year's figure of £120,000. This year, our Trust fund-raising was £107,978 compared to £135,773 in 2001 .

Administration costs of £110,553 were slightly higher than the previous years total of £98,095. The increase was due to the Trust relocating to new premises. Fund-raising costs have increased by 48% from £106,707 to £157,351; a result of the increase in the number of fundraising campaigns being run during the year. This resulted in a 70% increase in new regular committed donors.

Trustees

The Trustees, who are also the directors for the purpose of company law, who served during the year were:

D Zukas

W Stones

D Houlder

(Appointed 1 March 2002)

None of the Trustees has any beneficial interest in the company. All of the Trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002**

Grant Making Policy

Grants are made at the direction of the Trustees or donors, where a donor has specified what the donation is to be used for. All discretionary grants are made in line with the charities trust deed and assessment procedures.

Environmental Policy

The trust does its best to ensure as far as possible we operate with care towards the environment. This year we changed to using an electrical supply which is wind powered.

We continue to recycle as far as possible all waste. We hope to continue this process of reviewing ways we can further care for the environment.

Results

The surplus for the year has been transferred to reserves.

Staff

The trust is run by a dedicated team of Buddhists who work together as a means of providing a context for them to express their desire to make a difference in the world. All the staff work for non-commercial wages and we are proud that as much as possible of donors funds go towards the projects.

Community Involvement

In 2002 we were fortunate to form a link with Camden Institute of Technology. We have since had 3 work placements from them for between 2-6 months. They have the opportunity to get work experience within our organisation whilst completing their IT diploma.

Reserves policy

The accounts show a reserve of £574,880 compared with £434,931 for the previous year 2001. Of these reserves £42,769 is restricted funds given for specific projects. A further £30,495 is designated funds against a long-term property used by the organisation.

The current free reserve is £500,000 which has been built up over the last few years. The free reserves are sufficient to meet our current guidelines to take into account fluctuations in income streams, increasing the number of projects we fund and other matters such as currency fluctuations. The free reserves is reviewed each year in order to ensure it is sufficient to meet our requirements.

Risk management

The trustees have assessed the major risks to which the charity is exposed. These are those mainly relating to grant making, operations and finances of the trust. They are satisfied that systems and controls are in place to mitigate our exposure to the major risks. In 2002 we plan to carry out an extensive review of our current risk management to ensure that it will take into account the future plans of the organisation.

Connected charities

The Karuna Trust works in association with Aid for India.

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2002**

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Carter Backer Winter be reappointed as auditors of the company will be put to the Annual General Meeting.

On behalf of the board of Trustees

D Zukas

Trustee

Dated: 18 June 2003

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF TRUSTEES' RESPONSIBILITIES**

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the charitable company's financial activities during the year and of its financial position at the end of the year.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE KARUNA TRUST**

We have audited the accounts on pages 6 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8 .

Respective responsibilities of Trustees and auditors

As described on page 4 , the Trustees, who are also the directors of The Karuna Trust for the purpose of company law, are responsible for the preparation of accounts in accordance with applicable law and United Kingdom Accounting Standards. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

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

Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the accounts give a true and fair view of the charitable company's state of affairs as at 31 December 2002 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Carter Backer Winter
Chartered Accountants
Registered Auditor
Hill House
Highgate Hill
London
N19 5UU

Dated: 18 June 2003

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2002

		Unrestricted funds	Restricted funds	Total 2002	Total 2001
	Notes	£	£	£	£
Incoming resources					
Covenants and regular donations		858,120	-	858,120	760,568
Donations from trusts		17,478	90,500	107,978	135,773
Donations and gifts		61,915	7,590	69,505	56,811
Legacies receivable		-	-	-	8,000
Interest receivable	5	13,491	1,750	15,241	10,067
Other income	6	883	-	883	195
Total incoming resources		951,887	99,840	1,051,727	971,414
Resources expended					
Direct charitable expenditure:					
Transfers to charitable projects in India		433,093	89,500	522,593	493,730
Other projects		46,174	-	46,174	20,892
Project costs and salaries		21,518	-	21,518	28,375
Support costs		18,200	-	18,200	23,362
Books for India		2,094	-	2,094	1,786
Other expenditure:					
Fundraising	2	157,351	-	157,351	106,707
Publicity and Education	3	33,295	-	33,295	23,151
Management and administration	4	110,553	-	110,553	98,095
Total resources expended	7	822,278	89,500	911,778	796,098
Net movement in funds		129,609	10,340	139,949	175,316
Fund balances at 1 January 2002		402,502	32,429	434,931	259,615
Fund balances at 31 December 2002		532,111	42,769	574,880	434,931

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
BALANCE SHEET
AS AT 31 DECEMBER 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	11		311,174		286,394
Current assets					
Debtors	12	205,152		168,854	
Cash at bank and in hand		324,752		309,296	
			529,904		478,150
Creditors: amounts falling due within one year	13	(27,531)		(81,093)	
Net current assets			502,373		397,057
Total assets less current liabilities			813,547		683,451
Creditors: amounts falling due after more than one year	14		(238,667)		(248,520)
Net assets			574,880		434,931
Income funds					
Restricted funds			42,769		32,429
Unrestricted funds			532,111		402,502
			574,880		434,931

The accounts were approved by the Board on 18 June 2003 and signed on its behalf by

D Zukas
Trustee

W Stones
Trustee

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002**

1 Accounting policies

1.1 Basis of preparation

The accounts are prepared under the historical cost convention.

The charity has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small charity.

The accounts have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in October 2000.

1.2 Incoming resources

Income is recognised on a receipts basis. Tax recoverable on amounts received under deeds of covenant and gift aid is included as income when the donation is received rather than when the tax is recovered.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land is not depreciated	
Freehold buildings	2% Straight line
Plant and machinery	Straight line over 3 to 5 years
Fixtures, fittings & equipment	Straight line over 3-5 years
Motor vehicles	Straight line over 3 years

1.4 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

2 Fundraising

	Unrestricted funds	Restricted funds	Total 2002	Total 2001
	£	£	£	£
Publications	3,195	-	3,195	5,064
Salaries and wages	58,119	-	58,119	39,575
Fundraisers' expenses	80,034	-	80,034	45,905
Depreciation	5,926	-	5,926	4,303
Loan interest	10,077	-	10,077	11,860
	<u>157,351</u>	<u>-</u>	<u>157,351</u>	<u>106,707</u>

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

3 Publicity and Education

	Unrestricted funds £	Restricted funds £	Total 2002 £	Total 2001 £
Salaries and wages	4,400	-	4,400	5,800
Newsletters	24,004	-	24,004	14,318
General costs	4,891	-	4,891	3,033
	<u>33,295</u>	<u>-</u>	<u>33,295</u>	<u>23,151</u>

4 Management and administration of charity

	Unrestricted funds £	Restricted funds £	Total 2002 £	Total 2001 £
Salaries	48,424	-	48,424	38,270
Office costs	41,185	-	41,185	29,473
Motor and travel	1,105	-	1,105	1,826
Bank charges	855	-	855	508
Legal and professional fees	1,407	-	1,407	7,176
Audit fees	4,840	-	4,840	4,354
Sundry expenses	556	-	556	413
Depreciation	5,360	-	5,360	8,180
Loan Interest	7,558	-	7,558	8,895
Recharge of expenses to Aid For India	(1,000)	-	(1,000)	(1,000)
Loss on disposal	263	-	263	-
	<u>110,553</u>	<u>-</u>	<u>110,553</u>	<u>98,095</u>

5 Investment Income

	Total 2002 £	Total 2001 £
Interest receivable	<u>15,241</u>	<u>10,067</u>

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

6 Other Income

	2002 £	2001 £
Other income	<u>883</u>	<u>195</u>

7 Total resources expended

	Staff costs £	Depreciation £	Other costs £	Total 2002 £	Total 2001 £
Direct charitable expenditure:					
Project costs and salaries	21,518	-	-	21,518	28,375
Transfers to charitable projects in India	-	-	522,593	522,593	493,730
Other projects	-	-	46,174	46,174	20,892
Books for India	-	-	2,094	2,094	1,786
Support costs:					
Project workers expenses	18,200	-	-	18,200	23,362
Other expenditure:					
Fundraising	58,119	5,926	93,306	157,351	106,707
Publicity and Education	4,400	-	28,895	33,295	23,151
Management and administration	48,424	5,623	56,506	110,553	98,095
	<u>150,661</u>	<u>11,549</u>	<u>749,568</u>	<u>911,778</u>	<u>796,098</u>

Management and administration costs includes payments to the auditors of £4,840 (2001 - £4,354) for audit fees.

8 Trustees

None of the Trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

9 Employees

Number of employees

The average monthly number of employees during the year was:

	2002	2001
	Number	Number
Management and administration	5	4
Fundraising	5	4
Charitable projects	2	3
	<u>12</u>	<u>11</u>

Employment costs

	2002	2001
	£	£
Wages and salaries	<u>132,461</u>	<u>112,020</u>

There were no employees whose annual emoluments were £40,000 or more.

10 Changes in resources available for charity use

	Unrestricted	Restricted	Total	Total
	funds	funds	2002	2001
	£	£	£	£
Net movement in funds for the year	129,609	10,340	139,949	175,316
Net (decrease)/increase in tangible fixed assets: for other purposes	<u>24,780</u>	-	<u>24,780</u>	<u>10,583</u>
Net movement in funds available for future activities	<u>154,389</u>	<u>10,340</u>	<u>164,729</u>	<u>185,899</u>

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

11 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2002	295,100	29,632	9,373	5,900	340,005
Additions	-	685	33,638	2,000	36,323
Disposals	-	(577)	(4,999)	(3,000)	(8,576)
At 31 December 2002	295,100	29,740	38,012	4,900	367,752
Depreciation					
At 1 January 2002	12,956	27,083	8,800	4,772	53,611
On disposals	-	(320)	(4,999)	(3,000)	(8,319)
Charge for the year	4,202	1,781	3,836	1,467	11,286
At 31 December 2002	17,158	28,544	7,637	3,239	56,578
Net book value					
At 31 December 2002	277,942	1,196	30,375	1,661	311,174
At 31 December 2001	282,144	2,549	573	1,128	286,394

12 Debtors

	2002 £	2001 £
Amounts recoverable on income tax	172,669	152,648
Other debtors	13,031	12,933
Prepayments and accrued income	19,452	3,273
	205,152	168,854

13 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans	8,781	7,116
Taxes and social security costs	2,006	1,828
Other creditors	3,451	56,426
Accruals	13,293	15,723
	27,531	81,093

THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

14 Creditors: amounts falling due after more than one year	2002	2001
	£	£
Bank loans	<u>238,667</u>	<u>248,520</u>
Analysis of loans		
Wholly repayable within five years	247,448	255,636
Included in current liabilities	(8,781)	(7,116)
	<u>238,667</u>	<u>248,520</u>
Loan maturity analysis		
Debt due within one year	8,781	7,116
Between one and two years	9,416	14,232
Between two and five years	37,600	21,348
In five years or more	191,651	212,940
	<u>191,651</u>	<u>212,940</u>

The loan is secured by a first legal mortgage over the freehold property, 72 Clissold Crescent, Stoke Newington, London N16 9AT.

15 Analysis of net assets between funds	Unrestricted	Restricted	Total
	funds	funds	
	£	£	£
Fund balances at 31 December 2002 are represented by:			
Tangible fixed assets	311,174	-	311,174
Current assets	487,135	42,769	529,904
Creditors: amounts falling due within one year	(27,531)	-	(27,531)
Creditors: amounts falling due after more than one year	(238,667)	-	(238,667)
	<u>532,111</u>	<u>42,769</u>	<u>574,880</u>