

Company number: 4354366

Charity number: 1147471

Privacy International

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

Audited Financial Statements

and

Trustees' Report

for the year ended 31 January 2017

Privacy International

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

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Privacy International

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Trustees' Report, incorporating the Directors' Report for the year ended 31 January 2017

1. INTRODUCTION

The Board of Directors (who are also Trustees for the purposes of charity law) submit their annual report and audited financial statement for the year ended 31 January 2017.

The Trustees confirm that the Annual Report and Financial Statements of the charity comply with current statutory requirements, the requirements of the charity's governing document and the provisions of the Statement of Recommended Practice (Charities SORP FRS102) "Accounting and Reporting by Charities" issued in 2015.

2. STRUCTURE, GOVERNANCE AND MANAGEMENT

Privacy International is a registered charity and a company limited by guarantee in the United Kingdom. The organisation is governed by its Articles of Association, incorporated on 16 January 2002. The Articles were updated in September 2014 to implement changes to reflect our charitable status.

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

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

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

Trustees

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

Financial controls

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

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

The Board is assisted in taking decisions relating to budgeting and forecasting by the Finance Sub-Committee, which consists of three Trustees including the Treasurer. The Committee is responsible for the following duties and actions:

- To review Privacy International's quarterly management accounts.
- To ensure that the annual audited accounts are prepared and circulated to members in good time for the Privacy International Trustees meeting in the autumn of each year, together with the supporting reports.
- To manage the Privacy International bank accounts and to undertake periodic reviews to ensure the arrangements are competitive.
- To ensure that the bank mandates are satisfactory and complied with, including the control of online banking arrangements.
- To invest any surplus funds in a satisfactory manner while ensuring that Privacy International has sufficient funds to meet its day-to-day obligations.
- To ensure that adequate insurances are in place and to make adjustments as necessary through a process of annual review.
- To advise the Board on matters concerning the financial management of Privacy International.

Risk management

Risk management is an essential part of the operations of Privacy International and a key responsibility of the Board. It enables the Board to identify risk areas, distinguish between acceptable risk-taking and recklessness, and act appropriately in the circumstances. The Board is therefore responsible for managing all types of risks, whether operational, reputational, financial, physical, legal or otherwise.

A Risk Audit Committee, established by the Board in January 2013, supports this process. The Committee is made up of three Trustees and invites the participation of the Executive Director, the General Counsel and the Grants and Finance Officer, as well as other members of staff when particular areas of risk are identified and discussed.

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Charity Information

for the year ended 31 January 2017

Status:	Privacy International is a company limited by guarantee and a registered charity governed by its memorandum and articles of association. The directors of the charity are its trustees for the purposes of charity law and throughout this report are collectively referred to as the trustees.	
Charity name:	Privacy International	
Company registration number:	4354366 (England & Wales)	
Charity registration number:	1147471	
Registered office:	62 Britton Street London EC1M 5UY	
Operations address:	62 Britton Street London EC1M 5UY	
Trustees who held office during the year:	Karen Banks Daniel Cooper Anna Fielder Barry Steinhardt Heather Brooke Dr Jerry Fishenden Barry Kernon Eve Salomon Peter Noorlander	- Resigned 20 September 2016 - Appointed 9 June 2016 - Appointed 9 June 2016
Chairperson:	Anna Fielder	
Treasurer:	Barry Kernon	
Secretary:	Karen Banks	- Resigned 20 September 2016
Executive Director:	Gus Hosein	
Senior Statutory Auditor:	Anthony Armstrong FCA Armstrong & Co <i>Chartered Accountants & Statutory Auditor</i> 4a Printing House Yard Hackney Road London E2 7PR	
Solicitors:	Covington & Burling 265 Strand London WC2R 1BH	
Bankers:	The Co-operative Bank PO Box 101 1 Balloon Street Manchester M60 4EP Barclays Bank 1 Churchill Place London E14 5HP	

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The following responsibilities have been delegated to the Risk Audit Committee:

- To identify and evaluate those risks which may affect any part of Privacy International's operations, its management and employees and its objects.
- To establish and maintain a risk register which sets out the likelihood of occurrence and the likely impact of the risks identified by the Committee.
- To evaluate and mitigate measures put in place by Privacy International to address risks identified by the Committee.
- To report to the Board periodically on the issues concerning risk and make recommendations to the Board concerning mitigation measures.

The risk register has been developed with reference to the UK Charity Commission guidance and UK Charity Law and is regularly updated. The committee also meets to respond to new developments.

3. **OBJECTIVES AND ACTIVITIES**

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

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

Mission

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

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

Vision

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

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

Legacy

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

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

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

4. **PUBLIC BENEFIT**

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

Privacy International communicates with the public through our educational tools and media engagement that highlight the importance of privacy in a technology-laden democratic society. Our research and investigations help inform the public about the

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risks to privacy, often secret, and the power imbalances that arise. Our advocacy, whether in policy fora or before courts and administrative bodies, aims to strengthen the necessary legal and technological protections and create new safeguards for new challenges posed by changing policies and technologies. Through our campaigning strategies, we continue to seek new ways to engage with the public and to inform them of new developments.

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

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

5. ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE IN 2016

In accordance with our strategic plan, PI continues to pursue work across three multi-year programme areas:

- (I) State Surveillance Programme – uncover innovations in surveillance capabilities and powers, modernise legal safeguards, and promote protections globally;
- (II) Global South Programme – build the global movement on privacy by leading advocacy and investigations, building capacities within our international network of civil society organisations;
- (III) Data Exploitation Programme – identify the next generation of legal and technical safeguards necessary to protect privacy in the future, and curb excessive data generation and processing.

On Surveillance, PI continues to engage a broad range of actors from civil society, government, regulators and regional and international institutions. We continue to pursue and act on the results of our investigations and conduct field-leading research that informs our advocacy, including our public interest litigation.

Under our Global South programme we continue to monitor developments in laws and capabilities of governments around the world. We have conducted analyses and research on laws in over a dozen countries, and provided analyses and consultations and supported partner organisations seeking critical insight. We build the capacity of our partners to engage in national and regional debates in fifteen countries, by conducting research that informs policy and leading awareness-raising campaigns.

Through our programme of Data Exploitation, we explore connected systems, smart infrastructure, increased use of sensors to generate data everywhere – and investigate whether these systems are secure and protect the individual. We are seeking to respond to the question: what are the key principles that will protect privacy into the future?

At the core, we are working to build a stronger and resilient organisation. We have continued working on our internal processes and controls to protect against potential risk areas, and worked on matching Privacy International's technology infrastructure with our advocacy objectives.

5.1 Surveillance

Exposing surveillance

We continue to undertake research and investigations across the world in order to expose surveillance powers and practices of some governments, and the surveillance industry's involvement in repressive states. In 2016 we published reports on the wiretapping scandal in the former Yugoslav Republic of Macedonia, and disclosed evidence of the Syrian government's plans and projects to monitor the national communications infrastructure.

We maintain our focus on the industry that enables this surveillance. In 2016, we re-launched Surveillance Industry Index – a freely available online index of the surveillance industry, featuring data on over 500 surveillance companies, the resource now providing possibility of tracking the growth and scale of the global surveillance industry. We did this with the significant assistance of the Transparency Toolkit (<https://sii.transparencytoolkit.org>). We also compiled a new set of visualisations of the global industry, with support from the Oxford Research Group (<https://www.privacyinternational.org/node/912>).

We have continued our methodological approach to ensuring that appropriate regulatory safeguards exist in the trade in surveillance technology. Since the new categories of surveillance have been controlled by the EU Dual Use regulation (2015), some member states have published licensing data related to approved and rejected licences – we have been working on collating the data, working with journalists to interpret the data in order to highlight the need for further safeguards.

On policy reform, in September 2016 the European Commission adopted a proposal on updating the dual use regulation: it is far-reaching and impacts important commercial and national security priorities. The proposal marks a step forward in some areas for human rights, but still suffers from several shortcomings and there are several areas of concern to PI: we believe the proposal needed to go further in binding member state authorities to commitments to human rights and transparency, and ensure that articles aimed at improving enforcement and countering evasion do not undermine academic and scientific freedom and research.

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This development required us to revisit our prior work and positions. The proposed EU legislation relies upon the controls list set by the Wassenaar Arrangement, a grouping of leading export countries. We have written to the members of the Wassenaar Arrangement to demand that, to protect security research and security of devices, services, and infrastructure more generally, and in the absence of clarifications in the language to protect security research, the relevant controls in the Wassenaar Agreement should be removed. We have been coordinating with other human rights and digital rights NGOs to ensure a shared understanding of the implications of the proposed revisions and key recommendations, and to coordinate advocacy activities.

Surveillance and the Rule of Law: Strategic litigation

We continue to pursue a series of cases through courts and tribunals, and continue to contribute to others through interventions.

Case: "Hacking of internet and communications services" (GreenNet & Ors v Secretary of State for Foreign and Commonwealth Affairs and Government Communications Headquarters)

Seven internet service and communications providers from around the world filed a legal complaint (02 July 2014), calling for an end to the UK Government's intelligence agency, GCHQ, attacking and exploitation of network infrastructure in order to unlawfully gain access to potentially millions of people's private communications. The complaint is the first time that internet and communication providers have taken collective action against GCHQ's targeting, attacking and exploitation of networks maintaining communications infrastructure.

On 12 February 2016, the Investigatory Powers Tribunal held that GCHQ hacking is lawful under both UK law and the European Convention on Human Rights. Privacy International is challenging this ruling in two separate venues, details below.

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

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

On 17 June 2016, the High Court held that it would split its determination of whether it had jurisdiction to hear the judicial review from the substantive merits of the claim. A hearing on the jurisdictional question was held 2 November 2016. On 2 February 2017, the High Court held that it had no jurisdiction to hear the judicial review. One of the judges concurred in the result, but recorded his reservations, to avoid the prospect of the case having to be re-argued before a different constitution of the High Court, rather than going up to the Court of Appeal. On 23 February 2017, we lodged a notice of appeal of the High Court's decision before the Court of Appeal.

Case: Privacy International v. United Kingdom (Hacking appeal at the European Court of Human Rights)

We lodged a challenge to part of the Investigatory Powers Tribunal's judgment in the hacking case: it focuses on the Tribunal's finding that GCHQ had authority to conduct bulk hacking operations abroad. The claim is that this finding violates Articles 8 and 10 of the European Convention of Human Rights. We are waiting for the Court's determination of the admissibility of the claim.

Intervention: n the Matter of the Search of an Apple iPhone Seized during the Execution of a Search Warrant on a Black Lexus IS300, California License Plate 35KGD203 in the U.S. District Court for the Central District of California

On 3 March 2016, Privacy International, together with Human Rights Watch, filed an amicus curiae brief in the case popularly known as "Apple v. FBI". The dispute stemmed from the FBI's investigation of a December 2015 mass shooting in San Bernardino, California. As part of its investigation, the FBI obtained an iPhone used by one of the deceased shooters. The data on the iPhone was encrypted and the FBI filed an application for an order of assistance under the All Writs Act to compel Apple to write custom software that would cripple core security features of the iPhone and permit the government to access the data. The court issued the order, which Apple challenged on the grounds that it was unlawful and unconstitutional.

Our brief focused on the international implications of this case. We presented how other countries already seek the power to compel technology companies to undermine the security of their products or services, through hacking and other techniques. We argued that should the Court compel Apple to assist the FBI, it would encourage these countries to place heightened pressure on companies to comply. Our brief also touched upon the civil and human rights abuses that have occurred when governments seek to exploit security weaknesses in technology products and services.

This intervention is part of a larger project addressing government hacking, which includes direct litigation before the UK and European courts, legislative advocacy, and policy research and development.

Case: Tele2 Sverige and Watson ECLI:EU

The case originated in a challenge to the UK's Data Retention and Investigatory Powers Act ("DRIPA"), which enabled the UK Government to force telecommunications operators to retain people's data on a widespread, indiscriminate and un-targeted basis for 12 months.

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Privacy International intervened in the case together with Open Rights Group, arguing the wholesale and indiscriminate retention of data is not permissible and violated European Union law.

On 21 December 2016, the Grand Chamber of the CJEU affirmed its judgment in Digital Rights Ireland stating the safeguards in the DRIPA regime were and remain inadequate and in particular, retention of data is only proper for the purposes of preventing and detecting serious crime; there must be prior review of a request for access and there must be provisions for notification.

The case will now go back to the Court of Appeal for a hearing. However, the government has stated that it accepts DRIPA was inconsistent with EU although not stated to what extent it accepts the ruling. The case will impact upon the Investigatory Powers Act.

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

Privacy International in August 2014 filed a legal challenge in the Investigatory Powers Tribunal, about whether the acquisition, use, retention, disclosure, storage and deletion of Bulk Personal Datasets ("BPD") and Bulk Communications Data ("BCD") is in accordance with the law and necessary and proportionate. Bulk Personal Datasets were first avowed on 12 March 2015 in the Intelligence and Security Committee report and Bulk Communications Data in November 2015 on publication by the Government of the draft Investigatory Powers Bill.

As the case progressed, we filed a Request for Further Information. The response provided detail on significant avowals relating to the use of section 94 of the Telecommunications Act by GCHQ and the Security Service to acquire Bulk Communications Data since 1998 and 2005 respectively. Disclosure of policies and guidance in existence since 2005 included substantial additional avowals and detail about acquisition, use and so on of the relevant data.

The hearing took place in July 2016 and judgment was promulgated in October 2016. It found that everyone's communications data had been collected unlawfully, in secret and without adequate safeguards until November 2015. A further hearing is scheduled for later in 2017.

10 Human Rights Orgs v. Secretary of State for the Foreign and Commonwealth Office United Kingdom (US-UK intelligence sharing and mass surveillance challenge)

The original case was filed in May 2015 in the wake of revelations that the UK Government is accessing wide-ranging intelligence information from the US and is conducting mass surveillance on citizens across the UK.

Privacy International lodged the appeal against the Investigatory Powers Tribunal's judgments before the European Court of Human Rights in May 2015. The UK government submitted its observations on 18 April 2016. Together with the other claimants we filed our observations on 26 September 2016. We expect the next steps in the case in mid- to late-2017.

Privacy International v. United Kingdom (Did GCHQ Illegally Spy on You?)

On 4 November 2016, seven claimants represented by Privacy International's pro bono counsel lodged a challenge to the Investigatory Powers Tribunal's decisions to their respective claims in the "Did GCHQ Illegally Spy on You?" case. The challenge focuses on the Tribunal's dismissal of the European Court of Human Rights claims of non-UK residents and its refusal to confirm whether UK residents were subject to surveillance by GCHQ. We are currently waiting for the Court's determination of the admissibility of the claim.

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

In 2013 Privacy International filed Freedom of Information requests in all Five Eyes countries demanding the release of secret documents detailing the spying agreements between the intelligence agencies of the United States of America, the United Kingdom, Canada, Australia, and New Zealand.

In December 2016, we re-initiated the FOIA requests to all three agencies with the plan to proceed to litigation in collaboration with Yale Law School's Media Freedom & Information Access Clinic. On 24 February 2017, we administratively appealed to the agencies – interpreting their failure to respond to our original request as a constructive denial. We anticipate either a failure to respond or a failure to disclose responsive records and are currently in the process of drafting a complaint to challenge the denials under FOIA.

Privacy International v. United Kingdom (IMSI catcher use and regulation disclosure – NCA FOI blanket exemption)/ECHR

In November 2016, Privacy International filed a Freedom of Information request before the UK National Crime Agency ("NCA") requesting records relating to the purchase of IMSI catchers as well as any legislation, codes of practice, policy statements or other relevant records governing the use of IMSI catchers. On 7 November 2016, the NCA invoked a blanket exemption from the Freedom of Information Act that excuses it from any obligation to turn over documents related to its activities. We plan on pursuing this case on the grounds that the UK government has violated the right to access information under Article 10 of the European Convention on Human Rights, by requesting the European Court to join this challenge with the one challenging GCHQ's blanket exemption under the FOI Act.

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5.2 Global South

Since becoming one of the priority streams of Privacy International's work, the Global South programme shifted its focus from communications surveillance, now addressing pressing issues as identified by growing network of our partners, with strong focus on building a strong network of privacy organisations around the world to help them respond to policy and social developments, and educate the public.

Building the Global Movement

In 2016, with support from Swedish International Development Cooperation Agency and International Development Research Centre, we continued cooperation with 12 civil society actors and institutions to conduct research and build research capacity in the Global South and to conduct sustainable advocacy on national, regional and international scenes. We provided our partner organisations with the resources, expertise and knowledge to produce analyses on privacy and related issues to both inform and engage in national and global policy discourses to explore and promote the governance of data. The results of their work will be collated by the end of 2017: the reports and analysis from national to regional and international levels to support further advocacy and campaigning around the issues of privacy and data.

The new grant from the Ford Foundation (received mid-2016) brings additional resources to support the strengthening of capacity of civil society in the Global South in the fields of privacy, rights and technology and informing advocacy and motivating public mobilisation through the development of counter-narratives to reconceptualise what it is to be 'secure' and economically empowered in a modern society, exploring the debate around cybersecurity in the context of national security.

Our continuing work with the International Development Research Centre in Canada allowed us to deepen our research capabilities and support our partners' research agendas as they seek to understand the role of privacy in protecting innovation in their countries. We began research projects on innovations in financial services, i.e. fintech, and identity systems.

Global Research and Investigations

We regularly monitor developments in laws and capabilities of governments around the world, insufficiency of protections under existing legal frameworks, conduct analyses and research on laws in over a dozen countries, provide consultations and support partners seeking critical insight.

In 2016 PI's Research & Investigation Team consulted with partners with the aim of drafting an updated and expanded version of previously published work "State of Surveillance" – a comprehensive report on the situation in our partner countries, to cover a wider array of privacy issues, as well as develop guiding questions to support data collection. This resulted in the publication of a new iteration of the "State of Privacy" briefings in November 2016. The collaborative research initiative was conducted across all of PI's partner countries represented in our network over the course of the period January 2014 to December 2016. The briefings form baseline studies of privacy and surveillance issues globally, with the aim of being regularly updated in the future. The reports are used by researchers across the world to understand the state of privacy in a country. We have also disseminated to the public easier to understand infographics highlighting key findings in each country and cross-country developments and trends.

We also released research on how surveillance is being conducted in Thailand. That investigation focused on the ties between telecommunication companies and the state, and on attempts to circumvent encryption.

Education

Ensuring our partners have access to knowledge and expertise is core to our capacity building role. Throughout 2016 we collaborated with the platform Advocacy Assembly, run by the group Small Media Foundation, to produce two education courses on the right to privacy: 1) Right to Privacy: Introduction and Principles and 2) Right to Privacy: Data and Surveillance. The courses brought together already-developed resources (explainers, presentations, videos) to create a cohesive, interactive, fun and engaging learning experience.

These are the first of their kind combining both the technological understanding of communications networks and surveillance technologies, while also explaining the philosophical underpinnings of the right to privacy in two easy to use, interactive courses. While the primary audience is our partner organisations across the world, our hope is that they share the content across their own networks, with the aim to be promoted as publicly available resources to wider audiences. Since the soft-launch at the end of 2016, the two courses have been subscribed to by over 80 people.

More collaboration with Advocacy Assembly is planned for 2017, with two additional courses in early stages of development (on research methodology and on data intensive systems).

5.3 Data Exploitation

The Data Exploitation programme was an entirely new domain of intervention for us when the new strategic plan was launched in August 2015. Early work involved establishing our competencies by doing technical research, engaging with some (new) actors, hosting workshops, speaking at conferences, conducting early-stage research -- but mostly we focused our efforts in mapping the domain and supporting other NGOs who were entering the field. The initial progress was slower than we would have liked, but over

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the course of 2016 we started to develop and reorganise our teams internally, focus more on public-facing outputs, and thus began to communicate and engage more confidently in a highly technical and undefined domain.

Engaging stakeholders

This approach meant working with partners and exploring current frameworks. We used the opportunity of European consultations on an updated legal framework of the 'e-privacy' directive to develop our internal positions, engage with European public interest and consumer protection groups to guide their own interventions. Similarly, our Global South programme began to look at more questions around 'data', with our partners seeking more guidance on these issues. In this sense, we had identified Data Exploitation as a useful framing of a set of issues of increasing interest across the world and of relevance to our partner organisations and others.

Because of the undefined nature of the domain, whereas previously it could have been captured as the elusive trend of big data, or data science, and as a by-product of the *internet of things, and smart infrastructure and embedded systems*, and now increasingly about *algorithms and artificial intelligence*, we focused on developing a problem statement for Data Exploitation and getting that into a format we can share. Using the novel narrative, we were meeting with various experts and communities to test our understandings and explore some potential solutions. This included speaking at European Commission events, including on consumer liability and security, giving evidence at a European Parliamentary hearing on fundamental rights implications of big data, attending a roundtable discussion on algorithms and speaking at the OECD Ministerial conference in Mexico, and speaking at the Alan Turing Institute -- the UK's national institute for data science. We also provided comments on the Council of Europe's report on Big Data. Finally, we announced our programme and approach at the key European conference in this space of data protection, *Computers, Privacy and Data Protection* in Brussels in January 2017.

Contributing research

We want our research to be able to expose how data is being generated across devices and services, beyond the expectations of the public, and placing individuals at risk. We have completed research on the security of city-wide wifi networks and the risks to security and privacy they may pose as they become integral to smart cities. We delivered our research at two workshops (Amsterdam and Buenos Aires, February 2016). We continued our exploration into the connected nature of cars and the future of transportation through legal research and reverse-engineering. Finally we published a long-form piece with visualisations on what is an algorithm, AI, and Machine Learning - a unique contribution in the debate that to date has been lacking detailed information and has rather resided on the top level discourse of 'algorithms' as decision-makers and 'transparency' as the dominant response.

Informing the public

Once we developed a sophisticated understanding of the issues arising from data exploitation, we were then able to focus on engaging and informing the public. We spent six months honing our messaging and developing a communications platform to explain to the public, in a case-led manner, the risks of data exploitation. In December 2016 we launched a public-facing video "What is Data Exploitation?". We also accumulated over 500 stories of events and developments across the world that we could label as 'instances' of Data Exploitation - to be published in early 2017 on a publicly available platform.

Identifying the next generation of safeguards

The work to date has allowed PI to develop its understanding in a highly complex domain, develop initial positions that can be tested by new developments, and explore possibly technical and policy solutions that will protect the public. After years of supporting the development of new rules on data protection, it is becoming clear to us that a set of protections are now required to ensure that the public maintains control over their data and is able to assert their rights. Excessive data generation and processing will place individuals, groups, and whole societies at risk of surveillance, unfair decision-making, and manipulation without their knowledge or control. We look forward to developing principles for reform, recommendations for governments and industry to pursue to ensure that the public benefits from innovations in data and technologies without being placed at risk of discrimination, injustice, interference, and manipulation.

5.4 International Advocacy and Human Rights Mechanisms

Privacy International is advocating for the mainstreaming of privacy across all UN human rights mechanisms and promoting global standards that will protect privacy in the face of increased state surveillance and data processing by governments and industry.

The Special Rapporteur on the right to privacy presented his first report to the Human Rights Council at the 2016 March session of the Human Rights Council. While the report was published late, PI submitted a written statement to the Council and then participated in the inter-active dialogue with the Special Rapporteur on 9 March 2016, delivering PI's first statement in the Council's plenary session.

PI continued the on-going engagement with the Special Rapporteur, including by submitting country briefings (on Pakistan, Ghana, the Former Yugoslav Republic of Macedonia, and Thailand) and in July 2016, participated in the conference organised by the Special Rapporteur in NYC on Privacy, personality and flows of information. The event was attended by project partners from Brazil

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and Colombia and in October 2016, we submitted a briefing on oversight of intelligence agencies to contribute to his thematic report. Our contribution was acknowledged in the Special Rapporteur's report to the Human Rights Council in 2017.

We will continue to support the mandate and advise him on priorities, focussing in particular on two of the five thematic priorities he had identified, namely surveillance and big data. We will also continue to provide briefings on countries and individuals at risk and support the engagement of PI's partners with the Rapporteur.

In early 2016, PI submitted a briefing to the UN Special Rapporteur on freedom of expression on the role of ICT companies in the respect of human rights, including the right to privacy. The Rapporteur released his initial, mapping report on this topic at the June session of the Human Rights Council, touching upon a range of issues identified in PI's briefing (notably the role of the surveillance industry). We submitted a written statement and attended the relevant session of the Council. In July and October, PI also participated in an expert meeting with the Special Rapporteur organized by Article 19 in London, the discussions focusing on the issues of direct access, where governments have un-interrupted access to telecommunications and other private sector databases and systems without the need for warrants with individualised suspicion, which also formed the basis of our written briefing to contribute to the next report of the Rapporteur.

We continue to engage in the Universal Periodic Review to increase UN attention to privacy. Following PI's submissions of stakeholders' reports for 24th, 25th and 26th UPR Working Group sessions (including Namibia, Singapore, Estonia, Belgium, Denmark, Paraguay, Ireland, Hungary, the United Republic of Tanzania, Thailand, Zimbabwe, Venezuela and Uganda), we continued advocacy efforts, raising concerns to the Permanent Delegations in Geneva.

While we welcome that many of our recommendations were later reiterated by the Delegations (including ones put forward to Paraguay, Denmark, Estonia, Hungary, Thailand, Venezuela and Zimbabwe), we remain dissatisfied with the lack of focus on the right to privacy in Namibia, Singapore and Uganda, despite the serious concerns raised in our stakeholder reports.

The Human Rights Committee is the body of independent experts that monitors implementation of the International Covenant on Civil and Political Rights (ICCPR) by its State parties. In 2016 (and early 2017), we submitted country briefings on Colombia, Estonia, Morocco, South Africa, Sweden, New Zealand, Rwanda, Argentina, Belgium, Thailand, Poland, Pakistan and Italy.

The Committee continues to adopt concluding observations reflecting many of PI's concerns, most notably on metadata in Poland, on intelligence sharing in Sweden and on unlawful surveillance of human rights defenders and journalists in Morocco. The Committee also adopted concluding observations raising concerns on counter-terrorism surveillance measures in Denmark and on the DNA retention in Kuwait.

5.5 Organisational Developments

As a result of much deliberations and internal and external reviews, in August 2015, PI introduced a matrix internal structure, to enable PI to deliver new/redesigned programmes more efficiently under our Strategic Plan. The new structure includes skills-based teams managed by a Heads of Teams (Legal, Tech, Campaigns & Communications, Research & Investigations, and Advocacy & Policy) and three Programme Leads that are responsible for PI's strategic programme streams: Surveillance, Data Exploitation, and the Global South. This new structure is now operational, with the remuneration scheme appropriately adjusted to staff responsibilities, within a new staff handbook.

We also undertook an extensive board and staff consultation process on an Organisational Philosophy, exploring and explaining our fundamental values and beliefs about the nature of privacy, technology, and rights. This process has provided the basis for our organisational positions and policies. We have completed one position on the use by government and the private sector of Social Media Intelligence. In 2017 we look forward to policy-making in more domains, including the use of government hacking powers and the new safeguards needed in a world of Data Exploitation.

Staff

Privacy International maintains a small group of staff at our office in London. The continued success of our work depends on our ability to recruit highly capable individuals. We are committed to creating a working environment where people are supported to grow. During 2016 we appointed four new members of staff combining expertise in research and campaigning, policy research and technology.

In 2016 we also became hosts to two different fellowship programmes: since August 2016, we are hosts to Yale Bernstein Legal Fellow, assisting the legal team in their work across all programmes and Ford-Mozilla Open Web Tech Fellow, supporting the Data Exploitation programme with additional expertise.

At the end of the financial year we had a complement of nineteen full-time members of staff and two fellows, with new job descriptions, and new lines of reporting to support our new strategic plan.

Public engagement and expert advice

Over the past year, we have significantly diversified our modes of communication, increasingly moving away from just producing blog-based content, and instead using multimedia approaches, such as infographics and videos. We continue to engage with various communities at different levels, from assisting our traditional partners on the scene (Amnesty International, meetings in

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Southampton) through engaging expert legal communities, including speaking at the Lawyers without Borders meeting (Oxford), Law Society Junior Lawyers Division Annual Conference, Center for Transnational Legal Studies. We also continued speaking at public events: Kings College (on Remote Control Project), Re:Publica (on Smart Cities), Gothenburg Book Fair, Privacy Lab with Mozilla ("Women and minorities in the Age of Data Exploitation"). Our work is now a part of an exhibition at the Science Museum "Our Lives in Data" (until end of October 2017). Our staff was also last year invited to present their expert opinions at a number of international panels and conferences.

Technology

We have been working throughout 2016 on redeveloping our internal and external technical systems. These include our networking, our internal services, but also the infrastructure that delivers our website and fundraising services. To live up to our own expectations upon others, while learning from how others' systems have been compromised, we are seeking to address security risks. This was why we took down our website in 2014, and redeveloped it from scratch for relaunch in 2015. In 2016 we redeveloped the infrastructure that runs these services so that they can be easily maintained by our staff. This platform, what we call Thornsec, should reach version 1.0 in 2017, allowing us to increase our internal services, ensure their reliability, and pursue new forms of external-facing systems, including building a more effective website and campaigning capabilities for engaging the public.

6. FUTURE PLANS

First, we will continue our work on contesting **state surveillance** – identifying bad practices, seeking legal reform, exposing the technology companies who enable surveillance, and developing understanding across civil society and international forums. We will continue to expand our work beyond communications surveillance and intelligence agencies, to explore surveillance of movement, government hacking powers, and the role of foreign funding in the expansion of surveillance capabilities across the world.

Second, we will deepen our work building capacity on privacy across the world, and particularly in the **Global South**. We will expand our relationships with partners in countries across Asia, Africa and Latin America to build their understanding on privacy, identify cutting edge issues emerging in their countries and regions, conduct research on new challenges, investigate ongoing practices, and advocate for policy change. We will expand our partners' expertise in innovations in surveillance and data collection, and the use of increasingly data-intensive systems in their countries and how research and advocacy may be pursued to inform the public and engage policy-makers.

Third, we will continue to develop our work on **data exploitation** -- consolidating the leading security research on data leakage and vulnerabilities, conducting our own technical research, building greater understanding across civil society on the risks of exploitation of data, and identifying and developing policy responses. We will find new ways of communicating with the public while developing our principles for policy and technology reform.

The Board also identified the strategic priority for the organisation to **ensure the sustainability of the remarkable growth** and our position as a leading rights organisation. The Board also stressed that PI must continue its efforts to develop policies and positions, increase its communications capabilities and profile, build a stronger network of partners across the world, enhance and deepen our legal and technological capacities, reorganise to strengthen management capacity, establish robust technical systems, and ensure financial stability. We will systematize monitoring and evaluation across our work, learn new ways to manage risk and disseminate lessons to our partners, further develop our technical systems, and improve our communications and campaigning systems and practices. These will be essential steps to deepening our focus on enhancing the rights and capabilities of our beneficiaries.

7. FINANCIAL REVIEW

Results for the year

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

The Statement of Financial Activities shows an increase in funds for the year of £1,027,691, and reserves of £1,882,018.

Tangible fixed assets for use by the charity

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

Reserves Policy

The Board of Trustees has set a reserves policy for Privacy International for 6 months.

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

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Grants and donations

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

Adessium Foundation
Esmee Fairbairn Foundation
Ford Foundation
International Development Research Centre
Open Society Foundations
Omidyar Network
Swedish International Development Cooperation Agency
Street Foundation

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

Volunteers and pro bono support

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

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

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

Independent Auditors


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

Although not required, the trustees have determined that the charitable company be audited under the Companies Act 2006 for the year ended 31st January 2017 and for future years. The charity would be required to be audited under charities legislation for the year ended 31st January 2017.

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

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

These financial statements were approved by the Trustees on 25 September 2017 and signed on their behalf by:



Anna Fielder
Trustee

Privacy International

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Statement of Trustees' Responsibilities for the year ended 31 January 2017

Statement of trustees' responsibilities

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

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

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

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

Statement as to disclosure of information to auditors

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

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Independent Auditors' Report to the Members and Trustees of Privacy International

We have audited the financial statements of Privacy International for the year ended 31 January 2017 set out on pages 16 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 company's members those matters we are required to state to them in an auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities set out on page 14 the charity's trustees (who are also the directors of the 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.

We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors, including FRC Ethical Standard Provisions Available for Small Entities, in the circumstances set out in note 2 to the financial statements.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 January 2017 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the Companies Act 2006.

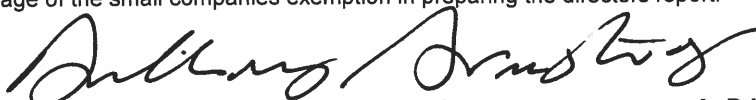
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Anthony Armstrong FCA (Senior Statutory Auditor)
Armstrong & Co
Chartered Accountants & Statutory Auditor
25 September 2017

4a Printing House Yard
Hackney Road
London E2 7PR

Privacy International

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

Statement of Financial Activities

incorporating the income and expenditure account
for the year ended 31 January 2017

		2017			2016
		Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
	Notes	£	£	£	£
Income from:					
Donations and legacies	3	23,088	-	-	23,088
Charitable activities	4	1,396,039	1,001,624	-	2,397,663
Investments	5	441	-	-	441
Total income		1,419,568	1,001,624	-	2,421,192
Expenditure on:					
Charitable activities	6	334,444	1,059,057	-	1,393,501
Total expenditure		334,444	1,059,057	-	1,393,501
Net income/(expenditure) for the year		1,085,124	(57,433)	-	1,027,691
Transfers between funds	15	(228)	228	-	-
Net movement in funds		1,084,896	(57,205)	-	1,027,691
Reconciliation of funds:					
Total funds brought forward	12	222,734	631,593	-	854,327
Total funds carried forward	12	1,307,630	574,388	-	1,882,018

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

Privacy International

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Statement of Financial Position as at 31 January 2017

	Notes	31 January 2017		31 January 2016	
		£	£	£	£
Fixed assets:					
Tangible assets	8		14,809		6,535
Total fixed assets			<u>14,809</u>		<u>6,535</u>
Current assets:					
Debtors	9	473,421		25,797	
Cash at bank and In hand	10	<u>1,550,680</u>		<u>868,056</u>	
Total current assets		<u>2,024,101</u>		<u>893,853</u>	
Creditors: amounts falling due within one year	11	<u>156,892</u>		<u>46,061</u>	
Net current assets			1,867,209		847,792
Total net assets			<u>1,882,018</u>		<u>854,327</u>
The funds of the charity:					
Restricted funds	14		574,388		631,593
Unrestricted funds	12		<u>1,307,630</u>		<u>222,734</u>
Total charity funds	12		<u>1,882,018</u>		<u>854,327</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard 102 (effective January 2015).

These financial statements were approved by the Trustees on 25 September 2017 and signed on their behalf by:



Anna Fielder
Trustee

The notes on pages 19 to 26 form part of these accounts.

Privacy International

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Statement of Cash Flows for the year ended 31 January 2017

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Net cash used in operating activities	1	697,458	166,696
Cash flows from investing activities:			
Dividends, interest and rents from investments		441	1,889
Purchase of property, plant and equipment		(15,275)	(3,035)
Net cash provided by investing activities		<u>(14,834)</u>	<u>(1,146)</u>
Change in cash and cash equivalents in the reporting period		682,624	165,550
Cash and cash equivalents at the beginning of the reporting period	2	868,056	702,506
Cash and cash equivalents at the end of the reporting period	2	<u>1,550,680</u>	<u>868,056</u>

Notes to Cash Flow Statement

	2017 £	2016 £
1 Reconciliation of net income/(expenditure) to net cash flow from operating activities		
Net income/(expenditure) for the reporting period (as per the statement of financial activities)	1,027,691	84,908
Adjustments for:		
Depreciation charges	7,002	5,843
Dividends, interest and rents from investments	(441)	(1,889)
(Increase)/decrease in debtors	(447,624)	90,708
Increase/(decrease) in creditors	110,831	(12,876)
Net cash provided by (used in) operating activities	<u>697,458</u>	<u>166,696</u>
	2017 £	2016 £
2 Analysis of cash and cash equivalents		
Cash in hand	1,550,680	868,056
Total cash and cash equivalents	<u>1,550,680</u>	<u>868,056</u>

Accounting Policies

for the year ended 31 January 2017

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with:

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

Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

FRS102 was applied from 1 February 2016, with a transition date of 1 February 2015. In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. No restatement was required.

Public benefit entity

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

Going concern

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

Income recognition

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

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

Expenditure recognition

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

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

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

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

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

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Accounting Policies

for the year ended 31 January 2017

Restricted Funds

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

Unrestricted Funds

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

Designated Funds

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

Hire purchase and leasing commitments

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

Tangible Fixed Assets

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

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

Pensions

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

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Notes to the Accounts

for the year ended 31 January 2017

1 Incoming resources

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

2 Net incoming resources

Net incoming resources are stated after charging:

Auditors fees - Armstrong & Co statutory audit services

Auditors fees - HW Fisher project audit services

Depreciation - owned assets

	2017	2016
	£	£
Auditors fees - Armstrong & Co statutory audit services	3,600	3,600
Auditors fees - HW Fisher project audit services	8,220	14,520
Depreciation - owned assets	7,001	5,843
Trustees' emoluments	-	-

Trustees' emoluments

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

FRC Ethical Standard - Provisions available for small entities

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

3 Donations and legacies

Donations

	Unrestricted	Restricted	2017 Total	2016 Total
	£	£	£	£
Donations	23,088	-	23,088	10,955
	<u>23,088</u>	<u>-</u>	<u>23,088</u>	<u>10,955</u>

4 Charitable activities

Grants

Other income

	Unrestricted	Restricted	2017 Total	2016 Total
	£	£	£	£
Grants	1,394,984	1,001,624	2,396,608	1,390,233
Other income	1,055	-	1,055	2,362
	<u>1,396,039</u>	<u>1,001,624</u>	<u>2,397,663</u>	<u>1,392,595</u>

5 Investments

Interest received

	Unrestricted	Restricted	2017 Total	2016 Total
	£	£	£	£
Interest received	441	-	441	1,889
	<u>441</u>	<u>-</u>	<u>441</u>	<u>1,889</u>

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Notes to the Accounts

for the year ended 31 January 2017

6 Charitable activities	Unrestricted	Restricted	2017	2016
	£	£	Total	Total
Staff salaries	136,249	569,916	706,165	572,290
Staff social security	20,434	53,870	74,304	59,038
Staff pensions	10,414	25,954	36,368	26,725
Other staff costs	1,287	2,333	3,620	3,431
Staff training	4,636	3,134	7,770	5,831
Recruitment	5,312	-	5,312	15,045
Project expenses	16,805	229,602	246,407	304,123
Translation costs	-	18,162	18,162	18,273
Travel & accommodation	12,575	53,282	65,857	85,341
Office expenses	31,304	23,530	54,834	87,863
Fundraising costs	180	18	198	-
Rent	13,617	49,274	62,891	62,839
Depreciation	7,002	-	7,002	5,842
Legal & professional fees	2,679	6,202	8,881	1,281
Consultancy	52,060	13,881	65,941	50,671
Bank & Paypal charges	648	1,679	2,327	1,532
Governance - Board costs	12,613	-	12,613	-
Trustee expenses	2,567	-	2,567	1,862
Audit fees	3,600	8,220	11,820	18,120
Accountancy costs	462	-	462	424
	<u>334,444</u>	<u>1,059,057</u>	<u>1,393,501</u>	<u>1,320,531</u>

7 Staff costs	2017	2016
	£	£
Staff salaries	706,165	572,290
Staff social security	74,304	59,038
Staff pensions	36,368	26,725
	<u>816,837</u>	<u>658,053</u>

Average number of employees during the year was:

17 15

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

1 1

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

Band	No of employees	
	2017	2016
£60,000 to £69,999	-	1
£70,000 to £79,999	1	-

The charity considers its key management personnel to be the trustees and the executive director. The total employment benefits (including employer pension contributions) of the key management personnel were £79,500 (2016: £66,133).

No remuneration was paid to any trustee or their associates for services as a trustee during the year ended 31 January 2017 nor to 31 January 2016.

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Notes to the Accounts

for the year ended 31 January 2017

8 Tangible fixed assets	Software	Computer equipment	Furniture & fixtures	Total	
	£	£	£	£	
Cost					
As at 1 February 2016	3,645	16,644	10,838	31,127	
Additions	-	7,491	7,784	15,275	
Disposals	-	-	(1,196)	(1,196)	
As at 31 January 2017	<u>3,645</u>	<u>24,135</u>	<u>17,426</u>	<u>45,206</u>	
Depreciation					
As at 1 February 2016	3,409	14,628	6,555	24,592	
Charge for the year	236	3,481	3,284	7,001	
Disposals	-	-	(1,196)	(1,196)	
As at 31 January 2017	<u>3,645</u>	<u>18,109</u>	<u>8,643</u>	<u>30,397</u>	
Net book value					
As at 31 January 2017	<u>-</u>	<u>6,026</u>	<u>8,783</u>	<u>14,809</u>	
As at 31 January 2016	<u>236</u>	<u>2,016</u>	<u>4,283</u>	<u>6,535</u>	
9 Debtors: amounts falling due within one year			2017	2016	
			£	£	
Rent deposit			15,478	15,478	
Prepayments			10,319	10,319	
Accrued income			447,624	-	
			<u>473,421</u>	<u>25,797</u>	
10 Bank and cash in hand			2017	2016	
			£	£	
Co-operative bank account			-	768,835	
Barclays bank account			1,547,845	98,720	
Paypal account			2,336	501	
Travel currency cards			499	-	
			<u>1,550,680</u>	<u>868,056</u>	
11 Creditors: amounts falling due within one year			2017	2016	
			£	£	
Trade creditors			2,551	11,657	
Credit cards			2,567	-	
Payroll taxes			22,648	16,162	
Pensions			5,606	3,608	
Accruals			123,520	14,634	
			<u>156,892</u>	<u>46,061</u>	
12 The funds of the charity	Opening balance	Resources arising	Resources utilised	Other movements	Closing balance
	£	£	£	£	£
<u>Restricted funds</u>					
Restricted income funds	631,593	1,001,624	(1,059,057)	228	574,388
<u>Unrestricted funds</u>					
Designated funds	6,535	15,275	(7,001)	-	14,809
General funds	216,199	1,404,293	(327,443)	(228)	1,292,821
<i>Total unrestricted funds</i>	<u>222,734</u>	<u>1,419,568</u>	<u>(334,444)</u>	<u>(228)</u>	<u>1,307,630</u>
	<u>854,327</u>	<u>2,421,192</u>	<u>(1,393,501)</u>	<u>-</u>	<u>1,882,018</u>

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Notes to the Accounts

for the year ended 31 January 2017

	Opening balance	Resources arising	Resources utilised	Transfers & adjustments	Closing balance
	£	£	£	£	£
13 Designated funds					
Fixed assets fund	6,535	15,275	7,001	-	14,809
	<u>6,535</u>	<u>15,275</u>	<u>7,001</u>	<u>-</u>	<u>14,809</u>

Fixed assets fund	This fund represents the amount of charity funds locked up in freehold land and buildings and other fixed assets which are needed for operational purposes. The funds are carried at the net book value of the fixed assets at the balance sheet date, after deducting any outstanding loans, endowment funds or restricted funds used to finance their acquisition.
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	Opening balance	Incoming resources	Resources expended	Transfers & adjustments	Closing balance
	£	£	£	£	£
14 Restricted funds					
Adessium Foundation	84,884	92,566	98,275	-	79,175
Ford Foundation	-	117,361	54,536	-	62,825
Foundation to Promote Open Society	-	67,104	4,835	-	62,270
IDRC	88,498	233,441	231,147	-	90,792
Mozilla Foundation – Open Web Fellow Programme	-	15,181	15,181	-	-
The Omidyar Network	63,991	-	63,991	-	-
Oxford Research Group	-	5,000	5,026	26	-
The Open Society Foundations	187,073	-	187,073	-	-
The Swedish International Development Cooperation Agency	160,466	454,365	335,506	-	279,326
Street Foundation	46,680	-	46,882	202	-
Yale Law School – Robert L. Bernstein International Human Rights Fellowship	-	16,606	16,606	-	-
	<u>631,593</u>	<u>1,001,624</u>	<u>1,059,058</u>	<u>228</u>	<u>574,388</u>

Restricted funds (continued)

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

Adessium Foundation	Adessium Foundation supports various programmes to promote social justice and cohesion, and provides a 3-year core grant to support our work on the export of surveillance technologies, our research and rapid response, and to help build the organisation's infrastructure.
Ford Foundation	The Ford Foundation is a New York-headquartered, globally oriented private foundation with the mission of advancing human welfare. In 2016 Privacy International received a 2-year grant to support the work in the Global South Programme.
Foundation to Promote Open Society (a part of Open Society Foundations)	The Open Society Foundations work to build vibrant and tolerant democracies whose governments are accountable to their citizens. The Foundations seek to shape public policies that assure greater fairness in political, legal, and economic systems and safeguard fundamental rights. The purpose of the 3-year grant received in 2016 from FPOS is to support research and education on the Internet of Things.
IDRC	The International Development Research Centre (IDRC) is a Canadian Crown corporation helping developing countries find solutions to social, economic and environment problems. In 2012, IDRC supported three of our initiatives. First, we completed the PrivAsia project that supported 2.5 years of research and policy engagement in 9 developing countries in Asia. Second, IDRC began funding a new 2.5 year project to support 19 partner organisations in 17 countries to conduct research and inform policy on privacy and surveillance in Africa, Asia, and Latin America. Third, they agreed to fund a research paper into the relationships between development aid and surveillance initiatives.
Mozilla Foundation – Open Web Fellow Programme	The Mozilla Foundation is a non-profit organisation that promotes openness, innovation and participation on the Internet. In 2017 Privacy International was one of the hosts organisations for the Open Web Fellow Program, funded by the Foundation - it is an international program designed to engage developers, engineers, technologists, programmers, and other selected candidates to be hosted by civil society organisations around the world.

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for the year ended 31 January 2017

The Omidyar Network	The Omidyar Network is committed to funding nonprofit and for profit organizations across multiple areas, including Consumer Internet & Mobile, Education, Financial Inclusion, Governance & Citizen Engagement, and Property Rights. In 2014, the Omidyar Network awarded PI a grant for period July 2014 – June 2016. It is designed to support PI's growth, development, and capacity building.
Oxford Research Group	Oxford Research Group is an independent peace and security think-and-action-tank that promotes dialogue and common security approaches as sustainable alternatives to violent global confrontation. In 2016 ORG cooperated with Privacy International on research on Remote Control Project under the Surveillance Programme.
The Open Society Foundations	The Open Society Foundations (OSF) works to help foster democratic and accountable governments. It provides multiple grants to support core operations and our work on export controls on surveillance technologies and developing countries.
The Swedish International Development Cooperation Agency	The Swedish International Development Agency began funding a 36 month initiative under the Global Surveillance Monitoring and Advocacy project in January 2014. They are supporting PI to collaborate with 13 civil society actors in 13 countries across east and north Africa, south and south-east Asia and South America to investigate the use of surveillance technologies in their respective countries, and to build momentum for stronger human rights protections in national surveillance laws.
Street Foundation	The Street Foundation is a grant making charity that provides support for the Big Brother Incorporated project most notably towards PI's work to build an international campaign on export control of surveillance technologies and since 2015 it supports PI's new strategic plan, especially Data Exploitation programme.
Yale Law School – Robert L. Bernstein International Human Rights Fellowship	The Robert L. Bernstein Fellowships in International Human Rights enable Yale Law School graduating students or recent graduates to devote a year to full-time advocacy human rights work. The fellowships, providing a one-year stipend, promote innovative and creative approach to human rights advocacy.

	General funds	Designated funds	Restricted funds	Endowment funds	Total
15 Transfers between funds					
General to restricted	(228)	-	228	-	-
General to designated	(8,274)	8,274	-	-	-
	<u>(8,502)</u>	<u>8,274</u>	<u>228</u>	<u>-</u>	<u>-</u>

	General funds	Designated funds	Restricted funds	Endowment funds	Total
16 Net assets attributable to funds					
Tangible fixed assets	14,809	£ -	£ -	£ -	14,809
Current assets	1,434,904	14,809	574,388	-	2,024,101
Current liabilities	(156,892)	-	-	-	(156,892)
Net assets represented by funds	<u>1,292,821</u>	<u>14,809</u>	<u>574,388</u>	<u>-</u>	<u>1,882,018</u>

17 Taxation

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

18 Post balance sheet events

There were no significant post balance sheet events.

19 Pension commitments

The charity contributes to employees defined contribution stakeholder pension schemes. The assets of the schemes are held separately from those of the charity in an independently administered fund.

The unpaid contributions outstanding at the year end were: £ 5,606 £ 3,608

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20 Other financial commitments

Operating lease commitments due within 12 months

At 31 January 2017, the company had annual commitments for land and buildings and other leases under non-cancellable operating leases as detailed below:

	2017		2016	
	Land & buildings	Other leases	Land & buildings	Other leases
	£	£	£	£
Expiring:				
- between two and five years	61,915	-	61,915	-

21 Transactions with trustees

During the year the charity paid travel expenses of Anna Fielder, (a trustee) totaling £1,127 (2016: £498).

During the year the charity paid travel expenses of Barry Steinhardt, (a trustee) totaling £1,440 (2016: £1,365).

22 Contingent liabilities

The charity had no material contingent liabilities at 31 January 2017 nor at 31 January 2016.

23 Related parties

During the year professional and audit fees of £8,220 (2016: £14,520) were paid to HW Fisher & Company in respect of consultancy and project audit services provided to the charity. Barry Kernon is a trustee of the charity and a consultant in HW Fisher & Company. The fees have been agreed on normal commercial terms and Mr Kernon took no part in the decision to use HW Fisher & Company nor in the fee negotiations.

The charity has engaged the services of Stackhouse Fisher which are associates of HW Fisher & Company as the charity's insurance brokers. Barry Kernon is a trustee of the charity and a consultant in HW Fisher & Company. The insurance premiums have been agreed on normal commercial terms and Mr Kernon took no part in the decision to use Stackhouse Fisher nor in the fee negotiations. The amount of insurance premium paid during the year amounted to £6,523 (2016: £12,290).

24 Gifts in kind and volunteers

During the year the charity benefited from unpaid work performed by volunteers.