

# ANNUAL REPORT

AND FINANCIAL STATEMENTS 2016 / 2017

**RELEASING  
CHILDREN  
FROM  
POVERTY**

**IN JESUS' NAME**

COMPASSION UK  
CHRISTIAN CHILD DEVELOPMENT  
Registered In England And Wales No.03719092  
(Limited by guarantee and having no share capital)

Registered Charity No. 1077216 [England and Wales]  
Registered Charity No. SC045059 [Scotland]

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COMPASSION ANNUAL REPORT 2016 / 2017

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# TRUSTEES' REPORT

## FOR THE YEAR ENDED 30 JUNE 2017

The trustees are pleased to present their report, together with the financial statements of the charity, for the year ended 30 June 2017.

### REFERENCE AND ADMINISTRATIVE DETAILS

REGISTERED CHARITY NO.  
1077216 [England and Wales]  
SC045059 [Scotland]

COMPANY NUMBER  
03719092

COMPANY SECRETARY  
Amy Carter

REGISTERED & PRINCIPAL OFFICE  
43 High Street, Weybridge, Surrey, KT13 8BB

AUDITORS  
Menzies LLP, Lynton House, 7-12 Tavistock Square,  
London, WC1H 9LT

SOLICITORS  
Barlow Robbins LLP, The Oriel, Sydenham Road,  
Guildford, Surrey, GU1 3SR

BANKERS  
Barclays Bank PLC Tunbridge Wells Group

### TRUSTEES

The trustees, who are the directors of Compassion UK for the purposes of company law and the trustees of Compassion UK for the purposes of charity law, will be referred to as the trustees throughout the report. All trustees are also members.

The trustees serving during the year were as follows:

**GRAHAM WILLIAMS** CHAIRMAN  
After spending 15 years working with Warner Bros., Graham moved into the Christian music industry, running Word Music for 11 years. For the past 13 years he has managed his own media consultancy business.

**KENNETH MORGAN** FCA – TREASURER  
Ken is a chartered accountant with more than 40 years' experience of making a difference in all kinds of organisations. He is also a board member of Compassion International.

**CATHRYN CLARKE**  
Cathy and Gary are the lead pastors of Hillsong Church UK, a thriving church in the heart of London and other cities across the UK. Cathy loves the local church and passionately believes that the Church is the hope of the world. She also believes it is the Church's responsibility to care for the poor, the orphaned and the widowed.

**YETUNDE HOFMANN**  
Yetunde has an MBA, is a visiting Fellow at a top UK Business School and is a Fellow of the Chartered Institute of Personnel and Development – CIPD. She sits on a number of boards as a Trustee and Non-Executive Director. Following a successful career in Human Resources working internationally in companies across a variety of industry backgrounds, she now runs her own Leadership and Change consulting firm and a community organisation where her tenets are love, leadership and results.

**JON TOOHEY**  
Jon is a qualified accountant, treasurer and member of the Institute of Directors with 30 years' experience of senior finance, systems and change management roles with global multinational companies in various industries. He believes there can be few better causes than rescuing children from poverty.

### LEADERSHIP TEAM

**JUSTIN DOWDS**  
Chief Executive Officer

**AMY CARTER**  
Senior Director of Support Services

**NICK HARRIS**  
Senior Director of Marketing & Engagement

**STEPHEN BLOW**  
Finance Director

## LETTER FROM THE CHAIRMAN

Dear friends,

Throughout this past year, we have continued to witness incredible stories of children's lives being transformed in Jesus' name, for which we give grateful thanks to God for His blessing and provision.

However, it was with heavy hearts that Compassion formally ended all operations in India on 15 March 2017. This was a decision that impacted over 145,000 children, their families, and nearly 600 church partners. 7,232 of these children were sponsored from the UK. Compassion was not the only ministry impacted – more than 20,000 non-profit organisations also had their charitable registrations revoked this year. We believe this is due to increasing scrutiny against NGOs, the desire to reduce dependence on foreign aid, and the threat of Christian influence.

Despite the end of Compassion's work in India, we know that God's work has not ended. We serve a faithful, almighty God who will continue to work in the lives of these precious children. The local church remains committed to the community, and the investment made by each sponsor in their child's life will not soon be forgotten.

We are determined to continue following God's call to empower children to break free from the cycle of poverty. Our programme now runs in 25 countries and at year end, Compassion International had 1,877,464 registered children, of which 101,577 children are sponsored through Compassion UK – what an incredible number of children being lifted out of poverty in Jesus' name!

On behalf of the board of trustees and staff of Compassion, I would like to thank you whole heartedly for your commitment to our work. Church partners, volunteers, sponsors, donors and supporters alike have shown such passion for the poorest and a determination to see more children sponsored.

We have also seen continued growth in our church partnerships, volunteer and events networks. There are now 1,482 UK churches working in partnership with us as well as 1,700 active volunteers, using their skills and circles of influence to see more children sponsored; and a fantastic and diverse network of events around the UK at which Compassion has been able to build relationships.

Thank you again for your continued generosity and commitment to serve children living in poverty, giving them opportunities to be free of all that holds them back.



Graham Williams  
Chairman of the Board of Trustees  
Compassion UK

# ABOUT COMPASSION

## WHO WE ARE

We are a Christian child development and advocacy ministry. We've been partnering with local churches in developing countries to release children from poverty in Jesus' name for 65 years.

We're passionate about empowering children in poverty to break free from their circumstances and fulfil their potential. We do this by helping them to develop in every aspect of their life: physical, spiritual, social and emotional.

We're child-focused, Christ-centred and church-based. Through our projects, we demonstrate the love and hope of Christ in relevant and sensitive ways, ensuring the children in our care are known and loved.

## HOW WE WORK

By equipping local churches to support children in their communities, our programmes are tailored to address local issues, rather than a one-size-fits-all approach to development. At Compassion we ensure that every child is nurtured at their project, based on their individual needs.

Compassion consists of 16 independent fundraising partner countries and 25 implementing partner countries in the developing world where our programmes are based.

The fundraising partner countries transfer the funds raised to Compassion International where they are used to run the programmes in the implementing partner countries. Grants paid to Compassion International cover the grants to the projects to run the field country and area offices as well as programme costs at Compassion International as this is the most efficient way to distribute funds. Each project is run as a partnership between the local church and Compassion International, and each child enrolled in a project is linked with one sponsor from a fundraising partner country.

When we talk about Compassion, we mean this worldwide network of countries, both fundraising and implementing, working together to release children from poverty in Jesus' name.

We run three core programmes designed to meet the needs of children at different stages of their development, from conception to adulthood.

## CHILD SURVIVAL PROGRAMME

ENABLING BABIES TO SURVIVE AND THRIVE.

The first few years of a child's life are vital to their development and through our Child Survival Programme, we are able to reach the most vulnerable children before they are even born.

In partnership with the local church, we provide ante-natal care for vulnerable mothers, ensure children are vaccinated against deadly diseases and resource carers with the skills they need to earn a living.

By giving children the best possible start in life and ensuring their carers are equipped to look after them, we're helping children to not only survive but to thrive.

## CHILD DEVELOPMENT SPONSORSHIP PROGRAMME

DEVELOPING, DISCIPLINING AND EQUIPPING CHILDREN FOR LIFE.

Our goal is to release children from poverty in Jesus' name. We do this by linking children living in poverty with a loving local church and a caring sponsor.

Each church-based programme supports children in four key areas of development: physical, spiritual, social and emotional. Each church tailors their project to suit the needs of the children in their community.

In addition, by linking one sponsor to one child, the sponsor can provide personal encouragement and support through their letters and prayers. The positive influence of a sponsor can build a child's self-esteem, help them believe in themselves and encourage them.

## RESPOND INTERVENTIONS

MEETING CRITICAL NEEDS.

The needs of children in the developing world can be vast and complex. Through RESPOND Interventions, we are able to help when needs arise. These include providing safe drinking water, distributing mosquito nets, funding life-saving surgery, setting up programmes to prevent malnutrition and providing emergency relief after a disaster.

These are vital initiatives that enhance and support the wonderful work done through the Child Survival and Child Development Sponsorship programmes.

## HOLISTIC DEVELOPMENT

Each programme ensures the healthy and complete development of children through care in four essential areas:

### PHYSICAL

Many children living in poverty don't receive medical care or a balanced diet. Every Compassion-supported child has regular health check-ups and is given the support they need to ensure they stay healthy.

### SPIRITUAL

Jesus is at the heart of everything we do and His teachings shape how we love people, respect communities and cooperate with nations. Our programmes help children, regardless of their faith.

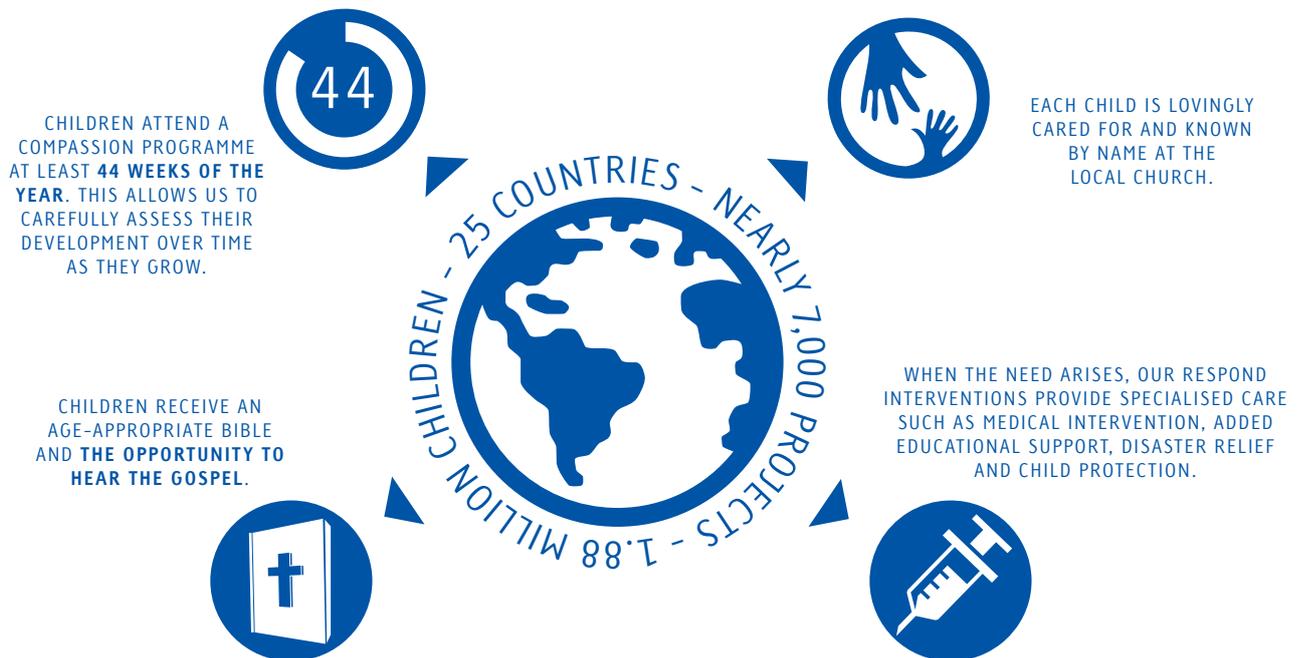
### SOCIAL

Children from difficult environments often struggle with confidence and self-esteem issues and may also find it hard to relate positively to others. Our Compassion projects nurture children as they develop essential social skills in a safe environment.

### ECONOMIC

Each sponsored child is given the skills to be economically self-sufficient. Alongside formal education, children are taught how to manage money and are encouraged to develop vocational interests.

**MORE THAN 1.8 MILLION CHILDREN ATTEND COMPASSION PROGRAMMES  
IN 25 DEVELOPING COUNTRIES AROUND THE WORLD**



## DOES CHILD SPONSORSHIP WORK?

Here at Compassion we've been releasing children from poverty for 65 years and have seen sponsorship make a significant difference in the lives of hundreds of thousands of children and their families.

As well as years of experience, our strategy has been rigorously studied through independent research which shows that Compassion-supported children are more likely than their unsponsored peers to:



EVERYTHING WE DO IS **STRATEGICALLY FOCUSED** ON HELPING CHILDREN TO ACHIEVE THEIR GOD-GIVEN POTENTIAL. THIS INCLUDES INITIATIVES TO SUPPORT THEIR FAMILY AND COMMUNITY.



**STAY IN SCHOOL**  
LONGER



**HAVE SALARIED OR**  
**WHITE-COLLAR**  
**EMPLOYMENT**  
AS ADULTS



**BE LEADERS**  
IN THEIR  
COMMUNITIES  
AND CHURCHES

To find out more about the research conducted by Dr Bruce Wydick, please visit the website [www.compassionuk.org/itworks](http://www.compassionuk.org/itworks).



# I AM BEAUTIFUL AS I AM

## INDONESIA

CHILD DEVELOPMENT THROUGH SPONSORSHIP

“I love to sing  
and I have a dream  
to be a singer  
in the future.”

Karunia is unique. She’s confident and bubbly with a fierce sense of humour. Most days she can be found on the school running track or humming tunes to herself with a colouring pencil in hand. This extroverted 6-year-old loves to sing and dreams of recording her own album.

Karunia also has Apert syndrome, a genetic condition affecting the skull bones and hands. And in a remote village in North Sulawesi, Indonesia, there’s little help, support or understanding for children born with any form of disability. When she was born, Karunia’s own father tried to hide her condition.

### TERRIFIED OF THE FUTURE

When Candra first held his beautiful baby daughter in his arms he noticed her fingers and toes were fused and her face was shaped differently. A local farm labourer, he’d never seen a child with these features before. “I cried when I saw my baby for the first time,” explained Candra. “Sad is what I felt.”

Angel, Karunia’s mum, found the situation overwhelming. “My husband, parents and all my family members were hiding the real condition of my baby,” she remembered. “Any time they gave my baby to me to breastfeed, they wrapped her with a blanket, and she wore gloves and socks so I wasn’t able to see her hands and feet.” It was a few weeks before Candra felt able to share Karunia’s full diagnosis with Angel. “My body was shivering upon hearing the confession of my husband. I just cried and wondered why God had entrusted this to me.”

Locally there was misunderstanding and fear of Karunia. Candra and Angel found it incredibly painful when local children ran away, afraid of their baby girl.

### HOPE OFFERED BY THE LOCAL CHURCH

From the start, our local church partner was committed to supporting the family and educating the wider community about Karunia’s worth. Angel and Karunia were enrolled in the Compassion Child Survival Programme where Angel was given parenting classes. Through home visits and activities, Angel and Candra began to feel supported and hopeful for their daughter’s future.

In 2012, the programme, in conjunction with a government grant, enabled Karunia to have an operation to create fingers on her right hand. In 2015, Karunia graduated to the Child Development Sponsorship Programme and she continues to thrive. “I love to play with my friends at school and at the project,” she said. “I love to lead prayers or sing and I have a dream to be a singer in the future.” Thanks to the support of her sponsor and our RESPOND Intervention, Karunia will be able to undergo a further operation on her left hand later this year.

### BRIMMING WITH SELF-CONFIDENCE

It’s evident her parents, project workers and teachers have spent hours encouraging her. She said, “When my friends mocked me because I don’t have normal fingers, my mum taught me to say back to them that this is what Jesus gave me. I am beautiful as I am. I know I am beautiful like my mum.”

Karunia’s attitude is infectious. Her dad Candra shares honestly about how the experience of parenting a daughter with additional needs has changed him. “I know God has a purpose for her,” he explains. “My daughter has taught me to be a strong person.”

# 1. OBJECTIVES & ACTIVITIES

As one of the world's leading Christian child development ministries, we are committed to eliminating the root causes of poverty for children around the world.

## OUR MISSION STATEMENT

TO RELEASE CHILDREN FROM POVERTY IN JESUS' NAME.

Our principle activities are governed by the objectives set out in the Articles:

- The relief of poverty, suffering or distress amongst children
- The education and training of children
- To advance the Christian faith in all or any part of the world

- The development of children to social and spiritual maturity

Working exclusively with local churches in developing countries, we ensure there is financial integrity and long-term commitment.

## PUBLIC BENEFIT

When reviewing the programme each year, we use both the Charity Commission's general guidance on public benefit and the specific guidance on the prevention or relief of poverty and the advancement of religion.

The trustees monitor the programmes undertaken to ensure they are in line with the charitable objectives and are available to beneficiaries as widely as resources allow.

## MAIN OBJECTIVES FOR THE YEAR

Our main objectives for the year were as follows:

|                                     | TARGETS FOR FY17 |
|-------------------------------------|------------------|
| Growth in new child sponsorships    | 11,200           |
| Child Survival Programmes supported | 45               |

*The results for FY17 are shown on pages 16 to 18.*

## STRATEGIES FOR ACHIEVING OUR AIMS

As we work towards our aims, our approach is built on being Christ-centred, child-focused and church-based, with a focus on integrity in everything we do.

### CHRIST-CENTRED

Jesus is at the heart of our ministry. Every child who's part of a Compassion programme is given the opportunity to learn about the love of Jesus.

The gospel is always shared in age-appropriate and culturally relevant ways and never by coercion.

### CHILD-FOCUSED

Our ministry is focused on each child and their individual development. By working with them to address their spiritual, economic, social and physical needs, every child is given the opportunity to reach their God-given potential.

### CHURCH-BASED

God uses the Church to bring hope to a broken world and care for the poor and oppressed.

That's why we work with nearly 7,000 local churches in developing countries. Local churches are uniquely able to understand the needs of their communities and respond accordingly.

#### COMMITTED TO INTEGRITY

We steward the resources given to us with utmost seriousness. There are regular internal and external audits to ensure that all programmes are well managed and all funds are spent as directed.

## MAIN ACTIVITIES

At Compassion UK, we continue to work in several key areas year after year to achieve our aims.

#### GRANT MAKING

Our trustees have set a standard that at least 80% of all donations and Gift Aid income must be used for direct charitable purposes – in particular, the remittance of grants to help sponsored children.

Compassion UK grants 80% of donations including child support with the exception of gifts given directly to children, their families or their projects or in the cases of disasters where 100% is granted to Compassion International. 80% of unrestricted donations and 80% of Gift Aid are set aside in a *Most Needed Fund*. This fund is used to cover unrestricted expenses in the following order: additional child support grants to Compassion International, other grants and then direct child ministry and advocacy costs.

#### CHURCH PARTNERSHIPS

We partner with hundreds of churches throughout the UK, together inspiring Christians to release children from poverty. Many of our church partners love the opportunity to enable their whole congregation to engage in overseas mission.

#### VOLUNTEER NETWORK

We simply couldn't achieve all that we do without the help of hundreds of volunteers. People who are passionate about releasing children from the grip of poverty join with us to use their skills and contacts to see more children sponsored.

Volunteers may be local church members, activists in their social sphere of influence, team members at events, prayer warriors and fundraisers – from marathon runners to cake bakers. All are working hard to see more children lifted from poverty.

#### EVENTS

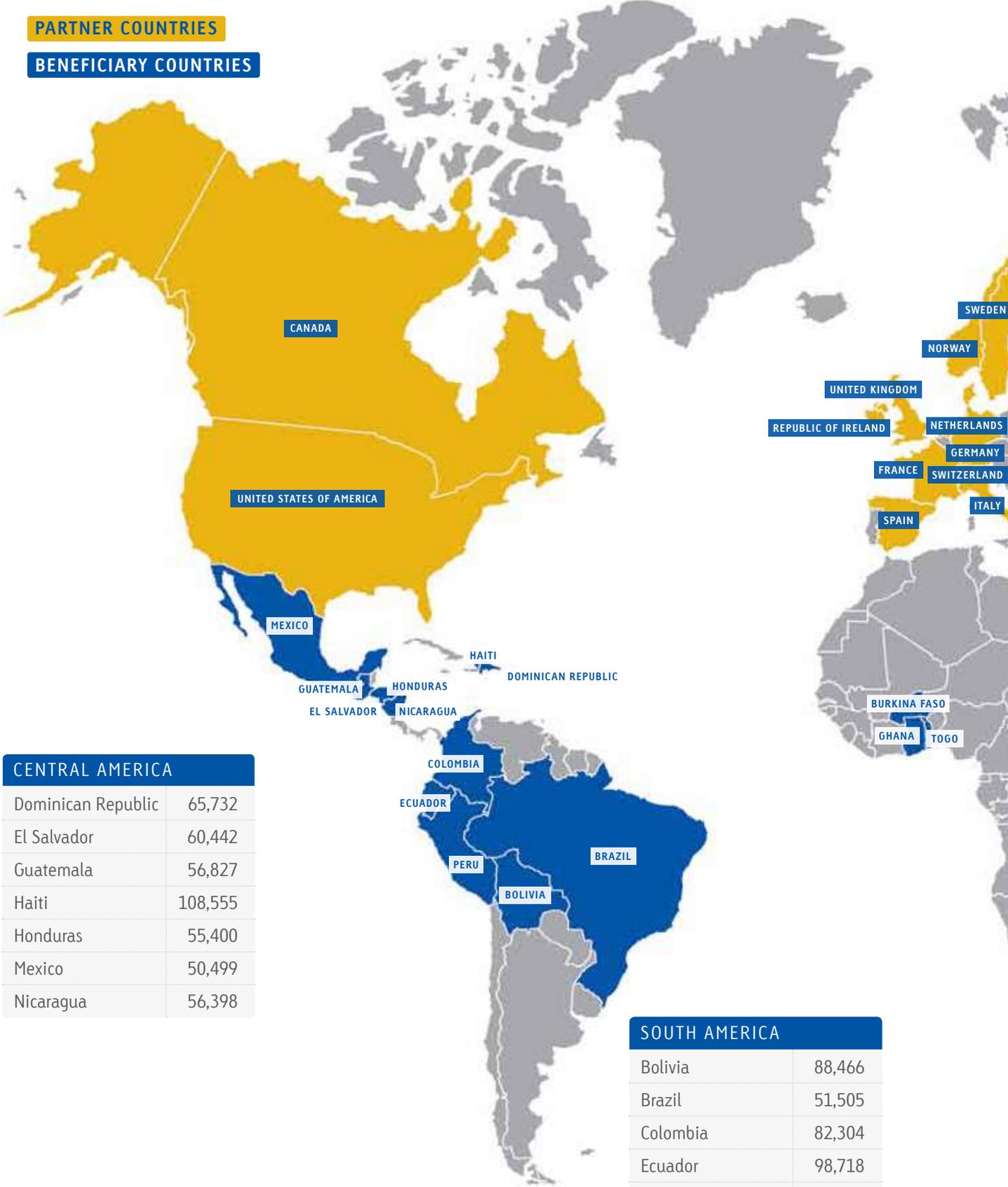
We greatly value our incredible event relationships and continue to work with some amazing teams around the UK. Through being at events and meeting with like-minded Christians looking to change the world for the better, we're able to offer sponsorship as a tangible way of changing a child's story from poverty to hope.

# WHERE WE WORK

There are currently 1,877,464 children worldwide registered for the Compassion Child Sponsorship Programme.

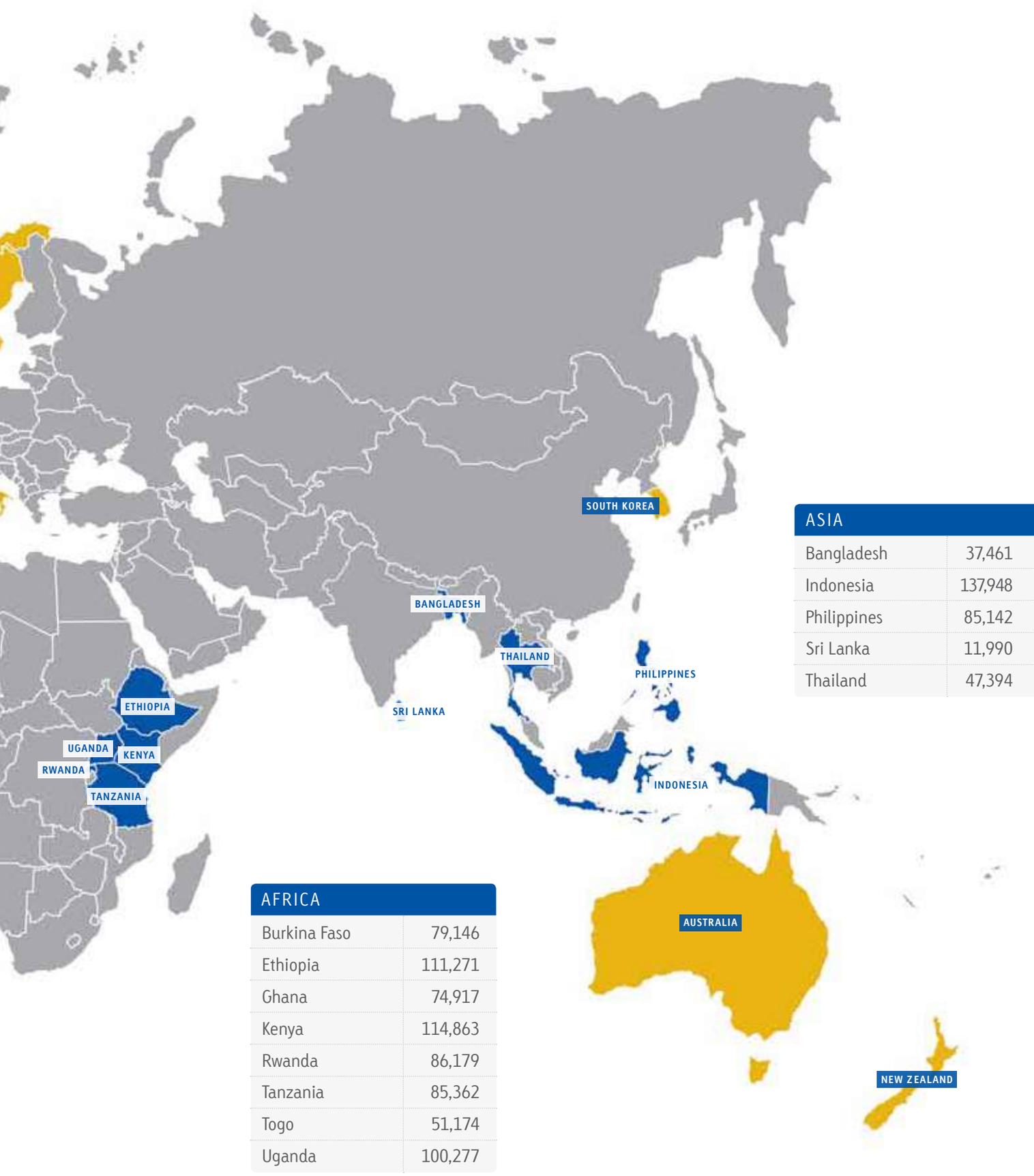
**PARTNER COUNTRIES**

**BENEFICIARY COUNTRIES**



| CENTRAL AMERICA    |         |
|--------------------|---------|
| Dominican Republic | 65,732  |
| El Salvador        | 60,442  |
| Guatemala          | 56,827  |
| Haiti              | 108,555 |
| Honduras           | 55,400  |
| Mexico             | 50,499  |
| Nicaragua          | 56,398  |

| SOUTH AMERICA |        |
|---------------|--------|
| Bolivia       | 88,466 |
| Brazil        | 51,505 |
| Colombia      | 82,304 |
| Ecuador       | 98,718 |
| Peru          | 79,494 |



| AFRICA       |         |
|--------------|---------|
| Burkina Faso | 79,146  |
| Ethiopia     | 111,271 |
| Ghana        | 74,917  |
| Kenya        | 114,863 |
| Rwanda       | 86,179  |
| Tanzania     | 85,362  |
| Togo         | 51,174  |
| Uganda       | 100,277 |

| ASIA        |         |
|-------------|---------|
| Bangladesh  | 37,461  |
| Indonesia   | 137,948 |
| Philippines | 85,142  |
| Sri Lanka   | 11,990  |
| Thailand    | 47,394  |



# I AM A MIRACLE

## RWANDA

COMPASSION'S CHILD SURVIVAL PROGRAMME

Impano lives up to her name  
and for her new family  
she is the best gift  
they could have received.

A baby's cry rang through the trees. Laying his tools down, Benjamin looked around but saw no one there. As he went back to work, he heard the cry again. Looking into the bushes it was then he saw her.

A tiny baby. Covered in ants.

Frightened to carry the fragile newborn Benjamin ran to the house of Geraldine, a renowned community health worker. "I was at home with my daughter when Benjamin came running, saying he'd seen a baby in the bush, covered in ants. He told me the child was naked. I handed my daughter to my husband and immediately entered my house to get a *kitenge* (African fabric similar to sarong). Then we ran back to the bush.

"When I saw the baby my motherly instincts just kicked in. I tried my best to wipe off the ants from her body, although they were biting her. I could see she was a newborn – she was a few hours old – because the piece of umbilical cord attached to her belly was still fresh. I wrapped her in the *kitenge* to warm her up after spending so many hours in the cold, and then I ran with her to the health centre," recalls Geraldine.

The baby girl remained in intensive care for two days. During this time her parents couldn't be traced and no one came forward to collect her. She'd been abandoned. Despite struggling to provide for their own children, Geraldine and her husband didn't hesitate to take on a sixth child.

They named her Impano, which in the Rwandan language of Kinyarwanda loosely translates as 'gift'. "This baby was a gift from God. There is a reason why Benjamin passed many homes and came to ours," says Geraldine.

From the day Impano came to live with them, Geraldine has raised her alongside her own daughter, Gisele. "Breastfeeding two babies was tough. I didn't have the required foods, and the chance that both children would be malnourished was high.

"When Impano was two months old she was registered into a Compassion Child Survival project, which is something I'm still so grateful to God for. The project began giving us milk and food to supplement the breastmilk and they still do it to this day. This has kept Impano healthy and you can see that she is growing," explains Geraldine.

Seeing Impano and Gisele playing together they could be mistaken as twins. "They are so inseparable," laughs Geraldine. "Even when we buy a pair of slippers for one of them, to maintain peace in the house, we have to buy for both of them."

Impano is living up to her name and for her new family she is the best gift they could have received.

## 2. STRATEGIC REPORT

### ACHIEVEMENTS AND PERFORMANCE

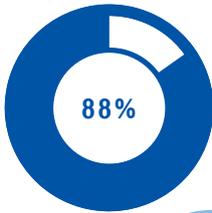
#### KEY RESULT INDICATORS

|                                      | TARGETS FOR FY17 | ACTUAL FIGURES FOR FY17 |
|--------------------------------------|------------------|-------------------------|
| Growth in child sponsorships (gross) | 11,200           | 11,412                  |
| Child Survival programmes supported  | 45               | 40                      |

See financial review for commentary on the above.

### HOW YOUR DONATIONS WERE USED IN FINANCIAL YEAR 2017

As a Compassion sponsor, you generously invest £25 each month into the life of a child living in poverty. This is how your donations are used:



DONATIONS SPENT ON CHARITABLE ACTIVITIES

At least 80% of Gift Aid income received is also spent on additional grants, RESPOND Interventions, child ministry and facilitating a one-to-one relationship with children living in poverty.



DIRECTLY BENEFITS CHILDREN IN POVERTY



100%

100% of additional child, family and project financial gifts given by a sponsor go directly to the beneficiary. Gifts are decided and bought in consultation with the pastor and Compassion project staff.

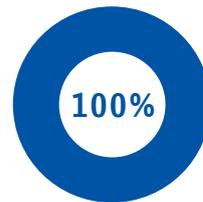


SUPPORT COSTS

In addition, all donations made towards disasters are used for emergency relief and rebuilding.



HELPING TO GET THE NEXT CHILD SPONSORED AND FUNDRAISING FOR LIFE SAVING ACTIVITIES



Compassion is 100% funded by our supporters and we do not rely on government grants.



UNSPENT AT THE YEAR END GIVING US RESERVES TO RESPOND TO FUTURE NEEDS

### FINANCIAL REVIEW

#### CHILD SPONSORSHIPS

By the end of the financial year there were 101,577 sponsored children, of which 11,412 were sponsored in the year. This is the ninth year in a row that we have seen growth of more than 11,000 children sponsored.

While we saw our annual cancellations increase to 11,500 children, it is encouraging to note that 61% of our Indian sponsors chose to sponsor another child.

#### INCOME

Income grew by 2.4% to £39,944,000, 99.3% of which was donations, gift aid and legacies.

Areas of note include:

- Our income for supporting unsponsored children increased from £15,000 to £1,391,000 because the vast majority of sponsors chose to repurpose the donations they had given for Indian children.
- Our continued focus on building relationships with major donors saw donations to RESPOND Interventions increase by 86% to £1,357,000.
- More sponsors than ever are choosing to give an extra £5 to the Sponsorship Plus Fund, which is used to meet critical needs of the children. Donations to Sponsorship Plus more than doubled to £260,000.
- We saw over £200,000 given in Disaster Relief funds, £186,000 of which was donated towards providing relief after the devastation caused by Hurricane Matthew in Haiti.

## EXPENDITURE

We set targets that at least 80% of income should be spent on the development and implementation of Compassion programmes that directly benefit the children. We were able to use 80.9% of income this financial year, which meant £32,329,000 going directly to benefit children in poverty. For more information see note 9.8. The total percentage of income spent on charitable activities was 87.6%.

The trustees set a maximum limit on the cost of fundraising of 12% of income and during the year we limited our expenditure to 10.9%.

## RESERVES

Our trustees actively monitor fund balances and make additional grants to keep fund reserves at reasonable levels.

Our trustees set a minimum free reserves limit of £500,000 to cover a year's rent and a month's salary. The free reserves are the total unrestricted fund balance, excluding funds tied up in fixed assets or in designated funds. These levels of reserves enable us to minimise risk while continuing to meet our aims. The trustees believe that £500,000 of free reserves is appropriate as we have strong recurring cash flows with donations received before being granted.

The total funds of the charity are £3,786,000, of which £461,000 is restricted. The trustees set aside from unrestricted income a sum equivalent to 80% of general unrestricted donations and Gift Aid tax relief in the Most Needed Fund. At year end this balance was £146,000. This fund is used to provide additional child support and direct costs of child ministry and advocacy.

We had free reserves of £2,318,000 at year end. Our trustees agreed to sustain high levels of free reserves to enable the purchase of a building, having established that this was the most cost-effective base for our future operations.

## HIGHLIGHTS OF THE YEAR

### OUR FUNDRAISING

#### Church Partnerships

We now partner with 1,482 churches in the UK and we're delighted to report that the Church Partnerships teams have had their most successful year ever for sponsorship acquisitions.

#### Volunteer Network

We've seen a significant increase year-on-year in our volunteers with 1,700 active volunteers joining us to release children from poverty. 39 sponsors also joined us on our insight trips to Tanzania, Kenya and Uganda, with many children finding sponsors as a result. Regular volunteer and supporter insight meetings have helped to boost engagement across the UK this year, with many volunteers committing to sharing with others the difference Compassion makes.

#### Events

This year we continue to develop relationships with many different Christian conferences and ambassadors, along with developing our own events.

#### RESPOND Interventions

£1,357,000 was received for the RESPOND ministry, with £500,000 coming from individuals choosing to make a lasting difference by funding individual interventions. These community interventions include providing new classrooms, installing much-needed electricity through solar power and building resource centres.

#### Philanthropy

This year saw the non-sponsorship programmes receive their largest income since Compassion UK began. This included our largest ever one-off gift of £252,000 and several business partnerships that continue to donate year-on-year.

#### Gifts in Will

Gifts left to Compassion UK in wills saw £259,000 donated, the highest that Compassion UK has ever received in a single year. These gifts empowered children in Sri Lanka and Kenya with secondary school scholarships, built classrooms in Mexico and provided sports facilities in Ethiopia, as well as other life-changing interventions.

#### Compassion Sunday

The Compassion Sunday Campaign saw 529 children sponsored as Compassion supporters and volunteers gave presentations to their churches to encourage people to get involved.

#### Christmas Appeal

Our 2016 Christmas Appeal raised £700,000, which was pooled to provide presents and Christmas parties to each of the Compassion-supported children around the world. For

many children, the gift helped with practical needs such as new clothes, shoes or blankets to keep warm at night.

### Sponsorship Plus

The Sponsorship Plus campaign saw 400 people commit to supporting Child Survival interventions and the urgent needs of children. Sponsorship Plus now has over 5,500 sponsors donating £5 per month to these critical needs.

### Compassion Challenges

This has been an exciting area of growth for Compassion UK and this year our Compassion Challengers raised £170,000 and saw 261 children sponsored. The Muskathlon continues to be the main source of Challenges fundraising with events in Uganda and Rwanda. The team who climbed Kilimanjaro and our Challengers participating in local events have helped to increase results year-on-year.

### Child Survival Programme

This year, the Child Survival Programme received £143,000 to support mothers and babies. 1,200 babies had a better start in life as a result. As the programme tightens its focus to pregnant mothers and their children up to the age of one, we will be able to help even more in the coming years.

## GLOBAL PICTURE

As of 30 June 2017 Compassion International had 1,877,464 children registered across 6,952 church projects. Of the registered children, 1,669,798 are currently sponsored, and the others are awaiting sponsorship.

There is unwavering focus and commitment to build the capacity of the charity in order to see more children released from poverty.

| COMPASSION INTERNATIONAL                  | ACTUAL FIGURES FOR FY17 |
|-------------------------------------------|-------------------------|
| Global growth in child sponsorships (net) | 32,301 growth of 2.0%   |
| Cancellation rate                         | 13.2%                   |
| Child Survival Programme infants          | 31,115                  |

## PLANS FOR FUTURE PERIODS

Compassion International is focused on creating a movement for children in poverty which cannot be ignored.

We plan to achieve this through:

- The Child Sponsorship Programme developing, discipling and empowering children to break the cycle of poverty.
- The Child Survival Programme reducing the number of mothers and babies dying from poverty-related causes.

- RESPOND Interventions to enable core programmes to successfully achieve their outcomes.

In the UK, we'll continue to build our Volunteer Network, our Church Partnerships and events relationships to find new audiences and more sponsors, and to encourage existing supporters in the life-changing work in which they're involved.

|                                      | TARGETS FOR 17/18 |
|--------------------------------------|-------------------|
| Growth in child sponsorships (gross) | 13,200            |

## FUTURE CHALLENGES

### ECONOMIC CLIMATE

The decision by the UK to leave the European Union continues to affect global confidence in the UK economy, creating currency fluctuations and instability in financial markets.

Longer-term, continued global economic uncertainty and political instability, together with an increased chance of recession, make future financial planning more difficult.

### INCREASED REGULATION

The new General Data Protection Regulation is due to be rolled out across the EU by May 2018. Most charities have already started a process of compliance as a result of increased regulation and scrutiny by the public. These new rules will help charities to operate ethically, but also make it a more complex and expensive environment in which to function effectively.

## AWARENESS

A recent survey shows awareness of Compassion in our key target audiences continues to be low. We need to develop more brand awareness in order to grow and get the next 100,000 children sponsored.

## DIGITAL DISRUPTION

With technology evolving at an ever-increasing rate, Compassion is seeing new challenges emerge in a number of areas. Other members of the charity sector have the potential to gain a competitive edge through rapid adoption of new communication technology. New players are emerging as a result of the trend of transnational companies, fundraising beyond geographical borders as a result of an increasingly connected world.

## FUTURE OPPORTUNITIES

### COMPASSION CHALLENGES

This continues to be a developing area for Compassion UK and we're delighted to expand our UK-based fundraising events to include a walkathon. Our Kenya Muskathlon is also showing strong results, with 34 participants already signed up.

### COMPASSION EXPERIENCE

The Compassion Experience has just been launched into the UK market, following on from its success in the US. A new innovation not seen in Europe before, the Experience enables Compassion to bring to life what poverty looks like in a new way, engaging new audiences.

### DFID GRANT APPLICATIONS

We continue to explore alternative funding streams and meetings continue to be held with representatives from the Department for International Development in preparation for an application later this year.

### TECHNOLOGY DEVELOPMENT

We are in the process of developing key upgrades in our child letter and registration processes, allowing increased speed of communication. This will help sponsors and children sponsored to build stronger relationships and make the whole process far more engaging and immediate.

### CHURCH PARTNERSHIPS

We're seeing significant growth in partnerships with a range of churches, which we aim to develop further in the future with a number of tactics. These include enabling more church leaders to visit the field to witness the work of Compassion, formalising the role of Volunteer Speakers through provision of training and working with the Compassion Experience team to secure more opportunities in churches.

### BRAND DEVELOPMENT

We plan to focus more intently on brand development, new product pipelines and international cooperation throughout Compassion International, increasing collaboration, shared learning and growing more effective globally.

## GROWTH IN NON-SPONSORSHIP REVENUE

Other ministries, including Sponsorship Plus, RESPOND Interventions and the Child Survival Programme have all been growing and developing, allowing Compassion UK supporters to donate in a variety of ways. We are also expanding our work with mid-level donors and corporate partnerships.

## INNOVATION

With new technologies emerging, there are opportunities for creative ideas to help raise the profile of Compassion UK and engage both existing and potential sponsors in new ways. Increased global collaboration will also help in sharing learnings and technologies.

## CORPORATE SOCIAL RESPONSIBILITY

### Staff

We recognise that to achieve great performance, we need to recruit and retain great staff, so we're committed to developing and retaining the very best people from all backgrounds, helping them to have happy, fulfilling careers.

### Environment

Climate change affects everything around us, so we seek to be responsible for becoming a more environmentally-friendly and sustainable business. We aim to reduce carbon emissions and offset the ones we are unable to reduce by planting trees in Ghana.

## THE PRINCIPAL RISKS AND UNCERTAINTIES

The trustees have a risk management strategy which comprises:

- An annual review of the risks the charity may face;
- The establishment of systems and procedures to mitigate the risks that have been identified; and
- The implementation of procedures to minimise any potential impact on the charity should those risks materialise.

Major risks are considered to be those that may have a significant impact on:

- Operational performance, including risks to employees, volunteers, the children supported and reputation;
- Financial sustainability, including stability and security of income;
- The achievement of aims and objectives; and
- Meeting the expectations of those supported and of partners.

## GOING CONCERN

The trustees have reviewed the going concern status of the charity and are confident that in view of the continuing income and assets, it will be able to continue its operations for at least 12 months from the date of the accounts, and for the foreseeable future.

## 3. STRUCTURE, GOVERNANCE & MANAGEMENT

### GOVERNING DOCUMENT

Compassion UK Christian Child Development Limited is a company limited by Guarantee and governed by its Articles of Association dated 24 February 1999. It is registered as a charity with the Charity Commission and the Scottish Charity Regulator.

Members are admitted at the discretion of the existing trustees. Members must accept and believe in the Compassion UK Statement of Faith. Each member agrees to contribute £10 in the event of the charity being wound up.

### APPOINTMENT OF TRUSTEES

As set out in the Articles of Association, additional trustees are elected by the existing trustees. Every trustee must also be a member. The chair of the trustees is elected by the trustees from amongst them. When the need for new members of the trustees arises, the onus is on the existing members to ensure that they are selecting according to Charity Commission guidelines. The board of trustees will ensure that new trustees have the appropriate balance of skills, experience, independence and knowledge to enable them to carry out their respective duties and responsibilities effectively.

### TRUSTEE INDUCTION AND TRAINING

New trustees are given training and documentation to brief them on their legal obligations under charity and company law, the content of the Articles of Association, the decision making process, the business plan and the recent financial performance of the charity. Every three to four years, all trustees visit one of the countries where Compassion works to see the programmes first-hand.

### ORGANISATION

The board of trustees must have at least three members and is responsible for setting strategies and policies and for ensuring that these are implemented.

Authority to conduct the day-to-day operations of the charity is delegated to the Chief Executive Officer, who is responsible for carrying out the strategies and policies set by the trustees.

All trustees give of their time freely and no trustee remuneration was paid in the year. Details of trustee expenses and related party transactions are disclosed in notes 9.11 and 9.16 to the accounts. The total premiums paid for Trustee Indemnity in the year was £1,114 [FY16 £1,378].

Trustees are required to disclose all relevant interests and, in accordance with the trustees' policy, withdraw from decisions where a conflict of interest arises.

There is a Finance and Audit Sub-Committee which exists to provide support and advice to the board in its governance role in respect of finance and audit issues. The committee is appointed by the board with no less than four members, with a minimum of two members of the committee being members of the board and the balance, Compassion UK staff. The committee meets at least three times a year.

The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board maintains sound risk management and internal control systems.

Approximately every three years the board benchmark all staff salaries using an external organisation, to ensure that salaries are fair and in line with comparable organisations in the charity sector. In the intervening periods, appropriate adjustments are made for changes in the cost of living at the discretion of the trustees.

### CONNECTED CHARITIES

#### COMPASSION INTERNATIONAL

We are a member of the Compassion Global Partner Alliance, consisting of organisations throughout the world with a mutual commitment of purpose, structure and methodology. In order to be as effective as possible, the delivery of help to children in beneficiary countries is coordinated and implemented centrally through Compassion International.

#### COMPASSION IRELAND

We have an agreement to provide support services to Compassion Ireland for a fixed fee of 12% of all donations received. This excludes gifts and appeals, of which 100% is sent to Compassion International.

## 4. TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The trustees, who are also the directors of Compassion UK Christian Child Development for the purposes of company law, are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and the income and expenditure of the charity for that period.

In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities Statement Of Recommended Practice (SORP);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### DISCLOSURE OF INFORMATION TO THE AUDITORS

Each of the persons who is a trustee at the date of approval of this report confirms:

- That in so far as they are aware there is no relevant audit information of which the charity's auditor is unaware; and
- Each trustee has taken all steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

### AUDITOR

Menzies LLP are deemed to be re-appointed under section 487 [2] of the Companies Act 2006.

### STRATEGIC REPORT

The company has chosen in accordance with Section 414C[11] of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the Strategic Report the Company's Strategic Report Information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties.

The Trustees' Report (incorporating the Strategic Report) was approved by the Board of Trustees (which is also the Board of Directors) on 24 November 2017 and signed on its behalf by Graham Williams (Chair).

On behalf of the Board



Graham Williams (Chair)  
Dated 24 November 2017

## 5. INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF COMPASSION UK CHRISTIAN CHILD DEVELOPMENT

#### OPINION

We have audited the financial statements of Compassion UK Christian Child Development for the year ended 30 June 2017 which comprise the Statement of Financial Activities, Balance Sheet and Statement of Cash Flows and notes 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 and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts [Scotland] Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees 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 30 June 2017 and of its incoming resources and application of resources 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 and the Charities and Trustee Investment [Scotland] Act 2005 and regulation 8 of the Charities Accounts [Scotland] Regulations 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 Auditor's 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 Financial Reporting Council's Ethical Standard, 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' [who are also the directors of the charitable company for the purposes of company law] 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 for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. 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 the 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.

## OPINIONS ON OTHER MATTERS 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 and the strategic 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 strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

## 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 strategic report or the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate 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.

## RESPONSIBILITIES OF TRUSTEES

As explained more fully in the trustees' responsibilities statement, 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 is 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 charitable company or to cease operations, or have no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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.



MALCOLM LUCAS FCA (Senior Statutory Auditor)  
For and on behalf of MENZIES LLP London Central  
Chartered Accountants  
Statutory Auditor  
Lynton House, 7-12 Tavistock Square, London WC1H 9LT  
Dated 24 November 2017

Menzies LLP London Central are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.



# BECOMING A SEEKER OF JUSTICE 25

## PERU

COMPASSION'S CHILD SPONSORSHIP PROGRAMME

“When I went to the  
Compassion project and learnt  
about God and His love,  
it changed my life.”

Meet Nataly. A girl who spent her first months as a newborn in a cardboard box in a glass factory at her mother's side. Then a young lady who beat 500 applicants for one of three roles at a local prosecutor's office on the outskirts of Lima, Peru. And now a woman who refuses to be defined by poverty.

Nataly's father was a drug addict who abandoned her mother while she was still pregnant. Forced to work 14 hour days as a factory worker for little income, Nataly's mum would leave her baby girl with the family across the road.

But at the age of seven, Nataly was sponsored through Compassion and her life changed. At the Compassion project, Nataly was given meals, a place to study and facilities to do her homework, including a library. “This helped me become the best student in class, which continued until I finished high school,” says Nataly. She spoke up on behalf of her fellow students when they were bullied and was elected as the student body president at her junior school.

Nataly shares, “Most of the children in my neighbourhood think no-one loves them but when I went to the Compassion project and learnt about God and His love, it changed my life. I remember I felt lonely and without anyone, but at the Compassion project, I felt happy.”

Life was still hard and Nataly had to fight every day. She was able to secure a university scholarship to study law but still had to get a job to support her family and cover the costs of her books. She struggled with loneliness, her father unexpectedly appearing in her life and helping with her younger sister who was born with Down's syndrome and a heart condition.

But nothing stopped this remarkable lady.

Nataly grew up with a passion for justice and applied for a role at the local prosecutor's office, along with 500 other applicants. After four rounds of interviews and, despite being inexperienced, Nataly was chosen along with two experienced attorneys. Today, Nataly is a force to be reckoned with. She gives speeches at local Compassion projects on children's rights, family violence, sexual abuse and advice for single mothers.

“The support of a sponsor helps children to be better and stronger than they could ever imagine. I never thought I could achieve all of this. And I am still fighting,” Nataly says. “I provide for my family and I teach my brother to face obstacles, and I feel proud because he has learnt a lot from me. I will always help my mum and sister. If I have the chance to help others, I do it so I can reach justice.”

## 6. STATEMENT OF FINANCIAL ACTIVITIES

[INCORPORATING THE INCOME AND EXPENDITURE ACCOUNT]

|                                     | NOTE | 2017                     |                                      |                       |                          | 2016                     |                          |                       |                          |
|-------------------------------------|------|--------------------------|--------------------------------------|-----------------------|--------------------------|--------------------------|--------------------------|-----------------------|--------------------------|
|                                     |      | RESTRICTED FUNDS (£'000) | DESIGNATED FUNDS MOST NEEDED (£'000) | GENERAL FUNDS (£'000) | TOTAL FUNDS 2017 (£'000) | RESTRICTED FUNDS (£'000) | DESIGNATED FUNDS (£'000) | GENERAL FUNDS (£'000) | TOTAL FUNDS 2016 (£'000) |
| <b>INCOME FROM</b>                  |      |                          |                                      |                       |                          |                          |                          |                       |                          |
| Donations and legacies              | 9.5  | 27,335                   | 4,902                                | 7,433                 | 39,670                   | 26,167                   | 5,348                    | 7,217                 | 38,732                   |
| Charitable activities               | 9.6  | -                        | -                                    | 260                   | 260                      | -                        | -                        | 251                   | 251                      |
| Investments:                        |      |                          |                                      |                       |                          |                          |                          |                       |                          |
| Interest                            |      | -                        | -                                    | 14                    | 14                       | -                        | -                        | 19                    | 19                       |
| Other income                        |      |                          |                                      |                       |                          |                          |                          |                       |                          |
| Profit/(loss) on disposal of assets |      | -                        | -                                    | [0]                   | [0]                      | -                        | -                        | 4                     | 4                        |
| <b>TOTAL INCOME</b>                 |      | <b>27,335</b>            | <b>4,902</b>                         | <b>7,707</b>          | <b>39,944</b>            | <b>26,167</b>            | <b>5,348</b>             | <b>7,491</b>          | <b>39,006</b>            |
| <b>EXPENDITURE ON</b>               |      |                          |                                      |                       |                          |                          |                          |                       |                          |
| Raising funds                       | 9.7  | -                        | -                                    | 4,351                 | 4,351                    | -                        | -                        | 4,480                 | 4,480                    |
| Charitable activities               | 9.8  | 26,945                   | 5,286                                | 2,778                 | 35,009                   | 26,124                   | 4,818                    | 2,531                 | 33,473                   |
| <b>TOTAL EXPENDITURE</b>            |      | <b>26,945</b>            | <b>5,286</b>                         | <b>7,129</b>          | <b>39,360</b>            | <b>26,124</b>            | <b>4,818</b>             | <b>7,011</b>          | <b>37,953</b>            |
| Net movement in funds               |      | 390                      | [384]                                | 578                   | 584                      | 43                       | 530                      | 480                   | 1,053                    |
| <b>RECONCILIATION OF FUNDS</b>      |      |                          |                                      |                       |                          |                          |                          |                       |                          |
| Total funds brought forward         |      | 71                       | 530                                  | 2,601                 | 3,202                    | 28                       | -                        | 2,121                 | 2,149                    |
| <b>TOTAL FUNDS CARRIED FORWARD</b>  |      | <b>461</b>               | <b>146</b>                           | <b>3,179</b>          | <b>3,786</b>             | <b>71</b>                | <b>530</b>               | <b>2,601</b>          | <b>3,202</b>             |

The statement of financial activities includes all gains and losses recognised in the year. All income and expenses derive from continuing activities.

## 7. BALANCE SHEET

| 30 JUNE 2017                                   | NOTE | 2017<br>[£'000] | 2016<br>[£'000] |
|------------------------------------------------|------|-----------------|-----------------|
| <b>FIXED ASSETS</b>                            |      |                 |                 |
| Tangible assets                                | 9.12 | 861             | 1,244           |
| <b>CURRENT ASSETS</b>                          |      |                 |                 |
| Debtors                                        | 9.13 | 1,379           | 2,831           |
| Cash at bank and in hand                       |      | 5,751           | 4,143           |
| <b>TOTAL CURRENT ASSETS</b>                    |      | <b>7,130</b>    | <b>6,974</b>    |
| <b>LIABILITIES</b>                             |      |                 |                 |
| Creditors: Amounts falling due within one year | 9.14 | [4,205]         | [5,016]         |
| <b>TOTAL EXPENDITURE</b>                       |      | <b>[4,205]</b>  | <b>[5,016]</b>  |
| <b>NET CURRENT ASSETS</b>                      |      | <b>2,925</b>    | <b>1,958</b>    |
| <b>TOTAL NET ASSETS</b>                        |      | <b>3,786</b>    | <b>3,202</b>    |
| <b>THE FUNDS OF THE CHARITY</b>                |      |                 |                 |
| <b>UNRESTRICTED FUNDS</b>                      |      |                 |                 |
| General funds                                  |      | 3,179           | 2,601           |
| Designated funds: <i>Most Needed Fund</i>      |      | 146             | 530             |
| <b>TOTAL UNRESTRICTED FUNDS</b>                |      | <b>3,325</b>    | <b>3,131</b>    |
| Restricted income funds                        |      | 461             | 71              |
| <b>TOTAL FUNDS CARRIED FORWARD</b>             |      | <b>3,786</b>    | <b>3,202</b>    |

Approved by the Board on 24 November 2017  
and signed on its behalf by Graham Williams



Company Registration Number 3719092

| YEAR ENDED 30 JUNE 2016                                                                       | 2017<br>[£'000] | 2016<br>[£'000] |
|-----------------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                   |                 |                 |
| Net income for the reporting period<br>(as reported in the Statement of Financial Activities) | 584             | 1,053           |
| Adjustments for:                                                                              |                 |                 |
| Depreciation charges                                                                          | 417             | 433             |
| (Profit)/Loss on the sale of fixed assets                                                     | -               | [4]             |
| Dividends, interest and rents from investments                                                | [14]            | [19]            |
| Decrease/(Increase) in debtors                                                                | 1,452           | [2,017]         |
| (Decrease)/Increase in creditors                                                              | [811]           | 1,120           |
| Creditors for fixed asset acquisitions unpaid at year end                                     | [1]             | [138]           |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>                                              | <b>1,627</b>    | <b>428</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                   |                 |                 |
| Dividends, interest and rents from investments                                                | 14              | 19              |
| Proceeds from the sale of investments                                                         | -               | 143             |
| Purchase of fixed assets                                                                      | [71]            | [551]           |
| Creditors for fixed asset acquisitions unpaid at year end                                     | 1               | 138             |
| Proceeds from the sale of fixed assets                                                        | 37              | 49              |
| <b>NET CASH PROVIDED BY/(USED IN) INVESTMENT ACTIVITIES</b>                                   | <b>[19]</b>     | <b>[202]</b>    |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS IN THE REPORTING PERIOD</b>                            | <b>1,608</b>    | <b>226</b>      |

|                                                                    | 2017<br>[£'000] | 2016<br>[£'000] |
|--------------------------------------------------------------------|-----------------|-----------------|
| Cash in hand at beginning of period                                | 3,107           | 2,896           |
| Notice deposits (less than three months) at beginning of period    | 1,036           | 1,021           |
| <b>TOTAL CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>      | <b>4,143</b>    | <b>3,917</b>    |
| Cash in hand at end of period                                      | 4,708           | 3,107           |
| Notice deposits (less than three months) at end of period          | 1,043           | 1,036           |
| <b>TOTAL CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>            | <b>5,751</b>    | <b>4,143</b>    |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS IN THE REPORTING PERIOD</b> | <b>1,608</b>    | <b>226</b>      |

## 9. NOTES

Compassion UK Christian Child Development is a charitable company limited by guarantee incorporated in England and Wales. The address of its registered office is set out on page 3 and a description of its principal activities is set out on page 11.

### 9.1 ACCOUNTING POLICIES

#### A) BASIS OF PREPARATION

The financial statements have been prepared under the historic cost convention. These accounts have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland [“FRS 102”], “Accounting and Reporting by Charities” this Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charity meets the definition of a public benefit entity under FRS 102. The reporting currency is GB Pounds Sterling (£). The principal accounting policies adopted in the preparation of the financial statements are set out below.

#### B) INCOME

This is included in the Statement of Financial Activities (SoFA) when:

- the charity becomes entitled to the resources;
- the trustees believe it is probable they will receive the income; and
- the monetary value can be measured with sufficient reliability.

100% of child gifts and appeal donations are restricted. 80% of all other donations received are restricted. Restricted donations are granted to Compassion International.

Income which relates to a future period is carried forward as deferred income. An example of this would be where a sponsor pays child support a year in advance.

Income from Gift Aid reclaims is recognised in the SoFA when the donation is made. Where backdated Gift Aid claims have been made which relate to donations in a prior period this has been recognised in the current period.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a

legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor’s intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Gifts in kind are accounted for at a reasonable estimate of their value to the charity or the amount actually realised.

Donated services and facilities are only included in income (with an equivalent amount in expenditure) where the benefit to the charity is reasonably quantifiable, measurable and material. The value placed on these resources is the estimated value to the charity of the service or facility received.

The value of any voluntary help received is not included in the accounts but is described in the Trustees’ Annual Report.

Investment income is included in the accounts when receivable.

#### C) CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The main area of judgement is in relation to the allocation of central overhead costs between the various expenditure categories on the Statement of Financial Activities, the basis of which is set out in note 9.1[F].

Compassion makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. In the opinion of the trustees the main estimate and assumption that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are in relation to the useful life of fixed assets, which are written-off in accordance with the depreciation policies set out in note 9.1[E].

#### D) FIXED ASSETS

Fixed assets are capitalised if they can be used for more than one year and cost at least £1,500. They are valued at cost on receipt.

## E) DEPRECIATION

Depreciation is calculated to write off the cost of the assets brought into use less their residual value over their expected useful lives using the following rates:

- Furniture and equipment: 25% straight line
- Computer equipment: 25% straight line
- Motor vehicles: 25% straight line
- Software: 25% straight line
- Property/building alterations: over the remaining term of the lease

## F) EXPENDITURE

All expenditure is accounted for gross, and when incurred. Expenditure is included in the SoFA on an accruals basis and, because the charity is unable to recover any UK Value Added Tax paid, inclusive of that irrecoverable VAT. Expenditure includes the direct costs of the activities and depreciation on related assets. Where such costs relate to more than one functional cost category, they have been split on an estimated time, floor space or other basis, as appropriate. A functional breakdown of expenditure is shown in notes 9.7 to 9.9.

Expenditure on Raising Funds are the direct costs and an appropriate allocation of support costs that were used to attract donations.

Expenditure on Charitable activities include: monies remitted to Compassion International and other organisations in respect of child sponsorship income; costs of supporting and providing information and education to child sponsors, including a share of the costs of the charity's magazine; and other costs incurred directly in meeting the aims of the charity. Child grants include all monies paid to Compassion International and other organisations for the direct benefit of children.

Child Ministry and Advocacy Costs include all costs incurred in the ministry of children and raising awareness on their behalf.

This expenditure includes an appropriate allocation of support costs of central functions which have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. by estimated staff time or floor space etc.

## G) FOREIGN CURRENCIES

Assets, liabilities, revenues and expenditure in foreign currencies are translated into Sterling at the rates of

exchange ruling on the date on which transactions occur, except for monetary assets and liabilities which are translated at the rate ruling at the balance sheet date. Transactions to be settled at a contracted rate and trading transactions covered by a related or matching forward contract are translated at those contracted rates. Differences arising on the translation of such items are dealt with in the SoFA.

## H) GRANTS

Grants payable are recognised as expenditure when the commitment is entered into. Where such a grant is to be paid over instalments, the outstanding balance is disclosed as a liability.

## I) OPERATING LEASES

Rentals payable under operating leases are charged to the SoFA on a straight-line basis over the period of the lease.

## J) GENERAL FUNDS

General funds are funds available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

## K) DESIGNATED FUNDS

Designated funds are unrestricted funds that have been set aside at the discretion of the trustees for a specific, but not legally binding, purpose.

## L) RESTRICTED FUNDS

Restricted funds are income received for a particular purpose as specified by the donor or supplier, less expenditure applied for such a purpose.

## M) PENSION COSTS

Compassion UK operates a money purchase pension scheme whereby it pays eligible employees defined contributions into the charity pension scheme. The contributions are charged to the Statement of Financial Activities as they become payable and the Charity's liability is limited to the amount of the contributions.

## N) LIABILITIES

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources.

## 9.2 LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £10.

## 9.3 COMPASSION CHARITIES

### COMPASSION INTERNATIONAL

The charity has a commitment to donors that 80% of monies received from child sponsorship and other child grants are transferred to Compassion International in the USA, who administer the distribution of funds for the benefit of each child on behalf of the charity (and other Compassion partners).

The amounts of these funds collected during the year was £29,939,000 [FY16 £28,829,000] of which £2,574,000 [FY16 £3,548,000] was outstanding at the year-end. The outstanding amount represents the June 2017 grant and small grant corrections and was transferred to Compassion International after the year-end.

The UK charity is actively involved in the overall administration of the support given to children and in the decisions made by the international partnership of Compassion charities. Projects are visited by UK staff who monitor and check the quality and quantity of help given to recipient children.

Compassion International paid expenses of £206,000 to Compassion UK. In FY16 Compassion UK paid expenses of £74,000 to Compassion International.

There is one Compassion UK Board member (Ken Morgan) who sits on the Board of Compassion International.

### COMPASSION IRELAND

During the year Compassion Ireland's administration requirements have been undertaken for a fixed fee of 12% of donations received, excluding gifts and appeals [FY16 12%]. During the year £30,000 [FY16 £30,000] was received in income from servicing Compassion Ireland and costs were £76,000 [FY16 £58,000] and a grant was made to Compassion Ireland of £55,000 [FY16 £29,000]. The intercompany balance owing by Compassion Ireland is £55,000 [FY16 £74,000].

There are two board members (Graham Williams and Ken Morgan) who sit on both boards.

## 9.4 NET MOVEMENT IN RESOURCES FOR THE YEAR

|                                                        | 2017<br>[£'000] | 2016<br>[£'000] |
|--------------------------------------------------------|-----------------|-----------------|
| THIS IS STATED AFTER CHARGING                          |                 |                 |
| Depreciation of fixed assets                           | 417             | 433             |
| (Profit)/Loss on disposal of fixed assets              | -               | (4)             |
| Annual audit fees                                      | 17              | 21              |
| Other fees paid to Auditor for advice/consultancy etc. | -               | 2               |
| Foreign exchange (gains)/losses                        | 7               | (2)             |

|                               | 2017             |                              |               |                  | 2016             |                  |               |                  |
|-------------------------------|------------------|------------------------------|---------------|------------------|------------------|------------------|---------------|------------------|
|                               | RESTRICTED FUNDS | DESIGNATED FUNDS MOST NEEDED | GENERAL FUNDS | TOTAL FUNDS 2017 | RESTRICTED FUNDS | DESIGNATED FUNDS | GENERAL FUNDS | TOTAL FUNDS 2016 |
|                               | [£'000]          | [£'000]                      | [£'000]       | [£'000]          | [£'000]          | [£'000]          | [£'000]       | [£'000]          |
| <b>MINIMUM 80% RESTRICTED</b> |                  |                              |               |                  |                  |                  |               |                  |
| Child support                 | 22,182           | -                            | 5,546         | <b>27,728</b>    | 22,495           | -                | 5,624         | <b>28,119</b>    |
| Un-sponsored Children         | 1,113            | -                            | 278           | <b>1,391</b>     | 12               | -                | 3             | <b>15</b>        |
| RESPOND Interventions         | 1,092            | -                            | 265           | <b>1,357</b>     | 595              | -                | 133           | <b>728</b>       |
| Sponsorship Plus              | 210              | -                            | 50            | <b>260</b>       | 97               | -                | 22            | <b>119</b>       |
| Child Survival Programme      | 115              | -                            | 28            | <b>143</b>       | 203              | -                | 38            | <b>241</b>       |
| HIV and Aids Campaign         | 91               | -                            | 23            | <b>114</b>       | 99               | -                | 25            | <b>124</b>       |
| Leadership Development        | 74               | -                            | 18            | <b>92</b>        | 142              | -                | 35            | <b>177</b>       |
| <b>100% RESTRICTED</b>        |                  |                              |               |                  |                  |                  |               |                  |
| Gifts for children            | 1,556            | -                            | -             | <b>1,556</b>     | 1,667            | -                | -             | <b>1,667</b>     |
| Christmas Appeal              | 700              | -                            | -             | <b>700</b>       | 840              | -                | -             | <b>840</b>       |
| Disaster Relief               | 202              | -                            | -             | <b>202</b>       | 3                | -                | -             | <b>3</b>         |
| Other donations               | -                | -                            | -             | <b>-</b>         | 14               | -                | -             | <b>14</b>        |
| <b>MINIMUM 80% DESIGNATED</b> |                  |                              |               |                  |                  |                  |               |                  |
| Gift Aid                      | -                | 4,686                        | 1,171         | <b>5,857</b>     | -                | 5,007            | 1,252         | <b>6,259</b>     |
| General unrestricted income   | -                | 216                          | 54            | <b>270</b>       | -                | 341              | 85            | <b>426</b>       |
| <b>TOTAL</b>                  | <b>27,335</b>    | <b>4,902</b>                 | <b>7,433</b>  | <b>39,670</b>    | <b>26,167</b>    | <b>5,348</b>     | <b>7,217</b>  | <b>38,732</b>    |



## 9.6 CHARITABLE ACTIVITIES

|                                   | 2017<br>[£'000] | 2016<br>[£'000] |
|-----------------------------------|-----------------|-----------------|
| Compassion Ireland Service Income | 30              | 30              |
| Field Experience                  | 226             | 221             |
| Other                             | 4               | -               |
| <b>TOTAL</b>                      | <b>260</b>      | <b>251</b>      |

Sponsors have the opportunity to visit projects and their sponsored children on a Compassion Insight trip. This income represents fees paid for trips which took place in the period.

## 9.7 EXPENDITURE ON RAISING FUNDS

|                                  | NOTE | 2017<br>[£'000] | 2016<br>[£'000] |
|----------------------------------|------|-----------------|-----------------|
| Personnel                        |      | 1,703           | 1,454           |
| Support costs                    | 9.9  | 844             | 921             |
| Fundraising appeal costs         |      | 296             | 684             |
| Events and strategic alliances   |      | 379             | 470             |
| Compassion Sunday campaign       |      | 147             | 122             |
| Church engagement                |      | 319             | 310             |
| Region costs                     |      | 59              | 60              |
| Compassion volunteer network     |      | 49              | 30              |
| Advertising space and production |      | 74              | 103             |
| Experience                       |      | 126             | -               |
| Other direct marketing costs     |      | 355             | 326             |
| <b>TOTAL</b>                     |      | <b>4,351</b>    | <b>4,480</b>    |

## 9.8 EXPENDITURE ON CHARITABLE ACTIVITIES

|                                                           | NOTE     | 2017                        |                                            |                          |                                | 2016                        |                        |                          |                                |
|-----------------------------------------------------------|----------|-----------------------------|--------------------------------------------|--------------------------|--------------------------------|-----------------------------|------------------------|--------------------------|--------------------------------|
|                                                           |          | RESTRICTED FUNDS<br>[£'000] | DESIGNATED FUNDS<br>MOST NEEDED<br>[£'000] | GENERAL FUNDS<br>[£'000] | TOTAL FUNDS<br>2017<br>[£'000] | RESTRICTED FUNDS<br>[£'000] | MOST NEEDED<br>[£'000] | GENERAL FUNDS<br>[£'000] | TOTAL FUNDS<br>2016<br>[£'000] |
| Child support                                             |          | 22,182                      | -                                          | -                        | 22,182                         | 22,495                      | 388                    | -                        | 22,883                         |
| Un-sponsored Children                                     |          | 1,113                       | -                                          | -                        | 1,113                          | 12                          | (12)                   | -                        | (0)                            |
| Gifts for children                                        |          | 1,586                       | 28                                         | -                        | 1,614                          | 1,637                       | 4                      | -                        | 1,641                          |
| Christmas Appeal                                          |          | 700                         | -                                          | -                        | 700                            | 840                         | -                      | -                        | 840                            |
| RESPOND Interventions                                     |          | 712                         | 904                                        | -                        | 1,616                          | 575                         | 1,933                  | -                        | 2,508                          |
| Disaster Relief                                           |          | 198                         | 232                                        | -                        | 430                            | 2                           | 98                     | -                        | 100                            |
| Child Survival                                            |          | 115                         | 395                                        | -                        | 510                            | 203                         | 340                    | -                        | 543                            |
| Leadership Development                                    |          | 74                          | 1                                          | -                        | 75                             | 142                         | 34                     | -                        | 176                            |
| HIV and Aids Campaign                                     |          | 91                          | 1,434                                      | -                        | 1,525                          | 99                          | -                      | -                        | 99                             |
| Sponsorship Plus                                          |          | 170                         | -                                          | -                        | 170                            | 98                          | (66)                   | -                        | 32                             |
| Other Funds                                               |          | 4                           | -                                          | -                        | 4                              | 21                          | (14)                   | -                        | 7                              |
| <b>TOTAL CHILD GRANTS TO<br/>COMPASSION INTERNATIONAL</b> | <b>a</b> | <b>26,945</b>               | <b>2,994</b>                               | <b>-</b>                 | <b>29,939</b>                  | <b>26,124</b>               | <b>2,705</b>           | <b>-</b>                 | <b>28,829</b>                  |
| Compassion Ireland Grant                                  |          | -                           | -                                          | 55                       | 55                             | -                           | -                      | 29                       | 29                             |
| Compassion Norden & Germany Grants                        |          | -                           | -                                          | 43                       | 43                             | -                           | -                      | 42                       | 42                             |
| Other grants                                              | <b>b</b> | -                           | 273                                        | -                        | 273                            | -                           | 339                    | -                        | 339                            |
| <b>TOTAL GRANTS</b>                                       |          | <b>26,945</b>               | <b>3,267</b>                               | <b>98</b>                | <b>30,310</b>                  | <b>26,124</b>               | <b>3,044</b>           | <b>71</b>                | <b>29,239</b>                  |
| Grant making support costs                                | 9.9      | -                           | -                                          | 463                      | 463                            | -                           | -                      | 430                      | 430                            |
| <b>TOTAL COSTS OF GRANT MAKING</b>                        |          | <b>26,945</b>               | <b>3,267</b>                               | <b>561</b>               | <b>30,773</b>                  | <b>26,124</b>               | <b>3,044</b>           | <b>501</b>               | <b>29,669</b>                  |
| Child Ministry and Advocacy Direct Costs                  | <b>c</b> | -                           | 2,019                                      | -                        | 2,019                          | -                           | 1,774                  | -                        | 1,774                          |
| Child Ministry and Advocacy Support Costs                 | 9.9      | -                           | -                                          | 1,853                    | 1,853                          | -                           | -                      | 1,720                    | 1,720                          |
| <b>TOTAL CHILD MINISTRY AND<br/>ADVOCACY COSTS</b>        |          | <b>-</b>                    | <b>2,019</b>                               | <b>1,853</b>             | <b>3,872</b>                   | <b>-</b>                    | <b>1,774</b>           | <b>1,720</b>             | <b>3,494</b>                   |
| COMPASSION IRELAND COSTS                                  |          | -                           | -                                          | 76                       | 76                             | -                           | -                      | 58                       | 58                             |
| Field Experience Direct Costs                             |          | -                           | -                                          | 204                      | 204                            | -                           | -                      | 185                      | 185                            |
| Field Experience Support Costs                            | 9.9      | -                           | -                                          | 84                       | 84                             | -                           | -                      | 67                       | 67                             |
| <b>TOTAL FIELD EXPERIENCE COSTS</b>                       |          | <b>-</b>                    | <b>-</b>                                   | <b>288</b>               | <b>288</b>                     | <b>-</b>                    | <b>-</b>               | <b>252</b>               | <b>252</b>                     |
| <b>TOTAL CHARITABLE EXPENDITURE</b>                       |          | <b>26,945</b>               | <b>5,286</b>                               | <b>2,778</b>             | <b>35,009</b>                  | <b>26,124</b>               | <b>4,818</b>           | <b>2,531</b>             | <b>33,473</b>                  |

(a) Direct costs for Child support and other child grants, are grants for the benefit of children. Grants paid to Compassion International cover the grants to the projects, costs to run the field country and area offices as well as programme costs at Compassion International. Grants come from restricted donations as well as additional grants.

(b) Other grants include financial support towards Christian youth work within the UK and abroad, which can be up to 1% of incoming resources and is at the discretion of the board of trustees.

(c) Direct costs for child ministry are costs of supporting and providing information to child sponsors. This includes child letter postage and the proportion of facilities, IT and staff time allocated to supporting the relationship between the sponsor and the child. Direct costs for Advocacy are incurred in raising awareness of child poverty. The costs include child advocacy grants and a proportion of facilities, IT and staff time allocated to advocacy.

## 9.9 ANALYSIS OF SUPPORT COSTS

|                                 | 2017                     |                         |                                        |                             |                                |
|---------------------------------|--------------------------|-------------------------|----------------------------------------|-----------------------------|--------------------------------|
|                                 | RAISING FUNDS<br>[£'000] | GRANT MAKING<br>[£'000] | CHILD MINISTRY AND ADVOCACY<br>[£'000] | FIELD EXPERIENCE<br>[£'000] | TOTAL SUPPORT COSTS<br>[£'000] |
| Facilities management           | 116                      | 33                      | 131                                    | 8                           | 288                            |
| Information technology          | 439                      | 128                     | 514                                    | 16                          | 1,097                          |
| Operations and finance          | 3                        | 36                      | 143                                    | 1                           | 183                            |
| Support salaries                | 286                      | 262                     | 1,050                                  | 59                          | 1,657                          |
| Audit and accounting fees       | -                        | 3                       | 13                                     | -                           | 16                             |
| Trustee and board meeting costs | -                        | 1                       | 2                                      | -                           | 3                              |
|                                 | <b>844</b>               | <b>463</b>              | <b>1,853</b>                           | <b>84</b>                   | <b>3,244</b>                   |

|                                 | 2016                     |                         |                                        |                             |                                |
|---------------------------------|--------------------------|-------------------------|----------------------------------------|-----------------------------|--------------------------------|
|                                 | RAISING FUNDS<br>[£'000] | GRANT MAKING<br>[£'000] | CHILD MINISTRY AND ADVOCACY<br>[£'000] | FIELD EXPERIENCE<br>[£'000] | TOTAL SUPPORT COSTS<br>[£'000] |
| Facilities management           | 144                      | 33                      | 133                                    | 5                           | 315                            |
| Information technology          | 299                      | 93                      | 370                                    | 14                          | 776                            |
| Operations and finance          | 4                        | 27                      | 110                                    | 4                           | 145                            |
| Support salaries                | 474                      | 272                     | 1,089                                  | 43                          | 1,878                          |
| Audit and accounting fees       | -                        | 4                       | 16                                     | 1                           | 21                             |
| Trustee and board meeting costs | -                        | 1                       | 2                                      | -                           | 3                              |
|                                 | <b>921</b>               | <b>430</b>              | <b>1,720</b>                           | <b>67</b>                   | <b>3,138</b>                   |

All *Support Costs* are paid from unrestricted funds. Total support costs are allocated on the basis of staff time attributable to that cost centre.

## 9.10 STAFF COSTS

|                                                                                                   | 2017<br>[£'000] | 2016<br>[£'000] |
|---------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Wages and salaries                                                                                | 3,293           | 3,171           |
| Pensions                                                                                          | 353             | 334             |
| Social security costs                                                                             | 342             | 331             |
| Health insurance and other HR costs                                                               | 215             | 292             |
|                                                                                                   | <b>4,203</b>    | <b>4,128</b>    |
| <b>AVERAGE NUMBER OF EMPLOYEES (FULL TIME EQUIVALENT)</b>                                         |                 |                 |
| Management                                                                                        | 3.0             | 3.0             |
| Support and administration                                                                        | 25.0            | 24.8            |
| Supporter relations                                                                               | 33.2            | 28.8            |
| Marketing and communications                                                                      | 36.9            | 38.3            |
|                                                                                                   | <b>98.1</b>     | <b>94.9</b>     |
| Percentage change in staff for the year                                                           | 3.4%            | 3.4%            |
| Average number of employees ( <i>headcount</i> )                                                  | 109.4           | 108.9           |
| <b>RATIO OF STAFF TO SPONSORED CHILDREN (AT YEAR END)<br/>BASED ON FULL TIME EQUIVALENT STAFF</b> |                 |                 |
|                                                                                                   | <b>1:1035</b>   | <b>1:1071</b>   |
| The number of employees whose remuneration for the period fell within the following bands:        |                 |                 |
| £60,000 up to £70,000                                                                             | 2               | 1               |
| £80,000 up to £90,000                                                                             | 1               | -               |
| £90,000 up to £100,000                                                                            | 1               | 1               |
| £100,000 to £110,000                                                                              | -               | 1               |

Pension contributions of £30,000 [FY16 £31,000] were made during the year for the above higher paid staff.

The company operates a defined contribution pension scheme on behalf of its employees. The pension charge for the year was £353,000 [FY16 £334,000], of which £30,000 [FY16 £29,000] was payable at the year end.

The key management personnel of the charity comprise the trustees, the Chief Executive Officer, the Senior Director of Marketing & Engagement and the Senior Director of Support Services. The total employee remuneration, including National Insurance and benefits, of the key management personnel of the charity was £276,000 [FY16 £333,000].

## 9.11 TRUSTEES' REMUNERATION

No trustees' remuneration was voted during the year. There were no trustees' travel expenses incurred in connection with the charity's affairs [FY16 £297].



## 9.12 FIXED ASSETS

| TANGIBLE ASSETS                | FURNITURE & EQUIPMENT<br>[£'000] | COMPUTER HARDWARE<br>[£'000] | COMPUTER SOFTWARE<br>[£'000] | MOTOR VEHICLES<br>[£'000] | PROPERTY ALTERATIONS<br>[£'000] | TOTAL<br>[£'000] |
|--------------------------------|----------------------------------|------------------------------|------------------------------|---------------------------|---------------------------------|------------------|
| <b>COST</b>                    |                                  |                              |                              |                           |                                 |                  |
| Balance at 1 July 2016         | 331                              | 127                          | 1,257                        | 192                       | 266                             | 2,173            |
| Additions for the year         | 2                                | 31                           | -                            | 38                        | -                               | 71               |
| Disposals for the year         | -                                | [98]                         | [16]                         | [27]                      | -                               | [141]            |
| <b>BALANCE AT 30 JUNE 2017</b> | <b>333</b>                       | <b>60</b>                    | <b>1,241</b>                 | <b>203</b>                | <b>266</b>                      | <b>2,103</b>     |
| <b>DEPRECIATION</b>            |                                  |                              |                              |                           |                                 |                  |
| Balance at 1 July 2016         | 302                              | 101                          | 275                          | 28                        | 223                             | 929              |
| Disposals for the year         | -                                | [97]                         | -                            | [7]                       | -                               | [104]            |
| Depreciation for the year      | 17                               | 16                           | 314                          | 50                        | 20                              | 417              |
| <b>BALANCE AT 30 JUNE 2017</b> | <b>319</b>                       | <b>20</b>                    | <b>589</b>                   | <b>71</b>                 | <b>243</b>                      | <b>1,242</b>     |
| <b>NET BOOK VALUE</b>          |                                  |                              |                              |                           |                                 |                  |
| At 1 July 2016                 | 29                               | 26                           | 982                          | 163                       | 44                              | 1,244            |
| At 30 June 2017                | 14                               | 40                           | 652                          | 132                       | 23                              | 861              |

## 9.13 DEBTORS

|                                     | 2017<br>[£'000] | 2016<br>[£'000] |
|-------------------------------------|-----------------|-----------------|
| Compassion Ireland (Note 9.3)       | 55              | 74              |
| Gift Aid reclaimable                | 563             | 2,134           |
| Other debtors and grants receivable | 13              | 91              |
| Prepayments                         | 748             | 532             |
|                                     | <b>1,379</b>    | <b>2,831</b>    |

## 9.14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                    | 2017<br>[£'000] | 2016<br>[£'000] |
|------------------------------------|-----------------|-----------------|
| Compassion International           | 2,574           | 3,548           |
| Deferred income                    | 269             | 239             |
| Trade creditors                    | 539             | 646             |
| Accruals                           | 707             | 465             |
| Other taxation and social security | 89              | 89              |
| Pension contributions outstanding  | 27              | 29              |
|                                    | <b>4,205</b>    | <b>5,016</b>    |

The increase in deferred income of £30,000 represents more money held for sponsorship payments in advance.

## 9.15 RESTRICTED FUNDS

| 2017                     | BALANCE AT<br>1 JULY 2016<br>[£'000] | RESTRICTED<br>INCOME<br>[£'000] | RESTRICTED<br>EXPENDITURE<br>[£'000] | BALANCE AT<br>30 JUNE 2017<br>[£'000] |
|--------------------------|--------------------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Child support            | -                                    | 22,182                          | [22,182]                             | -                                     |
| Un-sponsored Children    | -                                    | 1,113                           | [1,113]                              | -                                     |
| Gifts for children       | 30                                   | 1,556                           | [1,586]                              | -                                     |
| Christmas Appeal         | -                                    | 700                             | [700]                                | -                                     |
| RESPOND Interventions    | 35                                   | 1,092                           | [712]                                | 415                                   |
| Disaster Relief          | 2                                    | 202                             | [198]                                | 6                                     |
| Child Survival Programme | -                                    | 115                             | [115]                                | -                                     |
| Leadership Development   | -                                    | 74                              | [74]                                 | -                                     |
| HIV and Aids Campaign    | -                                    | 91                              | [91]                                 | -                                     |
| Sponsorship Plus         | -                                    | 210                             | [170]                                | 40                                    |
| Other funds              | 4                                    | -                               | [4]                                  | -                                     |
|                          | 71                                   | 27,335                          | [26,945]                             | 461                                   |

| 2016                     | 1 JULY 2015<br>[£'000] | BALANCE AT<br>INCOME<br>[£'000] | RESTRICTED<br>EXPENDITURE<br>[£'000] | RESTRICTED<br>30 JUNE 2016<br>[£'000] |
|--------------------------|------------------------|---------------------------------|--------------------------------------|---------------------------------------|
| Child support            | -                      | 22,495                          | [22,495]                             | -                                     |
| Un-sponsored Children    | -                      | 12                              | [12]                                 | -                                     |
| Gifts for children       | -                      | 1,667                           | [1,637]                              | 30                                    |
| Christmas Appeal         | -                      | 840                             | [840]                                | -                                     |
| RESPOND Interventions    | 15                     | 595                             | [575]                                | 35                                    |
| Disaster Relief          | 1                      | 3                               | [2]                                  | 2                                     |
| Child Survival Programme | -                      | 203                             | [203]                                | -                                     |
| Leadership Development   | -                      | 142                             | [142]                                | -                                     |
| HIV and Aids Campaign    | -                      | 99                              | [99]                                 | -                                     |
| Sponsorship Plus         | 1                      | 97                              | [98]                                 | -                                     |
| Other funds              | 11                     | 14                              | [21]                                 | 4                                     |
|                          | 28                     | 26,167                          | [26,124]                             | 71                                    |

## PURPOSE OF RESTRICTED FUNDS

**Child Support**

To relieve poverty amongst sponsored children.

**Un-sponsored children**

To support children registered in the programme, but awaiting sponsorship.

**Gifts for children**

To bless the child, their family or their project with additional gifts.

**Christmas Appeal**

To provide a present and a celebration for each child.

**RESPOND Interventions**

To meet vital needs outside of what sponsorship covers.

**Disaster Relief**

Critical relief for sponsored children and their projects, including reconstruction.

**Child Survival Programme**

Pre- and post-natal care for mothers and babies.

**Leadership Development**

To support and develop emerging leaders.

**HIV and Aids Campaign**

To support sponsored children and their families affected by HIV and AIDS.

**Sponsorship Plus**

Additional support for beneficiaries.

## 9.16 RELATED PARTY TRANSACTIONS

During the year the Charity entered into the following transactions:

Cathryn Clarke is a senior pastor of Hillsong Church London. During the year, the charity paid £47,500 [FY16 £28,101] to Hillsong Church in marketing costs associated with Hillsong conferences and events. In accordance with the Conflicts of Interest Policy of Compassion UK, Cathryn Clarke took no part in decisions or discussions relating to these transactions. At the year-end, there were no outstanding amounts due to Hillsong Church London by the Charity [FY16 £-].

During the year a grant was made to Hillsong Africa of £45,108 [FY16 £91,501]. Hillsong Africa is a not for profit

organisation which exists to give hope to the destitute by restoring families and dignity, and by ending cycles of poverty, addiction, abuse and violence. In accordance with the Conflicts of Interest Policy of Compassion UK, Cathryn Clarke took no part in decisions or discussions relating to these transactions.

The trustees, the senior management and their related parties made donations of £30,007 [FY16 £20,002] to Compassion UK.

In accordance with the Compassion UK Conflicts of Interest Policy, the transactions have been reviewed by the Board of Trustees.

## 9.17 LEASING COMMITMENTS

At 30 June 2017 the total of the charity's future minimum lease payments under non-cancellable operating leases was:

|                         | 2017                                               |               |               | 2016                                               |               |               |
|-------------------------|----------------------------------------------------|---------------|---------------|----------------------------------------------------|---------------|---------------|
|                         | LAND AND BUILDINGS [EXPIRING 24 JUNE 2018] (£'000) | OTHER (£'000) | TOTAL (£'000) | LAND AND BUILDINGS [EXPIRING 24 JUNE 2018] (£'000) | OTHER (£'000) | TOTAL (£'000) |
| Less than one year      | 211                                                | 551           | 762           | 211                                                | 6             | 217           |
| Two to five years       | -                                                  | 550           | 550           | 210                                                | 16            | 226           |
| Greater than five years | -                                                  | -             | -             | -                                                  | -             | -             |
|                         | <b>211</b>                                         | <b>1,101</b>  | <b>1,312</b>  | <b>421</b>                                         | <b>22</b>     | <b>443</b>    |



# FIGHTING HUNGER

## GUATEMALA

### RESPOND INTERVENTIONS

“You are giving us  
the opportunity to dream  
for a better future  
for our children.”

Through RESPOND, micro-enterprises are funded to empower local communities to generate income and break the cycle of poverty. In Guatemala, a Compassion project decided to start a fish farming project.

“In 2010, we had a medical check-up,” project director Aura says. “We had a total of 400 beneficiaries and 250 had severe malnutrition. At home there was never enough money for proper food and we did not want to only provide them food. We wanted the mothers to have steady incomes to provide for their families and we wanted them to cook healthy food for their children.”

The mothers take care of the fish farm and sell fish in

the local market, sharing the profit between them. As a result of this enterprise, members of the community have learnt a new skill and generated income to support their families.

Silvia Sanan is one of the single mothers who participates in the fish farming project. “I received training on how to take care of the fish,” Silvia explains. “I learned how to cook it properly and a local bank gave us training on administration of small businesses. Thank you sponsors for what you are doing for our families. You are changing our lives through better food and better incomes, and giving us the opportunity to dream for a better future for our children. Thank you and God bless!”

## 9.18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

This analysis shows the fund balances at year-end split into tangible fixed assets and net current assets. The analysis also shows the *Restricted* and *Unrestricted* funds in these categories.

|                                     | 2017                    |                                  |                          | 2016                    |                                  |                          |
|-------------------------------------|-------------------------|----------------------------------|--------------------------|-------------------------|----------------------------------|--------------------------|
|                                     | FIXED ASSETS<br>[£'000] | NET CURRENT<br>ASSETS<br>[£'000] | TOTAL<br>2017<br>[£'000] | FIXED ASSETS<br>[£'000] | NET CURRENT<br>ASSETS<br>[£'000] | TOTAL<br>2016<br>[£'000] |
| Restricted Funds                    | -                       | 461                              | 461                      | -                       | 71                               | 71                       |
| Designated Funds <i>Most Needed</i> | -                       | 146                              | 146                      | -                       | 530                              | 530                      |
| General Funds                       | 861                     | 2,318                            | 3,179                    | 1,244                   | 1,357                            | 2,601                    |
|                                     | <b>861</b>              | <b>2,925</b>                     | <b>3,786</b>             | <b>1,244</b>            | <b>1,958</b>                     | <b>3,202</b>             |

## 9.19 TAXATION

Compassion is a charity and is entitled, for the current year, to the exemptions provided by Chapter 3 of Part 11 of the Corporation Tax Act 2010. As a consequence, no provision for taxation is regarded as necessary.

## 9.20 EVENTS AFTER THE END OF THE REPORTING PERIOD

Compassion UK is in the process of purchasing an office in Fleet for £2,450,000 as its permanent headquarters. During the next financial year, the building will be refurbished for use. The purchase is the result of a year-long office suitability project to establish the most cost-effective solution for our future operations.

Throughout the last financial year, we have seen God's abundant blessing poured out on Compassion UK.

In particular, we have seen more than 11,000 children sponsored this year – this is the ninth year in a row that we've seen at least this much growth, despite the closure of our operations in India.

During the period 1 July 2016 to 30 June 2017, we received £39,944,000 in income – a 2.4% increase from last year. Here are some of the highlights which contributed to this:

New sponsorship of 11,413 children

Donations to RESPOND Interventions increased by 86% to £1,357,000

£700,000 raised through the Christmas Appeal

UK Church Partnerships grew to 1,482 churches in the UK

Over 5,500 sponsors donating an additional £5/month through Sponsorship Plus

More than £200,000 given in Disaster Relief funds

Income for supporting unsponsored children increased to £1,391,000 due to a large proportion of sponsors of Indian children choosing to repurpose the donations they had given for Indian children.

We ended the year with 101,577 children sponsored, and we express a heartfelt thank you to all our sponsors, supporters, volunteers and staff. This achievement would not be possible without their commitment and dedication in Jesus' Name.

**Compassion UK Christian Child Development • [www.compassionuk.org](http://www.compassionuk.org)**

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