

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 2008

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

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Dr William Stones David Zukas Ulla Brown (Chair) Dominic Houlder Ruth Hartlein Dharmachari Lokabandhu Tania Roe
Director	D Francis
Patrons	Dame Judi Dench DBE Professor David Morley MD, FRCP
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 LLP Enterprise House 21 Buckle Street London E1 8NN
Bankers	Abbey National Plc Abbey House Carfax Oxford OX1 1HB Clydesdale Bank Plc 35 Regent Street London SW1Y 4ND
Solicitors	Bates Wells and Braithwaite Cheapside House 138 Cheapside London EC2V 6BB

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

LEGAL AND ADMINISTRATIVE INFORMATION

Edward Harte & Co
6 Pavillion Parade
Brighton
East Sussex
BN2 1RA

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

CONTENTS

	Page
Trustees' report	1 - 8
Statement of Trustees' responsibilities	9
Independent auditors' report	10 - 11
Statement of financial activities	12
Balance sheet	13
Notes to the accounts	14 - 22

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2008

The Trustees presents it's report and accounts for the year ended 31 December 2008.

Structure, governance and management

The charity is a company limited by guarantee and registered with the Charity Commission as a charity. The registered charity number is 327461. It was founded in 1987 to raise money for social, humanitarian and religious projects, working especially with the dalit Buddhist communities of Maharashtra and other parts of India. The Trust's main activities are fundraising and grant making to overseas project partners working to provide educational opportunities to people from the most deprived communities in India, Bangladesh, Nepal and Tibet.

The Trustees who are also the directors give their time on a voluntary basis to the management and governance of the charity. They meet quarterly to review the progress of the charity and all its activities, and to make major decisions regarding direction, policy, staffing and grants to project partners.

The trustees liaise closely with the Management team, Fundraising team, Admin team and Program 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. The day to day running of the Charity is overseen by a Management Team of four more experienced staff members, including the Director who acts as the main link with the trustee body.

The Trustees are all Members of the Western Buddhist Order.

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

Dr William Stones

David Zukas

Ulla Brown (Chair)

Dominic Houlder

Ruth Hartlein

Dharmachari Lokabandhu

Tania Roe

(Appointed 16 May 2008)

New trustees attend an induction meeting with the Chair and the Management team where they receive briefings on their legal obligations under charity and company laws, the content of the Memorandum and Articles of association, the business plan and the current financial position as set out in the latest published accounts. During the induction the trustee will also meet members of the various teams. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

The charity trustees have considered the major risks to which the charity is exposed and have reviewed those risks and established systems and procedures to manage those risks. We have adopted a Child Protection Policy and we are continuing to provide training and support for your partners to adopt such a policy.

The program staff visit a number of the projects partners each year where finance and general progress of the projects are monitored.

The trustees meetings are held every two months where progress reports on programs, fundraising and finances are presented in the formats approved by the Trustees. In addition, meetings involving trustees and staff are held on specific issues. Trustees are encouraged to visit the projects and where appropriate they receive the project evaluation reports.

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

Objectives and activities

The Trust's Mission is to support and enable the most disadvantaged children, women and men in South Asia to meet their needs, access their rights and participate fully in society.

To achieve this mission the following activities are carried out.

Fundraising- through door to door appeals, and through applications to Charitable Trusts, and other Institutional Donors. We currently have roughly 8,000 individual donors who give to our charity through standing orders and more than 60 Trusts and Foundations who give on a regular basis. The Big Lottery Fund and Department for International Development (DFID) are our largest institutional supporters.

Grantmaking- to a range to different Partner NGOs focussing particularly on increasing access to education among people from the poorest, most marginalised communities in India and Bangladesh. We also support a partner promoting sexual health issues in Nepal. Our main beneficiary Group are the dalits. We also fund projects focussing on Tribal communities in the Indian Himalayas and in the Chittagong Hill Tracts of Bangladesh. Karuna Trust is staffed and administered by Western Buddhists but its projects reach out to people of all backgrounds and beliefs.

Capacity building- as well as funding projects we also aim to help our project partners develop their capacity so that they can become independent, autonomous organisations. This is a particular need for those partners who are themselves from dalit backgrounds and have therefore been deprived of educational opportunities. A proportion of our funding goes towards training and capacity building for our overseas partners.

Advocacy and Network Building- as a result of a recent strategic Review we intend to put more funding into advocacy activities, to help people from the poorest communities to access their rights from statutory sources. We have also started a series of network building activities - such as conferences with our partners overseas, and a seminar for Buddhist groups in the UK focussing on social change.

Buddhist Activities- roughly 20% of our funding goes towards providing facilities to enable people from poor Buddhist communities to practice their religion. These activities are funded separately through donations specially earmarked for this purpose.

Awareness Raising - through our newsletter and other activities we aim to raise awareness in the UK of the issues facing our project partners.

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

Grant Making Policy

The Charity's current policy is to award grants to Indian, Bangladeshi and Nepalese NGOs whose work is in line with Karuna's mission. ie

to support and enable the most disadvantaged children, women and men in South Asia to meet their needs, access their rights and participate fully in society.

All grants to partners are subject to the following funding criteria, agreed by the trustees.

1. Initiative for the Project

Must:

(1.1) arise as an appropriate response to the real needs of a beneficiary community; needs that are not being sufficiently met elsewhere, e.g. by statutory bodies

(1.2) have been developed in consultation with the beneficiary community and have their support

Ideally:

(1.3) innovative

(1.4) based upon analysis of previous project experience

2. Project Objectives

Must:

(2.1) include helping disadvantaged people, especially those vulnerable to the negative effects of caste, to develop the confidence and skills to take positive initiative in their lives

(2.2) be clearly and specifically stated and appropriate to the identified social need

(2.3) convey ethical values compatible with Karuna's principles

(2.4) take an active approach to overcoming caste barriers between people

(2.5) include a clear and credible strategy for long-term project funding from non-Karuna sources

Ideally:

(2.6) have the potential to create a positive 'ripple effect' within beneficiary community

3. Project implementation

Must:

(3.1) include clear and logical planning of how objectives will be achieved, including timescale

(3.2) demonstrate cost effectiveness, using the minimum infrastructure necessary

(3.3) include defined standards of conduct and care for beneficiaries and staff

Ideally:

(3.4) allows members of local community to have input into project activities

4. Our Evaluation and Development requirements are:

(4.1) that project activities be regularly assessed for effectiveness against stated objectives using measurable indicators. This information should feed a creative process of ongoing project development

(4.2) that regular progress reports, at least annual, are provided and that they should demonstrate this process

(4.3) that sufficient information should be recorded to allow for an impact assessment at the end of the grant period

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

5. The Organisation managing the project

Must:

- (5.1) be able to exhibit effective project management
- (5.2) demonstrate effective financial management, based on accurate and regular financial monitoring and reporting (externally audited at least annually)
- (5.3) have working arrangements that reflect and support the breaking down of caste barriers
- (5.4) manifest independence and initiative

Ideally:

- (5.5) has a culture informed by some higher vision compatible with Karuna's values and resulting in (for example) high ethical standards and harmonious staff relationships.
- (5.6) demonstrates commitment to staff development, e.g. through training
- (5.7) networks effectively with other NGOs

At the start of each grant we require every partner to sign a funding agreement which governs the terms of the grant and is legally enforceable. As part of this agreement the partners are obliged to provide regular progress reports and audited financial information. This enables the Trustees to ensure that grant funding is being used in a way consistent with the Trusts' strategic aims.

Achievements and performance

Charitable activities

Working with a broader range of stakeholders

We have further consolidated our Dalit and Tribal peoples in Plains India programme with the approval of the Manuski Social Project which will be engaged in capacity building with marginalised groups, including the "criminal" castes and those engaged in manual scavenging - the removal of human excreta. The project will also undertake advocacy initiatives to raise awareness of violent atrocities committed against Dalits and Tribals, including manual scavenging and random violence. Our legal advocacy work with Human Rights Law Network resulted in important convictions against perpetrators of crimes against Dalits.

Our programme of work in the Himalayas saw a lot of activities taking place which have brought benefit to people living in remote, high altitude communities. 89 supplementary schools were established which provide education for 3,000 children, as well as 30 Resource Centres to complement the schools, complete with libraries, educational material, computers and other training equipment. Trainers and committees were established in 60 villages to monitor services and begin interacting with Government to improve the quality of services in their villages. In addition, 1,200 women were organised into savings groups and assisted training for income-generating activities, such as crafts production and eco-tourism.

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

Supporting the empowerment of girls and woman

We have secured funding for the expansion of Saathi, our project partner, who works with runaway adolescent girls in Mumbai. The extra funding allows them to expand their outreach to support more girls and provide them with better life opportunities.

Increasing our impact by enhancing our project partners sustainability, autonomy and independence

Two of our overseas partners have moved onto project-based funding in 2008. They work in the area of women and children's empowerment in the slum areas of Amravati and Nagpur. This was an important milestone in the implementation of our project based funding initiative which involves transforming beneficiary led projects into high quality cutting edge initiatives that meet professional standards. This is significant because these projects are run by the beneficiaries themselves. They are run by people from the Dalit community who now have the confidence and ability to provide high quality services to the community. This has involved building the capacity of both individuals and the organisations. To achieve this we have successfully established a capacity building team in India. This capacity includes the ability to respond to the requirements of different funders and thus enable the projects to access new sources of funding. This income substitution of restricted funding from trusts for unrestricted income from individual donors will secure financial stability and growth both for Karuna and our partner organisations in India.

Karuna believes in forming strong, long-term partnerships with organisations in South Asia. Building capacity is an integral part of the projects that we support, be it for organisational staff or beneficiaries. It is our aim to continue to seek out projects of excellence and offer them long-term support.

Sustaining our voluntary income

Investment in the growth of unrestricted funds is crucial for sustaining our programs in India and South Asia. In 2008 we launched our fundraising strategy for 2008-10 the aim of which is to support the aims and objectives of the organization's new strategic plan for 2009-13. Details of the strategic Plan can be found under the section called Plans for the Future.

A crucial aspect of the fundraising strategy is to sustainably boost Karuna's unrestricted income. Our usual methods of fundraising, door to door recruitment and payroll giving is key to the strategy. We have also begun to invest in new areas of fundraising. These include telephone fundraising, legacies, major gifts and web based fundraising. To achieve this, more resources has been applied to the management and development of our database of individual donors and in this regard we have recruited a Donor care officer. We have also recruited a marketing officer to assist with our communication our various stakeholders.

Financial review

Our income for the year 2008 rose from £1,519,775 to £1,603,888 an increase of 5%. Institutional income has increased from £214,091 to £271,757. The institutional income relates to DFID and the Big Lottery Fund whose grants fund advocacy work and the cost of supplementary schools in the Indian Himalayas respectively. Income from charitable trusts and foundations has increased by 24% from £147,296 to £182,166.

The majority of unrestricted funds derive from the recruitment of new donors through door to door donor recruitment campaigns. In 2008 the total accumulated income from this source amounted to £1,081,585 which is only a nominal increase of £4,592 (0.4%) on the previous year.

We would like to take this opportunity to thank the trusts and major institutional donors for their continued support. With a growing programme size and increasing cost of charitable expenditure, securing matched funding remains crucial to support project partners whom we cannot completely fund from unrestricted income.

Expenditure on charitable activities has marginally increased from £1,248,799 to £1,289,216. We spend 80% of our income on the projects themselves which is comparable to the previous year. The trustees would like to thank the staff and volunteers for sustaining this high level of cost effective programme delivery.

Investment Policy and Performance

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

The charity's surplus funds are held on interest bearing accounts with our Bankers.

Reserves Policy

The Karuna Trust reserves have been divided into restricted and unrestricted funds. Income that has been received for specific purposes is treated as restricted income and accounted for as restricted funds. Unrestricted funds represent income net of expenditure in respect of funds given to Karuna with no specific purpose attached.

Unrestricted reserves have been established for the purpose of meeting the Karuna Trust's charitable objectives by ensuring the continued operations of its program work and to make provision for unforeseen or uninsurable organisational obligations.

Each year the trustees consider the appropriate level of free reserves. The level of these reserves is set at 10% of all expenditure. Given the current economic downturn and the exchange rate fluctuations the reserves are regularly reviewed to safeguard the charity's continued program operations.

Reserves

At the end of the year we had reserves of £433,618 and an analysis of the amount is as follows:

Restricted Funds	£150,337 funds for specific projects
Operating Reserve	£172,170 funds general operation of the charity
Asset Reserve	£111,111 tangible assets

**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

Karuna Strategic Plan 2009-2013

The greatest thing that the Buddha has done is to tell the world that it can not be reformed except by the reformation of the mind of man, and the mind of the world - Dr B.R. Ambedkar, Dalit Leader & First Indian Law Minister.

Vision

Our vision is of a world without prejudice, in which every human being has the opportunity to fulfil their potential, regardless of their background or beliefs.

Mission

To support and empower the most disadvantaged children, women and men in South Asia to meet their needs, access their legal rights and participate fully in society.

Values

We are a Buddhist organisation committed to human development and to challenging the ignorance and prejudice that trap people in poverty,

Through our work we aim to hold and express the following values;

- The fundamental Buddhist principles of compassion and wisdom
- All human beings have the potential for growth and development
- Individual transformation is crucial for effective social change
- Tolerance, honesty, loyalty, transparency and clear communication
- Professional competency and a commitment to education and learning

Strategic Aims 2009-2013

As Karuna enters its 30th year, we celebrate our success in supporting the movement of Dalit uplift, especially in Ambedkarite western India, and in preserving precious Buddhist cultures in the Himalayas. In 2008 alone Karuna helped around 375,000 women, men and children to transform their lives. Such is the scale and severity of exclusion and poverty in South Asia - over 250 million people are labelled Dalit or Tribal - that we need to radically increase our impact. To this end we need to expand the scope of our work to build a larger alliance of project partners and supporters. Our distinctive Buddhist emphasis, supporting individual transformation to energise effective social change, can then achieve a peaceful revolution. Our priorities for the next five years will be:

1. To continue and expand the scope of Karuna's work:
 - * Create a Dalit and Tribal program that builds on our shared expertise in addressing their communities' social exclusion and includes even more deprived areas of India, such as U.P., Bihar and Orissa.
 - * Continue and develop work to preserve precious indigenous cultures that value individual and social change in Nepal, Bangladesh, Bhutan and Tibet.
 - * Encourage emerging alliances of our project partners that can collectively change their society more radically and rapidly than any working alone.
 - * Empower women to act as change makers and leaders in their community.
 2. To enhance the effectiveness of Karuna's project work:
 - * Encourage and promote the mind-change in attitudes, behaviour and confidence that enables our partners to bring about real social change.
 - * Promote capacity building for all our partners based on our distinctive approach of bringing together mind-change and social transformation.
 - * Ensure all Karuna funded projects and partner organisations explicitly address social exclusion on the basis of caste, ethnicity and gender.
 - * Remain loyal to longstanding partners such as TBMSG/Bahujan Hitay by assisting them to evaluate their projects and take their successes further.
 - * Help our project partners develop their fundraising capabilities so they feel empowered to achieve social change by being more independent.
 - * Strongly support projects led by members of the beneficiary community who can best model personal and social change within that community.
 3. To finance this increased impact we will build stronger relationships with Karuna's supporters:
 - * Only have Project Based Funding by 2010, creating full transparency from our supporters
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**THE KARUNA TRUST
(A COMPANY LIMITED BY GUARANTEE)
TRUSTEES' REPORT (CONTINUED)**

FOR THE YEAR ENDED 31 DECEMBER 2008

through Karuna to project partners and beneficiaries.

* Monitor and evaluate projects to provide robust evidence for the social impact of Karuna's work and the value of our distinctive approach.

* Circulate this evidence to donors, the development sector and DFID.

* Find suitable new project partners and develop our existing ones to significantly increase access to institutional funding.

* Develop a more regular, personal, fundraising and care programme for existing supporters.

* Invite the FWBO and wider Buddhist world to join in a unique form of socially engaged Buddhism to radically change people's lives in South Asia.

4. To support growth we will improve our professional skills, teamwork and internal systems:

* Build a leadership structure that supports clear accountability and responsibility.

* Train in sector best practice for all the skills we need to be effective.

* Reorganise and automate our office, finance and IT systems by 2011.

* Implement a performance management system for all the team by 2010.

5. To develop the Karuna team as a context for ever-deepening Buddhist practice:

* Enhance and update Karuna's distinct ethos of Team Based Right Livelihood as our team grows in size.

* Support community living for team members and develop policies to let those with different lifestyles work as full team members.

* Help all team members to deepen their understanding and practice of Buddhist teachings thus supporting those training for Ordination too.

* Create a written human resources policy on pay, terms and recruitment by 2011 that complies with UK law and protects Karuna's distinct culture.

The staff team have developed a set of detailed objectives and work plans to enable the charity to achieve these strategic aims. This strategic planning process is being reviewed annually.

Disclosure of information to auditors

Each of the directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

Auditors

On 1 July 2009 Carter Backer Winter was incorporated into Carter Backer Winter LLP.

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

On behalf of the board of Trustees



Ulla Brown (Chair)

Trustee

Dated: 10.7.2009

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

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees, who are also the directors of The Karuna Trust for the purpose of company law, is responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

