

Registered Company Number : 4193179
Registered Charity Number : 1089490

HOPE AND HOMES FOR CHILDREN

**TRUSTEES' ANNUAL REPORT
and
CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 DECEMBER 2017

HOPE AND HOMES FOR CHILDREN

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HOPE AND HOMES FOR CHILDREN

LEGAL AND ADMINISTRATIVE INFORMATION

for the year ended 31 December 2017

Status

Hope and Homes for Children is a charitable company limited by guarantee. It was incorporated on 3 April 2001 (Company number: 4193179) and registered as a charity on 26 November 2001 (Charity number: 1089490).

Founder Presidents

Mark Cook OBE

Caroline Cook OBE

Patrons

Kate Adie OBE DL

The Lady Jopling MBE

The Rt Hon The Lord Ashdown of

Jay Jopling

Norton-sub-Hamdon GCMG CH KBE PC

Gordon McNally

Martin Bell OBE

The Rt Hon Sir Donald McKinnon ONZ GCVO

Matt Bell

Natalie Pinkham

The Rt Hon The Lord Carrington KG GCMG

Mrs Lily Safra

CH MC PC DL

Dame Kristin Scott Thomas DBE

General The Lord Dannatt GCB CBE MC DL

The Rt Hon The Lord Selkirk of Douglas PC QC

Rick Foulsham CMG

Sam Taylor-Johnson OBE

David Furnish

James Whiting

Nick Hewer

Claire Wright

Alastair Humphreys

Trustees and Directors

Matthew Banks *

(appointed 1 June 2017)

Andy Bilson x

Vicky Bruce ^

(appointed 1 June 2017)

Lucy Caldicott * x

(resigned 25 July 2017)

Bridget Cluley, BEM ^

Vice Chair

(resigned 2 February 2018)

Chris Cuthbert x

(resigned 2 November 2017)

Joanne Drew *^

Board Secretary

(resigned 25 July 2017)

Richard Greenhalgh ^

Chairman

(appointed 1 June 2017)

Mark Grinonneau * x

Treasurer

Jean Grugel x

(resigned 16 August 2017)

Carol Haslam ^

Alexander Matheou x

(appointed 3 April 2018)

Camilla Otto x

(appointed 3 April 2018)

Jim Rice *

(resigned 31 May 2017)

Tim Richards

Chairman

(resigned 31 May 2017)

Anna Segall x

(appointed 3 April 2018)

Mark Shadrack *

(appointed 3 April 2018)

Malcolm Sweeting *

(appointed 1 June 2017)

Dean Williams ^

* = member of Finance, Audit and Risk Committee, ^ = member of Nominations and Remuneration Committee, x = member of Programmes Advisory Committee

Senior Management Team (Key Management Personnel)

Mark Waddington Chief Executive

Delia Pop Director of Programmes and Global Advocacy

Sue Rooke Director of Resources and Company Secretary

Sarah Whiting Director of Fundraising

Registered Office and Principal Address: East Clyffe, Salisbury, Wiltshire, SP3 4LZ

Independent Auditor: Crowe U.K. LLP, St Bride's House, 10 Salisbury Square, London, EC4Y 8EH

Bankers: Royal Bank of Scotland PLC, 48 Blue Boar Row, Salisbury, Wiltshire, SP1 1DF

Website: more information about the charity can be found at www.hopeandhomes.org

HOPE AND HOMES FOR CHILDREN

TRUSTEES' ANNUAL REPORT and STRATEGIC REPORT for the year ended 31 December 2017

MISSION, VISION AND ACTIVITIES OF HOPE AND HOMES FOR CHILDREN

Vision

Our vision is of a world in which children no longer suffer institutional care.

Mission

Our mission is to be the catalyst for the global elimination of institutional care of children.

The rationale for our strategy

Orphanages and other forms of institutional care are wrong. Independent research has established that they are associated with high levels of abuse, neglect and mortality. They are also unnecessary. Most children in orphanages are not orphans. Over 80% of children confined to orphanages have parents who, with the right support, can better protect and care for them. Orphanages are not cost-effective and are often more expensive than supporting family-based alternatives, which evidence consistently demonstrates provide better outcomes for children.

There are eight million children confined to orphanages. From evidence and practical experience, we are able to present an almost unique value proposition by leveraging the scale of funding to deliver the transition of whole, national child protection systems in some of the most challenging environments.

Strategic Aim

Our ten-year aim is that by December 2022 we will have put in place the mechanisms to benefit a quarter of a million children every year by preventing them from entering institutional care, and by ensuring that they can enjoy quality family-based care. Our four point plan which will deliver this aim is:

- *National flagships* - we have established flagship programmes which demonstrate how a country can transform its entire childcare system from one based on orphanages to one based on families. In Rwanda and Romania we are only a few years from achieving this.
- *Regional impact* - our experts in flagship countries will advise and assist others across the region to create a domino effect and stimulate reform across entire regions.
- *Global movement* - we will use this domino effect to create a global groundswell of commitment to create a better future for all children. We will work in partnership with other organisations to shape international policy and practice.
- *Closing the gap* - In order to deliver change on the scale we envisage, we need to grow our capability as an organisation by securing investment in our organisational development.

Theory of change

Our theory of change articulates the conditions that we require to succeed with the delivery of our hierarchy of objectives, and what we will do to ensure that those conditions are fulfilled. It is the fulcrum between strategic and operational planning. It comprises four elements as follows:

- **Political will** - we need sustained political will and commitment to reform child protection systems.
- **Know-how** - technical understanding and skills are a pre-requisite to pilot and then scale up initiatives aimed at transitioning national systems from institutional care to community- and family-based care. So too is having the evidence that proves how and why this is so desirable, at every step of the transition.
- **Capacity to deliver services** - it is through this element of our theory of change that we harness the political will and know-how of NGOs, and local and national authorities, by helping them to clarify their roles in the deinstitutionalisation process and commit to a series of responsibilities and actions to deliver it. Crucial in this is supporting the NGO community to engage in dialogue with their governments and hold them to account.
- **Funding** - in order to deliver permanent and sustainable reform we need to ensure that there is funding for both the transition process itself as well as for the family- and community-based services that will replace institutional care.

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Five-year strategic goals

Our current strategic planning period covers 2012 to 2017. During that time frame our goals were:

Goal 1 - Proof of concept - we will demonstrate how reform of entire child protection systems that rely on institutional care is an imperative for children, desirable and affordable for governments, and how it can be delivered in different contexts.

To be achieved by:

- Developing and implementing three regional strategies being developed and implemented
- Establishing network partnerships in two new additional regions

Goal 2 - Preparing for scale - we will design, for piloting, a financing mechanism that will be capable of attracting the scale of funding required across whole regions to cover the transition costs for the reform of child protection systems that rely on institutional care.

To be achieved by:

- Further developing the evidence base underlying the links between child protection and child poverty
- Securing the commitment from relevant global organisations and some of the major funders of international development to child protection and on funding child protection reform
- Developing the conceptual frame and terms of reference for, as well as piloting elements of, a Pooled Fund that will leverage the scale of funding required to cover the costs of reform at regional level

Goal 3 - Global positioning - through further development of our brand, marketing and communications we will strengthen our global positioning with the private sector, policy makers, the major funders of international development, and key research and practice networks in order to secure the levels of commitment to drive global reform of child protection.

To be achieved by:

- Developing key messages and brand and developing critical communication channels
- Engaging international actors based in Geneva, Brussels and the USA
- Developing and commencing the delivery of a communications strategy that will draw together policy and funding interests around a common global commitment to child protection reform

Goal 4 - Organisational capacity - we will map what organisational capacity we will need to deliver these five-year strategic goals, secure the commitment for the investment to build this capacity, and develop our organisational culture and systems to provide us with the flexibility and innovation to deal with challenges and take opportunities as they arise.

To be achieved by:

- Enrolling key donors in our strategy and negotiate their commitment to invest in our capacity development
- Developing a funding/finance model to investigate and update investment scheduling options, opportunities and requirements and guide how we allocate our resources to most effectively deliver the objectives above
- Increasing organisational income to circa £10m
- Developing and delivering an HR strategy that attracts, retains and develops the top talent we will need to deliver our strategy
- Developing and delivering an approach to risk management that will enable rather than inhibit our ability to successfully take new opportunities and find new ways to be ever more effective
- Putting in place the organisational reporting and analysis processes that provide the financial information for us to continue strengthening our value proposition and case for support
- Developing and delivering facilities management and an IT strategy that provides staff with the environment, equipment and tools that they need to work productively

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STRATEGIC REPORT - WHAT WE ACHIEVED IN 2017

Realising our vision – a world in which children no longer suffer institutional care – is as much about what is left behind as what is removed. Eliminating orphanages requires us to support local authorities and governments to develop prevention services to stop children from being separated from their families in the first place. Last year 39,120 children benefited from the prevention services that we helped local authorities to set up (52,410 since 2013). These are essential services that ensure children do not end up living without a family or isolated from their communities in orphanages. And national governments across many of the countries we work in are now committed to scaling up these services to benefit many more children.

It also requires us to develop alternative family and community-based arrangements for those children who, when necessary, are placed into care. In 2017, 6 orphanages were closed (103 since 2013) and 680 children were supported to move from institutions to family and community-based care (6,120 since 2013).

An important part of eliminating orphanages, therefore, is the training we provide to equip social workers and other professionals with the skills to provide ongoing support to children and families. Last year, 5,000 social workers, child protection and other childcare professionals and volunteers were trained (22,672 since 2013) who are now benefiting an estimated 250,000 children (1,133,600 since 2013).

In 2017, we set ourselves four priorities to help us maximise our impact for children. Some of the year's key achievements in relation to these goals are explained below:

Priority 1 - Assess the readiness to transform child protection in the countries we have influence in and to drive that readiness forward so that reform gains momentum.

- In October, we began a new project in Jharkhand state, India with our partners CINI (Children in Need Institute), to demonstrate how children can be cared for and protected without institutions, to train state and non-governmental groups to develop and deliver alternative care and to raise awareness about the harmful effects of orphanages.
- In November, Transform Alliance Africa, a coalition of Non-Government Organisations (NGOs) initiated by Hope and Homes for Children, celebrated its first anniversary with the launch of a website, advocacy strategy and business plan. The Alliance is a collective of 13 organisations from six countries in Southern, East and West Africa, committed to ending institutional care of children.
- In partnership with Child's i Foundation in Uganda, we continued work to develop and implement a training programme for child protection professionals. This included training staff in an institution targeted for closure, to assess children for family or community placements and the production of a handbook for social workers in East and Southern Africa with a specific focus on Uganda and Rwanda.
- In South Africa, we now have the full support of all key stakeholders for the One Child One Family project in Gauteng Province. In December, the Gauteng Department of Social Development adopted our Assisted Family Support model for use at all 13 of the province's children's institutions, underlining their belief in both our vision and methodology. The ultimate aim of One Child One Family is to make Gauteng the first institution-free province in South Africa.
- In partnership with UNICEF LACRO, we began to develop guidance for governments in the region on planning for deinstitutionalisation to be piloted and published in 2018. We also provided strategic support and contributed to dialogue, initiatives and the efforts of national and regional NGOs including Brazil's National Movement for Family and Community Life, and the Latin American Network of Care Leavers. Following the death of 41 children in a fire at an over-crowded institution for girls in Guatemala in March 2017, we joined calls for governments to commit to a world without orphanages and began work with UNICEF to help the

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Guatemalan Government ensures that its response to the tragedy marks the beginning of a fundamental change in the way it cares for vulnerable children.

- We continued to support the introduction and roll out of the Tracking Progress Tool - a free web-based diagnostic and learning programme designed to help track the progress of countries and regions in implementing the UN Guidelines on Alternative Care of Children.
- During the course of 2017, our Programmes and Advocacy team provided strategic advice to our country teams and partners to help develop and implement national advocacy strategies with a particular focus on Kenya, Uganda, Rwanda, South Africa, Ghana, Bosnia and Herzegovina, Romania, Moldova, Ukraine and Sri Lanka.

Priority 2 - Document and share our learning on how to deliver reform, and expand the training support we offer so that others can work with us to eradicate institutional care of children.

- Twelve months after we established an Engagement and Learning team, we have inspired and trained over 500 individuals outside our countries of operation to deliver child protection system reform. These people included professionals working with children in NGOs and government agencies, many of them decision makers and leaders.
- In Africa, drawing on the skills and expertise of our staff in Rwanda, we have developed a strong team of global trainers and deployed them to support projects in Uganda, Zambia and Zimbabwe.
- In addition to training on deinstitutionalisation and family support, we have trained 45 professionals across seven African countries on advocacy approaches, tools and techniques and supported the delivery of four awareness raising sessions in the East and Southern Africa region to further spread our message and influence Governments, donors, media and civil society organisations.
- In Latin America and the Caribbean we continued to work with our partner, RELAF, to support the Centre of Excellence for Children, a learning platform that trains, supports and strengthens the human resources needed to implement deinstitutionalisation across the region. As a result, in 2017 we provided face-to-face and online training for 123 child care professionals from eight countries.
- We have developed and launched our first set of video tutorials, supported the launch of an online training course about the UN Guidelines on Alternative Care and a further training programme on Alternative Care in Emergencies.

Priority 3 - Deliver out 100th orphanage closure and celebrate how those closures build the momentum to trigger global reform.

- In June, we celebrated the 100th orphanage closure in our organisation's history when the last child left the Home of Mercy in Kigali, Rwanda. All the children who had been confined to the institution are now living in family or community-based care. Reaching 100 orphanage closures was a significant achievement and represents thousands of children saved from institutional care and placed in loving families. The 100th closure also symbolises many thousands more children prevented from entering institutional care in the first place through our work with governments to tackle the root causes of family breakdown.
- The learning we have taken from the 100 closures over the last 23 years has given us the knowledge, expertise and reputation to have an even broader impact. We have influenced and compelled child protection reform across many countries by informing legislation, setting national reform plans with governments and training tens of thousands of social workers and practitioners. The breadth of learning and practice we have developed places us at the heart of a growing global movement, acting as a catalyst for the elimination of orphanages.

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Priority 4 - Progress the commitment of globally influential organisations, including across the private sector, to stop funding orphanages and re-direct their generous support toward prevention and the delivery of family-based care for all children.

- Building on our previous success in influencing EU internal policies and funds, in 2017 we began advocating for the EU to promote DI in its development of global policies. Together with LUMOS, we developed the joint policy paper, 'Putting child protection and family care at the heart of EU external action' and organised high-level lobby meetings with EU officials in charge of international development and EU external affairs. Again in partnership with LUMOS we organised a series of meetings to discuss collaboration with relevant Brussels-based Civil Society Organisations and NGOs in the field to co-ordinate our advocacy action in this area.
- We continued our strategic engagement with the Christian Alliance for Orphans and began working with Faith to Action to help their members critically evaluate their support of orphanages and reallocate their resources to family and community-based care.
- In Uganda, Hope and Homes for Children and Child's i Foundation organised a number of events and side meetings during the 9th Commonwealth Youth Ministers Meeting, hosted by the Ugandan Government in Kampala. We raised awareness of the issue of institutional care with Youth Ministers and Civil Society Organisations from 52 countries of the Commonwealth.

PLANS FOR FUTURE PERIODS

During 2017, we undertook a substantial piece of work to evaluate our progress during the first phase of our current strategy, consulting widely both within and outside the organisation. In January 2018, we were pleased to launch the next phase which covers the period from 2018 to 2027 which aims:

By December 2027, worldwide, orphanages will no longer be an acceptable way to look after children.

To achieve this aim in the next ten years, our resources will need to be focused on three strategic priorities. These priorities have been identified, in accordance with our mission, on the basis of their potential to drive a transformational impact on how children are protected and cared for, and our capacity to perform effectively as a catalyst in delivering them. The first two strategic priorities describe how we will work across five Regions to drive forward the elimination of orphanages, and then at a global level shape and contribute to the legal and financial means through which all countries are being persuaded and supported to reform. The third strategic priority describes what revenue and investment we will need to succeed and the organisational positioning we will need to achieve.

In this context, our priorities for 2018 are:

- 5,000 social workers, child protection and other childcare professionals and volunteers trained.
- 39,000 children benefiting from prevention services.
- 250,000 children benefiting from alternative care arrangements.
- Collection and analysis of the data needed to calculate the necessary funding required to eliminate institutions in three regions progressed with strategies to secure the funds also in development.
- New pilot project established and being implemented in India.
- Opening Doors for Europe's Children and Transform Alliance Africa progress international and national level commitments to eliminating institutions across Europe and Africa.
- Help form a representative group of experts to develop joint plans to eliminate institutional care at global level.
- Private sector working group established to begin harnessing the capacity of multi-national companies to make orphanages an unacceptable way of looking after children.

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FUNDRAISING STRATEGY AND APPROACH

As stated above, hope and Homes for Children is in a period of strategic income growth. The approach for this is set out in *Organisational Fundraising Strategy 2015 – 2022* which has been approved by the Board. In it we have identified that to complete our mission we require funding of £31million, per year, by 2022, for 30 years. These are indicative figures but give a sense of the organisational ambition required to deliver our mission. To deliver £31 million organisationally by 2022 we are projected the need to lift core sustainable fundraised income to £10 million by the end of 2017 (the end of the first strategic planning cycle) and to approximately £20 million by the end of 2022 with the remaining £11 million projected from statutory and government sources. We are pleased to have exceeded our 2017 milestone and having concluded a mid-point review have set a focus for the next strategic phase of becoming ever more brand led, sustainable and global in influence and reach. Therefore we move into 2018 with three specific key areas of transformation:

- brand led – with a greater focus on marketing and strategic communications
- strategic partnerships and philanthropy
- individual giving - generation of regular, predictable unrestricted income

High professional standards are at the core of our fundraising approach. We apply best practise as determined by fundraising regulatory bodies such as the Institute of Fundraising and are registered with the Fundraising Regulator. We are satisfied that our operational policies meet all current standards.

Our fundraising work is undertaken by our directly employed fundraising team. We closely monitor the quality of our fundraising work and as part of this review fundraising complaints from donors and members of the public. During 2017, we received 25 complaints about our fundraising work. The majority of these complaints related to administrative issues.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the effective management of risk, including ensuring that internal controls are in place and operating as intended. Risk identification is applied through a series of overlapping tiers of assessment which results in a framework that ensures risk is comprehensively identified. The three tiers are Strategic, Corporate and Operational and Project Risk Assessments. During the year, we identified that this methodology required clearer focus and so in line with the new strategic planning cycle, we have revised our processes to gather all key risks in a single register.

The Senior Management Team reviews risks within the Charity at its meetings as well as monitoring external developments that may impact on the organisation. It has systems and procedures to mitigate the risks identified from operational activity as well as procedures to minimise impact should any of the risks materialise. Risk management is a standing item at each of the meetings of the Finance Audit and Risk Committee, where any new risks or material increase in risk is discussed and raised to the Board of Trustees, if necessary.

As we continue to grow, we have identified overstretch across the charity as the key risk that could lead to increased organisational vulnerability, Specifically:

- In programmatic terms our work is increasingly delivered through national and regional partners countries larger numbers of children. Consequently, the risk of a child protection incident is likely to increase, while our ability to directly control it is reduced.
- In fundraising terms overstretch might undermine our attention to as well as capacity to ensure high quality relationships with our key supporters.

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- In financial management terms overstretch might reduce our capacity to maintain our internal auditing processes, and financial monitoring.

We will mitigate these risks by:

- Continuing to evolve our on-going due diligence and capacity development of partner organisations, training of our own staff, and by continuing to strengthen our child protection policy implementation, planning and monitoring.
- Controlling the breadth and scale of our programming so that we minimise the likelihood of overstretch, and where we do expand, we will invest in our capability to deliver it.
- Continuing investment in our fundraising capacity and the culture of our Fundraising team in a way that ensures world class account planning and relationship management.
- Assessing areas where skills and systems can be augmented to respond and implement organisational priorities implement the recommendations.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure

Hope and Homes for Children is a charitable company limited by guarantee. The Articles of Association dated May 2017 sets out the objects and powers of the organisation. The Charity is governed by a Board of Trustees which has legal, financial and managerial responsibility for the charity. The trustees constitute directors of the charitable company for the purposes of the Companies Act 2006 and trustees of the charity for the purposes of the Charities Act 2011.

Governance

New trustees are appointed at duly convened meetings for a period of three years after which they are eligible for re-election for a further three years. The Board has adopted formal procedures for the recruitment, selection and induction of new trustees which are managed by the Nominations and Remuneration Committee (NRC). The terms of reference for the NRC include reviewing the size, skills, structure and effectiveness of the Board and making recommendations for any changes. The NRC reviews nominations and applications for trustees and puts forward recommendations of suitable nominees to the full Board.

Following the appointment of new members, an induction programme is arranged which aims to give the individuals the information and tools they need to fulfil their legal obligations as well as to play an effective role on the Board. The induction involves reading material, visits to the offices in the UK and abroad as well as access to staff. During the term of office of trustees, opportunities for on-going training are offered either through specifically arranged sessions or less formally through recommended reading lists.

The Board of Trustees comprises a minimum of three trustees with no maximum limit. The trustees meet five times a year when they consider the strategic direction and governance of Hope and Homes for Children. Formal delegation for certain areas of work has been given to three sub-committees:

- Finance, Audit and Risk Committee (FARC) - which monitors and reviews financial and audit activity, the risk and control framework, organisational governance and the statutory accounts.
- Nominations and Remuneration Committee (NRC) - in addition to the succession planning for Board members, the Committee agrees remuneration and benefits of the Chief Executive and the Senior Management Team.
- Programmes Advisory Committee (PAC) - established to oversee and monitor implementation of the Child Protection Policy and to facilitate the sharing of knowledge and understanding of our programmes among the Board of Trustees in order to strengthen their ability to assess and take strategic decisions that affect successful delivery of our programmes.

These groups report back on their proceedings to the full Board.

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The Charity Code of Governance

Hope and Homes for Children takes its governance responsibilities seriously and aims to have a governance framework that is fit for purpose, compliant and efficient. In 2017 the new Charity Code of Governance was launched and we have used the Code as a tool to support a review of our governance structures and consider the ways in which the organisation and its Trustees currently apply the Charity Governance Code's seven principles and recommended practice.

Whilst we already apply a number of the recommended practices relating to each of the Code's seven principles, our initial focus has been on broadening and diversifying the skill set of the Board and reviewing sub-committee terms of reference and membership. During 2018, we will be using time at Board meetings to consider the ways in which we can implement further improvements in the organisation's governance standards and increase the Board's overall effectiveness.

Management

The Board has delegated the day to day management of the organisation to the Senior Management Team which comprises the Chief Executive and Directors of Programmes and Global Advocacy, Fundraising and Resources. Matters such as strategic and operational plans and key policies are prepared by the Senior Management Team for consideration and approval by the Board.

Public benefit

The aims and benefits of Hope and Homes for Children are contained within the main body of this Report under Vision, Mission and Strategic Aim on page 4 and under Strategic Report on pages 6 to 8. We have considered the key principles of the Charity Commission's general guidance about public benefit and have concluded that Hope and Homes for Children meets all the requirements.

Related Parties

Hope and Homes for Children has subsidiary organisations in Romania and South Africa.

Hope and Homes for Children Romania was established in 1999 as a non-governmental organisation with the Ministry of Justice. Its Board of Directors comprises senior managers of the UK charity and therefore its financial results are consolidated.

Hope and Homes for Children (South Africa) was set up as a non-profit company and public benefit organisation with tax exempt status in 2008. Its registration number is 2008/005926/08. In 2012, we handed over the projects we managed to local NGOs and our work in South Africa has been dormant since then. Now ready to restart operational activity, we are reviewing our legal options for the company.

One Child One Family HHCSA was set up as a non-profit company and public benefit organisation with tax exempt status in November 2017. At the balance sheet date it had not started trading. Its registration number is 2017/489514/08. Its Board of Directors comprises senior managers of the UK charity.

Related party transactions are disclosed in note 9 to the financial statements.

Remuneration Policy

Our approach to remuneration is designed to ensure that we can attract and retain the talented and motivated people we need to achieve our mission and deliver our strategic goals. It is applied consistently across the organisation, including the Senior Management Team membership of which is set out on page 3. We aim to pay within benchmarked ranges for the sector and within the context of affordability.

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Financial Review

The financial review and consolidated financial statements incorporate the results of Hope and Homes for Children's UK operations and its overseas controlled subsidiaries, and branches.

Income in 2017 rose to a new record level which represented a continuation of the plan started in 2013 to grow the operational capacity and impact of the organisation with investment being made to grow income and to improve the financial sustainability of the charity.

Total income in 2017 was £11.7 million which was £2.2 million up on the 2016 comparative figure of £9.5 million. In the final quarter of the year, donations were significantly boosted by the End the Silence appeal which ran as part of DFID's UK Aid Match Scheme between September and December. This is a significant factor in the increase of income from individuals which rose from £1.1 million in 2016 to £1.9 million in 2017.

Corporate income rose by just over £1.1 million to £3.3 million in 2017. This is the second year of us benefitting from being one of two nominated Charities of the Year of Deutsche Bank. The fundraising initiatives of the employees raised just over £1 million for our work which exceeded our expectations. In addition, income from trusts and foundations also rose being £0.1 million higher than last year and reaching a record level of £3.9 million.

Activity fundraising from both community groups and events has dipped slightly during 2017. The trend is caused by record income levels in 2016 rather than less activity in 2017. We are extremely grateful to all our participants in challenge events and a broad range of fundraising activities.

We received significantly more funding in the form of grants directly related to our charitable activities, income in this area increasing from £0.7 million to £0.8 million. The majority of this funding is represented by the grant from the Department for International Development under the UK Aid Match programme. The funding is applied to regional action to reduce reliance on institutional care of children and fight child poverty in East and Southern Africa through a capacity building approach

The expenditure rose from £9.2 million in 2016 to £10.0 million in 2017. Spending plans were continued to be subject to rigorous scrutiny as we balance our goals of strategic growth against our core commitments. In line with the plans to grow income the costs of raising funds rose from £2.3 million last year to £2.7 million this year. Investment was primarily made in additional staff. In August 2017 we secured financial support from the UBS Optimus Foundation in the form of a PRI (programme related investment) loan of £1.4 million. The loan is repayable in five years and interest is charged at 2%.

Our expenditure on charitable activities also rose, increasing from £6.9 million to £7.3 million. The significant increases in spend were in South Africa as the strategic project fully established, in Moldova where progressed work across a number of closure projects and in Rwanda where our prevention and family support projects reached record numbers of children and families. In Romania, the expenditure levels were lower by £0.6 million which relates to the timing of the completion of a number of capital projects under development rather than a change in activity levels.

As a result of the above, we ended the year with a surplus of £1.8 million. Restricted funds fell by £0.3 million. A further designated fund was created to ring fence the activity on the PRI Loan (investing in fundraising over the next five years to develop a diversified sustainable income to achieve the scale of operation required to deliver the mission) which resulted in an increase in designated funds of £1.4 million. Finally the general fund increased by £0.7 million. Total funds at the end of the year were £8.9 million.

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Reserves Policy

Hope and Homes for Children needs reserves to ensure the Charity can meet its objectives; both its current commitments and its longer term sustainability. We have determined that the reserve needs to be in a range, calculated with reference to the risk assessment of:

- The viability of income streams
- Opportunities to invest in new projects prior to securing funding
- Cash flow requirements

We have further determined that we need to hold the equivalent of approximately two months total expenditure as reserves of which at least one month's essential core expenditure should be held as an unrestricted cash reserve.

As at 31 December 2017, these measures indicate a required cash reserve of between £1 million and £1.1 million, including an unrestricted cash reserve of £400k.

At the balance sheet date, the total reserves were £8.9 million (2016: £7.1 million) comprising £5.3 million (2016: £5.6 million) of restricted funds and £3.6 million of unrestricted funds. (2016: £1.5 million).

Unrestricted funds comprise general funds of £2.1 million (2016: £1.4 million) and £1.5 million of designated funds (2016: £0.01 million). The designated funds balance represents tangible fixed assets and the balance of activity on the PRI Loan fund. Neither is therefore available for general use.

With these reserve levels, the reserves policy was met at the year end. As the organisation continues to grow and increase its capacity, our Business Plan for 2018 and our Strategic Plan outline a path to build general reserves through a combination of controlling expenditure while investing in and broadening our fundraising activities. We also have plans to review the reserves policy as part of developing the next phase of the strategic cycle.

Investment Policy

Our governing document provides us with the powers to invest monies not immediately required as we see fit. The policy we have set aims to invest funds to generate income. Cash balances are held to ensure funds are available to meet day to day commitments with any funds that are not instantly required being placed on term deposits until needed.

Grant Making Policy

Hope and Homes for Children works in partnership with a number of organisations. Grants payable are made in line with strategic and business plans. We monitor grants operationally and financially throughout the term and particularly at the end of the grant. The annual planning process includes earmarking funding to be made available for grants in the following year.

Going Concern

Hope and Homes for Children is funded by voluntary donations and, as such, can only operate to the extent that these donations allow. There is, however, a degree of probability regarding some future donations. The Charity has in place certain contingency plans should donations fall materially. We consider that Hope and Homes for Children has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the accounts on pages 18 to 34.

Auditor

We will put a resolution to the Annual General Meeting proposing that Crowe U.K. LLP will be re-appointed as auditor. On 25 June 2018 Crowe Clark Whitehill LLP changed its name to Crowe U.K. LLP.

HOPE AND HOMES FOR CHILDREN

TRUSTEES' ANNUAL REPORT and STRATEGIC REPORT for the year ended 31 December 2017

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of Hope and Homes for Children for the purposes of company law) are responsible for preparing the Trustees' Annual Report, Strategic Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 SORP;
- make judgments 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 charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of Information to Auditor

Insofar as each of the trustees of the charitable company at the date of approval of this report is aware there is no relevant audit information (information needed by the charitable company's auditor in connection with preparing the audit report) of which the charitable company's auditor is unaware. Each trustee has taken all of the steps that he/she should have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

The Trustees' Annual Report (including the Strategic Report) was approved by the Board of Trustees on 19 July 2018 and signed on their behalf by:



MARK GRINONNEAU
Trustee and Treasurer



RICHARD GREENHALGH
Trustee and Chairman

HOPE AND HOMES FOR CHILDREN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOPE AND HOMES FOR CHILDREN

We have audited the financial statements of Hope and Homes for Children for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, the Group and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes numbered 1 to 22. 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).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 December 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The 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.

HOPE AND HOMES FOR CHILDREN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOPE AND HOMES FOR CHILDREN

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report and Strategic Report prepared for the purposes of company law, for the financial years for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report and Strategic Report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report and Strategic Report.

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

- the parent company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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 group's or the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

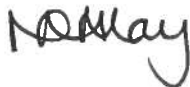
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

HOPE AND HOMES FOR CHILDREN

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOPE AND HOMES
FOR CHILDREN**

Use of our report

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



Nicola May

Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Date: 20th September 2018

HOPE AND HOMES FOR CHILDREN

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an income and expenditure account)
for the year ended 31 December 2017

	Notes	Unrestricted £	Designated £	Restricted £	2017 Total £	Unrestricted £	Restricted £	2016 Total £
Income from:								
Donations and legacies	2	5,917,509	114,178	4,833,584	10,865,271	4,429,983	4,312,712	8,742,695
Charitable activities	4	-	-	780,903	780,903	-	719,884	719,884
Trading activities		10,019	-	-	10,019	9,307	-	9,307
Investment income		2,728	-	-	2,728	1,530	48	1,578
Other income		-	-	29,914	29,914	-	38,435	38,435
Total income		5,930,256	114,178	5,644,401	11,688,835	4,440,820	5,071,079	9,511,899
Expenditure on:								
Raising funds	5	1,622,814	202,429	869,776	2,695,019	1,557,537	705,771	2,263,308
Charitable activities Work to globally eradicate the institutional care of children	5	2,376,456	-	4,928,729	7,305,185	2,938,294	3,999,368	6,937,662
Total expenditure		3,999,270	202,429	5,798,505	10,000,204	4,495,831	4,705,139	9,200,970
Net income/(expenditure)		1,930,986	(88,251)	(154,104)	1,688,631	(55,011)	365,940	310,929
Transfers		(1,246,736)	1,468,642	(221,906)	-	500,029	(500,029)	-
Other recognised gains/(losses)		(28,751)	7,993	105,234	84,476	2,669	561,930	564,599
Net movement in funds		655,499	1,388,384	(270,776)	1,773,107	447,687	427,841	875,528
Reconciliation of funds:								
Total funds brought forward	16	1,431,256	83,105	5,572,154	7,086,515	1,066,674	5,144,313	6,210,987
Total funds carried forward	16	2,086,755	1,471,489	5,301,378	8,859,622	1,514,361	5,572,154	7,086,515

The notes on pages 21 to 34 form part of these financial statements.

HOPE AND HOMES FOR CHILDREN

BALANCE SHEETS
as at 31 December 2017

Registered Company Number: 4193179

	Notes	Group		Charity	
		2017 £	2016 £	2017 £	2016 £
Fixed assets:					
Tangible fixed assets	12	3,763,796	3,846,904	49,574	23,962
Current assets:					
Donated properties under development		1,211,886	504,942	25,678	-
Stocks		75,463	-	-	-
Debtors and prepayments	13	869,489	749,190	793,567	713,119
Short-term bank deposits and cash resources	14	4,769,241	2,314,280	4,447,641	2,241,296
		6,926,079	3,568,412	5,266,886	2,954,415
Liabilities:					
Creditors: amounts falling due within one year	15a	387,182	328,801	367,681	279,526
Net current assets		6,538,897	3,239,611	4,899,205	2,674,889
Creditors: amounts falling due after more than one year	15b	1,443,071	-	1,443,071	-
Net assets		8,859,622	7,086,515	3,505,708	2,698,851
Funds:					
Restricted funds	16/17	5,301,378	5,572,154	930,251	813,010
Unrestricted funds					
Designated funds	16/17	1,471,489	83,105	1,171,063	23,962
General funds	16/17	2,086,755	1,431,256	1,404,394	1,861,879
Total unrestricted funds		3,558,244	1,514,361	2,575,457	1,885,841
Total funds		8,859,622	7,086,515	3,505,708	2,698,851

The notes on pages 21 to 34 form part of these financial statements.
The parent charity made a surplus in the year of £806,857 (2016: surplus of £824,461).

The financial statements on pages 18 to 34 were approved and authorised for issue by the Board of Trustees on 19 July 2018.

Signed on behalf of the Board of Trustees by:



MARK GRINONNEAU
Trustee and Treasurer



RICHARD GREENHALGH
Trustee and Chairman

HOPE AND HOMES FOR CHILDREN

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Net cash provided/(used in) by operating activities	20	1,312,673	719,979
Cash flows from investing activities:			
Interest received		2,728	1,578
Purchase of property		(119,488)	(68,759)
Purchase of other fixed assets		(70,796)	(78,942)
Net cash (used in) investing activity		(187,556)	(146,123)
Cash flows from financing activities:			
Cash inflows/(outflows) from loan		1,443,071	(91,605)
Net cash provided by financing activity		1,443,071	(91,605)
Change in cash and cash equivalents in the year		2,568,188	482,251
Cash and cash equivalents at the start of the year		2,314,280	1,762,303
Change in cash and cash equivalents due to exchange rate movements		(113,227)	69,726
Cash and cash equivalents at the end of the year		4,769,241	2,314,280

The notes on pages 21 to 34 form part of these financial statements.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. ACCOUNTING POLICIES

Legal Status of the Charity

Hope and Homes for Children is a company limited by guarantee and is registered in England and Wales with the Charity Commission (Reg No:1089490) and with Companies House (Reg No: 4193179). The charitable company was incorporated in April 2001 and has no share capital. The members of the company are the Trustees named on page 3. In the event of the company being wound up, the liability in respect of the guarantee for each member is limited to £10. At the balance sheet date there were 11 members.

Registered and principal office

The registered and principal office of Hope and Homes for Children is East Clyffe, Salisbury, Wiltshire, SP3 4LZ.

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) (Charities SORP 2015) and the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS102).

The financial statements have been prepared under the historical cost convention.

Hope and Homes for Children meets the definition of a Public Benefit Entity under FRS 102.

Basis of consolidation

The financial statements consolidate the results of the charity and its subsidiary undertaking (Hope and Homes for Children – Romania) on a line by line basis. Hope and Homes for Children – Romania is registered with the Judiciary of Baia Mare in Romania (Certified: 23 September 2001). The Board of the subsidiary are senior managers of the charity and the two organisations are managed on a unified basis.

Much of the operational activity of the charity is carried out through branches located in the countries of operation. In line with the requirements of SORP 2015, their results are included within those of the charity on a line by line basis.

The other subsidiary undertaking (Hope and Homes for Children (South Africa) and One Child One Family HHCSA) were dormant during the year and therefore are not consolidated on the grounds of materiality. Senior managers of the charity form a majority on their Boards.

The parent charity has taken advantage of the exemptions in FRS102 from the requirement to present a charity only Cash Flow Statement.

Going concern

The trustees have determined that there are no material uncertainties over the charitable company's ability to continue as a going concern. Accordingly, the trustees believe it is appropriate to prepare the financial statements on the going concern basis.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

The principal accounting policies which have been adopted are set out below:

Income

Income is recognised in the SOFA when the charity becomes entitled to the income, it is probable that the income will be received and the amount can be measured reliably.

Grants receivable that do not relate to the performance of a service or the production of charitable goods are classified as voluntary income and those that are performance related are classified as income from charitable activities. Grants are credited to income in the SOFA, with unspent balances being carried forward to subsequent years within the relevant fund.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor has specified that the income is to be expended in a future period.

Legacy income is included when there is sufficient evidence of entitlement, probable receipt and where the amount is measureable. Pecuniary and residuary legacies notified before the year end, are accrued where it can be demonstrated that the charity had entitlement at the year end, the amounts can be quantified with reasonable certainty and where receipt is probable.

Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure on raising funds represents expenditure incurred in attracting funding and the costs of disseminating information about charitable activity.

Expenditure on charitable activities includes the direct costs of operating overseas programmes and grants made to third parties. It also includes support costs incurred at the UK office directly in support of the overseas activities.

Allocation of support costs

The majority of costs are directly attributable to specific activities. Certain shared costs, including Governance Costs, are apportioned to activities based on the proportion of staff time allocated to the activity.

Pension scheme

The costs of providing defined contribution pensions are charged to the SOFA as they fall due. The difference between contributions payable in the period and those actually paid are shown as accruals in the balance sheet. The costs of the pension scheme are allocated between restricted and unrestricted funds in proportion to the time allocated for work done by members of staff.

Operating leases

Instalments paid under operating lease contracts are charged to the SOFA as incurred.

Exchange rate gains and losses

The results and financial position of subsidiaries (none of which has the currency of a hyper-inflationary economy) that conduct business in a foreign currency are translated into sterling at the rate of exchange ruling at the date of the transaction. The affairs of the subsidiaries are so closely interlinked with those of the parent charity that it is considered that the incoming resources and application of resources may be regarded as being more dependent on sterling than on its own reporting currency. Fixed assets are translated at the rate of exchange ruling at the date of transaction and then carried at that sterling value. At the balance sheet date, cash and bank balances, and amounts receivable and payable are translated by using the rate of exchange ruling at that date.

Exchange movements are recorded in the SOFA.

Presentation currency

The functional currency of Hope and Homes for Children and its subsidiary is considered to be in pounds sterling because that is the currency of the primary economic environment in which the charity operates. The consolidated financial statements are also presented in pounds sterling.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Tangible fixed assets and depreciation

Tangible fixed assets with a value greater than £1,000 are included at cost and written off by equal annual instalments over their expected useful lives as follows:

Land	n/a
Property for functional use	40 years
Homes and services for beneficiaries	10 to 20 years
Improvements to property	10 years
Motor vehicles	4 to 5 years
Office and computer equipment	2 to 5 years

Ownership of homes and services for beneficiaries rests with the charity while the running and management of the activity in the building is the responsibility of the local authority. At an appropriate point the charity and local authority will sign an agreement by which the property will be donated to the local authority for the continued provision of the services.

Vehicles and equipment used in overseas branches and other operating entities are not capitalised but charged in full to the SOFA when purchased.

Assets under development

Assets under development are valued at cost less impairment. When complete, those assets where ownership rests with the charity are transferred to fixed assets and those where ownership is retained by a project stakeholder are expensed to the SOFA.

Stock

Stock is stated at the lower of cost and net realisable value.

Debtors

Other debtors are recognised in the financial statements at the settlement amount. Prepayments are valued at the amount prepaid at the balance sheet date.

Short-term bank deposits and cash

Short-term bank deposits and cash includes cash in hand, deposits held with banks and other highly liquid short-term deposits.

Creditors

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or reliably estimated.

Fund accounting

Restricted funds are funds that can only be used in accordance with specific restrictions imposed by donors or that have been raised by the charity for particular purposes. The costs of administering the restricted funds are charged against the specific fund. The detail of each restricted fund is set out in note 16.

Designated funds are funds that have been set aside by the Trustees out of unrestricted general funds for specific purposes. The aim and use of each designated fund is set out in note 16.

General funds are unrestricted funds that can be used at the discretion of the Trustees to further the charitable objectives.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

Financial instruments

Hope and Homes for Children only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their amortised cost.

Significant estimates and judgements

In the application of the charity's accounting policies, which are described in note 1, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

The annual depreciation charge for the tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. More details of the useful lives for each class of assets is given on page 21.

Taxation

Hope and Homes for Children is a registered charity and as such is entitled to tax exemption on all its income and gains, properly applied for its charitable purposes.

VAT

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Gifts in kind

In line with the requirements of SORP 2015, the value of services provided by volunteers is not incorporated in these financial statements.

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

2. DONATIONS AND LEGACIES

	Unrestricted	Designated	Restricted	2017 Total	Unrestricted	Restricted	2016 Total
	£	£	£	£	£	£	£
Individuals	1,305,954	3,361	582,475	1,891,790	833,967	315,809	1,149,776
Corporate donors	1,378,373	110,817	1,841,576	3,330,766	1,404,012	831,320	2,235,332
Charitable trusts and foundations	1,573,100	-	2,347,536	3,920,636	706,593	3,089,455	3,796,048
Community groups	69,650	-	37,691	107,341	64,974	65,418	130,392
Fundraising activities and events	1,156,937	-	24,306	1,181,243	1,349,036	10,710	1,359,746
Legacies	433,495	-	-	433,495	71,401	-	71,401
Total	5,917,509	114,178	4,833,584	10,865,271	4,429,983	4,312,712	8,742,695

3. LEGACY PIPELINE

There was £295,000 (2016: £350,000) worth of legacies notified to the charity that did not meet the recognition criteria and hence have not been accounted for within these financial statements.

4. CHARITABLE ACTIVITIES

	Unrestricted	Designated	Restricted	2017 Total	Unrestricted	Restricted	2016 Total
	£	£	£	£	£	£	£
DFID UK Aid Match	-	-	739,281	739,281	-	657,298	657,298
UNICEF Rwanda	-	-	-	-	-	36,388	36,388
Federal Ministry of Labour and Social Policy, Bosnia and Herzegovina	-	-	8,237	8,237	-	5,844	5,844
UNICEF Bosnia	-	-	22,554	22,554	-	10,423	10,423
UNICEF Latin America	-	-	10,831	10,831	-	-	-
EEA Grants	-	-	-	-	-	895	895
European Union – SEE	-	-	-	-	-	9,036	9,036
Total	-	-	780,903	780,903	-	719,884	719,884

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

5. ANALYSIS OF EXPENDITURE

	Staff Costs £	Other direct costs £	Grants payable £	Allocated support Costs £	2017 £	2016 £
Costs of raising funds	1,328,262	1,148,004	-	218,753	2,695,019	2,263,308
Charitable expenditure						
Global initiatives	14,334	97,327	38,806	13,292	163,759	91,554
East and Southern Africa						
<i>Rwanda and regional activities</i>	714,712	581,754	134,428	126,405	1,557,299	1,376,949
<i>South Africa</i>	292,599	205,284	51,890	48,567	598,340	206,878
<i>Sudan</i>	180,931	31,238	-	18,743	230,912	360,422
Central and Southern Europe						
<i>Bosnia and Herzegovina</i>	134,275	123,369	-	22,760	280,404	211,455
<i>Bulgaria</i>	282,328	207,725	-	43,291	533,344	439,868
<i>Moldova and Transnistria</i>	83,591	53,132	415,331	48,768	600,822	406,387
<i>Romania and regional activities</i>	844,124	1,624,600	-	218,087	2,686,811	3,285,153
Eastern Europe and Central Asia						
<i>Ukraine and regional activities</i>	142,498	80,647	-	19,713	242,858	247,988
Latin America and the Caribbean	37,241	22,487	258,941	28,151	346,820	292,654
Indian sub-continent	25,210	10,889	22,537	5,180	63,816	18,354
Total charitable expenditure	2,751,843	3,038,452	921,933	592,957	7,305,185	6,937,662
Total	4,080,105	4,186,456	921,933	811,710	10,000,204	9,200,970

Staff costs totalling £393,387 (2016: £358,182) are included in allocated support costs.

6. ANALYSIS OF SUPPORT COSTS

	2017 £	2016 £
Directorate	181,685	175,836
Governance	120,055	90,964
Facilities management	143,840	111,947
Financial management	154,769	49,901
Information technology	98,686	88,515
Human resources	112,675	75,050
Total	811,710	592,213

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

7. GRANTS PAYABLE

Grants payable all relate to grants made to fund projects to implement organisational charitable objectives. They are made to Hope and Homes for Children's partner agencies as follows:

	2017	2016
	£	£
Eurochild, Brussels	30,584	32,180
AVSI Foundation, Rwanda	1,965	-
Community for Children's Rights, Tanzania	5,870	-
ACI, Uganda	21,868	-
Child's i Foundation, Uganda	101,630	55,864
International Child Campaign, Uganda	8,222	14,940
Children in Family Focus, Kenya	3,095	9,946
Give a Child a Family, South Africa	51,890	4,539
Copil Comunitate, Familie, Moldova	415,331	272,982
Red Latinoamericana de Acogimiento Familiar, Uruguay	258,941	197,334
CINI, India	22,537	-
Total	921,933	587,785

8. NET INCOME

Net income is stated after charging:

	2017	2016
	£	£
Depreciation of fixed assets	386,619	376,134
Movement on exchange rate	84,476	648,987
Interest payable	12,098	-
Property rental	28,170	28,170
Auditor's remuneration – statutory audit	22,600	21,900

9. TRUSTEES REMUNERATION AND RELATED PARTY TRANSACTIONS

The trustees were not remunerated during the current or preceding financial years. Reimbursement of £1,090 was made to four trustees for directly incurred travel expenses (2016: £521 to two trustees). Aggregate donations received from trustees during the year were £29,985 (2016: £31,734). No other benefits were awarded to Trustees during the financial year.

During the year, an amount of £14,621 was paid to a training company owned by one of the trustees, Dean Williams, to deliver an accredited coaching course to 35 middle and senior managers in the charity (2016: there were no related party transactions).

Aggregate transactions with the subsidiary undertaking, Hope and Homes Romania, were:

	2017	2016
	£	£
Funds remitted	1,888,393	1,686,582

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10. STAFF COSTS AND NUMBERS

	2017 £	2016 £
The costs of employing the UK contracted staff were :		
Salaries	1,819,498	1,602,762
National insurance	188,108	160,292
Pension scheme	67,042	55,550
	2,074,648	1,818,604
The costs of employing overseas staff on local contracts were:		
Salaries and local taxes	2,398,844	1,899,099
	4,473,492	3,717,703

	2017 No.	2016 No.
The average number of contracted staff during the year was:		
In the UK	51	50
Overseas	145	136
	196	186

The total employee remuneration of the Senior Management Team (Key Management Personnel) was £406,008 (2016: £355,408).

For staff paid £60,000 or greater per annum, the number of employees with emoluments in the following ranges were:

	2017 No	2016 No
£60,000 to £69,999	-	1
£70,000 to £79,999	2	2
£80,000 to £89,999	3	1
£90,000 to £99,999	-	1
£100,000 to £109,999	1	-

Hope and Homes for Children paid pension contributions for higher paid employees to the scheme amounting to £19,240 (2016: £9,869).

As a result of a reorganisation within the organisation redundancy and termination payments were made as compensation for loss of employment totalling £nil (2016: £18,000) in accordance with organisational policy and the legal requirements of the countries in which the individuals work. There were no outstanding amounts at the year end (2016: £nil).

11. PENSION SCHEME

The charity contributes 6% of members' salaries towards a defined contribution pension scheme, which is administered on its behalf by Friends Provident. At the year-end there were outstanding contributions of £11,123 (2016: £7,594) which are included in creditors.

HOPE AND HOMES FOR CHILDREN

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for the year ended 31 December 2017

12. TANGIBLE FIXED ASSETS

GROUP	Land and Buildings	Land and Buildings under construction	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£	£
Cost at 1 January 2017	4,721,437	-	214,725	207,722	207,831	5,351,715
Additions	-	119,488	-	25,750	45,046	190,284
Disposals	-	-	-	-	(8,049)	(8,049)
Foreign exchange movement	90,729	-	-	4,220	616	95,565
Cost at 31 December 2017	4,812,166	119,488	214,725	237,692	245,444	5,629,515
Depreciation at 1 January 2017	957,637	-	214,402	159,881	172,891	1,504,811
Charge for the year	341,394	-	323	13,891	31,011	386,619
Disposals	-	-	-	-	(8,049)	(8,049)
Foreign exchange movement	(14,505)	-	-	3,094	(6,251)	(17,662)
Depreciation at 31 December 2017	1,284,526	-	214,725	176,866	189,602	1,865,719
Net book value						
At 31 December 2017	3,527,640	119,488	-	60,826	55,842	3,763,796
At 31 December 2016	3,763,800	-	323	47,841	34,940	3,846,904
CHARITY	Land and Buildings	Land and Buildings under construction	Improvements to leasehold property	Motor vehicles	Office and Computer Equipment	Total
	£	£	£	£	£	£
Cost at 1 January 2017	59,813	-	214,725	-	160,662	435,200
Additions	-	-	-	-	41,716	41,716
Disposals	-	-	-	-	-	-
Cost at 31 December 2017	59,813	-	214,725	-	202,378	476,916
Depreciation at 1 January 2017	59,813	-	214,402	-	137,023	411,238
Charge for the year	-	-	323	-	15,781	16,104
Disposals	-	-	-	-	-	-
Depreciation at 31 December 2017	59,813	-	214,725	-	152,804	427,342
Net book value						
At 31 December 2017	-	-	-	-	49,574	49,574
At 31 December 2016	-	-	323	-	23,639	23,962

The freehold property represents a portfolio of buildings acquired or built as part of deinstitutionalisation projects in Romania and Bosnia and Herzegovina. The portfolio comprises 56 properties (2016: 56 properties) which are used as small group homes, day centres, emergency reception centres and as a training centre.

HOPE AND HOMES FOR CHILDREN

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13. DEBTORS AND PREPAYMENTS

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Other debtors and accrued income	729,499	598,361	666,729	568,027
Tax recoverable	42,581	45,385	42,581	45,385
Prepayments	97,409	105,444	84,257	99,707
	869,489	749,190	793,567	713,119

14. CASH AND CASH EQUIVALENTS

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Cash in hand				
Held in the UK	4,373,450	2,103,206	4,373,450	2,103,206
Held overseas	395,791	211,074	74,191	138,090
	4,769,241	2,314,280	4,447,641	2,241,296

15. a) CREDITORS: Amounts falling due within one year

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Trade creditors	116,663	132,802	105,453	123,878
Other creditors	47,669	63,927	42,861	45,403
Grants payable	36,234	18,182	36,234	18,182
Interest payable	12,098	-	12,098	-
Taxation and social security costs	85,698	67,610	82,215	45,783
Deferred income	38,050	-	38,050	-
Accruals	50,770	46,280	50,770	46,280
	387,182	328,801	367,681	279,526

15. b) CREDITORS: Amounts falling due after more than one year

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Loan	1,443,071	-	1,443,071	-

HOPE AND HOMES FOR CHILDREN

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16. GROUP FUNDS

a) Current year

	Balance at 1 January 2017	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2017
	£	£	£	£	£	£
Restricted funds						
Overseas property fund	3,763,799	-	-	(221,906)	105,234	3,647,127
Rwanda	209,330	475,238	(427,777)	-	-	256,791
Rwanda-funded by DFID *	-	739,281	(739,281)	-	-	-
South Africa	-	550,522	(520,522)	-	-	30,000
Sudan	-	29,604	(29,604)	-	-	-
Bosnia and Herzegovina	-	301,127	(51,127)	-	-	250,000
Bulgaria	223,040	330,405	(458,125)	-	-	95,320
Moldova and Transnistria	79,700	406,471	(486,171)	-	-	-
Romania	995,345	2,544,233	(2,815,578)	-	-	724,000
Ukraine	-	146,901	(146,901)	-	-	-
Latin America	-	10,831	(5,601)	-	-	5,230
India	50,940	109,788	(63,783)	-	-	96,945
UK Fundraising	250,000	-	(54,035)	-	-	195,965
<i>Sub-total</i>	<i>5,572,154</i>	<i>5,644,401</i>	<i>(5,798,505)</i>	<i>(221,906)</i>	<i>105,234</i>	<i>5,301,378</i>
Unrestricted fund						
Designated funds						
<i>Fixed assets fund</i>	83,105	-	-	25,571	7,993	116,669
<i>PRI Loan fund</i>	-	114,178	(202,429)	1,443,071	-	1,354,820
General fund	1,431,256	5,930,256	(3,999,270)	(1,246,736)	(28,751)	2,086,755
<i>Sub-total</i>	<i>1,514,361</i>	<i>6,044,434</i>	<i>(4,201,699)</i>	<i>221,906</i>	<i>(20,758)</i>	<i>3,558,244</i>
Total funds	7,086,515	11,688,835	(10,000,204)	-	84,476	8,859,622

b) Previous year

	Balance at 1 January 2016	Income	Expenditure	Transfers	Other recognised gains/losses	Balance at 31 December 2016
	£	£	£	£	£	£
Restricted funds						
Overseas property fund	3,701,898	-	-	(500,029)	561,930	3,763,799
Rwanda	13,515	426,507	(230,692)	-	-	209,330
Rwanda-funded by DFID *	-	657,298	(657,298)	-	-	-
South Africa	180,270	34,199	(214,469)	-	-	-
Sudan	-	31,767	(31,767)	-	-	-
Bosnia and Herzegovina	3,415	79,668	(83,083)	-	-	-
Bulgaria	132,750	534,001	(443,711)	-	-	223,040
Moldova and Transnistria	2,570	468,864	(391,734)	-	-	79,700
Romania	1,109,895	2,383,609	(2,498,159)	-	-	995,345
Ukraine	-	135,714	(135,714)	-	-	-
India	-	69,452	(18,512)	-	-	50,940
UK Fundraising	-	250,000	-	-	-	250,000
<i>Sub-total</i>	<i>5,144,313</i>	<i>5,071,079</i>	<i>(4,705,139)</i>	<i>(500,029)</i>	<i>561,930</i>	<i>5,572,154</i>
Unrestricted fund						
Designated funds						
<i>Fixed assets fund</i>	53,383	-	-	27,053	2,669	83,105
<i>Capacity building fund</i>	-	237,100	(237,100)	-	-	-
General fund	1,013,291	4,203,720	(4,258,731)	472,976	-	1,431,256
<i>Sub-total</i>	<i>1,066,674</i>	<i>4,440,820</i>	<i>(4,495,831)</i>	<i>500,029</i>	<i>2,669</i>	<i>1,514,361</i>
Total funds	6,210,987	9,511,899	(9,200,970)	-	564,599	7,086,515

HOPE AND HOMES FOR CHILDREN

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* This project is funded by the Department for International Development under the UK Aid Match programme. The award was made for regional action to reduce reliance on institutional care of children and fight child poverty in East and Southern Africa through a capacity building approach. The expenditure recorded in the table above for this project has been incurred in accordance with the terms of the grant.

Restricted funds

All restricted funds are for work on specific projects or for work in particular countries. Where funds are received for these purposes, they are shown as restricted income on the Statement of Financial Activities. Expenditure for the purposes specified is applied against the income and any amounts unexpended at the balance sheet date are shown within restricted funds along with the net book value of fixed assets acquired with restricted funds and any cash or debtors relating to restricted funds.

The Overseas property fund represents the net book value of fixed assets acquired with restricted funds where the donor agreements require that the assets remain restricted. The transfer of £500,029 to the general fund represents the release of restriction through depreciation charges and exchange rate movements.

Designated funds

The fixed asset fund represents the net book value of unrestricted fixed assets. The transfer of £221,906 from the general fund represents the acquisition of assets netted with the release of designations through depreciation charges and exchange rate movements.

The PRI Loan fund represents loan funding which has been secured to invest in fundraising over the next five years to develop a diversified sustainable income to achieve the scale of operation required to deliver the mission.

Unrestricted funds

The general fund represents free funds of the charity which are not designated and can be used at the discretion of the trustees to further the charitable objects.

17. ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP	Unrestricted funds	Designated funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2017	2017	2017	2017	2016	2016	2016
	£	£	£	£	£	£	£
Tangible fixed assets	-	116,669	3,647,127	3,763,796	83,105	3,763,799	3,846,904
Current assets	3,917,008	1,354,820	1,654,251	6,926,079	1,760,057	1,808,355	3,568,412
Current liabilities	(387,182)	-	-	(387,182)	(328,801)	-	(328,801)
Long term liabilities	(1,443,071)	-	-	(1,443,071)	-	-	-
	2,086,755	1,471,489	5,301,378	8,859,622	1,514,361	5,572,154	7,086,515
CHARITY	Unrestricted funds	Designated funds	Restricted funds	TOTAL	Unrestricted funds	Restricted funds	TOTAL
	2017	2017	2017	2017	2016	2016	2016
	£	£	£	£	£	£	£
Tangible fixed assets	-	49,574	-	49,574	23,962	-	23,962
Current assets	2,981,815	1,354,820	930,251	5,266,886	2,141,405	813,010	2,954,415
Current liabilities	(367,681)	-	-	(367,681)	(279,526)	-	(279,526)
Long term liabilities	(1,443,071)	-	-	(1,443,071)	-	-	-
	1,171,063	1,404,394	930,251	3,505,708	1,885,841	813,010	2,698,851

HOPE AND HOMES FOR CHILDREN

NOTES TO THE FINANCIAL STATEMENTS
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18. LEASE COMMITMENTS

The total commitments under non-cancellable leases on buildings are as follows:

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Expiry date:				
Within one year	24,025	28,170	24,025	28,170
One to five years	46,115	76,598	46,115	76,598

19. FINANCIAL INSTRUMENTS

Financial assets that are debt instruments measured at amortised cost:

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Other debtors	729,499	598,361	666,729	560,270
Short term bank deposits and cash resources	4,769,241	2,314,280	4,438,412	2,249,053

Financial liabilities measured at amortised cost:

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Trade creditors	116,663	132,802	105,453	123,878
Other creditors	47,669	63,927	42,861	45,403
Grants payable	36,234	18,182	36,234	18,182
Interest payable	12,098	-	12,098	-
Accruals	50,770	46,280	50,770	46,280
Loan	1,443,071	-	1,443,071	-

20. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2017	2016
	£	£
Reconciliation of net income to net cash flow from operating activities		
Net income	1,688,631	310,929
Depreciation charge	386,619	376,134
Interest receivable	(2,728)	(1,578)
Interest payable	12,098	-
Donation of Small Group Homes to Local Authorities	-	244,543
Exchange rate gains/(losses)	84,476	(69,726)
(Increase) in assets in the course of development	(706,944)	(184,746)
(Increase) in stock	(75,463)	-
(Increase)/decrease in debtors	(120,299)	86,539
Increase/(decrease) in creditors	46,283	(42,116)
Net cash provided by operating activities	1,312,673	719,979

HOPE AND HOMES FOR CHILDREN
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21. SUBSIDIARY UNDERTAKINGS

Hope and Homes for Children – Romania, Hope and Homes for Children – South Africa and One Child One Family HHCSA are wholly owned subsidiary undertakings of Hope and Homes for Children. They are registered in Romania (No: 1/23.01.2001 13661594) and South Africa (No: 2008/005926/08 and 2017/489514/08) and do not have share capital. Their governing board members are senior officers of Hope and Homes for Children and each share the same activities as Hope and Homes for Children.

Hope and Homes for Children – South Africa and One Child One Family HHCSA are dormant and therefore exempt from consolidation under section 394a of the Companies Act 2006.

Summary of the results of Hope and Homes for Children – Romania:

	2017	2016
	£	£
Assets	5,373,415	4,411,724
Liabilities	(19,501)	(49,273)
Funds	5,353,914	4,362,451
Income	3,234,920	2,372,072
Expenditure	(2,243,457)	(2,891,725)
Surplus/(Deficit)	991,463	(519,653)

22. CAPITAL COMMITMENTS

	Group 2017	Group 2016	Charity 2017	Charity 2016
	£	£	£	£
Homes and services for beneficiaries	230,988	332,930	-	-