

*Company number: 4354366*

*Charity number: 1147471*

# **Privacy International**

**(A Charity Company Limited by Guarantee, company number 4354366)**

## **Audited Financial Statements**

**and**

## **Trustees' Report**

**for the year ended 31 January 2018**

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Charitable company Information for the year ended 31 January 2018

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<b>Status:</b>	Privacy International is a company limited by guarantee and a registered charity governed by its memorandum and articles of association. The directors of the charity are its trustees for the purposes of charity law and throughout this report are collectively referred to as the trustees.	
<b>Charity name:</b>	Privacy International	
<b>Company registration number:</b>	4354366 (England & Wales)	
<b>Charity registration number:</b>	1147471	
<b>Registered office:</b>	62 Britton Street London EC1M 5UY	
<b>Operations address:</b>	62 Britton Street London EC1M 5UY	
<b>Trustees who held office during the year:</b>	Daniel Cooper	- Resigned 25 September 2017
	Anna Fielder	- Resigned 25 September 2017
	Barry Steinhardt	- Resigned 25 September 2017
	Heather Brooke	
	Dr Jerry Fishenden	- Resigned 25 September 2017
	Barry Kernon	
	Eve Salomon	
	Peter Noorlander	
	Natalie Carsey	- Appointed 25 September 2017
	Benjamin Elihu Wizner	- Appointed 25 September 2017
	Helena Kaisa Inkeri Marttila-Bridge	- Appointed 25 September 2017
	Susan Gardner	- Appointed 25 September 2017
	David Victor Stephen Viney	- Appointed 25 September 2017
<b>Chairperson:</b>	Eve Salomon	
<b>Treasurer:</b>	Barry Kernon	
<b>Senior Statutory Auditor:</b>	<b>Anthony Armstrong FCA</b> <b>Armstrong &amp; Co</b> <i>Chartered Accountants &amp; Statutory Auditor</i> 4a Printing House Yard Hackney Road London E2 7PR	
<b>Solicitors:</b>	<b>Covington &amp; Burling</b> 265 Strand London WC2R 1BH	
<b>Bankers:</b>	<b>Barclays Bank</b> 1 Churchill Place London E14 5HP	

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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### 1. INTRODUCTION

The Board of Trustees (who are also directors of the charity for the purposes of the Companies Act) submits their annual report and audited financial statement for the year ended 31 January 2018.

The Trustees confirm that the Annual Report and Financial Statements of the charity comply with current statutory requirements, the requirements of the charity's governing document and the provisions of the Statement of Recommended Practice (Charities SORP FRS102) "Accounting and Reporting by Charities" issued in 2014.

### 2. STRUCTURE, GOVERNANCE AND MANAGEMENT

Privacy International is a registered charity and a company limited by guarantee in England and Wales. The organisation is governed by its Articles of Association, incorporated on 16 January 2002. The Articles were updated in September 2014 to implement changes to reflect our charitable status (Charity Registration No: 1147471).

Privacy International's governing body is the Board of Trustees, which meets up to five times a year. The primary responsibility of the Board is to provide strategic leadership by formulating and reviewing Privacy International's strategic aims in consultation with staff, setting overall policy, regularly evaluating the charity's performance, and ensuring compliance with UK law.

At any one time the number of Trustees shall not be less than five, and no more than nine. New Trustees are recruited through an open application process. Appointments are made not only on the basis of individual merit, but also taking into consideration the existing expertise and experience of the Trustees.

New Trustees receive information on Privacy International's work, their duties as Trustees, and take part in induction meetings with the Executive Director and other members of the Privacy International staff.

#### **Trustees**

The Trustees of the charity who held office during the year are set out on page 3.

#### **Financial controls**

As Privacy International grows and our responsibility to donors, partners and other key stakeholders increases, we continue to seek to strengthen our financial management systems.

All expenditure is carried out with reference to Privacy International's multi-year strategic plan and annual workplan, as approved by the Board prior to the start of each financial year. Financial procedures have been developed to monitor and evaluate the charity's finances. This includes quarterly management accounts, which are prepared for review by Trustees, prior to each meeting of the Board.

The Board is assisted in taking decisions relating to budgeting and forecasting by the Finance and Audit Committee, which consists of three Trustees including the Treasurer. The Committee is responsible for recommending finance policy to the Board and ensuring that existing finance policy is implemented. The audit function of the Committee is to consider the adequacy of risk management, internal controls, and governance.

#### **Risk management**

Risk management is an essential part of the operations of Privacy International and a key responsibility of the Board. A Risk Management Policy and framework is in place for managing business risks. Trustees review the major risks to which the Trust is exposed and the measures taken to mitigate them, at their regular meetings. The executive team review these risks regularly during the year and risks are identified and monitored for each area of operation as well as for major projects and significant new activities.

The risk register has been developed with reference to the UK Charity Commission and National Audit Office guidance and UK Charity Law and is regularly updated and reviewed by the Board.

#### **Whistle-Blowing**

Privacy International is committed to maintaining the highest standards of integrity, honesty and professionalism in the workplace and to complying with its legal obligations. Whilst Privacy International makes every effort to ensure that its business is conducted according to these standards, employees may be aware of, or suspect, certain failings or wrongdoings within the organisation and they are encouraged to alert the organisation to such concerns so that they can be remedied. Information from concerned third parties is a very important element in detection, especially of corruption where formal controls can be made ineffective by collusion.

The whistle-blowing policy was approved by the Board in 2017 and applies to all employees, volunteers and contractors, both in the UK and overseas.

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# Privacy International

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## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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### Remuneration Policy

The remuneration of staff is guided by the Competency Framework as set out in the organisational Handbook, outlining roles and responsibilities, ensuring that each employee is rewarded in line with the level of their role and our overall remuneration structure. The remuneration of the Executive Director is decided by the Board of Directors.

### 3. OBJECTIVES AND ACTIVITIES

Privacy International's objects are to promote privacy as a human right (as set out in the Universal Declaration of Human Rights) throughout the world, specifically:

- a) To raise awareness of, to conduct research about, and to provide educational materials regarding threats to personal privacy;
- b) To monitor and report on surveillance methods and tactics employed against individuals and groups;
- c) To work at national and international levels towards the provision of strong and effective privacy protections;
- d) To monitor the nature, effectiveness and extent of measures to protect privacy, and to seek ways through information technology to protect personal information.

### Mission

Privacy International is committed to fighting for the right to privacy for everyone, everywhere.

We challenge governments' powers by advocating and litigating for stronger protections for people and safeguards against abuse. We lead research and investigations into surveillance practices and systems in countries across the world to shine a light on powers and capabilities, and to instigate and inform debate. We advocate for good practices and strong laws worldwide to protect people and their rights. We equip civil society organisations across the world with the resources, knowledge, and expertise to increase public awareness about privacy. We investigate how our technologies betray us by generating data for exploitation by others. We explore the necessary legal and technological frameworks to protect against data exploitation. We raise awareness about technologies and laws that place privacy at risk, to ensure that the public is informed and engaged.

### Vision

Privacy is a fundamental right, increasingly essential to freedom everywhere.

People and societies cannot thrive when subjected to the potential of scrutiny. A modern democratic society is one where people are secure from arbitrary and excessive interference with their lives. Privacy is essential to the protection of autonomy and human dignity, serving as a foundation upon which other rights are built. Individuals' capabilities to protect their privacy are core conditions for human development.

### Legacy

Privacy International has been at the forefront of discourse and debate on privacy, technology and human rights since 1990. We entered this field when the internet was still in its infancy, and police surveillance meant stationing officers outside a suspect's home. Privacy was a poorly understood concept.

Our longevity means that we are uniquely placed to understand the complex and changing relationship between technology and human rights. Now the issues we are working on are growing more pressing and urgent. Privacy continues to rise on policy agendas across the world and we are prepared to engage.

We developed a framing of privacy as essential to freedom, a protector of human dignity, an enabler of autonomy. Surveillance is a power generator and magnifier. We have identified modern surveillance systems -- increasingly secretive and non-consensual -- as key enablers of social, economic, and political control and sought reform. We've uncovered how powerful and often secretive institutions, in both the public and private sectors, are working to generate and collect intelligence on us all. Our work has been to promote and defend privacy as the necessary counter-balance to this enormous power.

### 4. PUBLIC BENEFIT

Direct beneficiaries of our work are i) the general public across the world through our advocacy and awareness raising, and ii) public interest civil society organisations across the world through our capacity-building and support.

Privacy International communicates with the public through our educational tools and media engagement that highlight the importance of privacy in a technology-laden democratic society. Our research and investigations help inform the public about the risks to privacy, often secret, and the power imbalances that arise. Our advocacy, whether in policy fora or before courts and administrative bodies, aims to strengthen the necessary legal and technological protections and create new safeguards for new challenges posed by changing policies and technologies. Through our campaigning strategies, we continue to seek new ways to engage with the public and to inform them of new developments.

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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We are building the global movement for privacy. We work extensively with public interest civil society organisations and human rights defenders across the world, particularly in the Global South, to strengthen their capabilities to communicate, educate, conduct research, and advocate for greater protections for people in their countries and regions. We also work to strengthen their risk mitigation capacities.

In setting our annual workplan, the Board of Trustees have regard to both the Charity Commission's general guidance on public benefit, and the promotion of human rights for the public benefit. The Trustees confirm that they have complied with section 17 of the Charities Act 2011 and are satisfied that the aims and objects of the charity, and the activities reported on to achieve those aims, meet these principles.

### **5. ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE IN 2017**

In accordance with the strategic plan in place for the year, PI has worked to pursue work across three multi-year programme areas:

- (i) Contesting Surveillance Programme – uncover innovations in surveillance capabilities and powers, modernise legal safeguards, and promote protections globally;
- (ii) Building a Global Privacy Movement Programme – lead national and international advocacy and investigations and build capacities within our international network of civil society organisations;
- (iii) Data Exploitation Programme – identify the next generation of legal and technical safeguards necessary to protect privacy in the future, and curb excessive data generation and processing.

We have also been working to build a stronger and more resilient organisation. We have continued working on our internal processes and controls to protect against potential risk areas and worked on matching Privacy International's technology infrastructure with our advocacy objectives. We then share these experiences and tools with other civil society organisations across the world.

#### **5.1 Surveillance**

##### **Exposing surveillance**

We continue to undertake research and investigations across the world in order to expose surveillance powers and capabilities of some governments, and the surveillance industry's involvement in repressive states. We have used this methodological approach to ensure that relevant technologies are controlled under export laws, that criteria through which governments assess applications are adequate so that they protect human rights and that data about export licenses which have been approved is publicly available for scrutiny and accountability.

This year PI led on drafting a civil society response to a European Commission proposal on reforms to the dual use regulation which governs exports of surveillance technology. Ten organisations signed-up to our submission. Some of our recommendations were incorporated into amendments by two separate Parliamentary Committees, notably calls for strong human rights criteria, transparency, and security research exemptions. Some of those made it into final parliamentary amendments overwhelmingly endorsed by the European Parliament (571 in favour, 29 opposed, 29 abstentions) in January 2018. Final amendments will be agreed via 'trialogue' negotiations between the European Parliament, Commission, and Council, hopefully before the end of 2018.

We worked with media outlets to increase public awareness on surveillance technologies and producing new information about the spread of these technologies. We worked with many media organisations from the outset of their programs, provided background information, contacts, and technical/legal expertise. An Al-Jazeera documentary used undercover footage to show how surveillance companies are offering to sell technology around the world, including to places under sanctions. A BBC documentary showed that BAE Systems is selling mass internet surveillance systems to numerous countries, including Algeria, Morocco, Oman, Qatar, Saudi Arabia, the UAE. PI continues to alert journalists to cases where surveillance technology was being exported, for example to countries with questionable human rights record.

##### **Security Assistance**

The public needs to know how their governments are advancing surveillance globally, including by helping repressive regimes. PI is exploring how states with large national security infrastructures support other states to procure security capabilities through financing, training, information sharing, and equipment.

In 2017 PI worked with the Stanford International Human Rights Clinic on a legal analysis of the U.S.' Leahy Law, which exists to stop security assistance that contributes towards human rights abuses, and how the law relates to surveillance. We also filed a range of Freedom of Information requests in the UK and US. We started working with Human Rights Watch on a project to explore the security assistance provided by the US government in the context of 'counter-narcotics assistance', with an aim to release a report in late 2018.

##### **Intelligence sharing**

Regulating the conduct of government intelligence agencies under law is essential to the protection of democracy and the upholding of human rights. Together with UK-based NGO Reprieve, we launched a challenge at the UK Investigatory Powers

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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Tribunal to force public disclosure of a classified area of intelligence gathering subject to oversight, known as the 'third direction', which was identified only as a result of it being referred to in a previous challenge brought by PI. In March 2018, the UK Prime Minister revealed that the direction instructs the Investigatory Powers Commissioner's Office to oversee the participation of MI5 agents in criminal activity, which The Guardian reports is in effect, the first ever acknowledgement by the UK government that MI5 agents are allowed to engage in criminal activity.

Oversight of intelligence agencies is a crucial safeguard. PI alerted oversight bodies in 40 countries of the human rights implications of intelligence sharing, when agencies share data with counterparts in other countries. This is often a blind spot in oversight regimes. In late 2017, PI developed a briefing regarding the human rights implications of intelligence sharing, highlighting the potential dangers, and providing recommendations. PI then led an initiative of over 30 human rights organisations to send a briefing on intelligence sharing to oversight agencies in over 40 countries, aiming to develop the understanding and interest of both the oversight bodies and the human rights organisations.

To further public transparency, PI filed suit against the multiple US intelligence agencies under the Freedom of Information Act for access to data regarding intelligence sharing, together with Yale Law School. As a result of ongoing disclosures, we have obtained substantial new information regarding intelligence sharing agreements between US and partner agencies, which was published in 2018.

### Government Hacking

Hacking by government agencies is an emerging trend around the world, with several jurisdictions having recently legislated for its use or currently in the process of doing so. After extensive consultation with technical experts, legal experts, and activists, PI published a set of legal guidelines providing recommendations and legal commentary around the use of hacking techniques as a form of surveillance. The guidelines were launched in December 2017 together with a video and social media graphics and were presented at events in London and Brussels. An explanatory video on government hacking was launched in October 2017 and has received over 8,000 views on YouTube. An essential guide for civil society organisations and policymakers for use in responding to the legislation of hacking powers, it is envisaged that the guidelines will form the basis of PI's and others' policy recommendations throughout 2018 and 2019 as more hacking powers are sought by governments and established in practices and laws.

Governments are abusing their covert hacking capabilities, and policy-makers need to understand how these powers interfere with rights. Following evidence that human rights defenders, journalists, and lawyers were being targeted by commercially-available hacking systems in Mexico, together with Mexican partner organisation R3D we developed a briefing (in Spanish and English), aimed at Mexican government authorities. The briefing provided explanatory evidence regarding the type of hacking equipment used, people who have been targeted, an analysis of hacking in the context of international human rights law, an analysis of why Mexican hacking powers are unlawful, and a set of recommendations. R3D and other Mexico-based organisations are continuing to push for adequate redress and reform measures to be taken by Mexican authorities.

### Communications Data Retention

In October 2017, PI launched a report analysing communications data retention laws across the EU. Mandatory data retention laws require providers of communications networks – such as phone companies – to retain metadata (the who, where, and when of communications) of all people for certain periods of time, so that they are then accessible to government agencies.

Rulings in the European Court of Justice in 2014 and 2016 both found such measures to be invalid because they interfere with the right to privacy and data protection and fail to meet the requirement of proportionality. It remained unclear how different EU member states interpreted or acted upon the Court's decisions. As a result, we initiated a survey of 21 EU member states' data retention practices in consultation with industry and other NGOs, assessing their legislation and jurisprudence. We found that while some countries, such as the Netherlands and Slovakia, had repealed national legislation on retention, no country surveyed was in compliance with the 2016 CJEU ruling, and in many states their legislation is not even in compliance with the earlier 2014 ruling. We disseminated the report to civil society and policy-makers to assist in subsequent advocacy and policy-change.

### Surveillance and the Rule of Law: Strategic litigation and advocacy

It is of critical importance to ensure that the rule of law applies when governments deploy covert surveillance. Otherwise extensive abuses of democratic rights can arise. This is particularly risky as technologies change. PI continues to pursue a series of cases through courts and tribunals, and continue to contribute to others through interventions.

*Case: The Queen on the application of Privacy International v. Investigatory Powers Tribunal (Hacking judicial review)*

We filed a judicial review of the Tribunal's finding that GCHQ had authority to seek general warrants to hack domestically. Our claim is that this finding is contrary to English common law, which has long prohibited general warrants, and that general warrants violate Article 8 of the European Convention on Human Rights, which protects the right to privacy.

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Filed in 2016, the first court ruled it had no jurisdiction to hear the case, so we lodged an appeal to the Court of Appeal. The decision for us to proceed with an appeal was very carefully considered by our Board, as it bares potential financial implications for PI. In November 2017, the Court of Appeal upheld the High Court's decision that it had no jurisdiction to hear the judicial review. In December we lodged a notice of appeal of the decision before the Supreme Court of the United Kingdom. In March 2018 the Supreme Court granted our request for permission to appeal. An oral hearing is scheduled for 3-4 December 2018. The case has attracted significant interest from legal scholars.

### *Case: Privacy International v. Secretary of State for Foreign and Commonwealth Affairs et al. (Bulk Personal Datasets challenge)*

Privacy International in August 2015 filed a legal challenge in the UK Investigatory Powers Tribunal, about whether government agencies' acquisition, use, retention, disclosure, storage and deletion of personal and communications data in bulk is in accordance with the law and necessary and proportionate. In 2016 the Tribunal held that the Intelligence Agencies had breached the European Convention of Human Rights.

In June 2017, the Tribunal heard legal arguments on whether the regimes were in compliance with EU law and in September 2017 the IPT decided to refer questions concerning the collection of bulk communications data by the Security Intelligence Agencies from mobile network operators to the Court of Justice of the European Union. Privacy International successfully applied for permission to cross-examine a witness from GCHQ, the UK Government's signals intelligence agency, regarding errors in GCHQ witness evidence. In agreeing to the cross-examination, the Tribunal has noted its concern that the GCHQ witness has had to make a number of corrections to his earlier statements. Cross examination took place in February 2018 and a further hearing took place in March.

The case received significant media attention after it was revealed that intelligence agencies in the UK gathered sensitive data including people's social media data and then shared it with industry partners and foreign agencies. The UK surveillance oversight body ordered an "immediate inspection" of such data sharing and is carrying out an audit of the practice after misleading evidence regarding the sharing of intelligence with contractors was provided by GCHQ.

### *Privacy International v. ODNI, NSA and the Department of State (Five Eyes spying agreements disclosure)*

In 2013 Privacy International filed Freedom of Information requests in all Five Eyes countries demanding the release of secret documents detailing the spying agreements between the United States, United Kingdom, Canada, Australia, and New Zealand. In the US, we filed FOIA requests with ODNI, the NSA and State Department. ODNI responded that a responsive document was exempt. In February 2017, we administratively appealed to all three U.S. agencies – interpreting their failure to respond to our original request as a constructive denial. In March 2017, we sent an additional FOIA request to the National Archives and Records Administration (NARA). Since July 2017, we have been receiving a rolling production of records from NSA, State, and NARA. We have been working together with a Yale University law clinic to analyse the records produced to date and plan to jointly publish the records and our analysis.

### *Interventions and Consultations:*

Across the world courts and legislatures are reviewing changes in surveillance powers and their effects on the public. PI's expertise and experience permits us to provide a unique perspective on technology, universal human rights, and the public interest. Through our extensive work with other legal experts, we have been able to generate significant amount of litigation, expertise, and interventions and briefs in ongoing cases and consultations.

In 2017, the cases included:

- To the US Supreme Court in a case by the US Government against Microsoft regarding extraterritorial access to data. PI argued that extraterritorial search warrants would significantly impair global privacy rights by allowing the United States Government to seize and review data hosted on foreign soil without regard for the laws protecting that data in those countries. Twenty-six NGOs from across Europe and our Network signed on to our brief.
- To a court in South Korea regarding the collection of subscriber information. This brief is not publicly available at this moment.
- Four separate amicus curiae to US appellate courts regarding extra-territorial hacking by the FBI. PI argued that international law prohibits the government from undertaking law enforcement functions in other countries, without those countries' consent. These cases were *United States v. Levin*, *United States v. Werdene*, *United States v. Eure*, and *United States v. Tippens*.
- To the European Court of Human Rights regarding surveillance powers in France, challenging various surveillance powers authorised under the French Intelligence Act of 24 July 2015 as incompatible with Articles 8 and 10 of the European Convention on Human Rights. Our submission discusses the impact of three new surveillance technologies and capabilities authorised under the Act on the right to privacy: (1) real-time automated data processing on operator networks, (2) hacking, and (3) International Mobile Subscriber Identity ("IMSI") catchers.

PI also developed detailed responses to various national and multinational legislative consultations. In the EU, we challenged plans to link various migration and security databases to facilitate broader access to government agencies and plans to expedite law enforcement access to data held in foreign servers; in the US, we challenged the proposed extension of powers to require social media data from individuals at border crossings and objected to US authorities seeking powers to store such information



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permanently in immigration records. In the UK we submitted critical analyses on various draft codes of conduct for implementation of the Investigatory Powers Act (IPA), on draft "Technical Capability Requirements" related to the IPA, and on plans for a draft national surveillance camera strategy.

### **5.2 Building a Global Privacy Movement**

The focus of the programme continued to be on building the capacity and engaging with partner organisations in Argentina, Brazil, Chile, Colombia, India, Indonesia, Jordan, Kenya, Lebanon, Mexico, Pakistan, Paraguay, Philippines, Uganda and South Africa. For strategic and risk reasons, PI also undertook direct action in some of these countries.

#### **Global Research and Investigations**

People everywhere need to be able to know the surveillance capabilities of their governments and hold them to account for abuses using privacy rules and safeguards. By conducting and supporting research we are able to identify dynamics that are missing in partner countries, and by doing investigations, we can uncover and expose the role of privacy and surveillance in power structures and other inequities in countries. This work can help national privacy issues reach greater prominence in a country and internationally.

Leading on from in-country investigations conducted in Kenya in 2016, in March 2017 Privacy International published a report that investigated the techniques, tools, and culture of Kenyan police and intelligence agencies' communications surveillance practices. The report was widely disseminated in networks in Kenya and the region and received extensive media coverage. A second investigation based on primary data obtained by Privacy International illustrated the prominent role of intelligence and law enforcement in Kenya's cybersecurity initiatives. Our investigative feature – "Track, Capture, Kill: Inside Communications Surveillance and Counterterrorism in Kenya" was included as evidence in the petition to the criminal court demanding a judicial commission of inquiry into police involvement in extrajudicial killings.

In November 2017, Privacy International published a research report on the fintech sector. The report explores how developments in the sector are posing issues for privacy and draws on recent developments in India (use of Aadhaar identification number and how it relates to India Stack initiative) and Kenya (use of data from mobile money transfer service M-Pesa for lending decisions by fintech start-ups). The report was shared with a variety of targets with specific customised recommendations, including the fintech industry, regulators, data protection and consumer protection authorities, international bodies that promote and fund fintech and related programmes such as financial inclusion, and other parties that integrate fintech (or elements of) within their programmes.

#### **Capacity building and Education**

The most effective and sustainable way to achieve change in countries is to support public-interest organisations who are already embedded locally, with their networks and reach. These organisations need to be strengthened and need assistance in understanding and acting upon issues of relevance to them, PI, and our domain generally.

Throughout 2017 PI continued to support its partners by providing them with the resources, expertise and knowledge to produce research and analyses on privacy and related issues. The research is to enable partners to both inform and engage in national and global policy discourses. By enriching the literature on privacy, technology and data governance with key case studies from the Global South, our aim is for our partners to become national and international leaders in this developing and increasingly important domain.

After the renewal of funding by the Swedish International Development Cooperation Agency, Privacy International laid the groundwork for a new project: our partners conducted advocacy planning, stakeholder engagement, ran workshops and participated in discussions and debates in their countries. In order to increase the visibility of our partners at the international level, PI guided them through engagement on the UN Universal Periodic Reviews and assisted them in engagement in international advocacy.

Ensuring our partners have access to knowledge and expertise is core to our capacity building role. PI continued its collaboration with the Small Media Foundation to produce two new modules in 2017: "Researching Privacy" and "The Risks of Data-Intensive Systems" (in three languages - Arabic, Farsi and English).

### **5.3 Data Exploitation**

Today data is being exploited in ways that were unforeseen just a few years ago and is currently beyond the understanding and control of individuals. The data-driven economy is fast-moving, and PI must be able to adapt to protect people's rights, so in mid-2017 we started a process of revising our theory of change. The goal for the new theory of change was both to be more refined, and yet more ambitious. Instead of merely articulating harm and engaging a broad range of stakeholders, we are now directing these very same activities towards influencing three clearly defined stakeholders: industry, governments/regulators, and organisations that represent those who are most vulnerable.

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# Privacy International

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## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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### Engaging with industry

We continued our efforts to work with companies and obtain insight and access to data stored on individuals' own devices. In the case of Amazon, we received a partial admittance that the device itself stores log data. In the case of Google, the experience has been slow and not always very productive, since the company was not responsive to our data subject access requests under UK law. Going forward, we will try a different strategy – in March 2018, we began working with a forensics expert to extract data from a number of phones and Internet of Things devices to understand not only what data can be extracted but also what data are stored on phones without the knowledge or consent of the owner. This research has been covered by the BBC and we are looking forward to using this evidence in 2018 to support our broader objective around invisible data and how customers can access it.

We learnt some important lessons on how to work with companies through our work on investigating what data new toys generate and share on their users. Our Tech Team spent a considerable amount of time looking at connected devices. We wanted to reverse-engineer these toys and identify security and privacy weaknesses, raise these to the attention of companies, and then the public. The technical research proved much harder than we had envisioned. We eventually shifted the focus on the role of Chinese manufacturers whose components were integrated into consumer-grade toys. This too became challenging to decipher because it is a relatively opaque industry. As such we were unable to ensure that our research products could address legal risk assessments of the claims we could make about the toy companies' practices.

We conducted research and launched a campaign on the data collected and processed by modern cars. The campaign resulted in one car company publicly committing to improving their data practices. Thrifty, the car rental company, responded positively to our complaint that rental cars will collect and store the data of all its renters and make that data available to future customers and other parties. In late March 2018, Thrifty announced plans to introduce a "delete" capability, or a factory reset for all cars and a new log on their systems to confirm this has been done. We are in conversations with car companies to continue applying pressure. We are also awaiting response from ICO in relations to a complaint made about infotainment systems in rental cars.

### Engaging with regulators and regulation

Data protection law is essential to the protection of privacy, and updates to the law are necessary to address new forms of data exploitation and ensure that the public has sufficient visibility and control over their data.

The UK Data Protection Bill was introduced to Parliament in September 2017. PI worked towards improving the provisions of the Bill to ensure they do not undermine the protections in EU General Data Protection Regulation (GDPR), which we fought for, to ensure and that individuals' rights are protected. This included detailed briefings and engagement at the Committee and Report stages – key issues include seeking to improve safeguards for automated decision-making; remove exemptions/ conditions for processing which are open to abuse; include the derogation in Article 80.2 of GDPR that allows for collective redress; narrow the scope of national security and defence exemptions and include safeguards for national security certificates; and introduce safeguards for cross border transfers by intelligence services. This work continued into 2018 when the Bill passed to the House of Commons.

As part of our work towards the implementation of the EU General Data Protection Regulation, Privacy International has been selected as a member of the European Commission Multistakeholder Experts Group, which brings together experts from industry, civil society and academia across Europe. In October 2017 PI attended the first meeting of this group in Brussels.

Since the EU Commission published its proposal on a draft e-privacy regulation, PI worked closely with European civil society organisations to articulate an explanation of the current proposal and prepare a position paper with some proposals to strengthen the text of the draft regulation. As the European Parliament began to debate the draft e-privacy regulation, some of the amendments were reflected in the report of the rapporteur of the Committee on Civil Liberties, Justice and Home Affairs (LIBE) which was voted (thereby becoming the Parliament position) in Autumn 2017. Privacy International plans to remain engaged in the process in 2018.

Using lessons learned from our GDPR engagement in Europe, we made submissions to the Indian Government's Committee of Experts' White Paper on a Data Protection framework and to the Ugandan Committee looking at the Data Protection Bill.

Following our written submission of evidence to the UK House of Lords Select Committee in October 2017, we were invited to give oral evidence to the Select Committee on Artificial Intelligence at the House of Lords. The Committee's final report has yet to be published.

### Engaging with communities of interest

Civil society organisations outside the digital rights context are increasingly faced with problems that are at the core of our work on data exploitation. In early 2018 we started a small collaboration with University College London on gender and Internet of Things – an interdisciplinary project exploring the implications of IoT on gender-based domestic violence and abuse.

Our work around new policing techniques and technologies is crucial in reaching out to new beneficiaries. We have organised and hosted events to raise these within the legal community, particularly civil and criminal lawyers all over the UK. Each event discussed technologies such as mobile phone extraction, facial recognition, social media monitoring, predictive policing, subject

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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access requests, and data protection more broadly. They presented an opportunity to get input on the level of knowledge amongst the legal and activist community, gauge interest, and disseminate our findings. In addition, we also hosted roundtable discussions with lawyers of "Actions Against the Police" to discuss new policing technologies with civil lawyers considering litigation in this area. They discussed the policies, guidance and other documents obtained by PI as a result of FOIA requests, discussed potential ways to obtain additional disclosure highlighted by PI to further their work, and potential new cases where they can raise issues such as mobile phone extraction.

### **5.4 International Advocacy and Human Rights Mechanisms**

Shaping international human rights law and ensuring that privacy appears on the agenda at regional bodies creates new forms of pressure on governments to adhere to standards of protection. If we are effective and strategic through our advocacy and litigation, we will be able to set some of the standards and create momentum for the international fora to create structures and institutions that will pay attention to privacy as they conduct their work.

In 2017, we published our first briefing on cybersecurity as part of our work with partners in Latin America and Africa. This briefing explored what it means to be secure, and how governments and companies enact policies and laws that undermine security globally. Our consultation process included meeting with the Cyber Security Program at the Organization of American States (OAS), representatives of the Commonwealth, and leading policy and tech experts. The report was presented on a panel discussing online privacy at the International Conference on Cyber Conflict hosted annually by NATO Cooperative Cyber Defence Centre of Excellence.

We also continue to engage with the UN Special Mandate holders. Our engagement with the Rapporteur on privacy focused on safeguards in Kenya and the United States of America. On the occasion of their visit to Mexico, PI reached out to the UN Special Rapporteur for Freedom of Opinion and Expression and the Special Rapporteur for Freedom of Expression of the Inter-American Commission on Human Rights, highlighting the unlawful surveillance of prominent human rights defenders and journalists in Mexico.

In December 2017, PI wrote to the new UN Special Rapporteur on counter-terrorism and human rights, highlighting concerns related to surveillance measures taken in the context of counter-terrorism legislation and policies in a range of countries, including in the Global South.

For the March 2017 session of the Human Rights Committee we submitted stakeholder reports on Italy and Thailand and attended the session and briefed the Committee members on Italy. The Human Rights Committee's resulting concluding observations directly reflect our main concerns on the practice of unlawful surveillance in Italy, for the first time raising concerns about state hacking by an ICCPR state party. Since then, we have been using those concluding observations to support the national advocacy with the Italian Coalition for Civil Liberties commenting on both a hacking bill and on the export of surveillance technology. For the July session of the Committee, we submitted a briefing on Pakistan.

Following on from the engagement with the International Committee of the Red Cross and the Brussels Privacy Hub to develop a handbook on data protection in the humanitarian field, which was finally published in August 2017, Privacy International took part in the prominent launch events of the handbook. These occurred at events hosted at the 10th Conference of the Francophone Data Protection Commissioners on 4 September 2017 in Tunis, the 39th International Conference of Data Protection and Privacy Commissioners (ICDPPC) on 27 September 2017 in Hong Kong, and the 12th Internet Governance Forum (IGF) on 20 December 2017 in Geneva. These events provided opportunities for PI to present its current problem analysis on these issues and encourage implementing actors within the field, the donor community and industry, as well as regulators, to carefully identify the risks associated with the use of data and technology in this field.

### **5.5 Organisational Developments**

In the past year, we saw changes to the Board of Trustees. Due to term limits, four long-standing trustees had to be replaced. We recruited new Trustees through an open application process assuring diversity in terms of gender and professional expertise, including extensive backgrounds in finance, law, journalism, activism and leading other NGOs.

#### **Staff**

Privacy International maintains a small group of staff at our office in London. The continued success of our work depends on our ability to recruit highly capable individuals. We are committed to creating a working environment where people are supported to grow. During 2017 we added capacity to our legal, advocacy, communications & campaign teams and added a post of monitoring and evaluation officer.

PI has been working to improve the effective management of programmes, reporting and impact assessment through integrating Monitoring and Evaluation frameworks into all work in a comprehensive way. For instance, Key Performance Indicators for each programme are now a part of formal tool to assess delivery of plans for staff and are reported to the Board of Trustees.

In 2017 we continued to host two different fellowship programmes: until June 2017, we were hosts to Yale Bernstein Legal Fellow and Ford-Mozilla Open Web Tech Fellow.

At the end of the financial year we had a complement of twenty-one full-time members of staff.

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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### Public engagement and expert advice

We continued to work on developing our positions through expert consultation and research, and moved closer to disseminating our positions on issues of

- Intelligence sharing principles (see above)
- Artificial Intelligence and Machine Learning (submitted to parliamentary and regulatory consultations)
- Recommended safeguards for Government hacking powers
- Data Exploitation principles (groundwork released but principles only published in draft for external consultation).

All this work has assisted our building of public communications materials, developing new relationships with key experts, developing more informed and innovative policies and positions, and preparing the field for key battles to come.

We now have lawyers admitted to various courts in the US, UK and Scotland. Our lawyers can provide expertise on international mechanisms: UN Human Rights framework, EU legal frameworks, with special emphasis on the new and draft data protection rules, and now added experience in the Inter American Commission on Human Rights. Our Legal Team was nominated for an award in the UK by the human rights organisation, Liberty.

Our media presence continues to expand. Whereas journalists used to reach out to us for our surveillance work exclusively, we are increasingly being contacted to comment on data exploitation stories. During the past year, we have been quoted as expert voices in a number of high level media, including Deutsche Welle, the Economist, Associated Press, Wired, Spiegel Online, Zeit Online, BBC Radio 4, BBC and Al Jazeera.

Our "101 guide for politicians on encryption", written in reaction to politician's rhetoric against end-to-end encryption was not only the piece widely read and shared on social media, it also allowed us to re-share it whenever governments or politicians make technically incorrect assumptions about encryption. It was used by senior political advisors during the French elections.

### Developing Expertise and Technology

In September 2017, our Tech Team finalised version 1.0 of Thornsec, our organisation-wide security framework of procedures and tools for easy implementation and maintenance of IT systems. Thornsec allows us, and any other organisation that chooses to run it, the ability to set up more secure networks, run regular diagnostics, and establish mitigation tools for some threats.

The system isn't just for application within the organisation – we are deploying it on our external services as well. Our new website launched in December 2017 and was reconstituted as in fact three independent and audited services that will segment data. This means if our public facing website is compromised, it will not affect our donation platform, nor will it affect our mailing lists and public engagement work. Similarly, the systems we use to communicate with our partners is segmented from all the other services. All our services will be regularly patched as new security mechanisms are developed to respond to known vulnerabilities. We are testing Thornsec internally and would like to deploy it with select partners.

## 6. FUTURE PLANS

To ensure the sustainability of the remarkable growth and our position as a leading rights organization, we have embarked on the planning process for our next strategy. It will include thinking **what kind** of organisation we're planning to be in 5-years' time, **where** we want to be working, and what issues we believe will need addressing within our mission and vision. We need to map the types of engagement with partners, perhaps looking beyond our current regrating model, in case our traditional funders move away from this model. We also need to reflect on our engagement with Europe in light of Brexit and consider if we need to establish a presence outside London.

We will continue to systematize monitoring and evaluation across our work, learn new ways to manage risk and disseminate lessons to our partners, further develop our technical systems, and improve our communications and campaigning systems and practices. These will be essential steps to deepening our focus on enhancing the rights and capabilities of our beneficiaries.

## 7. FINANCIAL REVIEW

### Results for the year

The results of the period and financial position of the charity are shown in the annexed financial statements.

Expenditure for the year increased to £1,82m (2017: £1,39m largely due to the increase in the number of staff and increase of costs of projects done in collaboration with PI's partners in the programme: Building the Global Movement, including funds channelled to project partners.

The incoming resources for the year were £1,63m (2017: £2,4m); the reduction in income is due to income on unrestricted multi-year grants, which PI was successful in securing, being recognised and accrued for in 2017; this resulted in a planned net loss of £163k for the financial year 2017.

The total funds of the charity at the end of the year were £1,719k. This included £383k in restricted project reserves and £1,336k in general funds, which include £967k we are obliged by the donor to spend by mid-2019. The remaining general funds of £369k are available to provide operational working capital to address the financial risks surrounding projected income and expenditure.

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2018

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### Tangible fixed assets for use by the charity.

Fixed assets are set out in Note 8 to the accounts.

### Reserves Policy

Taking into account the risks, funding sources, and complexity of Privacy International, the Board of Trustees has set a reserves policy for Privacy International aiming for 6 months' running costs – resulting in a target of £525k (currently: £369k).

The Executive Director and Grants and Finance Officer continue to work with the Board of Trustees to maintain a policy of increasing unrestricted reserves until they are built to a level that ensures approximately six months' worth of core activity could continue during a period of unforeseen financial difficulty.

### Grants and donations

The staff and Board of Trustees of Privacy International are extremely grateful to the following organisations for their support over the past year:

- Adessium Foundation
- Ford Foundation
- International Development Research Centre
- Oak Foundation
- Open Society Foundations
- Omidyar Network
- Swedish International Development Cooperation Agency

and Robert L. Bernstein International Human Rights Fellowship – Yale University and Mozilla Open Web Fellowship Programme for providing Privacy International with the opportunity to serve as host organisation for the Fellows.

### Volunteers and pro bono support

We would like to extend our thanks to the many individual volunteers who have contributed their time to Privacy International over the past year. Privacy International recruits and hosts volunteers throughout the year who work across our projects.

The Trustees also wish to record their appreciation to the many eminent lawyers who have contributed their expertise to our legal work. We hugely appreciate the support received from Bhatt Murphy, Deighton Glynn Pierce, Leigh Day, Blackstone Chambers, Garden Court Chambers, Matrix Chambers, Doughty Street Chambers, Monckton Chambers, Wilson Sonsini Goodrich & Rosati, and various law clinics at University of Buffalo Law School, Yale Law School and Harvard Law School.

We also remain extremely grateful to Covington & Burling LLP for their continued support for Privacy International's organisational development, including pro bono support for the further professionalization of our systems and processes for staffing and governance.

### Senior Statutory Auditor

The statutory auditor, A D Armstrong FCA of Armstrong & Co, has indicated his willingness to be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

Although not required, the trustees have determined that the charitable company be audited under the Companies Act 2006 for the year ended 31 January 2018. The charitable company would be required to be audited under charities legislation for the year ended 31 January 2018.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The trustees acknowledge and confirm their responsibilities for preparing the financial statements and providing appropriate information to the auditors as detailed in the Statement of Trustees' Responsibilities set out on page 14.

Approved by the trustees on                      September 2018, and signed on their behalf by:



\_\_\_\_\_  
Eve Salomon, Trustee

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Statement of Trustees' Responsibilities for the year ended 31 January 2018

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The trustees (who are the directors of Privacy International for the purpose of company law) are responsible for preparing the Trustees Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- a) Select suitable accounting policies and apply them consistently;
- b) Observe the methods and principles in the Charities SORP;
- c) Make judgements and estimates that are reasonable and prudent;
- d) Follow applicable accounting standards and statements of recommended practice, subject to any material departures disclosed and explained in the accounts;
- e) Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charitable company will continue in operation.

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

### Statement as to disclosure of information to auditors

So far as the trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware, and the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Independent Auditor's Report to the Members of Privacy International

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We have audited the financial statements of Privacy International for the year ended 31 January 2018 which comprise the Statement of Financial Activities, Statement of Financial Position, Statement of Cash Flows and the Notes to the Accounts to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 January 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in Note 2 to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information in the annual report, but does not include the financial statements and our report of the auditors thereon. The trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Independent Auditor's Report to the Members of Privacy International

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees report.

### Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

### Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



**Anthony Armstrong FCA (Senior statutory auditor)**  
*for and on behalf of Armstrong & Co, Statutory Auditor*  
**Chartered Accountants & Statutory Auditor**  
Dated: September 2018

**4a Printing House Yard**  
**Hackney Road**  
**London E2 7PR**



# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Statement of Financial Activities

*incorporating the income and expenditure account  
for the year ended 31 January 2018*

				2018	2017
		Unrestricted Funds	Restricted Funds	Total Funds	Total Funds
	Notes	£	£	£	£
<b>Income from:</b>					
Donations and legacies	3	18,876	-	18,876	23,088
Charitable activities	4	531,887	1,101,833	1,633,720	2,397,663
Investments	5	105	-	105	441
<b>Total income</b>		<b>550,868</b>	<b>1,101,833</b>	<b>1,652,701</b>	<b>2,421,192</b>
<b>Expenditure on:</b>					
Charitable activities	6	522,584	1,293,150	1,815,734	1,393,501
<b>Total expenditure</b>		<b>522,584</b>	<b>1,293,150</b>	<b>1,815,734</b>	<b>1,393,501</b>
<b>Net income/(expenditure) and movement in funds</b>		<b>28,284</b>	<b>(191,317)</b>	<b>(163,033)</b>	<b>1,027,691</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	12	1,307,630	574,388	1,882,018	854,327
<b>Total funds carried forward</b>	12	<b>1,335,914</b>	<b>383,071</b>	<b>1,718,985</b>	<b>1,882,018</b>

All incoming resources and resources expended are derived from continuing activities.

The statement of financial activities incorporates an income and expenditure account.

The accompanying accounting policies and notes form an integral part of these financial statements.

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Statement of Financial Position

as at 31 January 2018

	Notes	31 January 2018		31 January 2017	
		£	£	£	£
<b>Fixed assets:</b>					
Tangible assets	8		10,599		14,809
<b>Total fixed assets</b>			<u>10,599</u>		<u>14,809</u>
<b>Current assets:</b>					
Debtors	9	339,494		473,421	
Cash at bank and In hand	10	<u>1,408,615</u>		<u>1,550,680</u>	
<b>Total current assets</b>		<u>1,748,109</u>		<u>2,024,101</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>39,723</u>		<u>156,892</u>	
<b>Net current assets/(liabilities)</b>			1,708,386		1,867,209
<b>Total net assets</b>			<u>1,718,985</u>		<u>1,882,018</u>
<b>The funds of the charity:</b>					
Restricted income funds	16		383,071		574,388
Unrestricted funds	14		<u>1,335,914</u>		<u>1,307,630</u>
<b>Total charity funds</b>	19		<u>1,718,985</u>		<u>1,882,018</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard 102.

Approved by the trustees on **September 2018**, and signed on their behalf by:



Eve Salomon  
**Trustee**

*The notes on pages 20 to 28 form part of these accounts.*

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Statement of Cash Flows

for the year ended 31 January 2018

	Notes	2018 £	2017 £
<b>Cash flows from operating activities:</b>			
Net cash provided by/(used in) operating activities	1	<u>(137,259)</u>	<u>697,462</u>
<b>Cash flows from investing activities:</b>			
Dividends, interest and rents from investments		105	441
Purchase of property, plant and equipment		(4,911)	(15,275)
<b>Net cash provided by/(used in) investing activities</b>		<u>(4,806)</u>	<u>(14,834)</u>
<b>Change in cash and cash equivalents in the reporting period</b>		(142,065)	682,628
<b>Cash and cash equivalents at the beginning of the reporting period</b>	2	<u>1,550,680</u>	<u>868,052</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	2	<u><b>1,408,615</b></u>	<u><b>1,550,680</b></u>

### Notes to the Cash Flow Statement

	2018 £	2017 £
<b>1) Reconciliation of net income/(expenditure) to net cash flow from operating activities</b>		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	(163,033)	1,027,691
<b>Adjustments for:</b>		
Depreciation charges	9,121	7,002
Dividends, interest and rents from investments	(105)	(441)
(Increase)/decrease in debtors	133,927	(447,624)
Increase/(decrease) in creditors	(117,169)	110,829
<b>Net cash provided by/(used in) operating activities</b>	<u><b>(137,259)</b></u>	<u><b>697,462</b></u>
<b>2) Analysis of cash and cash equivalents</b>		
Cash in hand	1,408,615	1,550,680
<b>Total cash and cash equivalents</b>	<u><b>1,408,615</b></u>	<u><b>1,550,680</b></u>

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Accounting Policies

for the year ended 31 January 2018

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### Basis of preparation

The financial statements have been prepared in accordance with:

- a) Applicable UK accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)'.
- b) Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102);
- c) the Companies Act 2006.
- d) the Charities Act 2011.

### Public benefit entity

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

### Going concern

The charity's income is mainly derived from non self-generated sources, such as grants, service level agreements and other governmental or NGO sources. The trustees consider that there are no material uncertainties about the likelihood that this support will continue, and accordingly, the accounts have been prepared on a going concern basis.

### Income recognition

Income is recognised when the charity has a contractual or other right to its receipt, it is probable that the income will be received and that the amount can be measured reliably. Income with conditions attached to its receipt is recognised when those conditions have been fulfilled.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

### Expenditure recognition

Expenditure is accrued as soon as a liability is considered probable, and the amount of obligation can be measured reliably. The charity is not registered for VAT and accordingly expenditure includes VAT where appropriate.

Expenditure included in Raising Funds includes amounts incurred in obtaining grants and other donations.

Charitable expenditure includes those costs expended in fulfilling the charity's principal objects, as outlined in the Report of the Trustees. These include grants payable, governance costs and an apportionment of support costs.

- Grants payable are payments made to third parties in furtherance of the charity's objects. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the grant. Grants awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to that grant is outside of the control of the charity.
- Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to the independent examination and legal fees.
- Rentals under operating leases are charged as incurred over the term of the lease.

Costs are allocated directly to projects where they can be identified as relating solely to that project. Other costs are allocated between the funds based on staff time spent on the fund activities or other appropriate criteria.

### Restricted Funds

Restricted funds are to be used for specified purposes as laid down by the funder. Direct and support expenditure which meets these criteria are identified to the fund together with a fair allocation of other costs.

### Unrestricted Funds

Unrestricted funds are funds received which have no restrictions placed on their use and are available as general funds.

### Designated Funds

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

### Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

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# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Accounting Policies

for the year ended 31 January 2018

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### Pensions

The charity operates defined contribution schemes which are administered by outside independent pensions providers. Contributions payable for the year are charged to the Statement of Financial Activities.

### Tangible Fixed Assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Software	- 33% on cost
Computer equipment	- 50% on cost
Furniture & fixtures	- 25% on cost

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

### 1 Incoming resources

The incoming resources and surplus are attributable to the principal activities of the charity.

### 2 Net outgoing resources

*Net outgoing resources are stated after charging:*

Statutory audit fees: Armstrong & Co - statutory audit services

Other audit fees: HW Fisher: project audit services

Depreciation - owned assets

	2018	2017
	£	£
Statutory audit fees: Armstrong & Co - statutory audit services	3,600	3,600
Other audit fees: HW Fisher: project audit services	8,700	8,220
Depreciation - owned assets	9,121	7,002
	<u>-</u>	<u>-</u>

### Trustees' emoluments

Emoluments include salaries, fees, bonuses, expense allowances and estimated non-cash benefits receivable. All trustees serve in a voluntary capacity and do not receive payment for their services.

### APB Ethical Standard - Provisions available for small entities

In common with many other charities of our size and nature we use our auditors to assist with the preparation of the financial statements and to provide advice relating to statutory and regulatory compliance.

### 3 Income from donations and legacies

Donations

	Unrestricted	Restricted	2018 Total	2017 Total
	£	£	£	£
Donations	18,876	-	18,876	23,088
	<u>18,876</u>	<u>-</u>	<u>18,876</u>	<u>23,088</u>

### 4 Income from charitable activities

Grants

Other income

	Unrestricted	Restricted	2018 Total	2017 Total
	£	£	£	£
Grants	531,631	1,101,833	1,633,464	2,396,608
Other income	256	-	256	1,055
	<u>531,887</u>	<u>1,101,833</u>	<u>1,633,720</u>	<u>2,397,663</u>

### 5 Income from investments

Interest received

	Unrestricted	Restricted	2018 Total	2017 Total
	£	£	£	£
Interest received	105	-	105	441
	<u>105</u>	<u>-</u>	<u>105</u>	<u>441</u>

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

6 Expenditure on charitable activities	Unrestricted	Restricted	2018	2017
	£	£	Total	Total
Staff salaries	263,947	583,859	847,806	706,165
Staff social security	26,610	64,088	90,698	74,303
Pension costs	15,276	31,860	47,136	36,369
Other staff costs	7,495	2,000	9,495	3,621
Staff training	16,130	2,994	19,124	7,770
Recruitment	3,779	-	3,779	5,312
Project expenses	49,888	411,481	461,369	246,407
Translation costs	117	12,918	13,035	18,162
Travel & accommodation	19,643	56,108	75,751	65,857
Office expenses	22,618	34,270	56,888	54,834
Fundraising costs	1,198	-	1,198	198
Rent	10,310	53,091	63,401	62,891
Depreciation	9,121	-	9,121	7,002
Losses on foreign exchange	26,631	-	26,631	-
Legal & professional fees	4,879	3,410	8,289	8,881
Consultancy	27,480	26,220	53,700	65,941
Bank & Paypal charges	1,069	2,151	3,220	2,326
Governance - Board costs	7,213	-	7,213	12,613
Trustee expenses	5,034	-	5,034	2,567
Audit fees	3,630	8,700	12,330	11,820
Accountancy costs	516	-	516	462
	<u>522,584</u>	<u>1,293,150</u>	<u>1,815,734</u>	<u>1,393,501</u>

7 Staff costs	2018	2017
	£	£
Staff salaries	847,806	706,165
Staff social security	90,698	74,304
Staff pensions	47,136	36,368
	<u>985,639</u>	<u>816,837</u>

Average number of employees during the year was:

21                      17

Employees paid in excess of £60,000 during the current year and previous year:

1                      1

The number of employees whose total employee benefits (excluding employer pension costs) fell within each band of £10,000 from £60,000 upwards were as follows:

Band	No of employees	
	2018	2017
£60,000 to £69,999	-	-
£70,000 to £79,999	1	1

The charity considers its key management personnel to be the trustees and the executive director. The total employment benefits (including employer pension contributions) of the key management personnel were £79,500 (2017: £79,500).

No remuneration was paid to any trustee or their associates for services as a trustee during the year ended 31 January 2018 nor to 31 January 2017.

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

8 Tangible fixed assets	Software £	Computer equipment £	Furniture & fixtures £	Total £	
<b>Cost</b>					
As at 1 February 2017	3,645	24,135	17,426	45,206	
Additions	-	4,765	146	4,911	
As at 31 January 2018	3,645	28,900	17,572	50,117	
<b>Depreciation</b>					
As at 1 February 2017	3,645	18,110	8,642	30,397	
Charge for the year	-	5,407	3,714	9,121	
As at 31 January 2018	3,645	23,517	12,356	39,518	
<b>Net book value</b>					
As at 31 January 2018	-	5,383	5,216	10,599	
As at 31 January 2017	-	6,025	8,784	14,809	
<b>9 Debtors: amounts falling due within one year</b>			<b>2018</b>	<b>2017</b>	
			£	£	
Rent deposit			15,478	15,478	
Prepayments			18,629	10,319	
Accrued income			305,387	447,624	
			339,494	473,421	
<b>10 Bank and cash in hand</b>			<b>2018</b>	<b>2017</b>	
			£	£	
Barclays bank account			1,404,427	1,547,845	
Paypal account			3,649	2,336	
Travel currency cards			539	499	
			1,408,615	1,550,680	
<b>11 Creditors: amounts falling due within one year</b>			<b>2018</b>	<b>2017</b>	
			£	£	
Trade creditors			563	2,551	
Credit cards			1,217	2,567	
Payroll taxes			17,962	22,648	
Pensions			-	5,606	
Accruals			19,981	123,520	
			39,723	156,892	
<b>12 The funds of the charity: current year</b>	<b>Opening balance</b>	<b>Resources arising</b>	<b>Resources utilised</b>	<b>Other movements</b>	<b>Closing balance</b>
	£	£	£	£	£
<u>Restricted funds</u>					
Restricted income funds	574,388	1,101,833	(1,293,150)	-	383,071
<u>Unrestricted funds</u>					
Designated funds	14,809	4,911	(9,121)	-	10,599
General funds	1,292,821	545,957	(513,463)	-	1,325,315
<i>Total unrestricted funds</i>	1,307,630	550,868	(522,584)	-	1,335,914
	1,882,018	1,652,701	(1,815,734)	-	1,718,985



# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

	Opening balance £	Resources arising £	Resources utilised £	Other movements £	Closing balance £
<b>13 The funds of the charity: prior year</b>					
<i>Restricted funds</i>					
Restricted income funds	631,593	1,001,624	(1,059,057)	228	574,388
<i>Unrestricted funds</i>					
Designated funds	6,535	15,275	(7,001)	-	14,809
General funds	216,199	1,404,293	(327,443)	(228)	1,292,821
<i>Total unrestricted funds</i>	<u>222,734</u>	<u>1,419,568</u>	<u>(334,444)</u>	<u>(228)</u>	<u>1,307,630</u>
	<u>854,327</u>	<u>2,421,192</u>	<u>(1,393,501)</u>	<u>-</u>	<u>1,882,018</u>
<b>14 Designated funds: current year</b>					
	Opening balance £	Resources arising £	Resources utilised £	Transfers & adjustments £	Closing balance £
Fixed assets fund	14,809	4,911	9,121	-	10,599
	<u>14,809</u>	<u>4,911</u>	<u>9,121</u>	<u>-</u>	<u>10,599</u>
<b>15 Designated funds: prior year</b>					
	Opening balance £	Resources arising £	Resources utilised £	Transfers & adjustments £	Closing balance £
Fixed assets fund	6,535	15,275	7,001	-	14,809
	<u>6,535</u>	<u>15,275</u>	<u>7,001</u>	<u>-</u>	<u>14,809</u>

<b>Fixed assets fund</b>	This fund represents the amount of charity funds locked up in fixed assets which are needed for operational purposes. The funds are carried at the net book value of the fixed assets at the balance sheet date, after deducting any outstanding loans, endowment funds or restricted funds used to finance their acquisition.
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	Opening balance £	Incoming resources £	Resources expended £	Transfers & gains/(losses) £	Closing balance £
<b>16 Restricted funds: current period</b>					
Adessium Foundation	79,175	156,352	139,681	-	95,846
Ford Foundation	62,825	112,827	128,584	-	47,067
Foundation to Promote Open Society	62,270	61,767	60,431	-	63,606
International Committee of the Red Cross	-	15,000	12,454	-	2,546
IDRC	90,792	277,168	367,360	-	600
Mozilla Foundation – Open Web Fellow Programme	-	15,181	15,181	-	-
OAK Foundation	-	98,462	91,658	-	6,804
The Swedish International Development Cooperator	279,326	348,470	461,195	-	166,601
Yale Law School – Robert L. Bernstein International	-	16,606	16,606	-	-
	<u>574,388</u>	<u>1,101,833</u>	<u>1,293,150</u>	<u>-</u>	<u>383,070</u>

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

17 Restricted funds: prior period	Opening balance	Incoming resources	Resources expended	Transfers & gains/(losses)	Closing balance
	£	£	£	£	£
Adesium Foundation	84,884	92,566	98,275	-	79,175
Ford Foundation	-	117,361	54,536	-	62,825
Foundation to Promote Open Society	-	67,104	4,835	-	62,270
IDRC Asia Project	88,498	233,441	231,147	-	90,792
Mozilla Foundation – Open Web Fellow Programme	-	15,181	15,181	-	-
The Omidyar Network	63,991	-	63,991	-	-
Oxford Research Group	-	5,000	5,026	26	-
The Open Society Foundations	187,073	-	187,073	-	-
The Swedish International Development Cooperator	160,466	454,365	335,506	-	279,325
Street Foundation	46,680	-	46,882	202	-
Yale Law School – Robert L. Bernstein International	-	16,606	16,606	-	-
	<u>631,593</u>	<u>1,001,624</u>	<u>1,059,058</u>	<u>228</u>	<u>574,388</u>

### Restricted funds (continued)

Projects financed by restricted funds are supported by unrestricted funding where necessary. This occurs where the funding is in arrears or the incidence of expenditure on the project occurs disproportionately at the beginning of the project compared to the income flows. Where restricted projects end the year with a deficit, this is met by after year-end restricted income or transfers from unrestricted funds.

<b>Adesium Foundation</b>	The Adesium Foundation supports various programmes to promote social justice and cohesion and provides a 3-year core grant to help build the organisation's infrastructure and development and support our work under the Data Exploitation Programme.
<b>Ford Foundation</b>	The Ford Foundation is a New York-headquartered, globally oriented private foundation with the mission of advancing human welfare. In 2016 Privacy International received a 2-year grant to support the work in the Global South Programme.
<b>Foundation to Promote Open Society</b>	The Open Society Foundations work to build vibrant and tolerant democracies whose governments are accountable to their citizens. The Foundations seek to shape public policies that assure greater fairness in political, legal, and economic systems and safeguard fundamental rights. The purpose of the 3-year grant received in 2016 from FPOS is to support research and education on the Internet of Things.
<b>International Committee of the Red Cross</b>	The ICRC provides humanitarian assistance to victims of conflict and armed violence around the world and spreads knowledge of the rules that protect war victims. In 2017 PI cooperated with the ICRC to conduct a study of metadata generated by instant messaging applications and humanitarian programmes involving financial institutions and/or mobile phone operators, bulk SMS communications and regular phone usage.
<b>IDRC</b>	The International Development Research Centre (IDRC) is a Canadian Crown corporation helping developing countries find solutions to social, economic and environment problems. Received in 2015, the 2.5 year grant from the IDRC is supporting a project to explore innovations in policy and technology in the Global South and the effects of the above on citizens' rights.
<b>Mozilla Foundation – Open Web Fellow Programme</b>	The Mozilla Foundation is a non-profit organisation that promotes openness, innovation and participation on the Internet. In 2017 Privacy International was one of the hosts organisations for the Open Web Fellow Program, funded by the Foundation - it is an international program designed to engage developers, engineers, technologists, programmers, and other selected candidates to be hosted by civil society organisations
<b>OAK Foundation</b>	Oak Foundation has a long-standing interest in protecting the fundamental rights of the individual, supporting those who champion that struggle, and ensuring that perpetrators of gross abuses are held to account. The Foundation started supporting PI's Surveillance Programme, to conduct a global investigation into the trade of surveillance technologies used against human rights defenders and other activists.
<b>The Swedish International Development Cooperation Agency</b>	The Swedish International Development Agency is supporting PI in our collaboration with civil society actors in countries across east Africa, south and south-east Asia and South America. The 4-year project started in 2017 aims to strengthen civil society's capacity to protect the right to privacy, while confronting data-driven transformations in power.

# Privacy International

(A Charity Company Limited by Guarantee, company number 4354366)

## Notes to the Accounts

for the year ended 31 January 2018

<b>Yale Law School – Robert L. Bernstein International Human Rights Fellowship</b>	The Robert L. Bernstein Fellowships in International Human Rights enable Yale Law School graduating students or recent graduates to devote a year to full-time advocacy human rights work. The fellowships, providing a one-year stipend, promote innovative and creative approach to human rights advocacy.
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	General funds	Designated funds	Restricted funds	Endowment funds	Total
<b>18 Transfers between funds</b>					
General to designated	(4,210)	4,210			-
	<u>(4,210)</u>	<u>4,210</u>	<u>-</u>	<u>-</u>	<u>-</u>

	General funds	Designated funds	Restricted funds	Endowment funds	Total
<b>19 Net assets attributable to funds: current period</b>					
		£	£	£	£
Tangible fixed assets	-	10,599	-	-	10,599
Current assets	1,365,038	-	383,071	-	1,748,109
Current liabilities	(39,723)	-	-	-	(39,723)
Net assets represented by funds	<u>1,325,315</u>	<u>10,599</u>	<u>383,071</u>	<u>-</u>	<u>1,718,985</u>

	General funds	Designated funds	Restricted funds	Endowment funds	Total
<b>20 Net assets attributable to funds: prior period</b>					
		£	£	£	£
Tangible fixed assets	-	14,809	-	-	14,809
Current assets	1,449,713	-	574,388	-	2,024,101
Current liabilities	(156,892)	-	-	-	(156,892)
Net assets represented by funds	<u>1,292,821</u>	<u>14,809</u>	<u>574,388</u>	<u>-</u>	<u>1,882,018</u>

### 21 Taxation

The company is a registered charity. Accordingly, it is exempt from taxation in respect of income and capital gains to the extent that these are applied to its charitable objects.

### 22 Post balance sheet events

There were no significant post balance sheet events.

### 23 Pension commitments

The charitable company contributes to employee defined contribution (DC) stakeholder pension schemes. The assets of the schemes are held separately from those of the charitable company in independently administered funds.

	<b>2018</b>	<b>2017</b>
The unpaid contributions outstanding at the year end were:	£ -	£ 5,606

### 24 Other financial commitments

#### Total operating lease commitments

At 31 January 2018, the charity had total commitments under non-cancellable operating leases as detailed below:

	2018	2017
	£	£
Office premises	46,436	105,351
	<u>46,436</u>	<u>105,351</u>

### 25 Contingent liabilities

The charitable company had no material contingent liabilities at 31 January 2018 nor at 31 January 2017.

**Notes to the Accounts****for the year ended 31 January 2018**

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**26 Related parties**

During the year professional and audit fees of £8,700 (2017: £8,220) were paid to HW Fisher & Company in respect of consultancy and project audit services provided to the charity. Barry Kernon is a trustee of the charity and a consultant in HW Fisher & Company. The fees have been agreed on normal commercial terms and Mr Kernon took no part in the decision to use HW Fisher & Company nor in the fee negotiations.

The charity has engaged the services of Stackhouse Fisher which are associates of HW Fisher & Company as the charity's insurance brokers. Barry Kernon is a trustee of the charity and a consultant in HW Fisher & Company. The insurance premiums have been agreed on normal commercial terms and Mr Kernon took no part in the decision to use Stackhouse Fisher nor in the fee negotiations. The amount of insurance premium paid during the year amounted to £6,394 (2017: £6,523).

**27 Transactions with trustees**

During the year the charity paid travel expenses of Anna Fielder, (a trustee) totalling £1,201 (2017: £1,127).

During the year the charity paid travel expenses of Barry Steinhardt, (a trustee) totalling £1,973 (2017: £1,440).

During the year the charity paid travel expenses of Susan Gardner, (a trustee) totalling £1,202 (2017: £Nil).

During the year the charity paid travel expenses of Benjamin Wizner, (a trustee) totalling £632 (2017: £Nil).

**28 Gifts in kind and volunteers**

During the year the charitable company benefited from unpaid work performed by volunteers.

**29 Company status**

The company is limited by guarantee and has no share capital. The guarantors liability in the event the company is wound up is restricted to a maximum of £1 each.