

CONSUMERS INTERNATIONAL

**Summarised Financial Statements and Annual Report
31 December 2006**

CONSUMERS INTERNATIONAL

Financial statements and annual report for the year ended 31 December 2006

Contents	Page
General information	3
Report of the Council	4-10
Independent Auditor's report	11
Consolidated income and expenditure account	12
Balance sheets	13
Summarised Notes to the financial statements	14-15

CONSUMERS INTERNATIONAL

General information for the year ended 31 December 2006

Consumers International is a not-for-profit company limited by guarantee, registered in England. Established in 1960, it is governed by a Council elected from the organisation's membership.

Council Members in 2006 were:

President: Marilena Lazzarini, Instituto de Defesa do Consumidor (IDEC), Brazil

Vice President: Felix Cohen, Consumentenbond, The Netherlands

Treasurer: Breda Kutin, Slovene Consumers' Association (SCA)

Honorary Secretary: Samuel Ochieng, Consumer Information Network, Kenya

and

Saree Aongsomwang, Foundation for Consumers, Thailand

Pamela Chan, Hong Kong Consumers Council, Hong Kong SAR, China

Rosemary Siyachitema, Consumer Council of Zimbabwe

Salimata Diarra Coulibaly, Association des Consommateurs du Mali

Benedicte Federspiel, Forbrugerradet, Denmark

Armando Flores, Centro para la Defensa del Consumidor (CDC), El Salvador

James Guest, Consumers Union of the United States

Peter Kell, CHOICE (Australia)

Kim Jai Ok, Citizen's Alliance for Consumer Protection Korea (CACPK)

Sri Ram Khanna, Voluntary Organisation in the Interest of Consumers (VOICE), India

Nick Stace, Which? (United Kingdom)

Fernando Moner, Confederación de Consumidores y Usuarios, Spain

Indrani Thuraisingham, Federation of Malaysian Consumer Association (FOMCA)

Maria Jose Troya, Trubina de Consumidores Y Usuarios, Ecuador

Armand de Wasch, Association des Consommateurs/Verbruikersunie, Belgium

Dimitry Yanin, Inter-Republican Confederation of Consumer Societies (KonfOp), Russia

Director General

Richard Lloyd

Company Secretary

Sam Manoharan

Secretariat and registered office

24 Highbury Crescent

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Auditor

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Chartered Accountants

Russell Square House

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London

WC1B 5LF

Registered number

4337865

CONSUMERS INTERNATIONAL

Report of the Council (incorporating the Directors' Report) for the year ended 31 December 2006

The Council of Consumers International, who are also the directors for the purposes of company law, are pleased to present this summary report and the financial statements for the year ended 31 December 2006. The audited accounts reflect the worldwide results for the organisation, including the activities of its constituent regional offices.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Consumers International (CI) is a not-for-profit company limited by guarantee (Registered in England and Wales Number 4337865).

CI is a membership organisation, established in 1960 by national consumer groups who recognised the need for an effective international voice and trans-national co-ordination. In 2006, CI had more than 220 member organisations in some 115 countries. There are three categories of membership – full members, who must comply with CI's rules as independent, non-profit consumer associations, and contribute a percentage of annual turnover towards CI's core costs; affiliate members, which include new consumer associations and organisations with a narrower or more specific consumer interest among their objectives; and government affiliates, which are usually government departments responsible for consumer policy or official consumer protection and competition agencies.

CI is governed by a Council of 20 representatives of full member organisations, which is elected at a General Assembly of members, and meets once each year. An eight-person Executive Committee, comprising the four officers and four members of the Council, meets three times a year and has delegated powers to have oversight of CI in between Council meetings.

An Audit and Finance Committee of four Council members monitors and reviews CI's financial reporting and budgets as well as the effectiveness of internal controls and risk management systems. The Committee also has oversight of arrangements for internal and external audit. An Ethics Committee, also comprising four Council members, handles complaints about possible breaches of membership rules and conflicts of interest. It also reviews the rules to ensure they are up to date and enforced.

The staff are led by a Director General, who is appointed by and accountable to the Council, and has management responsibility for CI worldwide. The organisation's head office is located in London with global and regional programmes supported through regional offices. In 2006 these were located in Santiago (Chile), Kuala Lumpur (Malaysia), Accra (Ghana) and London (UK).

In 2006, the regional offices in Chile, Ghana and Malaysia were variously registered with the national governments as local offices of an international NGO and are not considered to have independent financial status.

CI has access to international institutions/negotiations through its accreditation with UN bodies, including the World Health Organisation, FAO/WHO Codex Alimentarius Commission, UN Commission on Sustainable Development, UN Conference on Trade and Development (UNCTAD) and the International Organization for Standardisation (ISO).

RISK

In 2006, CI Council members confirmed their understanding of their responsibility for risk management. They carried out a review of the strategic risks to the organisation and assessed the measures in place to manage and mitigate these. Staff were instructed to continue work to establish improved control systems.

OBJECTIVES AND ACTIVITIES

For 2006, CI's aim was to work for a world in which every country has comprehensive consumer protection laws and market regulation, effectively enforced; universal consumer education; and an independent consumer organisation able to represent consumer interests to policy and decision makers; and consumer's rights are acknowledged and respected in all relevant international decisions.

CONSUMERS INTERNATIONAL

Report of the Council (incorporating the Directors' Report) for the year ended 31 December 2006

CI believes in the right of all peoples to live in just and fair societies where consumer rights are established and respected and whose citizens have their basic rights satisfied; are protected against hazardous products and processes; live in a healthy and sustainable environment; play an active role in shaping policies that concern them; can make informed choices between a variety of goods and services; and have the knowledge and skills to be informed consumers. Recognising the particular needs of the poor and marginalized, CI seeks to empower all consumers to:

- Assert these rights both individually and collectively through consumer organisations
- Use their power in the market to drive out abuses and encourage high standards of corporate responsibility
- Ensure the accountability to consumers of global and regional organisations
- Support sustainable consumption and production practices.

Strategic objectives

Prior to the completion of a strategic review in 2006, CI's strategic objectives were as follows:

- To carry out selected, strategically-focused, high-impact programmes, driven by global campaigns
- To help build and strengthen consumer organisations throughout the world
- To represent the interests of the world's consumers
- To be strong operationally and sound financially.

Within these strategic objectives, the overall objective and theme for the 2006 work plan was: ***'Building a new CI which works for its members'***. This was a year of substantial internal reform and renewal for the organization. The annual objectives and activities carried out in pursuit of these are summarised below.

Annual objective 1: change CI to a more effective campaigning organisation which works for its members

In 2006 CI:

- Completed a strategic review of CI, involving our members and partners, to produce a plan for 2007-11
- Reviewed CI governance processes
- Completed an organisational restructure
- Relocated our Santiago office
- Developed and implemented a new process for selecting campaigns
- Improved guidelines for representation of CI by our member organisations.

Annual objective 2: build a transparent, integrated and effective approach to campaigns, policy, research and communications across CI, based on the strength of our members, adding value to their work and establishing CI as a world leading NGO in key areas

In 2006 CI:

- Co-ordinated global activity for World Consumer Rights Day on the theme *Energy: Sustainable Access for All*
- Delivered campaign activities to require food producers to label products containing genetically modified ingredients
- Co-ordinated consumer movement participation in Codex Alimentarius (the UN international food standards body), including the Food Labelling Committee meeting
- Co-ordinated CI member participation at key International Standards Organisation (ISO) meetings, including input to development of ISO working group on social responsibility, input of consumer policy into ISO committee on global standard for water/sanitation, input to the new global standard for second hand goods and participation in the ISO Consumer Policy Committee.
- Launched research findings on coffee certification, the WHO global strategy for diet, physical activity and health
- Lobbied the G8 meeting in Russia on sustainable access to energy and for a reduction of restrictions on Russian consumer organisations

- Represented the consumer interest at the Biosafety Protocol meeting; the World Health Assembly; the OECD Committee on Consumer Policy (CCP) and Working Party on Information, Security and Privacy (WpISP); and the World Intellectual Property Organisation (WIPO).

Annual objective 3: To provide value added and enhanced membership services including information and communication to CI members

In 2006 CI:

- Evaluated CI member interests, capacities, priorities and information needs and updated CI's member database
- Provided membership services including information and communication
- Ensured effective and efficient management of region specific projects and campaigns involving CI members
- Provided the secretariat for the Trans Atlantic Consumer Dialogue (TACD)
- Improved communications between CI staff and members
- Provided regional specific member services.

Annual objective 4: To deliver efficient and effective systems, internal policies and procedures, ensuring growth in income and the optimum use of resources

In 2006 CI:

- Completed implementation of integrated and transparent global accounting and financial management system and administer effective financial controls and reporting
- Developed and maintain an integrated approach to fundraising within the organisation
- Improved the quality of CI's proposal submission and contract management.

ACHIEVEMENTS AND PERFORMANCE

In a year of great internal change CI **delivered about 95 per cent of our planned work** by the end of the year. This included substantial services to members: despite the much smaller staff team, a greatly reduced budget and the demands of strategic planning and reorganising, in 2006 we provided training to members or worked in partnership with members on **projects in more than 40 countries around the world**. We also co-ordinated and helped establish significant government member forums in Latin America and Asia, through the provision of technical advisory and secretariat services.

In 2006 CI worked on projects in partnership with members in more than 40 countries including Azerbaijan, Bangladesh, Benin, Burkina Faso, Cambodia, Cameroon, Chad, Ghana, India, Indonesia, Kazakhstan, Kenya, Laos, Nigeria, Malawi, Mali, Mauritius, Russia, South Africa, Thailand, and Zimbabwe, plus regional projects in 14 EU countries and seven Latin American countries.

Member services highlights

An **African Consumers Leaders Strategic Planning** meeting was held by CI in Ghana, May 2006. Eighteen African Consumer Organisation leaders attended from 15 countries, and agreed to either revise or produce a strategic plan for their organisations by the end of 2006, using the tools developed by CI.

A Technical Meeting on **Consumers and Standards** was held with Latin American members in Sao Paulo. This was part of CI's regional standards project which delivered capacity building on comparative testing and advocacy to seven organisations across the region.

A training workshop on **copyright and access to knowledge** was organised by CI in Bangkok, with members from every region.

Consumer participation in standardization A Regional Workshop in Botswana was attended by 67 participants from 24 African countries (more than half of them members of CI). Presentations from CI covered the role of CI and its members in international and national standards making, and our work in ISO SR and related areas. In addition, CI submitted amendments on behalf of members to the ISO draft standard on water and sanitation.

A Joint Advocacy Programme (JAP) event was held in Johannesburg, South Africa in the summer on the topic of **GMO labelling** and a workshop on **GMO testing** was held in Moscow.

Latin American Forum of Governmental Consumer Protection Agencies

CI Santiago is the Technical Secretariat of this Forum, which had its fifth meeting in August. At the Forum, representatives from eleven Latin American and Caribbean governmental consumer protection agencies, plus Spain and the US, established an Information Exchange and Early Alert system to protect consumers in the region from faulty goods. With Spain accepted as a full member, the forum will now be known as the Ibero American Forum of Governmental Consumer Protection Agencies. CI will continue as the Technical Secretariat of the Forum along with representatives from Mexico and Spain.

Study visits for CI government affiliates CI organised study visits for officials from Indonesia and Singapore, Cambodia, Lao PDR and Malaysia to meet and learn from their counterparts in Southeast Asia, Europe and Brazil.

Cambodia: progress towards consumer protection law CI completed a market survey in Cambodia and provided technical advice to a Stakeholders' Consultation Meeting to finalise the Consumer Protection Act for Cambodia in December 2006.

'GM Labelling in Africa: protecting the African consumer's right to choose'

A GM labelling workshop was held by CI in Johannesburg, South Africa. The workshop included campaigns training for CI member participants from Zambia, Zimbabwe, Malawi, Kenya, Mauritius, USA, and Mali, as well as participants from other NGOs.

Russia: renewed call on President to amend NGO law CI joined with other leading international NGOs to meet with President Putin, and called for an early amendment to new legislation which places severe administrative burdens on our members and restrictions the ability of all NGOs in Russia to operate.

Campaigning, policy and advocacy highlights

Food

Codex Committee on Food Labelling Following co-ordinated national lobbying, delegates from 11 CI member organisations attended the CCFL in Ottawa. CI members played a pivotal role in preventing the international GM labelling guideline from being removed from the agenda. Instead a new CCFL Working Group was formed, co-chaired by Norway, Ghana and Argentina, to prepare a guidance paper that will focus on the experiences of some 40 countries that already have laws requiring labelling of GM food.

Copyright

Copyright is pricing consumers out of knowledge CI published a report which condemns World Intellectual Property Organization (WIPO) technical assistance as 'thoroughly inadequate', and called for a review of the organisation's legislative advice to developing countries. The report was published as WIPO delegates met in Geneva to discuss the organization's development agenda. *Copyright and Access to Knowledge* examined copyright law in eleven Asian countries and found that all eleven, including China, India and Malaysia, have given copyright owners far more protection than the intellectual property treaties they have signed up to require.

World Intellectual Property Day To mark World Intellectual Property Day, CI ran a postcard campaign calling on WIPO to review its draft laws on Copyright and Related Rights in order to increase Access to Knowledge. The message to WIPO was that 'to help increase Access to Knowledge, we call on WIPO to review its draft laws on Copyright and Related Rights (Versions 1 and 2) to include all permitted limitations and exceptions. We support the call for a Development Agenda in WIPO'.

TACD conference on The Politics and Ideology of Intellectual Property The dominant message from the two-day Trans Atlantic Consumer Dialogue conference was that intellectual property protection needs profound reassessment if it is to do more than defend vested interests. The discussions stretched from the philosophical basis for intellectual property to the most concrete examples of how lobbying had influenced the EU's software patent directive.

Sustainable consumption

Coffee report CI and the International Institute for Environment and Development (IIED) launched a report and short film calling on governments, retailers and the mainstream coffee industry to support the growing consumer demand for certified coffees such as Fair Trade, Organic, Rainforest Alliance and Utz Kapeh. From Bean to Cup demonstrated how certification schemes can provide a partial solution to the volatility of the international coffee market, alongside significant social and environmental benefits for producers in the developing world. The launch took place at the International Coffee Organisation HQ in London.

Social responsibility

A CI Media Network for sustainable consumption and CSR – establishing a core network of consumer journalists to carry out investigative research across Europe – produced a report highlighting the problem of **unethical drug promotion** by the world's largest pharmaceutical companies. The report – *'Branding the Cure'* – received worldwide publicity and underpinned global campaign planning in this area for 2007.

ISO Social Responsibility Working Group CI's work in this area involved organising the consumer group and ensuring that consumer issues remained as one of the seven major areas to be covered by the standard. This opened the opportunity to broaden the traditional concept of CSR and to address issues like access to essential products and services, product safety, fair marketing practices and privacy. ISO 26000 will describe what constitutes socially responsible behaviour and the fundamental expectations relating to performance and process. There was a growing sense that this process will succeed in producing one of the most important SR instruments worldwide, although the target to finalise the standard was moved to November 2009.

Health

World Health Assembly A large delegation of CI members attended this event, and secured a resolution that aims to increase the worldwide research and development focus on diseases that disproportionately affect developing countries.

Energy

World Consumer Rights Day CI members around the world marked World Consumer Rights Day with action on the theme 'Energy: sustainable access for all'. Members sent letters to the G8 energy ministers meeting in Moscow calling for a realistic action plan on energy that takes into account problems related to accessibility, affordability and sustainability. Campaign activities were also organised in countries from Antigua to Zimbabwe including radio and television programmes, peaceful demonstrations, meetings with government officials, community information forums, among others. A total of 56 members reported on their activities.

Communications highlights

CI integrated and relaunched our multiple **websites**, with improved Spanish and regional content on the global site. CI also completed the implementation of free inter-office voice communications over the internet, to substantially improve internal communications at minimal cost. A Members News area was launched on CI's homepage, and an improved search facility introduced.

Media coverage In 2006 CI achieved more media coverage than at any time in its recent history, with media hits on major radio, TV, print and online outlets. Countries in which CI received significant coverage included: Argentina, Azerbaijan, Canada, Chile, China, Germany, Guyana, India, Ireland, Malaysia, Malta, Mexico, Nigeria, Norway, Pakistan, Papua New Guinea, Peru, South Africa, Sweden, United Kingdom, and the United States, plus international stories on key outlets such as BBC Worldwide, CNN and the Financial Times.

Organisational change

The organisation completed its strategic review, with substantial input from members, with a new strategy for 2007-2011 finalised in December and a new organisational structure put in place to match the strategy. The new strategic plan for 2007-2010 has the following objectives:

1. **Campaign** effectively on key issues that matter to the world's consumers and where CI can be the lead voice.
2. Act as a **global watchdog** on the behaviour of international corporations.
3. Build **strong consumer organisations around the world** that can campaign effectively for consumers nationally and through CI globally.
4. Be a **strong, sustainable, global umbrella organisation** fit for our purpose.

These objectives are mutually supporting, and emphasise that one of the strongest 'member services' that CI should provide its members is campaigning.

During consultations with members carried out by the new Director General, in project evaluations and meetings with donors, and in staff discussions on the future direction of CI, it was stressed that CI has been spreading itself too thinly over too many issues. As a result an implicit goal in the strategic review process was to focus our activities on areas where we have a leading voice and expertise, while being important to our constituency. In order to methodically choose our priority areas of work, two key processes used within the strategic review were (a) the 2006 CI Members survey and (b) a Campaigns Working Group (CWG) of staff from all regions, which was established by the DG.

During June and July 2006 a member survey was carried out, in part to establish members' **campaigning needs and priorities**. The response rate was approximately 70 per cent. Key findings included:

- 93 per cent of responding members carry out campaigning or lobbying work
- 40 per cent of CI members say that at present they 'always' or 'often' contribute to CI-led campaigns (and 25 per cent 'rarely' or 'never' have)
- 40 per cent of CI members rated technical advice and training in campaigning as a 'very important' support service for CI to offer their organisation in the next two years (and a further 39 per cent rated this 'important')
- 62 per cent rated CI support in lobbying governments and international bodies 'very important' and a further 30 per cent rated this 'important'
- 93 per cent of members say that they are interested in participating in a CI global campaign over the next two years

Priority thematic areas of the last two years for CI members have been food, consumer education, legislation, health and standards. Asked to prioritise the themes CI should work on in the years to come, members ranked the following issues (previously identified by CI) in order of importance: sustainable consumption; consumer protection law; public utilities (basic services); health (pharmaceuticals); GM foods (labelling); copyright (educational materials); food marketing (children).

The **information services** CI can provide were ranked in order of importance by members responding to the survey as follows: website content, reports and publications, electronic bulletins, campaign/information kits. Campaign information kits were described as 'very important' by more than half of respondents. The survey also found that most members visit CI's website at least once every two weeks.

When members were asked how important **institution building services** from CI will be to them in the next two years, the following were ranked as the most important: project design; secondment of experts; developing financially sustainable business models; and strategic planning.

INTERNATIONAL NGO ACCOUNTABILITY CHARTER

Finally, CI became a founding signatory of a new International NGO Accountability Charter which was launched at a joint press conference on 6 June. The Charter has two main purposes. The first is to give an overall framework for current approaches that better explains we are, what we do and why we do it, and how we do it. By developing and signing this with other large international NGOs, CI underlined the importance we collectively attach to maintaining our high standards of professional conduct and accountability.

The second purpose is to ensure that we keep up-to-date with evolving public perceptions and expectations of INGOs, especially as many INGOs take an increasingly prominent role in public debates, through advocacy and campaigns. Like all other organisations, CI needs to be open about our goals, values, activities and achievements, and how we link policy positions to our publicly accepted 'mandate.' This recognises also that the non-profit sector is coming under closer scrutiny.

This annual report complies substantively with the reporting requirements of the Charter, with the exception of environmental impact reporting. CI has committed to improving our reporting against the Charter in future years. The CI report will be submitted to the Charter secretariat.

DONORS

In addition to the annual membership fees paid by member organisations, CI received strong support from a wide range of donor institutions. Details can be found on CI's website.

CI is most grateful for the continued financial support of members and other donors.

FINANCIAL REVIEW

The financial statement for the year reflects the reorganisation and strategic transition process that CI underwent in 2005 and 2006.

The total membership fee income increased by 3.5 per cent to £1,238,377 in 2006. Exceptional costs were £51,574 (2005: £206,152) as the organisational change process was largely completed in the beginning of 2006. In addition, the strategic commitment (made in July 2006) is to carefully manage fixed costs within our core income. In 2006, CI achieved this with a small surplus of £56,673 on core funds.

During this period of strategic review, it was recognised that funding opportunities which were unlikely to fit with the new strategic direction should not be pursued. In addition, 2006 coincided with the ending of two substantial grant-funded programmes (on food and trade) and a complete change of senior management. This is the background to the significant drop in project funding from £2,019,397 in 2005 to £658,044 in 2006, and is in line with the new commitment by CI not to lose organisational focus through becoming driven by donor funded programmes which do not fit the strategic priorities that emerged during the course of the year.

CI seeks to build free reserves (core funds less tangible assets) of 20 per cent of core income and at the end of 2006 this would have meant achieving £252,032 of free reserves. The free reserves held at the end of 2006 were £112,425 which is nine per cent of core income (compared to a deficit of £7,069 held at the end of 2005). This was made possible by the small surplus on core funds made during the year, efforts made to rebuild reserves by channelling overheads income from projects towards rebuilding reserves and careful control of expenditure on fixed assets.

Project funds of £461,279 were carried forward from 2005 and used to fund 2006's project expenditure. Consequently a deficit of £297,991 is shown in the income and expenditure account for project funds for 2006 with a carried forward project funds of £161,265.

Tangible fixed assets

Fixed asset movements are shown in the financial statements.

Statement of Council's responsibilities

Company law requires the Council, who are the directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the surplus or deficit of the company and the group for the period then ended.

In preparing those financial statements, the Council is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in operation.

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

The maintenance and integrity of the company's website is the responsibility of the Council. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

The directors can confirm that:

- there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditor

A resolution to re-appoint Chantrey Vellacott DFK LLP as auditor of the limited company will be proposed at the next Annual General Meeting.

Signed on behalf of the Council:

BENEDICTE FEDERSPIEL

BREDA KUTIN

Date: 2 July 2007

CONSUMERS INTERNATIONAL

Independent Auditor's Report to the Members of Consumers International

We have audited the financial statements of Consumers International for the year ended 31 December 2006 which comprise the Consolidated Income and Expenditure Account, Group Balance Sheet, Company Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditors

As described in the Statement of Council's Responsibilities, the Council members are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985.

We also report to you whether, in our opinion, the information given in the Report of the Council is consistent with the financial statements. In addition we report to you if, in our opinion, the company 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 Council members' remuneration and other transactions is not disclosed.

We read the Report of the Council and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2006, and of the income and expenditure of the group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Council is consistent with the financial statements.

CHANTREY VELLACOTT DFK LLP

Chartered Accountants

Registered Auditor

London

Date: 2 July 2007

CONSUMERS INTERNATIONAL

Consolidated income and expenditure account For the year ended 31 December 2006

	Notes	Core Funds £	Project Funds £	Total Funds 2006 £	Total Funds 2005 £
Income					
Membership fees	2	1,238,377	-	1,238,377	1,196,108
Project income		-	658,044	658,044	2,019,397
Other income	3	21,787	-	21,787	94,645
Gross income arising in the year		1,260,164	658,044	1,918,208	3,310,150
Expenditure					
Campaigns and communications		696,976	310,746	1,007,722	1,996,706
Member services - capacity building projects		290,408	777,175	1,067,583	1,326,017
Exceptional and other expenses		51,574	-	51,574	206,152
		1,038,958	1,087,921	2,126,879	3,528,875
Governance costs		32,647	-	32,647	34,054
Gross expenditure in the year	4, 5	1,071,605	1,087,921	2,159,526	3,562,929
(Deficit)/surplus on operations, before transfers and exceptional items		188,559	(429,877)	(241,318)	(252,779)
Transfer between funds		(131,886)	131,886	-	-
(Deficit)/surplus on operations, being net (expenditure)/income for the year		56,673	(297,991)	(241,318)	(252,779)
Balances brought forward 1 January		121,875	461,279	583,154	777,025
Revaluation on exchange		7,331	(2,023)	5,308	58,908
Revalued balances brought forward 1 January		129,206	459,256	588,462	835,933
Balances carried forward 31 December 2006		185,879	161,265	347,144	583,154

The consolidated income and expenditure account contains all the gains and losses recognised in the year and the results are all attributable to continuing activities.

The notes on the following pages form part of these financial statements.

CONSUMERS INTERNATIONAL

Balance sheets as at 31 December 2006

Notes	Group 2006 £	Company 2006 £	Group 2005 £	Company 2005 £
Fixed assets				
Tangible assets	73,454	47,332	128,944	73,470
Current assets				
Debtors	118,495	201,444	387,050	487,929
Cash at bank and in hand	584,002	467,108	670,575	530,980
	702,497	668,552	1,057,625	1,018,909
Creditors: amounts falling due within one year	428,807	539,231	603,415	721,932
Net current assets	273,690	129,321	454,210	296,977
Total assets less current liabilities, being net assets	347,144	176,653	583,154	370,447
Represented by:				
Core funds - Free reserves	112,425	21,265	(7,069)	(74,335)
- Fixed assets	73,454	47,332	128,944	73,470
	185,879	68,597	121,875	(865)
Project funds	161,265	108,056	461,279	371,312
Total funds	347,144	176,653	583,154	370,447

Approved by the Council, authorised for issue and signed on its behalf by:

BENEDICTE FEDERSPIEL

BREDA KUTIN

Date: 2 July 2007

The notes on the following pages form part of these financial statements.

CONSUMERS INTERNATIONAL

Notes to the financial statements For the year ended 31 December 2006

1. Accounting policies

- (i) **Accounting convention**
The financial statements of the organisation have been prepared using the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.
- (ii) **Fund accounting**
Donations and income received for specific projects are shown within project funds. Core funds comprise membership income and other income available for general use by the group.
- (iii) **Income**
Members' fees and all other income are recognised on a receivable basis. Project income is recognised, as it is earned, to the extent that the organization has provided the services or activities specified in the underlying funding agreement. Income received for project work in future projects is deferred.
- (iv) **Expenditure**
Expenditure is accounted for on an accruals basis. All costs are apportioned to either head office, one of the organisation's regional operations, or to the external project to which they relate. Overhead contribution from project income is deducted from office and administration expenditure incurred in the year. Governance costs reflect strategic and organizational costs and compliance with constitutional and statutory requirements.
- (v) **Depreciation**
Tangible fixed assets are stated in the balance sheet at cost less depreciation, which is calculated to write off the individual assets over their estimated useful lives at the following annual rates:
- | | |
|-----------------------------------|-------------|
| Building improvements | 20% on cost |
| Furniture, fittings and equipment | 25% on cost |
| Computer hardware and software | 33% on cost |
- (vi) **Foreign currency**
Transactions denominated in foreign currency are translated into sterling at the average exchange rate for each month.
- Exchange differences arising from the translation of the regional office accounts are included in the income and expenditure account. The parallel exchange rate is used for translation of the African regional office accounts. Exchange differences arising from the translation into sterling of assets and liabilities denominated in foreign currencies are translated using the exchange rate ruling at the balance sheet date. All exchange differences are taken to the respective funds.
- Brought forward reserves are re-translated at the closing exchange rate ruling at the balance sheet date and this movement is reflected on the face of the income and expenditure account.
- (vii) **Leasing transactions**
Operating lease rentals transactions are charged to the income and expenditure account as incurred.
- (viii) **Consolidation**
The financial statements consolidate the results of Consumers International (London Head Office) and the Regional Offices.
Regional Office for Asia and the Pacific (Malaysia)
Regional Office for Latin America and the Caribbean (Chile)
Regional Office for Africa (Ghana)

Where necessary the accounts of the Regional Offices have been restated in order to comply with United Kingdom Accounting Standards.

- (ix) **Pension scheme**
Consumers International operates a defined contribution pension scheme whereby the company contributes 2%. Contributions are recognised when due.
- (x) **Cashflow statement**
The group has taken advantage of the exemptions available not to prepare a cashflow statement on the grounds of its size.

2.	Membership fees	2006	2005
		£	£
	Full members	1,193,555	1,132,112
	Affiliate members	29,971	37,817
	Government affiliate members	14,851	26,179
		<u>1,238,377</u>	<u>1,196,108</u>
3.	Other income	2006	2005
		£	£
	Bank interest	4,179	4,459
	Other	17,608	90,186
		<u>21,787</u>	<u>94,645</u>

Included within £17,608 (2005: £90,186) are contributions of £8,613 (2005: £80,196) from members for the transition, development and strategic planning costs and £8,995 (2005: £2,897) of rental income from sub letting office space to partner organisations.

4.	Core expenditure	Member services - capacity building projects	Total 2006	Total 2005
		£	£	£
	Direct salary costs	511,438	181,239	692,677
	Office and administration	135,588	93,220	228,808
	Travel and publications	25,856	7,411	33,267
	Strategic planning and special projects	24,094	8,538	32,632
		<u>696,976</u>	<u>290,408</u>	<u>987,384</u>
				1,140,420
	Governance costs		32,647	34,054
	Exceptional items		50,185	155,649
	Exchange rate loss		1,389	50,503
			<u>84,221</u>	<u>240,206</u>
			<u>1,071,605</u>	<u>1,380,626</u>

The reduced office and administration costs in 2005 is due to increased contribution for overheads from project funds as a result of higher project income in that year.