



PayPal Giving Fund UK

**Annual Report and Financial
Statements**

31 December 2016

Company Limited by Guarantee
Registration Number
5507404 (England and Wales)

Charity Registration Number
1110538

Contents

Reports

Reference and administrative details of the charity, its Trustees and advisers	1
Trustees' report	2
Independent auditor's report	22

Financial statements

Statement of financial activities	24
Balance sheet	25
Cash flow statement	26
Principal accounting policies	27
Notes to the financial statements	30

Reference and administrative details of the charity, its Trustees and advisers

Trustees	Matthew Metcalfe (Chair) Alison Sagar Angela Cummings Cameron McLean (resigned 4 July 2016) Eva Gustavsson (appointed 2 December 2016) Naomi Marek (appointed 2 December 2016) Julia Hutton-Potts Llewellyn Thomas Ruth Holdaway (resigned 11 March 2016) Sean Milliken
Company secretary	Nick Aldridge
Staff	
CEO	Nick Aldridge
Head of UK Cause Programmes	Shosh Goodman (maternity cover)
UK Financial Controller	Anya Milligan
Programmes Executive	Sharnie McCourt
Communications Executive	Tawheed Rahim
Registered office	Whittaker House, Whittaker Avenue Richmond, Surrey TW9 1EH
Website	www.paypalgivingfund.org.uk
Company registration number	5507404 (England and Wales)
Charity registration number	1110538
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank Plc Onslow Hall, Little Green, Richmond, Surrey, TW9 1QS
Solicitors	Bates Wells & Braithwaite 2 – 6 Cannon Street London EC4M 6YH

Trustees' report 31 December 2016

The trustees present their statutory report together with the financial statements of PayPal Giving Fund UK for the year to 31 December 2016.

The report has been prepared in accordance with Part 8 of the Charities Act 2011 and also constitutes the directors' report for the purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies set out in the Principal Accounting Policies section therein and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable in the United Kingdom and Republic of Ireland (FRS 102) effective from accounting periods commencing 1 January 2015 or later.

Introduction

PayPal Giving Fund UK

The charity's declared objects are to advance all purposes that are charitable under the law of England and Wales. Our principal activity to achieve these objects is the development of partnerships with PayPal Inc and its subsidiaries, and with other leading internet businesses such as eBay, Humble Bundle and StubHub. The partnerships enable the full range of UK charities to enrol with PPGF and generate unrestricted funds from innovative customer giving programmes.

Public benefit

As PayPal Giving Fund UK is a grant-making charity, our public benefit occurs through the activities of those charities that receive funds from us. We believe that, given the large number of small donations we enable, we maximise our public benefit by providing relatively unrestricted funding for those charities. We do not seek to impose any restrictions on our grants beyond those necessitated by charity law to ensure our funds are spent appropriately.

Through our partnership with PayPal, we undertake checks to ensure that charities on the system are correctly registered, in good standing with relevant regulators, and that they have verified PayPal accounts so donations can be promptly re-granted. These checks now incorporate PayPal's own checks on businesses as required by regulators. We suspend from our system any charities where we find this not the case.

During the period we undertook additional "spot checks" on charities that received significant funds from PayPal Giving Fund. Aiming to avoid creating a disproportionate administrative burden, we survey a cross-section of charities on their use of our funds to gather evidence showing they are indeed being used in support of charitable purposes.

We also actively seek out opportunities to benefit the charity sector and the public in other ways, for instance by sharing our expertise in online fundraising with charities across the sector, and helping to inform government policy development on charitable giving. We participate actively in many conferences and events attended by UK charities, as well as providing material to the UK charity press.

Public benefit (continued)

We also work to promote charities and charitable giving to online audiences who may have little previous involvement in the sector, for example by promoting charitable causes to PayPal's, eBay's and Humble Bundle's online shopping audiences.

Achievements and performance

Overview of our programmes and recent developments

Through our partnership with PayPal, our vision is to empower consumers, merchants and charities to take control of fundraising and drive up charitable giving. To achieve this vision, we work to create inclusive networks of donors, merchants and charities so all can participate in raising new, unrestricted funds. Our partnerships with leading internet businesses such as eBay and Humble Bundle enable their customers to do good as part of their daily lives.

Our partnership with PayPal

We enjoy a close and highly supportive relationship with PayPal, which collaborates with us to generate fundraising opportunities that engage its customers, and provides the majority of funding for our operating costs.

Together with PayPal, we provide:

- ◆ A single, integrated process for charities to confirm their charitable status, pass compliance and security checks and enrol with PayPal Giving Fund
- ◆ A system for charities to receive monthly payments from PayPal Giving Fund direct into their PayPal accounts
- ◆ An API so that partners can access the entire directory of charities enrolled with us in real time and raise funds for the charities of their choice.

During the period we worked with PayPal to bring charities onto our new platform, ensuring that their PayPal accounts had been properly vetted by PayPal's compliance team to determine their ownership by a charitable organisation. During the period 3,024 charities enrolled, of which 49% had not previously enrolled. PayPal's support in informing charities of the potential benefits of enrolling with PayPal Giving Fund was a key driver of those enrolments, with 540 charities joining our platform as a direct result of those efforts. We re-enrolled the top 27 charities by funds raised (all those receiving more than \$25,000), but only 10% of those charities that received no donations in the 12 months prior to our migration project. All those charities that did not re-enrol were removed from our platform. As a result, the level of charity choice available on our platforms declined significantly.

We also work with PayPal to provide giving opportunities for PayPal customers, and made significant progress during the period. We collaborated closely with PayPal on a charitable Giving Tuesday campaign in November and December 2016, which raised an additional £150,000 for PayPal Giving Fund to pass on to 377 UK charities, of which £70,877 was donated during the week of Giving Tuesday.

Our partnership with PayPal (continued)



Figure 1 PayPal's Giving Tuesday campaign

We launched a new Gift Aid system

As a result of separation from eBay, we were no longer able to match previous Gift Aid declarations to new donations made through our platform. Together with PayPal, we designed and built a new Gift Aid interface, enabling donors to make PayPal Giving Fund Gift Aid declarations accessed through their PayPal accounts. More than 8,000 donors made Gift Aid declarations in 2016, and while Gift Aid during the period was down overall to £149,448, with work from our team we expect it to recover to previous levels (and beyond) in 2017.

We integrated charitable giving into the PayPal App

We successfully relaunched charitable giving through the PayPal App in December 2016, after PayPal's technology team developed a new way to comply with Apple's policies on in-app donations, and received an additional £13,000 in donations for UK charities in December 2016, with early signs showing that donations will continue at that rate. We are now working with PayPal to promote these giving opportunities to new potential donors in 2017 to drive up participation and funds raised.

Our partnership with PayPal (continued)

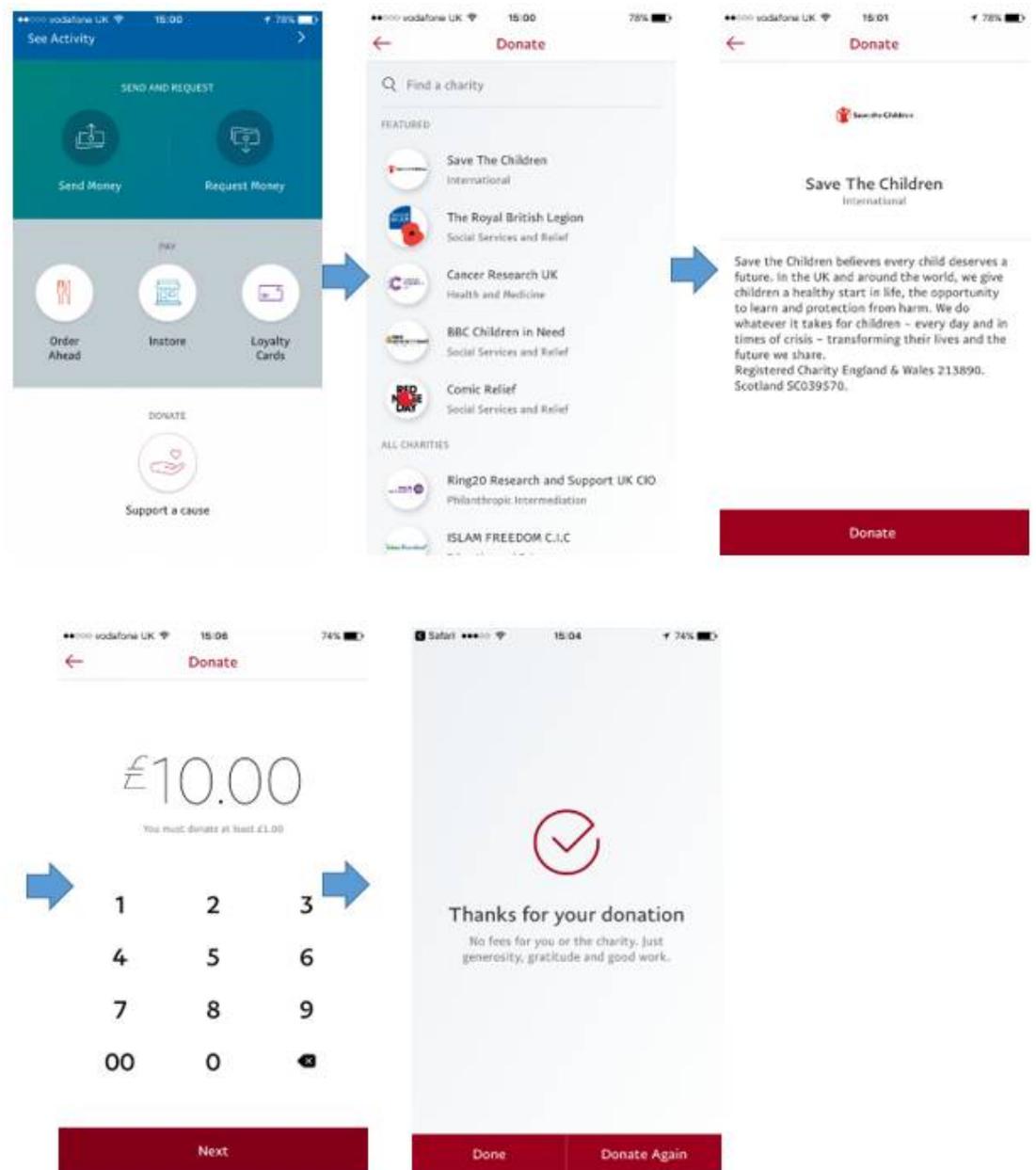


Figure 2 Donations through the PayPal Mobile App

Our partnership with eBay

Our longstanding partnership with eBay for Charity evolved and developed during the period. Through eBay for Charity, eBay sellers may specify a charity (registered with the eBay for Charity programme) they wish to benefit from a percentage of the proceeds of any individual sale. We continue to pass on 100% of each donation we collect, thanks to PayPal's generosity in covering our operating costs, and eBay's support for the transaction costs incurred by eBay for Charity donors.

During the period we worked with eBay to mitigate the effects of our platform migration, and to enable sellers to give through PayPal even if they did not already have a PayPal account.

Our partnership with eBay (continued)



Figure 3 eBay sellers can support their favourite charities

We collaborated on a campaign to drive up selling through eBay for Charity in December and January, though a campaign to encourage people selling unwanted gifts to make a donation to charity. The campaign secured 30 pieces of media coverage, of which 15 appeared in key national titles. This resulted in a 22% increase in charity listings created in December, and a 32% increase in seller donations received by PayPal Giving Fund in January. For the year, despite the winding down of our old platform and resulting loss of some charities from our database, seller donations grew 11% overall.

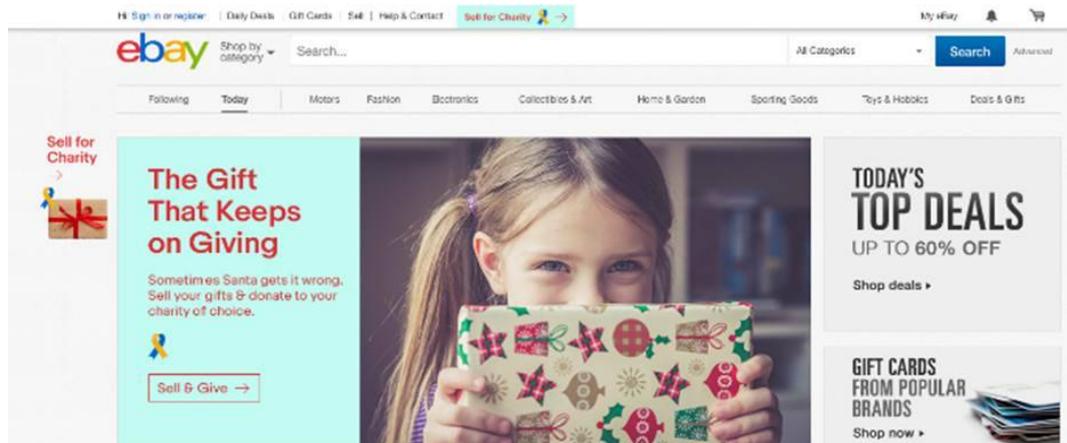


Figure 4 eBay's campaign to increase seller donations, promoted on the eBay homepage

eBay buyers are able to add a small donation to their purchase when buying an item on eBay, or to make a donation via PayPal when browsing the eBay for Charity site. During the period we continued to observe a lower donation rate than in previous years, due the reduced prominence of the fundraising messages in eBay checkout. We worked with eBay to identify the underlying causes of the decline, and will support eBay's efforts to increase these donations in the future.

Our partnership with eBay (continued)

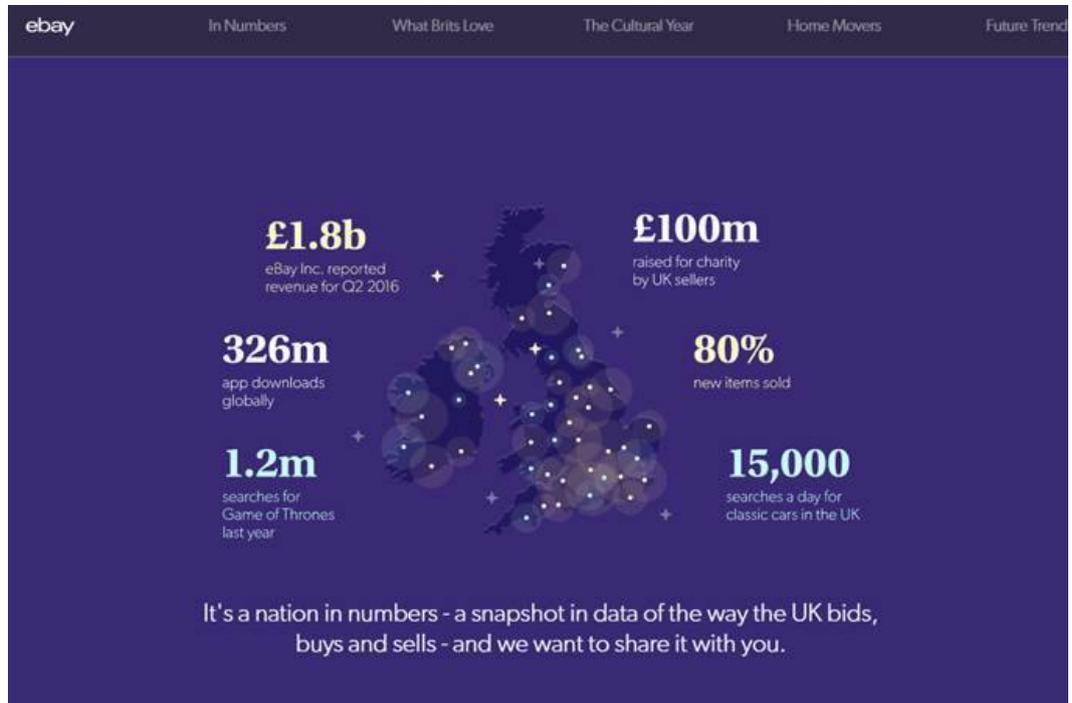


Figure 5 eBay buyers can add a donation at checkout

Charities are also able to trade in their own right through eBay for Charity, either by running a charity shop online, or by holding online fundraising auctions, often in collaboration with companies that donate items. In these cases, we provide the charities and companies with support and advice to make sure their fundraising is as successful as possible. During the period we worked closely with leading charities such as Cancer Research UK, British Heart Foundation, The Children's Society and Shaw Trust to advise on their selling strategies for eBay for Charity. We also supported a wide range of auctions, working with Royal British Legion, Global radio stations, Willow Foundation, and Sue Ryder and many others to ensure their campaigns reached as wide as possible an audience via eBay. Although some charities experienced difficulties and interruptions in transferring their accounts to our new platform, for the full year we saw 8% growth in funds raised by charities sales on eBay.

During the period we saw increasing interest and commitment from eBay to the charity program, including through a new grant of £50,000 to promote eBay for Charity to organisations that might benefit. We used this to support our presence at charity events, and to undertake targeted advertising through the sector press. We ran a successful campaign in October in which charities asked their supporters to select them as favourites on eBay, resulting in more than 28,000 votes cast by 22,715 users for 1,200 charities. The most popular charities were Prince Fluffy Kareem, Freegle, Cancer Research UK and Soi Dogs, which benefited from grants totalling £14,000 from PayPal Giving Fund. We also supported eBay's charitable giving shop for Giving Tuesday, in which an impressive range of brands supporting charities through the eBay platform were showcased at events for the media and public.

Our partnership with eBay (continued)



Our partnership with Humble Bundle

Humble Bundle is a leading retailer of downloadable games and books, which enables customers to choose the charities they want to support from their purchases. Now, a buyer can select any favourite charity from the PayPal Giving Fund directory of more than 20,000 US and UK organizations, and the specific amount of their Humble Bundle purchase their favourite charity will receive. Customers can choose their own charity to support through flagship promotions, dividing their purchase between the developers, charities, and Humble Bundle.

During the period our partnership with Humble Bundle developed well; the retailer made donations of £1.67 million to benefit 4,726 charities, an increase of 60% year on year. Charities benefited from a very successful campaign by Yogscast, which resulted in Humble Bundle donations of more than £550,000 to benefit UK charities in January 2016.

Our partnership with Humble Bundle (continued)

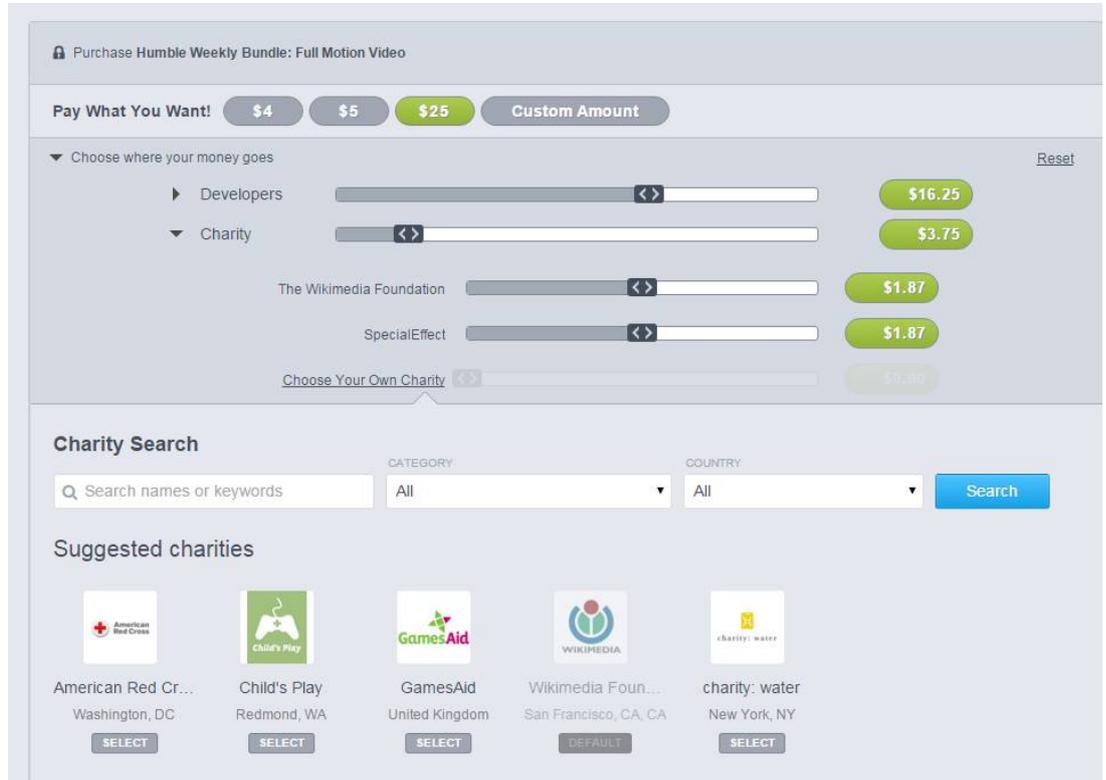


Figure 6 Humble Bundle's payment interface

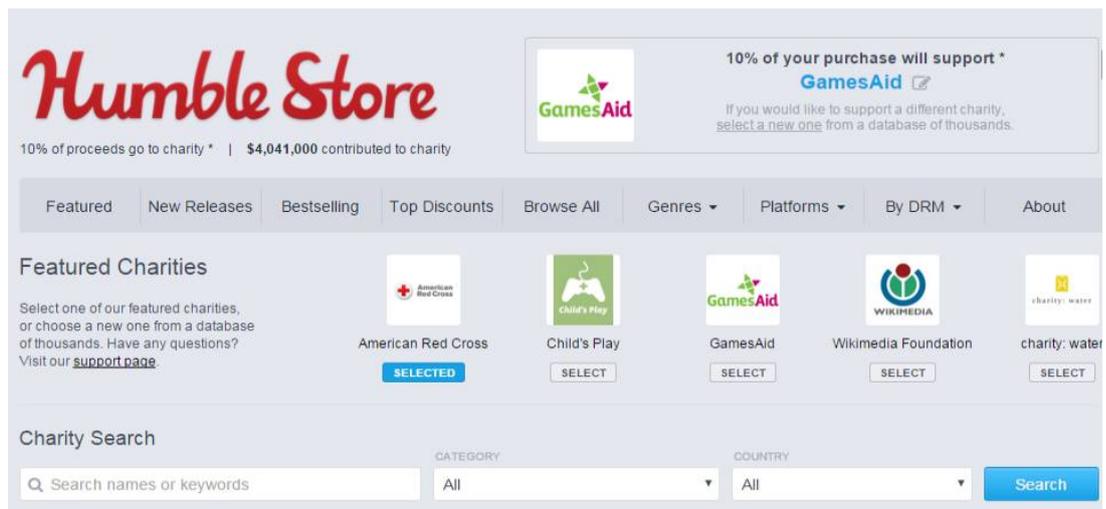


Figure 7 Setting a favourite charity in the Humble Store

Trustees' report 31 December 2016

Our partnership with StubHub

During the period we continued our partnership with StubHub, the tickets marketplace, regranteeing £18,206 to charities from the proceeds of ticket resales for charity events. We also began discussions with StubHub about enabling other forms of charitable giving for their customers, and plan to continue discussions in 2017.

Strategic objectives in 2016

Our main strategic objectives for the period are listed below, along with a brief description of our key undertakings and level of success (colour coded green, orange, or red) in meeting them.

Collaborations with PayPal	Status	Notes
Ensure successful migration of UK charities and drive charity recruitment (using incentives)	Partly met	Migration project delivered and completed, extensive outreach efforts delivered on time, most top charities retained but overall results for smaller charities were below targets.
Promote and position PPGF to charities within the PP UK site to boost organic recruitment	Partly met	PPGF website and pages developed and launched, but would benefit from increased integration and prominence within PP's core sites.
Support efforts to transform and promote PayPal offerings that benefit charities	Met	Close collaboration on PP's strategy to identify charities' needs, promotion of PP Here and other products of relevance where these would benefit charities.
Enable employee giving through a new site and registration	Met	Have registered PPGF UK on PayPal's giving portal to enable employee giving through our sites. We have promoted these options through the UK give team
Work with PP UK marketing team to deliver 3 major collaborations.	Partly met	Close collaboration on Giving Tuesday campaign for 2016 and on the mobile app launch. Fewer opportunities for merchant collaborations in 2016, however.

Trustees' report 31 December 2016

Strategic objectives in 2016 (continued)

Grow ecommerce partnerships	Status	Notes
Work closely with eBay to promote eBay for Charity to charities and customers, according to our respective expertise	Met	Instituted structured monthly meetings with eBay and regular catch-ups to ensure effective collaboration. Joint work and escalations to resolve shared issues and challenges, and improve the programme.
Strengthen relationships across eBay so we can remain a strong, informed partner	Met	We have engaged closely with key eBay contacts, building strong relationships despite some staff changes on both sides.
Formalise and fund the additional work we do for eBay in the UK to manage eBay for Charity	Met	We developed and delivered a clear marketing plan, and have reported back to eBay on its delivery.
Support eBay in developing global platform for eBay for Charity	Partly met	Good progress made in rebuilding the eBay for Charity system, and integrating with core flows though further work is required on the donor experience. Microsites will be rebuilt in 2017.
Build operations and capacity	Status	Notes
Ensure customer service continues to meet needs of UK charities and donors	Met	Transformed customer service by integrating with global operations team in PayPal – increased capacity and ability.
Test and launch automated transaction integrations for all key donation flows	Partly met	All main flows have moved to our automated engine, but some discrepancies remain in data. Product team instituted increased reconciliations and troubleshooting to fix errors more rapidly.
Revisit and improve key operational procedures, including pay-outs, escalations and reassigns	Met	Pay-outs now taking place through PayPal with a high degree of reliability. Escalations channel now coordinated and efficiencies realised. Ongoing reassigns are up to date but need to be streamlined further to deal with outstanding legacy charities' amounts.
Support further development of the UK team and board, building on the US review and new people	Met	UK board survey developed and sent out, team development for the UK through a recent offsite to the US and development focused on interpersonal interactions.
Research charities' use of funds to meet regulatory requirements and generate case studies	Met	Survey of charities provided a cost-effective way of demonstrating a level of scrutiny and generated useful case studies, which were developed and used in communication.

Trustees' report 31 December 2016

Plans for the future

We have set global priorities for 2017 with UK-specific focuses in some key areas. During the following year we will focus on:

Global priorities	UK specific goals
Demonstrate the value of PayPal Giving Fund	<ol style="list-style-type: none"> 1. Build a clear consensus on PPGF's business model, value creation and messaging within PayPal; drive up employee giving through PPGF 2. Partner with PayPal to drive up charity enrolments through our shared value proposition to consumers/charities. 3. Support the UK launch of new cause product integrations and campaigns, e.g. PayPal App launch, Giving Tuesday campaigns and foster other opportunities.
Grow our partnerships to sustainability	<ol style="list-style-type: none"> 4. Bring new flagship partnerships to UK. 5. Establish top charity account management plans to ensure top charities continue to engage supporters in our programs 6. Continue to improve and deepen relationship with eBay UK, align with priorities, exploit opportunities
Drive more impact, more efficiently	<ol style="list-style-type: none"> 7. Ensure excellent standard of Customer Service through a strengthened relationship with global operations 8. Simplify and speed up the charity enrolment process: improve the speed of charity vetting. 9. Improve operational and accounting processes, making these more automated so we can scale (particularly data reconciliation and reassigns)

Total funds raised during the period

During the period donations received through PayPal Giving Fund's programmes stood at £4.49m, 3% below our original forecast. The drop was caused primarily by a reduction in give at checkout donations received from eBay customers, and (to a lesser extent) by the loss of our previously used Gift Aid declarations. Our other programs, grew at healthy rates during the period. Humble Bundle donations were up 53% against our budget, eBay seller donations grew 11% year on year, and PayPal donations were 71% up excluding the impact of Givey, which successfully left our platform (which it was using during an "incubation" period) to operate its own system during 2015.

Trustees' report 31 December 2016

Total funds raised during the period (continued)

	2016 £	2015 £	Growth (previous year's growth)
Sales by charities on eBay	16,841,461	15,790,004	7% (11%)
Donations from eBay sellers	1,706,977	1,537,739	-64% (4%)
Donations from eBay buyers	492,869	1,366,245	60% (-11%)
Donations made by Humble Bundle	1,667,646	1,042,001	60% (n/a)
Other donations through PayPal appeals	432,733	901,622	-52% (37%)
Gift Aid	149,448	316,013	-53% (24%)
Other donations notably StubHub	43,723	53,817	-19% (53%)
Total	21,334,857	21,003,620	2% (20%)

More than 3,300 charities have enrolled with PayPal Giving Fund UK. Of these, 3,024 registered during the period, of which 1,493 were new accounts compared with 1,068 in the previous year. A sample of recently enrolled charities is included below by way of illustration:

- ◆ Birmingham Bike Park UK 2014 Limited
- ◆ Parkinsonsequip
- ◆ The Hub Trust
- ◆ The Royal Marsden Cancer Charity
- ◆ Ummah Care Foundation
- ◆ Potential Plus UK
- ◆ Hills Road Sixth Form College
- ◆ Home-Start Newark
- ◆ The Trigeminal Neuralgia Association UK
- ◆ Home-Start Watford & Three Rivers
- ◆ The Folkestone, Dover and Hythe Samaritans
- ◆ LGBT History Month

Trustees' report 31 December 2016

Total funds raised during the period (continued)

We continue to promote our programmes widely across the sector to encourage more charities to enrol. We continued as a key sponsor of the Charity Retail Association Conference and participated in CHASE. We also undertook advertising in the sector press to increase awareness for our programmes.

The range of charities benefiting

In total, 6,605 charities received donations during the period (5,821 in 2015). The increase (+13%) was due partly to the overlap between our two systems, and we are currently paying grants to just under 2,000 charities per month. The 20 charities receiving the largest value of donations are listed below (in alphabetical order). While some of the largest fundraising charities are present in the list, smaller charities are also having significant success in raising funds through PayPal Giving Fund, in many cases due to their partnerships with eBay and/or Humble Bundle.

- ◆ Access Sport
- ◆ BBC Children in Need
- ◆ British Red Cross
- ◆ Cancer Research UK
- ◆ Fauna & Flora International
- ◆ GamesAid
- ◆ Macmillan Cancer Support
- ◆ Medecins Sans Frontieres
- ◆ Mental Health Foundation
- ◆ Oizer Dalim trust
- ◆ Oxfam
- ◆ Prince Fluffy Kareem
- ◆ RSPCA
- ◆ Save The Children
- ◆ SPECIALEFFECT.ORG.UK LIMITED
- ◆ The David Sheldrick Wildlife Trust
- ◆ The Prince's Trust
- ◆ The Royal British Legion
- ◆ Willow Foundation
- ◆ World Land Trust

Structure and governing documents

PayPal Giving Fund - UK is governed by its memorandum and articles of association (last updated 15 April 2013). It is constituted as a company limited by guarantee (Company Registration No. 5507404 (England and Wales)) and is a registered charity (Charity Registration No. 1110538).

The sole member of the company is the PayPal Charitable Giving Fund (PPCGF), a United States 501(c)(3) non-profit organisation. In the event of the charitable company being wound up the member undertakes to contribute an amount not exceeding £1.

Trustees' report 31 December 2016

The Board of Trustees

The Board of Trustees is responsible for the overall governance of the charitable company. Whilst there is no cap on the total number of Trustees, the minimum number of Trustees is three, and currently there are eight. All Trustees are appointed by PPCGF, having been proposed by the board.

To enable and promote board renewal, at the final board meeting of each calendar year, one-third of the Trustees retire from office. The Trustees to retire are those who have been longest in office. Trustees who retire shall be eligible for reappointment by PPCGF. There is no absolute limit on the number of times a Trustee may be reappointed.

The names of the trustees who served during the year are set out as part of the reference and administrative details on page 1 of this annual report and accounts. During the period, two new trustees (Eva Gustavsson, Government Relations Director at PayPal and Naomi Marek, CEO of Skybadger) were appointed, bringing additional expertise that meant our trustee board is well represented in all its priority skills areas.

Trustees meet regularly for formal meetings, during which time they oversee current business, and review strategy, operational and financial performance against annual plans and budgets. Additional meetings are scheduled on an ad hoc basis, in which a subset of trustees meets to consider particular issues. On appointment, trustees receive an induction pack containing a detailed background on the charitable company and its work, and meet with the chair and chief executive, helping them to make informed decisions from the outset.

Compliance with the Code of Governance

The charitable company recognises the Code of Governance for the voluntary sector, and the board takes collective responsibility for upholding its principles. The charity reviews board effectiveness each year to encourage learning and professional development within the board, so that all board members can make a full contribution to governance. To help to ensure the effective discharge of Trustees' roles and responsibilities, trustees are recruited and developed to provide expertise relating to the charitable company's activities and operating needs.

Employees

The charity aims to be an organisation where employees enjoy a sense of fulfilment and where they feel supported and developed. Employees are kept fully informed about strategy and objectives, as well as day-to-day news and events. All employees are encouraged to give their suggestions and views on performance and strategy.

The charity supports and encourages diversity. A policy of recruitment and promotion on the basis of aptitude and ability without discrimination is followed. The charity is committed to the training, career development and promotion of all employees. An individual's career development is assessed through annual appraisal and supervision, with regular one-to-one meetings. Development programmes are discussed with employees to meet any on-going needs, with the aim of developing employees for both their current and future roles.

Trustees' report 31 December 2016

Employees (continued)

PayPal Giving Fund believes in rewarding staff fairly for their jobs, and fostering a positive work environment. We are also responsible for ensuring that the charity's funds are used cost-effectively, and aim to achieve a sensible and proportionate balance in setting pay levels. Salaries are set and reviewed by line managers, in consultation with the CEO, and include a small element of performance-related pay. The CEO salary is agreed by the UK board as employer, and the US board as funder.

Salaries are reviewed whenever job requirements change significantly, and when the charity undertakes recruitment. In setting salaries, we consider:

- ◆ The need to secure and retain a suitably skilled and experienced professional staff team to deliver the charity's objectives.
- ◆ Local marketplace knowledge and external benchmarks in each country, with reference to the recommendations of relevant recruitment organisations.
- ◆ In the case of some senior roles, the need to manage operations in multiple countries, with associated time pressures and travel commitments.
- ◆ That high-level skills in finance and technology, which the charity needs in many roles, are particularly competitive fields for recruitment.

While we do not aim to match commercial sector salaries, we take into account the additional responsibilities and requirements on personnel that come from delivering our aims in partnership with PayPal, and other leading internet businesses, often in a global context. Our operational funding is provided by our partner businesses, rather than from donations made by the public.

Customer service and complaints

During the period we successfully transitioned front-line customer service support to PayPal's specialist teams, enabling us to ensure more timely customer service responses. We set a service level agreement to respond in 1 business day to enquiries, which has been reliably met by the customer service teams. We also reviewed and published an updated complaints procedure, developed in partnership with PayPal customer service. During the period we received four formal complaints, including one passed on by the new Fundraising Regulator (with which PayPal Giving Fund has registered) covering:

- ◆ the presentation of donation options on the eBay website, which we explained and relayed to eBay.
- ◆ difficulties in enrolling with PayPal Giving Fund, which is a priority for improvement in 2017.

Risk management, internal controls and delegated authority

The Trustees have introduced a formal risk management process to assess business risks and implement risk management strategies. This has involved identifying the types of risks the charitable company faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks.

The Trustees delegate the exercise of certain powers in connection with the management and administration of the charitable company as set out below. This is controlled by the requirement of regular reporting back to the Trustees, so that all decisions made under delegated authority can be ratified by the Trustees.

Internal controls over all forms of commitment and expenditure continue to be refined to improve efficiency, and were reviewed and updated during the period. Performance is monitored and appropriate management information is prepared and reviewed regularly by both the Board.

Systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss.

They include:

- ◆ A regularly updated strategic plan and annual budget approved by the trustees;
- ◆ Regular consideration by the trustees of financial results, variances from budgets, nonfinancial performance indicators and benchmarking reviews;
- ◆ Delegation of day-to-day management authority and duties, with controls on expenditure decisions by the CEO, the CFO and individual Trustees;
- ◆ Monitoring of the charitable company's day-to-day financial transactions by the CEO, UK Financial Controller and accounting team at PPCGF;
- ◆ Clear expenses policies with trustee approval required for any significant expenditure; and
- ◆ Identification and management of major risks through a risk register, reviewed at most meetings of the trustees.

During the period, we actively reviewed a variety of risks facing the organisation, with trustee input at each board meeting on those risks judged to be material at the time. The risks considered by the trustees included the following:

- ◆ Technical issues affecting our new product integrations with PayPal;
- ◆ Decline in customer satisfaction during the switchover to our new platform; and
- ◆ Loss of key staff and during the period.

Trustees' report 31 December 2016

Statement of trustees' responsibilities

The trustees (who are also directors of PayPal Giving Fund UK for the purposes of company law) are responsible for preparing the trustees' report and 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 the income and expenditure of the charitable company for that period.

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in 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);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

Each of the trustees confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and

Trustees' report 31 December 2016

Statement of trustees' responsibilities (continued)

- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Expenses

The charity operates a strict expenses policy, allowing reimbursement of reasonable expenses incurred by trustees and staff on the business of the Charity subject to the production of appropriate vouchers and receipts.

Financial review

Results for the year

The statement of financial activities on page 24 shows total income of £5,213,545 (2015 - £5,949,454) and total expenditure of £5,230,815 (2015 - £5,944,828) including £4,491,392 (2015 - £5,217,170) distributed to charities participating in the Platform Partner Programmes.

Financial position and Reserves policy

Financial position

The balance sheet shows total funds of £355,195 (2015 - £372,465).

At the balance sheet date, the charitable company held funds of £4,607 (2015 - £2,603) which were restricted. These monies had either been raised for, and their use restricted to specific purposes, or they comprised donations subject to donor imposed conditions. Full details of restricted funds can be found in note 10 to the financial statements together with an analysis of movements in the year.

General funds of the charity at 31 December 2016 were in surplus by £350,588 (2015 - £369,862).

Reserves policy

The Trustees are satisfied that the current position provides sufficient financial certainty to continue the charitable company's operations in the medium term. The trustees have formulated a reserves policy for the charitable company. Given the charity's degree of financial security, the charity has a limited need to maintain financial reserves. However, reserves may still be required to:

Trustees' report 31 December 2016

Financial review (continued)

Financial position and Reserves policy (continued)

Reserves policy (continued)

- ◆ Meet any unbudgeted expenditure within the year,
- ◆ Bridge any cash flow issues arising from delayed payments from our parent charity,
- ◆ Wind down the charity in the event of an unexpected funding termination (e.g. due to a breach of terms).

The charity therefore maintains a minimum target level of at least 6 months' cash running costs, which currently total £167,000.

- ◆ If reserves drop below this level, the charity will include a contribution to them in each year's budget.
- ◆ If reserves are significantly above this level, the charity will consider how they might best be applied to further the charity's purposes.

The charity invests its surplus reserves on a temporary basis, with a view to applying them actively to its charitable purposes. During the period we spent £54,493 from our surplus reserves, though this was partly offset by an operating surplus against budget.

We invest retained reserves in institutions with a view to:

- ◆ Minimising risks by favouring institutions with relatively strong credit ratings, and government backing.
- ◆ Minimising administrative burdens by limiting the number of institutions we must engage with.

We aim to have a regular flow of available funds by

- ◆ Keeping at least 45% of our reserves target available on an "instant access" basis.
- ◆ Choosing accounts with a term no greater than 12 months, and staggering such investments on a quarterly basis.

Trustees' report 31 December 2016

Gifts in kind

The charitable company is grateful to both PayPal UK, which has provided office space and legal advice valued at £50,087 (2015 - £44,200) in the financial period, and to PayPal Charitable Giving Fund, which provided technical and operational support valued at £273,334 (2015 - £333,650) in the financial period.

Approved by the Trustees and signed on their behalf by:

Trustee

Approved by the Trustees on

Independent auditor's report 31 December 2016

Independent auditor's report to the members of PayPal Giving Fund UK

We have audited the financial statements of PayPal Giving Fund UK for the year ended 31 December 2016 which comprise the statement of financial activities, the balance sheet, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standards Applicable in the United Kingdom and Republic of Ireland.

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees' Report, the trustees (who are also the directors of the Charitable Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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 Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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' 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.

Independent auditor's report 31 December 2016

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial period for which the financial statements are prepared is consistent with the financial statements and the Trustees' Report has been prepared in accordance with applicable legal requirements .

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

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 trustees' annual report.

Edward Finch, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Statement of financial activities Year to 31 December 2016

	Notes	Un- restricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Income from:					
Donations	1	669,409	4,538,917	5,208,326	5,948,752
Other		5,219	—	5,219	702
Total income		<u>674,628</u>	<u>4,538,917</u>	<u>5,213,545</u>	<u>5,949,454</u>
Expenditure on:					
Raising funds	2	169,588	45,521	215,109	139,091
Charitable activities					
. PayPal Giving Fund UK– eBay for Charity scheme	3	524,314	4,491,392	5,015,706	5,805,737
Total expenditure		<u>693,902</u>	<u>4,536,913</u>	<u>5,230,815</u>	<u>5,944,828</u>
Net (expenditure) income and net movement in funds	4	(19,274)	2,004	(17,270)	4,626
Fund balance brought forward		<u>369,862</u>	<u>2,603</u>	<u>372,465</u>	<u>367,839</u>
Fund balance carried forward		<u>350,588</u>	<u>4,607</u>	<u>355,195</u>	<u>372,465</u>

All of the charity's activities derived from continuing operations during the above financial period.

Balance sheet 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Current assets					
Debtors	8	31,716		76,845	
Cash at bank and in hand		674,213		687,237	
		<u>705,929</u>		<u>764,082</u>	
Creditors: amounts falling due within one year					
	9	<u>(350,734)</u>		<u>(391,617)</u>	
Net current assets			355,195		372,465
Total net assets			<u>355,195</u>		<u>372,465</u>
The funds of the charity					
Restricted funds	10		4,607		2,603
Unrestricted funds					
. General funds			350,588		369,862
			<u>355,195</u>		<u>372,465</u>

Approved by the Trustees
and signed on their behalf by:

Trustee

Approved on:

Cash flow statement 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(13,024)	(113,419)
Change in cash and cash equivalents in the year	B	(13,024)	(113,419)
Cash and cash equivalents at 1 January		687,237	800,656
Cash and cash equivalents at 31 December		674,213	687,237

Notes to the cash flow statement for the year to 31 December 2016.

A Adjustment of net (expenditure) income before transfers to net cash outflow from operating activities

	2016 £	2015 £
Net (expenditure) income before transfers	(17,270)	4,626
Decrease (increase) in debtors	45,129	(22,378)
Decrease in creditors	(40,882)	(95,667)
Net cash outflow from operating activities	(13,024)	(113,419)

B Analysis of changes in cash and cash equivalents

	At 1 January 2016 £	Cash flows £	At 31 December 2016 £
Total: Cash at bank and in hand	687,237	(13,024)	674,213

Principal accounting policies 31 December 2016

Basis of accounting

The financial statements have been prepared under the historical cost convention with items initially recognised at cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('Charities SORP FRS 102'), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

The most significant areas of adjustment and key assumptions that affect items in the financial statements are to do with estimating prepayments and accruals. With respect to the next reporting period, there are no significant areas of uncertainty that affect the carrying value of assets held by the charity.

Going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. This is because there are sufficient reserves at the balance sheet date to continue operating the charity in the medium term.

Income recognition

Income is recognised in the period in which the charity is entitled to receipt, the amount can be measured reliably and it is probable that the funds will be received.

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

Donations are recognised when receivable and the amount can be measured reliably by the charity.

Principal accounting policies 31 December 2016

Expenditure recognition and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes attributable VAT which cannot be recovered.

All expenditure is accounted for on an accruals basis. Expenditure comprises the following:

- a. Expenditure on raising funds includes the salaries and direct costs associated with raising funds, which relate to the costs of publicising the eBay for Charity programme.
- b. Expenditure on charitable activities comprise expenditure on the charity's primary charitable purposes as described in the trustees report. Such costs include:
 - ◆ Payment to charities of amounts received from eBay sellers
 - ◆ Grants payable, which are included in the statement of financial activities when approved and when the intended recipient has either received the funds, or been informed of the decision to make a grant and has satisfied all related conditions. Grants approved but not paid for at the end of the financial period are accrued for.
 - ◆ Other costs, representing direct and indirect expenditure incurred in order to carry out and support the primary purpose of the charity.

Debtors

Debtors are recognised at the settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Gifts in kind

Services and facilities donated to the charity for its own use are included in income and expenditure at their market value as at the time of the gift.

Principal accounting policies 31 December 2016

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

General funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Notes to the financial statements 31 December 2016

1 Donations

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Donations – amounts received from Platform Partner Programmes	—	4,493,396	4,493,396	5,217,437
Grant received	345,988	45,521	391,509	353,465
Gifts in kind (see below)				
. Technical and managerial support	273,334	—	273,334	333,650
. Accommodation/Legal	50,087	—	50,087	44,200
2016 Total funds	669,409	4,538,917	5,208,326	5,948,752
2015 Total funds	731,315	5,217,437	5,948,752	

The charitable company is grateful to both PayPal (UK) Ltd which has provided office space and legal support valued at £50,087 (2015 - £44,200) in the financial period, and PayPal Charitable Giving Fund and PayPal Inc., which has provided technical and managerial support valued at £273,334 (2015 - £333,650) in the financial period.

Corresponding amounts are included within costs of charitable activities (note 3).

2 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Fundraising costs				
. Staff costs (note 5)	70,831	—	70,831	71,873
. Other publicity costs	98,757	45,521	144,278	67,218
2016 Total funds	169,588	45,521	215,109	139,091
2015 Total funds	139,091	—	139,091	

3 Expenditure on charitable activities

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Direct costs				
Charitable donations	—	4,491,392	4,491,392	5,217,170
Support costs				
Staff Costs (note 5)	160,030	—	160,030	174,445
Premises costs – in-kind donation from Platform Partner Programmes	50,087	—	50,087	44,200
Technical and managerial support – in-kind donation from PayPal Charitable Giving Fund	273,334	—	273,334	333,650
Auditor's remuneration	9,500	—	9,500	10,000
Other costs	31,363	—	31,363	26,467
2016 Total funds	524,314	4,491,392	5,015,706	5,805,737
2015 Total funds	588,567	5,217,170	5,805,737	

Notes to the financial statements 31 December 2016

4 Net (expenditure) income before transfers

This is stated after charging:

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Auditor's remuneration				
· Statutory audit services	9,500	—	9,500	10,000

5 Employee and key management remuneration

Staff costs during the period were as follows:

	2016 £	2015 £
Wages and salaries	194,018	210,527
Social security costs	13,434	16,588
Pension costs	23,409	19,203
	230,861	246,318

Staff costs include ex-gratia payments of £5,486 (2015 - £nil) in respect of two individuals (2015 - none).

Staff costs per function were as follows:

	2016 £	2015 £
Raising funds	70,831	71,873
Charitable activities	160,030	174,445
	230,861	246,318

The average number of employees during the period, analysed by function, was as follows:

	Average headcount		Full time equivalent	
	2016	2015	2016	2015
Raising funds	1.5	2.0	1.38	1.22
Charitable activities	3.5	4.0	3.22	3.18
	5.0	6.0	4.60	4.40

The emoluments of one higher paid employee fell within the following range:

	2016 Number	2015 Number
£60,001 - £70,000	—	1

Notes to the financial statements 31 December 2016

5 Employees and key management remuneration (continued)

Key management personnel comprise the CEO, Accountant and Head of Operations. The total employee benefits of the key management personnel of the charity were £169,727 (2015 - £171,875).

6 Expenses and Trustees' remuneration

None of the trustees received any remuneration in respect of their services during the period.

Out of pocket expenses of £139 were reimbursed to one trustee during the year (2015 - none).

7 Taxation

PayPal Giving Fund UK is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

8 Debtors

	2016 £	2015 £
Taxation recoverable	18,619	74,845
Other debtors	13,097	2,000
	31,716	76,845

9 Creditors: amounts falling due within one year

	2016 £	2015 £
Taxation and social security	10,821	13,736
Donations to charities	329,873	345,509
Accruals	9,120	9,460
Other creditors	920	22,912
	350,734	391,617

Notes to the financial statements 31 December 2016

10 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trusts to be applied for specific purposes:

	At 1 January 2016 £	Income £	Expenditure and transfers £	At 31 December 2016 £
PayPal Giving Fund UK Platform Partner Programmes	2,603	4,493,396	(4,491,392)	4,607
eBay for Charity promotion	—	45,521	(45,521)	—
	2,603	4,538,917	(4,536,913)	4,607

The specific purposes for which the funds are to be applied are as follows:

- ◆ PayPal Giving Fund UK Platform Partner Programmes: This fund represents amounts held for onward distribution to UK charities.
- ◆ eBay for Charity promotion: This fund represents funding in relation to the furtherance of promotion of eBay for Charity to those charities that might benefit. PayPal Giving Fund UK received £50,000 of funding from eBay during the year of which £45,521 was restricted.

11 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	2016 Total funds £	2015 Total funds £
Fund balances at 31 December 2016 are represented by:				
Current assets	371,448	334,481	705,929	764,082
Creditors: amounts falling due within one year	(20,860)	(329,874)	(350,734)	(391,617)
Total net assets	350,588	4,607	355,195	372,465

12 Related parties

PayPal Charitable Giving Fund, a United States 501(c)(3) non-profit organisation ('PayPal Charitable Giving Fund') is the sole member of PayPal Giving Fund UK. During the period, PayPal Charitable Giving Fund provided in-kind support totalling £273,334 (2015 - £333,658) and granted the charity £345,988 (2015 - £342,865). During the period the charity provided leadership services to PayPal Charitable Giving Fund. PayPal Giving Fund UK received £64,046 (2015 - £22,326) in relation to these services. Other than those transactions stated above, there were no other related party transactions during the year.

12 Related parties (continued)

Several trustees of the charity hold remunerated positions in related organisations: eBay, PayPal, and PayPal Charitable Giving Fund. The charity has actively sought out trustees from those organisations in order to maximise our charitable impact by identifying shared opportunities. The current trustees include Sean Milliken (Board member, PayPal Charitable Giving Trust and Employee of PayPal Inc.), Alison Sagar (UK Marketing Director, PayPal), Eva Gustavsson (Government Relations Director, PayPal) and Julia Hutton-Potts (Director of Communications, eBay UK).

13 Liability of member

The charity is constituted as a company limited by guarantee. In the event of the charity being wound up the member is required to contribute an amount not exceeding £1.

14 Ultimate controlling party

The sole member of the charitable company is the PayPal Charitable Giving Fund (PPCGF), a United States 501(c)(3) non-profit organisation. The primary purpose of PPCGF is to raise funds for charitable purposes online, and distribute those funds to other charitable organisations.