

**PESTALOZZIWORLD CHILDREN'S TRUST**

**REGISTERED CHARITY NO: 1046599**

**AUDITED FINANCIAL STATEMENTS**

**31 DECEMBER 2017**

# PESTALOZZIWORLD CHILDREN'S TRUST

## CONTENTS

	<u>Page</u>
Legal & Administrative Information	2
Report of the Trustees	3-9
Independent Auditors Report	10-12
Statement of Financial Activities	13
Balance Sheet	14
Statement of Cash Flows	15
Notes to the Accounts	16-20

**PESTALOZZIWORLD CHILDREN'S TRUST**

Page 2

**LEGAL AND ADMINISTRATIVE INFORMATION**

**TRUSTEES**

Lady Butler  
Mr J J Dilger  
Mrs C Doggart  
Mr K J Greatbatch  
Mr S P Pahlson-Moller (resigned 6 February  
2018)  
Mr F von Hurter  
Mr S Wakely (appointed 18 October 2017)

**ADDRESS**

CAN Mezzanine  
32-36 Loman Street  
LONDON  
SE1 0EH

**INDEPENDENT AUDITORS**

Arnold Hill & Co LLP  
Craven House  
16 Northumberland Avenue  
LONDON  
WC2N 5AP

**BANKERS**

HSBC  
Covent Garden  
LONDON  
WC2 8JF

**TRUSTEES REPORT FOR THE YEAR ENDED 31 DECEMBER 2017****NAME AND REGISTERED OFFICE OF THE CHARITY**

The full name of the charity is the PestalozziWorld Children's Trust (PWCT), formerly Pestalozzi Overseas Children's Trust, (POCT), and was registered with the Charity Commissioners in 1995 (Number 1046599). The charity was formed as an unincorporated trust, constituted under a trust deed dated 24 January 1995 and is governed by that constitution. Its registered address is 6 Thurloe Square, London SW7 2TA. The legal and administrative information set out on page 2 forms part of this report.

**BACKGROUND**

We confirm that the accompanying accounts comply with the current statutory requirements including the Charities Act 2011, the Statement of Recommended Practice – Accounting and Reporting by Charities (2015) and with the requirements of the charity's constitution.

PWCT was established to advance the education of children and to apply the Pestalozzi principles of Head, Heart and Hand. An administrative office is located at CAN Mezzanine, 32-36 Loman Street, London, SE1 0EH. Messrs. Macfarlanes acted as solicitors at the time of registration and HSBC, Covent Garden, act as the bankers. Arnold Hill & Co LLP are the Trust's honorary accountants and auditors.

**INTRODUCTORY NOTE**

PestalozziWorld Children's Trust in the UK is the coordinating entity of PestalozziWorld - the working alliance of several organizations whose work in Africa and Asia is inspired by the educational philosophy and the life of the Swiss social reformer Johann Heinrich Pestalozzi (1746-1827). The following organisations form part of the working alliance:

- Pestalozzi Zambia Children's Trust, which runs the African Village at Kasisi and Ibex Hill, Lusaka;
- Pestalozzi Children's Trust, Malawi;
- Pestalozzi Children's Village Society, which manages the Asian Village in Dehradun, northern India; and
- Alumni Foundations in Thailand and Nepal.

In addition to PWCT, PestalozziWorld has established three other registered fundraising charities, in the USA, Switzerland and Ireland. The Objectives and Activities and the Review of the Year's activities below relate to the work of all four charities. PestalozziWorld consists of four fundraising trusts:

- PWCT in the UK;
- Pestalozzi US Children's Charity Inc. in USA;
- Pestalozzi Overseas Children's Trust Ireland Ltd; and
- Pestalozzi Overseas Children's Foundation in Switzerland.

**Financial Activities and Administration** (p7) provides financial information on PWCT including income received from the US and Irish charities. The Swiss Trust makes grants directly to the national operating trusts, mainly in connection with the Pestalozzi Educational Centre in Zambia and the Mobile Learning Centres.

**OBJECTIVES AND ACTIVITIES**

PestalozziWorld advances the education of disadvantaged children from rural communities in Africa and Asia through:

- a selective secondary scholarship at one of our Children's Centres;
- a non-selective mobile learning programme using tablet technology focussed on rural areas; and
- supporting our alumni to help new generations of disadvantaged children.

**TRUSTEES REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**OBJECTIVES AND ACTIVITIES (continued)**

**PestalozziWorld Children's Centres**

A practical secondary education (age about 10 onwards) is provided to gifted but economically disadvantaged children at two Children's Centres in Zambia and India. Secondary scholarships at these centres seek to address all barriers to education – not just poverty but other obstacles such as distance, lack of infrastructure and prejudice against children (especially girls) receiving any schooling. We provide a carefully-targeted scholarship program for girls and boys from the poorest and most inaccessible rural areas, providing housing, supplementary academic help and skills training as well as high-quality secondary education. It focuses on the brightest children, especially girls. The uniqueness of the program is that the children once educated by Pestalozzi help provide education for future generations of children from similar backgrounds. This produces an ongoing ripple effect or the "Circle of Success".

The Children's Centres are run as a small village community with all children taking an active role - this Village concept enables us to give these children access to education at an acceptable cost (approximate £1,100 a year per child for board, travel, tuition and all other costs) and in a safe environment. Our selection process is rigorous and involves working closely with local primary schools to identify bright children, a system of academic tests and interviews, checks on their family background and economic circumstances. This is usually carried out by a small team including at least one non-national. Funding is then made available to the national Pestalozzi organisation on a quarterly basis in accordance with a budget agreed at the start of the academic year.

**Mobile Learning Centres**

In 2015 we piloted a new programme through a partnership with Edulution to provide foundational maths and literacy skills using tablet technology to children from rural and deprived backgrounds. This is a low cost, non-selective programme aimed to educate children in their own communities. Through the partnership with Edulution we are able to fund the opening of new mobile centres in rural communities where our scholars originate from and as a result create opportunities for our alumni to earn a living as coaches and give back to their communities.

**Alumni Foundations**

As part of the Circle of Success we support our alumni to set up foundations in their own countries to help educate more children in need. Alumni foundations have been set up in Thailand and Nepal and we hope to see this replicated in other countries. Individual alumni are also sponsoring or helping with the next generation of students as soon as they are in a position to do so.

**APPOINTMENT AND INDUCTION OF TRUSTEES**

The Trustees may appoint any person to be one of their number. The Trustees review the knowledge and experience of the Trustees and identify training needs on appointment. Suitable training will be provided if required.

Two of the six current Trustees, one of whom is a founding Trustee and a retired solicitor together with a chartered accountant are responsible for ensuring compliance with all statutory requirements. The other Trustees have long-standing links with the charity and provide significant financial support as well as the benefit of considerable experience in education, business and investment.

**TRUSTEES REPORT** *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

**INVESTMENT POWERS AND POLICY**

The Constitution provides full and unrestricted powers of investment to the Trustees. The investment of the reserve fund is managed and reviewed by the Trustees and advised by a qualified investment committee composed of three Trustees and an Advisor.

During the year the investment portfolio was loaned to Pestalozzi Overseas Children's Foundation as part of the transfer to a new Investment Manager. This transfer has completed in 2018 and the loan has been repaid through the return of the portfolio.

**RISK MANAGEMENT**

The Trustees have identified the principal risks to which the charity is exposed. These are regularly reviewed and systems have been established to mitigate those risks. The Trustees consider the lack of regular donations received each year to constitute the charity's major risk. The charity is maintaining a fund of £1,700,000 that has been invested by holding UK and overseas investment portfolios, foreign currency deposits as well as sterling on deposit. This will provide the charity with income each year, and will ensure funds are available to meet any direct charitable and management & administration expenditure. The Trustees have identified the risks associated with holding a single dominant currency for a global charity and have taken steps to reduce this risk by holding deposits in gold and other major currencies.

**REVIEW OF THE YEAR'S ACTIVITIES**

Pestalozzi World funded the education of 532 children in 2017 (534 in 2016), in India (drawn from India, Nepal and the Tibetan exile community), Nepal (in partnership with the Nepal Pestalozzi Foundation), Thailand (in partnership with the Thai Pestalozzi Foundation) and Zambia (including from Malawi and refugees from other African countries). Student totals by country and centre are shown below:

Country/Centre	Scholar Numbers
<b>CHILDREN'S CENTRES</b>	
<b>African Children's Village</b>	259
<b>Asian Children's Village</b>	155
<b>ALUMNI PROGRAMMES</b>	
<b>Thailand</b>	20
<b>Nepal</b>	74
<b>Pokhara Children's Village (Nepal)</b>	24
<b>TOTAL SCHOLARS</b>	<b>532</b>
<b>RURAL PROGRAMMES</b>	
<b>Mobile learning centres</b>	<b>3900</b>

**TRUSTEES REPORT (continued)**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**REVIEW OF THE YEAR'S ACTIVITIES (continued)**

**Children's Villages**

In Zambia, we are now sponsoring 259 children at the African Village: 58 at Kasisi (Grades 5-6) and 201 at Ibex Hill. During 2017 the new intake included children selected from refugee camps in Western Zambia through our partnership with UNHCR primarily Angolan and, Congolese. All the children receive in-house tuition, at the Pestalozzi Education Centre (PEC) either at Kasisi or at Ibex Hill. Significant progress has been made in the development of PEC which is open to fee paying students as part of the Zambia Trust's goal of becoming self-sustaining. At the end of 2017 PEC had 316 fee-paying students and continues to rank in the top schools in Lusaka based on national exam results.

In India we are sponsoring 155 children representing Indian, Nepalese and Tibetan nationalities, who attend local schools in Dehradun, northern India.

**Mobile Learning Centres**

The Mobile Learning programme which is delivered through a partnership with Edulution has grown significantly in 2017. Our funding impacted directly on over 3,900 children and provided employment to 34 PestalozziWorld alumni as entrepreneurial coaches.

Our funding supports the opening of centres in rural Zambia and sponsorship of children to attend the Edulution programme. Rural Zambia is a challenging environment in which to establish and successfully deploy such a project - no grid electricity or running water, extreme temperatures in dusty environments, very limited internet connectivity, high poverty and low education standards. In many cases our alumni are the lead coaches who oversee and manage the entire process, including the recruitment and training of new coaches. Pestalozzi alumni are now educating disadvantaged children from the rural area they originated from and earning a living on an activity-based entrepreneurial model.

**Alumni Programs and Reunions**

In 2017 we continued to support our Alumni Foundations to educate more children, sponsoring 20 scholars with the Thai Pestalozzi Foundation and 74 scholars with the Nepal Pestalozzi Foundation.

Reunions were held in USA and Malawi and were attended by enthusiastic alumni together with UK and local Trustees. Mini reunions were also held in India, Nepal and Zambia. The aim of these reunions is to provide alumni with advice and support in seeking employment or further education/training and encourage networking and fundraising initiatives.

The International Alumni Committee which consists of 15 national members from India, Nepal, Thailand, the Tibetan Community and Zambia, who take a leadership role in encouraging and working with the rest of the alumni. The members are on an initial two-year membership period.

**PESTALOZZIWORLD CHILDREN'S TRUST****TRUSTEES REPORT** *(continued)***FOR THE YEAR ENDED 31 DECEMBER 2017****REVIEW OF THE YEAR'S ACTIVITIES** *(continued)***International Baccalaureate Students**

3 of our scholars are now taking 2-year International Baccalaureate courses. We continue to work with the Pestalozzi International Village in the UK, United World Colleges, Mahatma Gandhi International School, and other colleges of higher education to secure scholarships for our student's further education. With the increase in courses available on the internet we are encouraging our students to continue their education by earning and learning where possible.

**FINANCIAL REVIEW**

The income from donations for the year for PWCT was £529,464 compared to £479,817 in the previous year. Income included £132,872 from Trustees and Advisory Directors (excluding the US) and £359,492 from the US foundation. Steps are being taken to reduce the dependence of the in-country centres on foreign funding by creating local income-generating projects.

Expenditure for the year including annual costs was £508,699 (2016: £546,380). The decrease in expenses is largely due to lower scholarship costs in Africa and higher professional fees in 2017.

Gains on investments of £27,623 (2016: £307,366) increased the surplus for the year to £49,887 (2016: converted the deficit to surplus of £241,245).

The Pestalozzi Children's Village Society in India and the Pestalozzi Zambia Children's Trust are monitored regularly by the Trustees and audited locally. The Trustees or staff visit all projects at least once a year (except for Sri Sitaram School, Far West Nepal, which, due to its inaccessibility, is normally monitored locally).

The Trustees of PWCT and the US Trust are primarily responsible for fundraising and do not receive any remuneration or expense reimbursement from the Trust.

All expenses (including staff, travel and administration) and fundraising costs are met by funds specifically provided by the Trustees for such costs or through investment income. Full details can be obtained upon request.

The Trustees very much appreciate the support of dedicated staff and volunteers and especially the Trustees and Directors of other members of PestalozziWorld who make a vital contribution to improving the lives of hundreds of children. The Pestalozzi alumni are also to be congratulated on the commitment they have shown in supporting children in their own countries.

Finally, a special 'thank you' to Messrs Arnold Hill & Co LLP who act as honorary accountants and auditors.

**Reserves**

Each scholar we select represents a funding commitment on our part of at least five years. The Trustees are very much aware that the funds needed to support the children each year are unpredictable and with this in mind have determined to build up reserves as a priority.

**PESTALOZZIWORLD CHILDREN'S TRUST**

**TRUSTEES REPORT** *(continued)*

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**FINANCIAL REVIEW** *(continued)*

The Trust's reserves at 31 December 2017 were £2,369,608 (2016: £2,319,721). The Trustees wish to build up a reserve of at least £3,000,000 to provide an appropriate balance of financial security to the Trust, to enable them to complete the current and any future capital projects and to enable scholars being educated to complete their schooling should alternative funds not be available.

Outlook

In 2018 expansion of the Mobile Learning programme will continue to be the key focus for PestalozziWorld to achieve scale and reach more children in need. Expansion of existing centres in rural Lundazi are planned as well as establishing new centres in other rural areas in Zambia and surrounding countries. This initiatives will be led by a Pestalozzi alumnus who originated and were selected as Pestalozzi scholars and have recently graduated from PEC.

The Children's Centres in Africa and Asia are largely at capacity with each graduating year being replaced by a new intake. In Nepal, which is still expanding, a further 12 children will be selected at the new Children's Centre in Pokhara.

In Zambia we continue to invest in the development of PEC to raise educational standards and recruit more fee paying students.

The Alumni Foundations continue to reduce their reliance on PestalozziWorld with more children being supported through local initiatives and other sponsors. The Thai and Nepal Pestalozzi Foundations are sponsoring 137 children in addition to those funded by PestalozziWorld.

A new Charitable Incorporated Organisation (CIO) "PestalozziWorld Children's Trust" was registered during the year, with charity number 1172364. With effect from 1 January 2018, the trade and assets of the Trust (charity number 1046599) were transferred to the CIO (charity number 1172364). The trustees of the Trust are also trustees of this CIO, which has the same charitable objects as the Trust.

**PESTALOZZIWORLD CHILDREN'S TRUST****TRUSTEES REPORT** *(continued)***FOR THE YEAR ENDED 31 DECEMBER 2017****STATEMENT OF TRUSTEES RESPONSIBILITIES**

Law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the incoming resources and application of the resources of the charity during the year and of its state of affairs at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation;

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain its financial position and to ensure that the financial statements comply with the Charities Act 2011, the Statement of Recommended Practice - Accounting and Reporting by Charities (2015) and the Charity's constitution. They are also responsible for the charity's system of internal financial controls, for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- There is no relevant audit information of which the trust's auditor is unaware; and
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**AUDITORS**

A resolution to reappoint Arnold Hill & Co LLP as auditors will be put to the Trustees.

ON BEHALF OF THE TRUSTEES

K J GREATBATCH



Date:

19/7/18

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE TRUSTEES OF PESTALOZZIWORLD CHILDREN'S TRUST**

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#### **Opinion**

We have audited the accounts of PestalozziWorld Children's Trust for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the accounts, 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).

In our opinion, the accounts:

- give a true and fair view of the state of the charity's affairs as at 31 December 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 Charities Act 2011.

#### **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 accounts section of our report. We are independent of the PestalozziWorld Children's Trust in accordance with the ethical requirements that are relevant to our audit of the accounts 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 accounts is not appropriate; or
- the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the PestalozziWorld Children's Trust'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 accounts are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the accounts and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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

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## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF PESTALOZZIWORLD CHILDREN'S TRUST

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

In the light of the knowledge and understanding of the PestalozziWorld Children's Trust and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the accounts is inconsistent in any material respect with the Trustees' Report; or
- sufficient accounting records have not been kept; or
- the accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of trustees**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the PestalozziWorld Children's Trust'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 cease operations, or have no realistic

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

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

#### **Other matters which we are required to address**

Your attention is drawn to the fact that the charity has prepared accounts 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) in preference to the Accounting and Reporting by Charities: Statement of Recommended Practice issued on 1 April 2005 which is referred to in the extant regulations but has now been withdrawn.

This has been done in order for the accounts to provide a true and fair view in accordance with Generally Accepted Accounting Practice effective for reporting periods beginning on or after 1 January 2015.

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**TO THE TRUSTEES OF PESTALOZZIWORLD CHILDREN'S TRUST  
FOR THE YEAR ENDED 31 DECEMBER 2017**

This report is made solely to the charity's trustees, as a body, in accordance with part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Mr Justin Moore (Senior Statutory Auditor)  
for and on behalf of Arnold Hill & Co LLP**

**Chartered Accountants  
Statutory Auditor**

*30 July 2018.*

Craven House  
16 Northumberland Avenue  
London  
United Kingdom  
WC2N 5AP

Arnold Hill & Co LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

PESTALOZZIWORLD CHILDREN'S TRUST  
 STATEMENT OF FINANCIAL ACTIVITIES  
 FOR THE YEAR ENDED 31 DECEMBER 2017

Page 13

	<u>Notes</u>	<u>Unrestricted Funds</u> <u>2017</u> <u>£</u>	<u>Unrestricted Funds</u> <u>2016</u> <u>£</u>
<b>INCOME FROM</b>			
Donations and Legacies	2	529,464	479,817
Investments	3	<u>1,499</u>	<u>442</u>
<b>TOTAL</b>		530,963	480,259
<b>EXPENDITURE ON</b>			
Charitable Activities	6	(508,699)	(539,541)
Raising Funds	6	<u>-</u>	<u>(6,839)</u>
<b>TOTAL</b>		<u>(508,699)</u>	<u>(546,380)</u>
<b>Net income/(expenditure) before gains and losses on investments</b>		<u>22,264</u>	<u>(66,121)</u>
Net gains on investments	4	27,623	285,146
<b>Net income</b>		<u>49,887</u>	<u>219,025</u>
Other gains	5	-	22,220
<b>NET MOVEMENT IN FUNDS</b>		<u>49,887</u>	<u>241,245</u>
<b>TOTAL FUNDS BROUGHT FORWARD</b>		<u>2,319,721</u>	<u>2,078,476</u>
<b>TOTAL FUNDS CARRIED FORWARD</b>		<u>2,369,608</u>	<u>2,319,721</u>

The notes on pages 16 to 20 form part of these financial statements.

PESTALOZZIWORLD CHILDREN'S TRUST

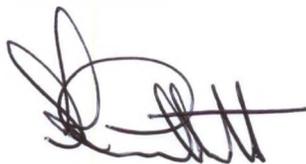
Page 14

BALANCE SHEET

31 DECEMBER 2017

	<u>Notes</u>	<u>2017</u> £	<u>2016</u> £
<b>Fixed Assets</b>			
Investments	4	-	1,755,166
		-	1,755,166
<b>Current Assets</b>			
Other debtors	8	2,106,007	467,399
Cash at Bank and in Hand		283,802	103,356
		2,389,809	570,755
<b>Current Liabilities</b>			
Other creditors		(20,201)	(6,200)
		(20,201)	(6,200)
<b>NET CURRENT ASSETS</b>		<u>2,369,608</u>	<u>564,555</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,369,608</u>	<u>2,319,721</u>
Total Unrestricted Funds Brought Forward		2,319,721	2,078,476
Net Movement in the Year		49,887	241,245
<b>TOTAL UNRESTRICTED FUNDS CARRIED FORWARD</b>		<u>2,369,608</u>	<u>2,319,721</u>

Approved by the Trustees on 19/7/18 and signed on their behalf by



K J GREATBATCH

The notes on pages 16 to 20 form part of these financial statements.

## STATEMENT OF CASH FLOWS

31 DECEMBER 2017

	2017 £	2016 £
<b>Cash flow from/(used in) operating activities</b>	<b>37,226</b>	<b>(48,556)</b>
<b>Cash flows from investing activities</b>		
Proceeds of sale of investments	(10,576)	(784,729)
Purchase of investments	-	792,667
Dividends, interest and rents from investments	1,499	442
<b>Net cash (used in)/provided by investing activities</b>	<b>(9,077)</b>	<b>8,380</b>
<b>Change in cash and cash equivalents in the year</b>	<b>28,149</b>	<b>(40,176)</b>
Cash and cash equivalents b/f	255,653	295,829
<b>Cash and cash equivalents c/f</b>	<b>283,802</b>	<b>255,653</b>
	2017 £	2016 £
<b>Reconciliation of net (expenditure)/income to net cash flow from operating activities</b>		
Net income for the year per the SOFA	49,887	241,245
<b>Adjustments for:</b>		
Gains on investments	(27,623)	(285,146)
Dividends, interest and rents from investments	(1,499)	(442)
Decrease/(increase) in debtors	2,460	(9,218)
Increase/(decrease) in creditors	14,001	5,005
	<u>37,226</u>	<u>(48,556)</u>
	2017 £	2016 £
<b>Analysis of cash and cash equivalents</b>		
Cash at bank and in hand	283,802	255,263
<b>Total cash and cash equivalents</b>	<b>283,802</b>	<b>255,653</b>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

a) **Basis of Preparation**

The financial statements have been prepared under the historic cost convention, with the exception of listed investments which are included at their market value. The accounts (financial statements) have been prepared in accordance with the statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applied from January 2015.

The Accounts (Financial Statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

PWCT constitutes a public benefit entity as defined by FRS 102.

b) **Going Concern**

These financial statements are prepared on the break up basis. The trade and assets of the charity are to be transferred to the CIO PestalozziWorld Children's Trust (charity number 1172364), so the operational activity of this charity (charity number 1046599) is expected to cease in the foreseeable future.

b) **Investments**

Investments are initially recorded at cost. At the end of each financial period investments are revalued as at the balance sheet date at their market value. Any unrealised movement in market value from one year to another is recognised in the SOFA.

d) **Incoming Resources**

All income is accounted for when the charity has entitlement to the funds, receipt is probable and the amount is measurable.

e) **Resources Expended**

All expenditure is accounted for on an accruals basis, and where incurred directly to further the Trust's charitable objects, is shown under the heading of charitable activities.

The support costs of these charitable activities are also included under the heading charitable activities.

f) **Expenditure on Raising Funds**

Expenditure on raising funds relates to costs incurred by the charity in managing its investments.

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

FOR THE YEAR ENDED 31 DECEMBER 2017

**g) Foreign Currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds in the statement of financial activities.

**h) Financial Assets**

Financial assets are recognized in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price included transaction costs.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

**i) Financial Liabilities**

Basic financial liabilities are initially measured at transaction price.

Financial liabilities are derecognized when, and only when, the charity's obligations are discharged, cancelled, or they expire.

**j) Taxation**

No provision has been made for taxation as the charity is a public benefit entity which is exempt from UK direct taxation on its charitable activities.

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

## FOR THE YEAR ENDED 31 DECEMBER 2017

## 2. DONATIONS

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Donations from Trustees and Advisory Directors	132,872	77,556
Other Donations	37,100	42,728
US Donations	359,492	359,533
	<u>529,464</u>	<u>479,817</u>

## 3. INVESTMENT INCOME

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Interest on Cash Deposits	10	11
Dividends Received from Investments	1,489	431
	<u>1,499</u>	<u>442</u>

## 4. INVESTMENTS

<b>Market value</b>	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
At 1 January	1,602,869	1,325,661
Additions	10,576	784,729
Disposals	-	(792,667)
Revaluation	27,623	285,146
Transfers	(1,641,068)	-
At 31 December	-	1,602,869
Cash on deposit	-	152,297
	<u>-</u>	<u>1,755,166</u>

Investments are managed by PICTET. The portfolio includes both UK and overseas investments. Investments are held to provide a return to cover future charitable expenditure. During the year, the portfolio was loaned to Pestalozzi Overseas Children's Foundation.

## 5. OTHER GAINS OR LOSSES

	<u>2017</u>	<u>2016</u>
	<u>£</u>	<u>£</u>
Foreign exchange gains/(losses)	-	22,220

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

## FOR THE YEAR ENDED 31 DECEMBER 2016

## 6. ANALYSIS OF RESOURCES EXPENDED

	<u>Direct Charitable Expenditure</u>	<u>Investment Manage- ment Costs</u>	<u>Charity Manage- ment &amp; Admin</u>	<u>Total 2017</u>	<u>Total 2016</u>
	£	£	£	£	£
Scholarship Costs	394,831	-	-	394,831	420,522
Administration and Fundraising	-	-	22,504	22,504	16,425
Telephone, Postage, Stationery & Travel	-	-	7,015	7,015	3,587
Bank Charges	-	-	1,920	1,920	1,675
Rent, Light & Heat	-	-	10,670	10,670	10,573
Consultancy fees	21,856	-	21,857	43,713	41,270
Management Fees	-	-	-	-	6,839
Professional Fees	-	-	4,000	4,000	21,345
Mobile Learning Centres	24,046	-	-	24,046	24,143
Donations	-	-	-	-	-
	<u>440,733</u>	<u>-</u>	<u>67,966</u>	<u>508,699</u>	<u>546,379</u>

The trustees did not receive any fees, emoluments or reimbursement of expenses in the year ended 31 December 2017 (2016 - £nil).

## 7. STAFF COSTS

Staff costs were as follows:

	2017	2016
	£	£
Salaries and Wages	73,975	68,800
Social Security costs	4,411	4,255
	<u>78,386</u>	<u>73,055</u>

The average number of employees during the year was 2 (2016: 2). No employee earned over £60,000 in the current or previous year.

**NOTES TO THE FINANCIAL STATEMENTS (*continued*)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

**8. DEBTORS**

Included within debtors is £1,641,068 owed by Pestalozzi Overseas Children's Foundation in relation to the investment portfolio which was transferred during the year. Also included in debtors is £455,390 owed by Pestalozzi Overseas Children's Foundation, as described in note 9.

**9. RELATED PARTY TRANSACTIONS**

During the year, donations of £359,492 (2016: £359,533) were received from Pestalozzi US Children's Charity Inc. (PUSCCI). These donations were made from the proceeds of US fund raising events and individual donations. PUSCCI is a US registered not-for-profit foundation, founded in 1998 in order to raise funds for PestalozziWorld by providing US donors with tax-deductibility.

Sir Richard Butler Bt., founder of PestalozziWorld Children's Trust is a director of the US Charity.

During the year, donations of £58,403 (2016: £nil) were received from Pestalozzi Overseas Children's Trust Ireland Ltd, a public limited company registered as a charity, established in 2007 to facilitate donations by residents of Ireland. Pestalozzi Overseas Children's Trust Ireland Ltd is an Irish registered charity. number CHY17386.

In 2014, the charity provided an interest free, unsecured loan of £455,390 to Pestalozzi Overseas Children's Foundation. The funds were used to expand the investment portfolio of Pestalozzi Overseas Children's Foundation, which is held to provide funds for the charitable activities of the trust. During the year, the investment portfolio of the charity was transferred to Pestalozzi Overseas Children's Foundation by way of loan. At the year end, both amounts were outstanding.

**10. POST YEAR END EVENTS**

During the year, a new Charitable Incorporated Organisation (CIO) "PestalozziWorld Children's Trust" was registered, with charity number 1172364. The trustees of the Trust are also trustees of this CIO, which has the same charitable objects as the Trust. With effect from 1 January 2018, the trade and assets of the Trust (charity number 1046599) were transferred to the CIO (charity number 1172364).