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Chairman's Report

In February 2017, PCI celebrated the 5 year anniversary of the organisation’s establishment. During the year, PCI continued to consolidate its reputation as an organisation that enables people to feel safer and better able to deal with conflict – even in some of the most unstable places in the world. Our aims are:

- **Locally** - To save lives by building what is called ‘Social Peace’: reduction of violence within local communities even during wider conflict
- **Nationally** - To help mend fractured societies by creating and training country-wide networks of Social Peace practitioners
- **Internationally** - To assist international governments and organisations with analysis of how their work may help to resolve (or inadvertently to fuel) a specific conflict

This year we made it a priority across our programmes to support women to play a pivotal role in conflict management and building lasting peace within their communities. I am pleased to report that for our Libya programme we received a special grant from the UK Foreign and Commonwealth Office to enhance the participation of women in local peacebuilding processes. As a result of this grant, more women are now represented in Social Peace and Local Development partnerships across Libya, and are successfully implementing projects that empower women and address some of the specific challenges they face as a result of conflict in the country. On 03 November 2017 PCI received organisational registration in Tunisia.

In Syria, a network of local peacebuilders supported by PCI engaged more than 1000 women in different communities in discussions about community safety and planning for local peacebuilding activities. The impact of bringing more women into our work is substantial. As one woman told us: “My involvement in the initiative to combat exploitation against women in the labour market has led to my circle of relationships widening; I am now able to bring women from different sects together and to create an environment of dialogue and discussion.” The Syria programme also faced a number of challenges. Towards the end of the reporting period, the key funder of PCI’s Syria programme announced a restructuring of its funding mechanisms, which entailed a significant reduction of funding for PCI. Following the close of the financial year, PCI’s Syria team has since worked successfully to diversify the programme’s funding base, on which Trustees look forward to reporting next year. Furthermore, conditions for international organisations working in Turkey deteriorated markedly during the reporting period. Therefore, in the months following the end of the financial year, we closed our office and substantially restructured our Syria programme operations in order to continue to deliver the same high-quality programming as previously.

I am very happy to report that PCI’s Ukraine programme really got off the ground this year – starting with a research report on perspectives of conflict on both sides of the dividing line in Eastern Ukraine and setting out recommendations for rebuilding relations in Ukraine. Following the close of the financial year, PCI has now built up a robust programme of work in this area; in particular, we are focusing on the capacity of women within communities to engage in dialogue and to plan conflict resolution initiatives.

PCI’s financial situation has also continued to strengthen, with our charitable income growing by 84.6% this year to £ 3,451,408 from a range of donors. At the same time, we have made significant time and resource investments in ensuring that our operations are fit for purpose to operate in some the world’s most challenging places.

One of PCI’s founding directors, David Wood, left PCI in July 2017 to pursue new peacebuilding challenges outside the organisation. David has been at the forefront of providing critical support to
peace efforts since PCI’s inception in 2012. David’s vision, leadership and tireless efforts have been instrumental in driving PCI forwards as an organisation. The whole organisation wishes David well in his continued peacebuilding endeavours.

Finally, I will step down as the Chairman of the Board of Trustees with effect from 30 November 2017. As one of PCI’s founders, and more recently as Chairman of the inaugural Board of Trustees, I have enjoyed being involved in both the charitable work of PCI as well as its governance. I look forward to continuing my engagement with PCI as a trustee.

Adam Darby
Chairman of the Board
Annual Report

The Trustees present their annual report together with the audited financial statements of Peaceful Change Initiative (hereafter “PCI” or “the Charity”) for the period 31 March 2016 to 30 March 2017. The Trustees confirm that the Annual Report and financial statements of the Charity comply with the current statutory requirements, the requirements of the Charity’s governing document and the provisions of the Statement of Recommended Practice (SORP), 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) as amended by Update Bulletin 1 (effective 1 January 2015).

Objectives and activities

Charitable objectives

Our goal is to promote conflict resolution and reconciliation at the national and international levels.

Our objectives are relieving suffering, poverty and distress, and building and maintaining social cohesion, resilience, and trust within and between communities.

These objectives are achieved through the following activities:

1. Investigating and identifying causes of conflict;
2. Examining potential solutions to the conflict - or approaches to constructively engage with causes of conflict - through participatory research and analysis;
3. Building the capacity of communities to play active and constructive roles in managing conflict resolution and decision-making processes, with a particular focus on socially and economically disadvantaged groups within communities;
4. Mediating and facilitating dialogue between different parties to the conflict and affected communities, enabling the discussion of possible solutions and building relationships of trust;
5. Recommending to the international community and the parties involved measures that can support the resolution of conflicts or contribute to preventing future conflicts;
6. Promoting respect for human rights among individuals and groups, and raising awareness of human rights issues;
7. Publishing reports on the causes of and recommended solutions to particular conflicts, and making these freely available for public fruition.

All activities aim to maintain the Charity’s commitment to impartiality.

Our work

We provide training and mentoring to local peacebuilding practitioners and community leaders, and support their work through a network of international staff and consultants.

We support ‘transformational leaders’ who are able to mobilise, influence, and inspire their communities to manage conflicts through peaceful means.

We broaden our impact by developing and sharing practical tools and methodologies for peacebuilding, and making these freely available to local and international practitioners.

Our work benefits from our staff’s expertise in a range of disciplines including mediation, reconciliation, community-based approaches to security and safety, change management, and psychology.
Using these methods, our work:

- **Prevents the proliferation of violent conflict** by helping communities establish their own conflict resolution mechanisms, which enable inclusion of different stakeholder groups, and foster dialogue and collaboration between them.

- **Builds community resilience during violent conflict** by supporting negotiations and mediations that save the lives of civilians, enable humanitarian access, and resolve ongoing disputes.

- **Rebuilds relationships after violent conflict** by convening cross-divide dialogues, and supporting communities and their leaders to develop peace plans and implement peace initiatives.

**Why we make a difference**

- We only work where we genuinely believe we can have a significant impact;
- Our flexible network structure allows us to work where others have withdrawn;
- While ‘peacebuilding’ is usually carried out post-conflict, we work at all stages of violence: before, during and after violent conflict;
- We scale up our impact by working with and through others, sharing learning, making tools and methodologies freely available to other practitioners, and advising policy makers;

**Key objectives and performance indicators we use to measure success**

In our 2015-2018 Business Plan, we adopted the following objectives:

- Consolidate our programme of work in the Middle East and North Africa, through:
  - improvements in the experience of human security, community safety, and resilience to conflict for our beneficiaries in Libya and Syria
  - expansion of existing programmes to reflect the regional nature of conflicts;
- Establish a fully-funded Black Sea programme, with a focus on Ukraine and the South Caucasus region;
- Develop a fully-funded Learning team with a clear programme of work and a linked network of experts;
- Establish a diverse board of directors with a mix of (1) thematic peacebuilding expertise, (2) management experience, (3) financial management experience, (4) financial/fundraising connections, and (5) business development experience;
- Increase organisational performance through establishing more professional systems for:
  - financial management capacity
  - security and risk management
  - human resource management capacity
  - project management capacity (including monitoring and evaluation);
- Develop a sustainable funding base, with appropriate levels of organisation support and resources. For our programmes, we use a mix of qualitative and quantitative indicators to measure the impact of the work that PCI does. We use regular surveys, for example, to assess community perceptions of resilience to conflict in Syria and perceptions of human security in Libya. We then deepen our understanding of our impact through conducting focus group discussions and key informant interviews that feed into case studies relating to particular initiatives and activities.
Key events in the year

In the reporting period, we:

- Saw that our programming in Libya contributed to, amongst other issues: a) improving the inclusion of women in conflict resolution and b) creating new, more positive, narratives about cross-divide relationships between some areas that have been locked in conflict since the end of the Libyan revolution in 2011. For more information, please see page 9.
- Saw that initiatives conducted by our Syria programme helped ensure that girls could go to school safely in areas where their access to education had previously denied by some armed groups. In our target communities, community members are also more likely to use dialogue as a method of conflict resolution instead of violence. For more information, please see page 12.
- Released a research report on Ukraine, based on which we engaged in fundraising for the Ukraine programme. For more information, please see page 16.
- Addressed the challenge of a key donor substantially reducing funding to our Syria programme.
- Celebrated the five year anniversary of PCI’s formation as a company limited by guarantee.
- Convened the first AGM of the Board of Trustees of the charitable company.
- Appointed a new Trustee (Mr. James Freeman).
- Restructured the executive team of the organisation, moving towards a CEO model.
- Changed registered office address.
Achievements and performance

With programmes in the Middle East (Syria), North Africa (Libya) and the Black Sea Region (Ukraine), our work focuses on:

- Strengthening the skills of local and national leaders who are able to build relationships across conflict divides;
- Supporting local leaders and civil society activists in practical actions to reduce violence and improve the sense of security of communities;
- Fostering working partnerships between communities and local authorities, as well as between different local and national groups across conflict divides, to build confidence in a shared future;
- Supporting civil society organisations to connect, share experiences, and be part of decision-making;
- Developing and sharing practical tools and methodologies for peacebuilding;
- Advising international agencies, NGOs, governments, and companies on how to achieve greater impact.

*Created 14 Partnerships in the east, west and south, and trained around 500+ community members in Social Peace and Local Development (SPLD)*

Trained a group of 20 Trainer Mentors in SPLD and other peacebuilding-related skills to provide constant and tailored support to the Partnerships

Created a Network of 40 peacebuilding practitioners who carry out peace actions involving 29 communities across Libya

Convened a Forum of 30 international organisations to improve understanding of how external assistance can influence conflict

*Trained 50+ civil society activists in peacebuilding and confidence building*

UKRAINE

*Supported 300+ activities that have stopped local conflicts, improved human security, contributed towards stabilisation, saved lives, and bridged societal divides to improve social peace*

Supported Syrian civil society by strengthening skills for dialogue, negotiation, and advocacy

*Trained 40 volunteer ‘Peace Resources’ working in 29 communities in Syria and neighbouring countries*
LIBYA

The context

Since the Revolution in 2011, Libya has gone through a series of political and military crises. This has led to significant, ongoing violence across the country and resulted in the creation of three different governments, each of which is competing for - but has so far failed to achieve - nation-wide legitimacy.

How ordinary citizens experience conflict

- **VIOLENCE BETWEEN RIVAL ARMED GROUPS**: killings, kidnappings, damage to public buildings and homes, displacement, psychological trauma, limitations to freedom of movement.
- **TENSIONS AND VIOLENCE BETWEEN DIFFERENT TRIBES AND ETHNIC GROUPS**: violence, hate speech, and divisive narratives undermine social cohesion and affect ordinary citizens’ safety and security.
- **LACK OF BASIC SERVICES**: local authorities and service providers are under pressure but have limited capacity to provide electricity, security, jobs, housing, education, and healthcare.
- **LACK OF FUNCTIONING POLICE AND COURT SYSTEM**: communities rely on prominent local people (e.g. peacebuilders, tribal leaders, elders, etc.) to help mediate disputes and conflicts.
- **DIVISIONS AND LIMITED FREEDOM OF MOVEMENT WITHIN THE COUNTRY**: local peacebuilders and civil society from different communities have few opportunities to meet and coordinate action.

What we do to respond to these challenges

**At the local level**

- We create a safe space in which groups that have been in conflict can slowly rebuild trust and dialogue.
- We build working relationships and communication between community groups and local authorities, so that together they are better able to prevent conflict.
- We help local authorities deliver services and improvements that make communities feel safer and more resilient, while also building trust in government.
- We strengthen the skills of local leaders and peacebuilders that are able to build bridges across divides.

**At the national level**

- We foster networking and collaboration opportunities between peacebuilders from across Libya, so that they can build relationships between different communities, learn from one another, and work together.

**At the international level**

- We help international governments, NGOs, multilateral agencies, and companies better understand how their work might contribute to either resolving or furthering conflict in Libya’s fast-changing, complex environment.
Local Partnerships

Partnerships build the trust and relationships that make peace possible and durable.

- Partnerships at the local level bring together different community groups and local authorities.
- Partnership members work together to map relationships, monitor tensions, and identify community needs.
- The Partnership model encourages people to focus on common goals by negotiating different interests and needs.
- Once relationships are in place, the Partnership becomes a resource for managing community issues and conflicts.
- Partnerships deliver peace actions that build social cohesion, reduce violence, and increase trust in government.

International Forum

The Forum helps the international community deliver assistance to Libya that strengthens peace.

Through regular conflict analysis and peer reviews of the work of international organisations in Libya, the Forum helps ensuring that any international assistance to Libya (e.g. humanitarian aid) does no harm and, if possible, contributes to resolve conflict.

Peer Reviews of international assistance in the local governance and migration sectors, two Peer Reviews involving a total of 11 international organisations delivering assistance to Libya assessed whether local governance and migration programmes were contributing to promoting inclusion and accountability in Libya, as well as being effective interventions in their own field. The Peer Reviews offered the organisations involved an opportunity to reflect on their experience, compare lessons with other practitioners working in the sector, and identify practical recommendations that would make their work more likely to contribute to peace.

Peace Actions within communities

Peace actions enhance communities’ safety and resilience by delivering tangible improvements, while also building people’s trust in government.

Nalut: renovation of public building to be used for literacy schooling programme targeting illiterate women, increasing their ability to participate in peace actions and public life.

Obani: renovation of public building to be used as joint meeting centre by groups in conflict (Tebu, Arabs an Tuareg), providing a neutral space to rebuild trust.

Training and mentoring

Regular training and tailored support provided to local leaders and peacebuilders in mediation and negotiation, gender inclusion, leadership, peacebuilding, and other practical tools to make their work more effective.

National Peacebuilders' Network

The Network provides space for collaboration between peacebuilders from different communities.

Workshops and dialogue sessions to help peacebuilders and local leaders who are making a difference locally to connect, learn from one another, and work together, broadening the reach and impact of individual peace initiatives.

Peace Actions between communities

Peace actions reduce violence and rebuild trust between communities across conflict divides.

Benghazi - Tripoli: Rugby 2018 brought together players from east and west under the motto ‘We play for unity’, building a cross-national team and deterring youth from fighting.

Bani Walid - Sabha: Bani Walid delivered medical aid to Sabha, as the local hospital struggled to treat casualties of clashes between tribes, and Bani Walid Elders endorsed the truce.
Impact and numbers

HALIMA, 37 YEARS OLD, MEMBER OF ARAB FAMILY AFFECTED BY VIOLENCE IN MURZUG

The Partnership has helped Halima overcome trauma after her family experienced violence and abuse from members of the Tebu community. Now she has found the strength to rebuild relationships with the Tebu and is using her experience to promote mutual respect between the two groups.

"The psychological support and encouragement I received from the Partnership and PCI were very important. Participating in the activities, workshops, and discussions made me feel more self-confident and regain trust in others. My perceptions of the Tebu community have now changed, and I have started re-building relationships with them. My way of looking at our differences has also changed; I can now have discussions with them, express my views freely, and accept and respect our diversity.

I was inspired by the way in which the Partnership values social diversity as a source of creativity and development. My goal through this initiative [that I have designed] is to contribute to building a violence-free generation that sees cultural and social diversity positively."

14 Social Peace and Local Development Partnerships created in as many areas in the east, west and south

503 active Partnership members

10 independently-generated Partnerships supported

20 Trainer Mentors providing training and support to local leaders and peacebuilders

44 Peacebuilding Practitioners Network members active in 26 areas across Libya

28 peace actions delivered within and between communities

206 representatives of 85 international missions regularly attending Conflict Sensitive Assistance Forum

2 peer reviews conducted of 11 international organisations working on migration and local governance in Libya

Challenges we faced

In the reporting period PCI's international staff remained unable to enter Libya due to a deterioration of security across the country. This continued to put pressures on the programme in terms of delivering expertise to complex initiatives and undertaking monitoring and evaluation of activities and impact. As mitigation and adaption measures, PCI has increased opportunities for Libyan staff to hold trainings and meetings with international staff in Tunis, as well as strengthened support provided remotely.
SYRIA

The context

The peaceful revolution that began in 2011 quickly turned violent and has descended into a full-scale civil war. This chaos has provided fertile ground for the proliferation of extremist armed groups, while the intransigence of the government, splits between opposition groups, and competing regional interests have made finding an overall peaceful solution difficult.

How ordinary Syrians experience the conflict

**LARGE SCALE VIOLENCE:** Government forces and some armed groups either deliberately target or negligently hit civilians.

**DISPLACEMENT:** Millions of Syrians have fled their homes to new areas within Syria or into neighbouring countries. Tensions between host communities and refugees / IDPs are rising.

**HUMAN RIGHTS ABUSES:** Ordinary people suffer from widespread human rights abuses such as arbitrary arrest, and restrictions on freedom of speech and of movement.

**BREAK-DOWN IN LAW AND ORDER:** In many areas, police and judiciary systems are not functioning properly. Crime is rising and minor disputes easily escalate into major violent conflicts.

**DESTRUCTION OF THE SOCIAL FABRIC:** Before the conflict, different ethnic and religious groups relied on and supported each other. The conflict has increased divisions and mistrust.

What we do to respond to these challenges

**At the community level**

- **We save lives** by negotiating ceasefires between rival armed opposition groups, the release of kidnapped or detained civilians, safe passage for civilians through hostile territory, and the safe delivery of humanitarian aid.

- **We reduce violence** by establishing conflict resolution committees that can resolve local disputes before they escalate into violence and that help communities address key challenges they are facing (e.g. the arrival of large numbers of displaced people or a collapse in law and order).

- **We support stability** in opposition-held areas by helping local institutions to deliver better services. Our work also helps communities push back against some extremist Islamist armed groups to carve out more civilian space (e.g. in schools).

- **We promote coexistence** by rebuilding relationships between different groups within communities and supporting communities to rebuild the social fabric at a local level, and by training and convening local leaders to be resources for peace within their communities.

**At the national level**

- By convening community representatives from across Syria, we **facilitate and mediate conversations on how to build peace** at a national level. In this way, Syrian civilians on different sides of the conflict can speak with a strong and more cohesive voice during peace negotiations.

**At the international level**

- We help international governments, NGOs, multilateral agencies, and companies better understand how their work might contribute to resolving or, inadvertently, furthering conflict in Syria’s fast-changing environment.

PCI works in partnership with the Syrian organisation ‘**Center for Civil Society and Democracy (CCSD)**’
HOW IT WORKS IN PRACTICE

1. We identify Peace Resources within communities – individual local leaders who get involved in preventing, managing, and resolving conflict.

2. We train them in peacemaking skills (conflict analysis, negotiation and mediation, confidence building) to improve their effectiveness.

3. We convene peace resources from different parts of Syria to build trust and collaboration; by working in a network and engaging in joint analysis and planning, they are better able to address conflict challenges within communities across Syria.

4. With mentoring and financial support, peace resources undertake negotiations, mediations, campaigns, and a range of initiatives that reduce violence and mitigate the impact of conflict on ordinary Syrians.

5. The network works with local decision-makers and power-holders to improve community safety at a local level and to help deliver critical services to people.

6. The methodologies used by the network rebuild broken relationships and recreate dialogue-based ways of managing conflicts without violence.

7. We then measure whether our work is making a positive change by surveying people in the target communities to understand if they feel more resilient to the conflict.

Peace Initiatives

**IDLIB: Taking a stand against extremist armed groups**

In Idlib Province, a powerful militia group linked to Al-Qaeda stopped a number of girls from going to school. The Peace Resources Network convened key community leaders and the local civilian education authorities to confront the militia group and demand that the girls be allowed to return to school. Over the course of several meetings, the peace resources not only convinced the militia that the girls have the right to education, but also obtained the group's agreement that education is a civilian issue and not a sphere in which they should interfere in the future. In addition, the peace resources facilitated the development of a standardised curriculum based on moderate religious principles as opposed to the extremist religious curriculum previously imposed by some armed groups.

**HAMA: Preventing sectarian violence**

A dispute arose between an Ismailli and an Alawite family over land rights in the Syrian province of Hama. This dispute escalated into a violent conflict that spread along sectarian lines and claimed the lives of several people. The Peace Resources Network was able stop the violence by involving respected Ismailli and Alawite religious leaders in a peacemaking process and by successfully mediating an agreement between the two disputing families to cease hostilities, establishing a committee to oversee the continuation of the peace process.

**ALEPPO: Building social cohesion**

In the Afrin area of Aleppo Province, Peace Resources helped local authorities and NGOs prepare for a massive influx of displaced civilians from Aleppo city and developed a social media campaign to manage tensions between local community members and the new-comers (who were of a different ethnic origin). The campaign received more than 124,000 views.

**SOUTHERN SYRIA: Mediating tribal disputes**

Two tribes in southern Syria were engaged in a long-running tit-for-tat series of kidnappings and killings. Peace Resources in the area spent months doing "shuttle diplomacy" between the two tribes to finally negotiate a peace agreement.

**ACROSS SYRIA: Protecting civilians**

Peace Resources negotiated with armed groups to stop using schools and other civilian structures in urban areas as barracks. This reduced the incidence of targeting of civilian areas by Syrian Government forces and its allies.
Impact and numbers

470 peacebuilding initiatives in Syria
928 partnership meetings in 32 communities across Syria with 7321 local leaders to discuss the community’s safety, and to make plans for civil peace actions
366 civilians released from arbitrary detention by armed groups through 22 separate negotiations, without any money being paid
51,000 refugees in Syria have access to water and food thanks to negotiations to provide humanitarian access
77% of surveyed community members who report that their community is more likely to use dialogue as a method of conflict resolution instead of violence attribute this result to the conflict management mechanisms that have been set up by the Network
76% of surveyed community members who report that there are improved relationships in their communities attribute this result to peacebuilding initiatives and partnership meetings conducted by the Network
80% of surveyed community members who report that they feel safer attribute this result to PCI’s work that encourages dialogue as a means for solving conflict and problems

CASE STUDY

Bridging Gender Divides

In Idlib Province, conservative elements of society have been opposed the idea of women performing public service roles within the Provincial Council.

The Network of Peace Resources in Idlib teamed up with another network that focuses on women’s empowerment to promote the role of women in local decision-making. In order to change the mind-set of local leaders who were blocking the participation of women in local institutions, the Peace Resources Network leveraged its existing relationships to arrange a series of meetings with conservative influencers in the Province. The process took over six months, but the end result was the establishment of a Women’s Commission, which has the status of sub-committee in the Idlib city local administrative body. It was a ground-breaking achievement locally, being the first time that women were given formal representation within the civil administration structure, with the ‘space’ to express their concerns and recommendations.

According to a member of the Network from another area:

“This is a good example for all of us, in how to include women more in the governance of our society, and should be replicated elsewhere”.

Challenges we faced

PCI applied for registration in Turkey in early 2016. Our application was not completed by Turkish authorities, however, during the reporting period despite repeated attempts by PCI’s legal representatives to finalise the registration process. In March 2017, the working conditions for international organisations deteriorated markedly in Turkey. While PCI was not directly affected, we assessed that it was no longer sustainable to maintain an office in Turkey under these conditions while our registration for full legal status was still pending. In April 2017, we decided to close our
office. Team members currently travel to Turkey for short trips to provide technical assistance to and monitoring of activities carried out by local partners.

Towards the end of the financial year, the UK's Foreign and Commonwealth Office, the main funder of PCI's Syria programme, announced a restructuring of its funding mechanisms, which entailed a significant reduction of funding for PCI. It is important to note that in the months following the end of the financial year, this reduction in funding necessitated a set of redundancies within PCI's Syria team, as well as a reduction in core operations support. Since April 2017, PCI's Syria team has worked successfully to diversify the programme's funding base. As a result, at the time of writing, we now have three new projects up and running with two new donors.

Delivering projects inside Syria continued to be a challenge due to the ongoing war. PCI does not have staff inside Syria, but works in partnership with several Syrian organisations. We have developed robust systems for remote project management, and we facilitate face-to-face trainings and dialogues with our Syrian participants in neighbouring countries. We work closely with partners to monitor the risks involved in the work inside Syria; we have developed an online training curriculum and increased our use of web-based meeting platforms to reduce travel risks for Syrian participants.
UKRAINE

The context

Since the street protests that unseated the country’s president in 2014, Ukraine has experienced armed conflict that has led to the formation of two de facto states on its territory, separated from the rest of the country by a militarised contact line.

How ordinary citizens experience conflict

<table>
<thead>
<tr>
<th>POLARISATION IN SOCIETY:</th>
<th>DISPLACEMENT:</th>
<th>REDUCED FREEDOM OF MOVEMENT:</th>
<th>PHYSICAL INSECURITY:</th>
</tr>
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<tbody>
<tr>
<td>Divisions and distrust leave little space for constructive engagement between different sides, with significant parts of population feeling unrepresented in politics.</td>
<td>More than 1.4 million people have been displaced inside the country, having to restart their lives without the support of their usual social networks.</td>
<td>Hundreds of thousands of people experience military checkpoints on a regular basis when travelling for work, education, or essential services.</td>
<td>Repeated ceasefire violations and widespread remnants of war pose ongoing insecurity challenges to communities in the east of the country.</td>
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What we do to respond to these challenges

**At the local level**

- PCI and its implementing partners are working with representatives of civil society organisations to build their skills as dialogue facilitators.
- We are working with local government officials to see how dialogue approaches and other restorative practices can be institutionalised in the community.
- We are accompanying community groups to deal with practical issues in constructive ways.

**At the national level**

- We are bringing conflict experts from a variety of contexts to share their experience with Ukrainian ministry officials on policies in countries that have experienced violent conflict.
- We are holding roundtable discussions on conflict issues with Ukrainian officials and parliamentary deputies, exposing them to a wider range of approaches towards addressing social divisions.

**At the international level**

- We have commissioned research and convened discussions to inform the international response to the crisis in Ukraine and how assistance can contribute to addressing underlying drivers of conflict.

Challenges we faced

In 2015, PCI launched its Black Sea Regional programme using our limited “unrestricted” resources to fund the start-up of programme activities in Ukraine. It is taking longer than anticipated to develop a fully funded programme, due to a lack of full-time staff working on fundraising. The Board of Trustees is happy to report that, at the time of writing, PCI has funding for a substantial programme of work in Ukraine.

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TECHNOLOGY FOR PEACEBUILDING

In meeting some of the challenges of working in conflict-affected areas, we have sought to find innovative solutions that support our Peace Resources, colleagues, and partners to work as effectively - and safely - as possible. The use of technology has proven to be crucial in order to make our resources available for peacebuilding practitioners, and to provide constant support remotely, as well as in person.

Online Peacebuilding Knowledge Hub

The Knowledge Hub is designed to complement the face-to-face trainings provided to Trainer Mentors and PCI members working on the Social Peace and Local Development programme in Libya. [https://libya.elva.org/](https://libya.elva.org/)

The Hub is regularly updated with new resources, providing peacebuilders working in the field with access to online learning and training materials in a range of peacebuilding subjects - from PCI’s Social Peace and Local Development methodology and tools, to international best-practice and evidence-based approaches in mediation and negotiation, conflict sensitivity, gender inclusion, and others.

Online platform for Conflict Sensitivity Forum

OPSECA is an online analysis and data management platform developed by our partner organisation, humanidev.tech, in order to improve information sharing and coordination among international missions and agencies delivering assistance to Libya. As well as storing the analysis on conflict trends produced by participants during PCI-facilitated Forum sessions, the platform provides users with practical conflict analysis tools that they can use in their work.

[https://opseca.humanidev.tech/](https://opseca.humanidev.tech/)

Community Peacebuilding Training Portal

The Community Peacebuilding Training Portal is designed to develop the knowledge and skills of the Syria Peace Resources Network members who are based in Syria and in refugee communities in Turkey and Jordan. All members of the Network can consult, download, and share the materials. Over the past year, PCI has further developed the Portal with the addition of more interactive video resources:

- Relationship Mapping: [https://youtu.be/l1Ng4QpYyGQ](https://youtu.be/l1Ng4QpYyGQ)
- PIN Tool: [https://youtu.be/5dnr7zCqjLo](https://youtu.be/5dnr7zCqjLo)
- Contact Hypothesis: [https://youtu.be/4KRSy2xHEmE](https://youtu.be/4KRSy2xHEmE)
- Key Messages: [https://youtu.be/t1GZ0hxcylA](https://youtu.be/t1GZ0hxcylA)
Financial Review

PCI’s financial situation continued to improve in FY2017. This was due to our success in attracting awards from institutional donors, which are mainly the overseas aid agencies of a number of governments, the European Union, and the United Nations, to fund our portfolio of programmes. As our income has increased, so has our expenditure, much of it in support of activities undertaken by our partners in Libya and Syria.

In the year we received funding from:

- The UK Foreign and Commonwealth Office
- The European Union
- The Swiss Federal Department of Foreign Affairs
- The United Nations Development Programme
- The Ministry of Foreign Affairs of The Netherlands

Reserves policy

The Trustees continued its efforts towards implementing a policy of attaining a financial reserve of £250,000, required to fund our core payroll and overheads for approximately six months. PCI’s £100,000 loan with Charities Aid Foundation, to aid the short-term baseline cash position, was fully repaid in December 2016 and it was decided that, due to the Charity’s improved financial stability, there was no need to renew it. At the balance sheet date, PCI held reserves of £167,328 (2016: £37,313), of which £129,500 (2016: £37,828) related to restricted funds, and FY2018 will see continued effort to increase general funds in line with the above policy, as noted in the Plans for Future Periods section on page 19.

Going Concern

After making appropriate enquiries, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

Risks and uncertainties

The Charity has a risk management policy in place and the Trustees track risk trends and mitigation measures on an on-going basis. In addition, the Charity has a range of insurance policies in place and enlists the services of specialist companies to help analyse risks in the specific areas in which we operate. The key risks that are tracked by the Trustees include:

- Physical security of staff and beneficiaries in the areas in which we operate;
- Solvency and cash flow;
- Misappropriation of funds or other benefits by proscribed groups within conflict zones;
- Reliance on limited group of institutional funders;
- Psychological wellbeing of staff working overseas or in conflict zones.
Plans for future periods

The strategic priority for the Trustees remains the diversification of PCI’s funding sources and the development of a strong unrestricted income funding stream. The Trustees have undertaken a review of unrestricted funding needs and have set a goal of raising £150,000 per annum. The Trustees have set aside a budget to put in place the materials, tools, and expertise that PCI needs to successfully fundraise. At this stage, PCI will focus its unrestricted fundraising efforts on trusts and foundations, and high net-worth philanthropic individuals.

We are planning to expand the Board of Trustees to bring in different sources of expertise by increasing the Board membership to five. In line with our fundraising objectives, a focus of recruitment of Board members will be on persons who can support the organisation in raising unrestricted funds.

To ensure that PCI remains able to function as a well-run charity as it continues to grow in income and operational complexity, the Trustees are focusing their governance oversight on the following key areas:

- Enhance organisational resilience at all levels and reviewing management structures to ensure that they are as effective as possible.
- Developing a new Finance Manager position and introducing a new finance management system.
- Train key staff in crisis management and ensure that crisis management plans are in place.
- Strengthen human resource management processes and capacities.

These operational priorities sit alongside PCI’s ongoing investments of time and resource to develop and strengthen PCI’s policies and procedures on procurement and compliance.

In terms of our programmes, the Trustees are planning for an ongoing expansion in PCI’s Syria programme, building on new streams of work including supporting Syrian and international organisations to deliver assistance in Syria in a conflict sensitive manner, as well as working with young people to develop a culture of dialogue and constructive debate on sensitive issues. Trustees plan to continue to diversify the funding base for the organisation’s work in Syria. For Libya, we are planning to consolidate the areas in which we work, but also to deepen the work we do in those areas. We are anticipating a moderate expansion of funding from existing donors and are aiming to add at least one new donor to our donor portfolio. For the Black Sea programme, we aim to expand our programme of work in Ukraine and, again, to diversify our funding base.
Structure, governance, and management

Peaceful Change initiative (PCI) was registered as a Charitable Company on 7 July 2015 (number 1162997). It has been registered as a Company Limited by Guarantee (number 07931944) since 1 February 2012. PCI is governed by a Memorandum of Incorporation dating from 1 February 2012 and Articles of Association as amended by special resolution dated 7 July 2015.

Subsidiary legal entities

As the organisation operates internationally, it has had to establish legal entities where it works:

- Libya – Peaceful Change initiative, Libya (registered as a Civil Society Organisation)
- Tunisia – Peaceful Change initiative, Tunisia (registration as external entity by Government of Tunisia on 3 November 2017)

Board of Trustees

PCI is governed by a Board of Trustees, which governs in accordance with the Charity Commission guidance laid out in its publications. The aim is to have an inclusive board, with a mix of experience in thematic peacebuilding, management, financial management, fundraising, business development, and legal/risk management.

The Board currently consists of:

- Adam Darby (Chair)
- James Freeman (appointed on 5 December 2016)
- Michael Holland
- Anton Shihoff

Identification and induction of new trustees

New trustees are identified by fellow trustees together with the Chief Executive Officer and invited to join the Board, following a process of due diligence and substantial engagement to ensure that PCI’s charitable objectives are well understood by the incoming trustee. They are vetted in accordance with the Charity Commission guidance laid out in its publication CC30. Orientation for trustees, carried out by existing trustees and PCI senior management, includes familiarisation with:

- The duties and responsibilities expected of trustees and as outlined in CC3;
- PCI’s legal framework and governance;
- PCI’s finances (including audit reports);
- The mission of PCI and the principles that underpin the delivery of that mission;
- The details of the current and future programmatic work of the organisation.

Meetings, minutes and decision making

The Board of Trustees meets regularly, usually in London, with PCI’s first AGM held on 5 December 2016. Trustees are in frequent communication between meetings, both amongst themselves and with the Chief Executive Officer, and with other senior management as appropriate.
Financial controls

Financial controls have been put in place, with the Board being accountable for the Charity’s finances, and day-to-day responsibility for execution delegated to the Chief Executive Officer. The Board closely monitors the Charity’s accounts, analysing fund income and expenditure and planning overall spend against overheads. Appropriate policies and procedures are in place, and annual audits are carried out by Goodman Jones LLP. Goodman Jones also carries out audits at the close of individual grant funds.

Remuneration of key management personnel

Remuneration of key management personnel (Chief Executive Officer and other key senior positions) is set by the Board, with due attention to availability of funds, responsibilities undertaken, market rates and the charity nature of the organisation.

Management structure

On 1 August 2016, following the decision by David Wood, Co-Director, to take a six-month sabbatical, the Board of Trustees restructured the management of the organisation, appointing Fleur Just as Chief Executive Officer, reporting directly to the Board of Trustees. A Chief Operating Officer was appointed in October 2016 to provide support to and management of PCI’s non-programmatic operations. David Wood returned from sabbatical in February 2017 and left in June 2017 to pursue other opportunities.

Management Team

A Management Team, consisting of the Chief Executive Officer, Chief Operating Officer, country and regional managers, and Dean of the College of Advisors, was established in 2016 and meets regularly to provide:

- Input to the development of PCI strategic and business plans, and coordination of and collaboration on their implementation as agreed by the Board of Trustees;
- A platform for planning organisational activities that span different teams/programmes;
- A clearing house for the development and approval of new PCI policies and systems;
- A forum for discussing critical issues that affect the organisation as a whole;
- Recommendations to the Chief Executive Officer and Chief Operating Officer regarding issues being discussed at Board level.

College of Advisors

The College of Advisors was established in 2016, with membership made up of PCI’s Senior Peacebuilding Advisors, to provide:

- A platform for enhancing coordination and collaboration between Senior Advisors;
- A platform for driving organisational learning and the ongoing enhancement of PCI’s methodologies, approaches and tools;
- A forum for discussing the impact of PCI’s programmes and for sharing ideas/advice for how to increase/leverage impact;
- A forum for peer support and appraisal.

It meets regularly and, on a rotational basis, each Senior Advisor acts as Dean of the College for a period of six months, to, inter alia, act as key point of interface with the Chief Executive Officer.
Reference and Administrative Details

Registered Office Address
To 10 January 2017: 25B Lloyd Baker Street
Hub Islington  London
5 Torrens Street  WC1X 9AT
London
ECTV 1NQ

From 10 January 2017:

Company registered number:
07931944

Charity registered number:
1162957

Chief executive officer:
Fleur Auzimour Just

Independent Auditors:
Goodman Jones LLP
Chartered Accountants
29-30 Fitzroy Square
London
W1T 6LQ

Bankers:
Co-operative Bank
PO Box 101
1 Balloon Street
Manchester
M60 4EP

Solicitors:
Reculver Solicitors
1st Floor
330 High Holburn
London
WC1V 7QT

Dechert LLP
160 Queen Victoria Street
London
EC4V 4QQ

Other Financial Services Providers:
- The Charities Aid Foundation
- Western Union Business Services
- Clements Worldwide
- Arthur J Gallagher

Financial Advisor:
Higgs Boson Consultants LLP
Trustees' Responsibilities Statement

The Trustees (who are also directors of Peaceful Change Initiative for the purposes of company law) are responsible for preparing the Trustees' 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. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the 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:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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.

Disclosure of information to auditors

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Auditors

The auditors, Goodman Jones LLP, have indicated their willingness to continue in office. A motion proposing the re-appointment of the auditors will be raised at a meeting of the Trustees.

This report was approved by the Trustees on 30/11/2017 and signed on their behalf by:

Michael Holland
Trustee
Independent Auditors' Report to the Members of Peaceful Change Initiative

We have audited the financial statements of Peaceful Change Initiative for the year ended 30 March 2017 set out on pages 26 to 39. 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).

This report is made solely to the charitable company's members, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the Charity 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.

The Trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly we have been appointed as auditors under section 144 of the Charities Act 2011 and report to you in accordance with regulations made under section 154 of 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 Auditing Practices Board'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 Charity'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 Auditors' Report to the
Members of Peaceful Change Initiative

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 30 March 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the Charity has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Trustees were not entitled to take advantage of the small companies' exemption.

Goodman Jones LLP
Chartered Accountants

29-30 Fitzroy Square
London
WIT 6LQ
Date: 5/12/2017

Goodman Jones LLP are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.
Statement of Financial Activities incorporating Income and Expenditure Account
For the year ended 30 March 2017

<table>
<thead>
<tr>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Total funds</th>
<th>Total funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
</tbody>
</table>

Income from:

Donations and legacies
Charitable activities
Investments

<table>
<thead>
<tr>
<th>Donations and legacies</th>
<th>2017</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>2</td>
<td>-</td>
<td>3,446,615</td>
<td>1,863,215</td>
</tr>
<tr>
<td>3</td>
<td>4,793</td>
<td>-</td>
<td>4,793</td>
</tr>
<tr>
<td>4</td>
<td>433</td>
<td>-</td>
<td>433</td>
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</tbody>
</table>

Total income

<table>
<thead>
<tr>
<th>Total income</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,226</td>
</tr>
</tbody>
</table>

Expenditure on:

Charitable activities
Total expenditure

<table>
<thead>
<tr>
<th>Charitable activities</th>
<th>Total expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note</td>
<td>£</td>
</tr>
<tr>
<td>5</td>
<td>4,711</td>
</tr>
<tr>
<td>6</td>
<td>3,321,826</td>
</tr>
</tbody>
</table>

Net income before other recognised gains and losses

<table>
<thead>
<tr>
<th>Net income before other recognised gains and losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>515</td>
</tr>
</tbody>
</table>

Net movement in funds

<table>
<thead>
<tr>
<th>Net movement in funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>515</td>
</tr>
</tbody>
</table>

Reconciliation of funds:

Total funds brought forward
Total funds carried forward

<table>
<thead>
<tr>
<th>Total funds brought forward</th>
<th>Total funds carried forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>37,313</td>
<td>-</td>
</tr>
<tr>
<td>37,828</td>
<td>129,500</td>
</tr>
<tr>
<td>167,328</td>
<td>37,313</td>
</tr>
</tbody>
</table>

The notes on pages 29 to 39 form part of these financial statements.


Peaceful Change Initiative
Balance Sheet as at 30 March 2017

Company number 07931944

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>10</td>
<td>12,087</td>
<td>2,115</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>11</td>
<td>171,422</td>
<td>262,253</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>330,040</td>
<td>483,013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>501,462</td>
<td>745,266</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>12</td>
<td>(346,221)</td>
<td>(710,068)</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>155,241</td>
<td>35,198</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>167,328</td>
<td>37,313</td>
</tr>
<tr>
<td>Charity Funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted funds</td>
<td>13</td>
<td>129,500</td>
<td>-</td>
</tr>
<tr>
<td>Unrestricted funds</td>
<td>13</td>
<td>37,828</td>
<td>37,313</td>
</tr>
<tr>
<td>Total funds</td>
<td></td>
<td>167,328</td>
<td>37,313</td>
</tr>
</tbody>
</table>

The Charity’s financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The Trustees consider that the Charity is entitled to exemption from the requirement to have an audit under the provisions of section 477 of the Companies Act 2006 ("the Act") and members have not required the Charity to obtain an audit for the year in question in accordance with section 476 of the Act. However, an audit is required in accordance with section 144 of the Charities Act 2011.

The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The financial statements were approved and authorised for issue by the Trustees and signed on their behalf, by:

Michael Holland
Trustee

Date: 30/11/2017
Statement of Cash Flows
For the year ended 30 March 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash (used in)/provided by operating activities</td>
<td>15</td>
<td>(59,764)</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of tangible fixed assets</td>
<td></td>
<td>(17,606)</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td></td>
<td>(17,606)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayments of borrowings</td>
<td></td>
<td>(75,603)</td>
</tr>
<tr>
<td>Cash inflows from new borrowing</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash (used in)/provided by financing activities</strong></td>
<td></td>
<td>(75,603)</td>
</tr>
<tr>
<td><strong>Change in cash and cash equivalents in the year</strong></td>
<td></td>
<td>(152,973)</td>
</tr>
<tr>
<td>Cash and cash equivalents brought forward</td>
<td></td>
<td>483,013</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents carried forward</strong></td>
<td>16</td>
<td>330,040</td>
</tr>
</tbody>
</table>

The notes on pages 29 to 39 form part of these financial statements.
Notes to the Financial Statements
For the year ended 30 March 2017

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair’ view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Peaceful Change Initiative meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The financial statements are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £.

1.2 Company status

The Charity is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the Charity.

1.3 Going concern

The Charity receives nearly all of its income in the form of grants for specific programme expenditure. Many of these grant agreements include an allowance for overheads. After reviewing the level of recurring expenditure, expected income for FY2018, and the future plans of the Charity, the Trustees consider that the Charity is a going concern. As noted in the Trustees’ Report on page 19, FY2018 will see continued efforts to increase unrestricted funding.

1.4 Consolidation

The Charity operates internationally and has established a legal entity in Libya (Peaceful Change Initiative, Libya - registered as a Civil Society Organisation) allowing it to operate in Libya. All transactions are accounted for through the UK charity and as such consolidated financial statements are not required.

On 3 November 2017, Peaceful Change Initiative, Tunisia was registered as an external entity.
Notes to the Financial Statements
For the year ended 30 March 2017

1. Accounting Policies (continued)

1.5 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.6 Income

All income is recognised once the Charity has entitlement to the income, it is probable that the income will be received, and the amount of income receivable can be measured reliably.

Grant income is recognised once the above criteria have been met, together with any performance conditions attached to the grant. Grant income received is deferred only when the Charity has yet to fulfill the performance conditions.

Donated services or facilities are recognised when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the Charity of the item is probable and that economic benefit can be measured reliably. On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the Charity which is the amount the Charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

1.7 Expenditure

Expenditure is recognised inclusive of irrecoverable VAT once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset’s use.

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
Notes to the Financial Statements
For the year ended 30 March 2017

1. Accounting Policies (continued)

1.8 Interest receivable

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.

1.9 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities incorporating Income and Expenditure Account on a straight line basis over the lease term.

1.10 Tangible fixed assets and depreciation

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments. Impairment losses are recognised in the Statement of Financial Activities incorporating Income and Expenditure Account.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

- Fixtures and fittings: 33.33% straight line

1.11 Debtors

Trade and other debtors are recognised at the settlement amount after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

1.12 Cash at Bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

1.13 Liabilities and provisions

Liabilities 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. Liabilities are recognised at the amount that the Charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.
Notes to the Financial Statements
For the year ended 30 March 2017

1. Accounting Policies (continued)

1.14 Financial instruments

The Charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.15 Taxation

The Charity has been considered by HM Revenue & Customs to meet the definition of a charitable company for UK corporation tax purposes in accordance with Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the Charity is exempt from taxation in respect of income or capital gains received.

1.16 Foreign currencies

The Charity has been considered by HM Revenue & Customs to meet the definition of a charitable company for UK corporation tax purposes in accordance with Paragraph 1 Schedule 6 of the Finance Act 2010. Accordingly, the Charity is exempt from taxation in respect of income or capital gains received.

2. Income from donations and legacies

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Total funds</th>
<th>Total funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Grants</td>
<td></td>
<td>3,446,615</td>
<td>3,446,615</td>
<td>1,863,215</td>
</tr>
<tr>
<td>Total 2016</td>
<td>9,587</td>
<td>1,853,628</td>
<td>1,863,215</td>
<td></td>
</tr>
</tbody>
</table>

Grant income is received from UK and non-UK governments and governmental organisations. During the year, the Charity received grants totalling £2,145,701 (2016: £1,595,948) from the UK government.

3. Income from charitable activities

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Total funds</th>
<th>Total funds</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Conflict resolution and peacebuilding</td>
<td>4,793</td>
<td>-</td>
<td>4,793</td>
<td>5,898</td>
</tr>
<tr>
<td>Total 2016</td>
<td>5,898</td>
<td>-</td>
<td>5,898</td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 March 2017

4. Investment income

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th>Restricted funds</th>
<th>Total funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank interest</td>
<td>433</td>
<td>-</td>
<td>433</td>
</tr>
<tr>
<td>Total 2016</td>
<td>143</td>
<td>-</td>
<td>143</td>
</tr>
</tbody>
</table>

5. Analysis of expenditure by activities

<table>
<thead>
<tr>
<th>Activities undertaken directly</th>
<th>Grant funding of activities</th>
<th>Support costs</th>
<th>Total 2016</th>
<th>Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict resolution</td>
<td>2,762,085</td>
<td>451,411</td>
<td>108,330</td>
<td>3,321,826</td>
</tr>
<tr>
<td>Total 2016</td>
<td>1,689,273</td>
<td>-</td>
<td>176,060</td>
<td>1,865,333</td>
</tr>
</tbody>
</table>

6. Analysis of grants

<table>
<thead>
<tr>
<th>Grants to Institutions</th>
<th>Total 2016</th>
<th>Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>Conflict resolution</td>
<td>451,411</td>
<td>451,411</td>
</tr>
</tbody>
</table>

Grants were awarded in the year to local organisations in Libya towards intra-community, social integration, and peacebuilding projects. Grants are only awarded where the activities and projects being funded will be used in line with Peaceful Change Initiative’s charitable objectives.
Notes to the Financial Statements
For the year ended 30 March 2017

7. Support costs

<table>
<thead>
<tr>
<th>Governance</th>
<th>Conflict resolution</th>
<th>Total 2017</th>
<th>Total 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travel</td>
<td>-</td>
<td>14,302</td>
<td>12,846</td>
</tr>
<tr>
<td>Rent</td>
<td>-</td>
<td>20,026</td>
<td>14,579</td>
</tr>
<tr>
<td>Insurance</td>
<td>-</td>
<td>11,654</td>
<td>20,801</td>
</tr>
<tr>
<td>Office expenses</td>
<td>-</td>
<td>1,497</td>
<td>654</td>
</tr>
<tr>
<td>Printing, postage and stationery</td>
<td>-</td>
<td>208</td>
<td>11,390</td>
</tr>
<tr>
<td>Telephone</td>
<td>-</td>
<td>310</td>
<td>-</td>
</tr>
<tr>
<td>Computer</td>
<td>-</td>
<td>17,273</td>
<td>9,469</td>
</tr>
<tr>
<td>Legal and professional fees</td>
<td>-</td>
<td>2,670</td>
<td>17,597</td>
</tr>
<tr>
<td>Accountancy</td>
<td>-</td>
<td>10,800</td>
<td>43,288</td>
</tr>
<tr>
<td>Audit</td>
<td>8,400</td>
<td>-</td>
<td>8,400</td>
</tr>
<tr>
<td>Staff welfare and training</td>
<td>-</td>
<td>7,476</td>
<td>-</td>
</tr>
<tr>
<td>Bank charges</td>
<td>-</td>
<td>1,237</td>
<td>10,550</td>
</tr>
<tr>
<td>Surplus/deficit on foreign currency</td>
<td>-</td>
<td>2,880</td>
<td>-</td>
</tr>
<tr>
<td>Sundry expenses</td>
<td>-</td>
<td>(204)</td>
<td>(204)</td>
</tr>
<tr>
<td>Loan interest</td>
<td>-</td>
<td>2,062</td>
<td>1,493</td>
</tr>
<tr>
<td>Trustees’ meeting expenses</td>
<td>105</td>
<td>-</td>
<td>1,345</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>-</td>
<td>-</td>
<td>16,759</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>7,634</td>
<td>3,618</td>
</tr>
</tbody>
</table>

| Total       | 8,505 | 99,825 | 108,330 | 176,410 |

At 30 March 2016

8,745       166,315       176,060

8. Net income/(expenditure)

This is stated after charging:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>£</td>
<td>£</td>
</tr>
</tbody>
</table>

Depreciation of tangible fixed assets:
- owned by the charity 7,634 3,618
Audit fees 8,400 8,400

During the year, none of the Trustees received for their role as trustees. Related party
transactions are disclosed in note 16.
During the year, no Trustees received any benefits in kind (2016 - £Nil).
1 Trustee received reimbursement of expenses amounting to £105 in the current year. (2016 - 1
Trustee - £13).
Notes to the Financial Statements
For the year ended 30 March 2017

9. Staff costs

Staff costs were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>1,167,524</td>
<td>842,081</td>
</tr>
<tr>
<td>Social security costs</td>
<td>26,571</td>
<td>22,887</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,194,095</strong></td>
<td><strong>864,968</strong></td>
</tr>
</tbody>
</table>

The average number of persons employed by the Charity during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration and management</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Projects</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>18</td>
<td>15</td>
</tr>
</tbody>
</table>

No employee received remuneration amounting to more than £60,000 in either year.

Included within wages and salaries above are amounts paid to third party project workers. Remuneration totalling £110,855 (2016: £83,894) was paid to key management personnel.

10. Tangible fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Fixtures and fittings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td></td>
</tr>
<tr>
<td>At 31 March 2016</td>
<td>10,854</td>
</tr>
<tr>
<td>Additions</td>
<td>17,606</td>
</tr>
<tr>
<td>At 30 March 2017</td>
<td>28,460</td>
</tr>
</tbody>
</table>

| **Depreciation**     |                       |
| At 31 March 2016     | 8,739                 |
| Charge for the year  | 7,634                 |
| At 30 March 2017     | 16,373                |

| **Net book value**   |                       |
| At 30 March 2017     | 12,087                |
| At 30 March 2016     | 2,115                 |
Notes to the Financial Statements
For the year ended 30 March 2017

11. Debtors

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>4,027</td>
<td>81,591</td>
</tr>
<tr>
<td>Other debtors</td>
<td>2,600</td>
<td>1,022</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>164,795</td>
<td>179,640</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>171,422</td>
<td>262,253</td>
</tr>
</tbody>
</table>

12. Creditors: Amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other loans</td>
<td>-</td>
<td>75,604</td>
</tr>
<tr>
<td>Other creditors</td>
<td>15,924</td>
<td>119,470</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>330,297</td>
<td>514,994</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>346,221</td>
<td>710,068</td>
</tr>
</tbody>
</table>

Deferred income

Deferred income at 31 March 2016 | 454,936
Resources deferred during the year | 221,450
Amounts released from previous years | (454,936)

Deferred income at 30 March 2017 | 221,450

Deferred income represents grant income received for programme expenditure where associated performance conditions had not been met at the balance sheet date.
Notes to the Financial Statements
For the year ended 30 March 2017

13.  Statement of funds

Statement of funds - current year

<table>
<thead>
<tr>
<th></th>
<th>Balance at 31 March 2016</th>
<th>Income 2016</th>
<th>Expenditure 2016</th>
<th>Balance at 30 March 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Funds</td>
<td>37,313</td>
<td>5,226</td>
<td>(4,711)</td>
<td>37,828</td>
</tr>
<tr>
<td><strong>Restricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Libya programs</td>
<td>-</td>
<td>2,225,572</td>
<td>(2,096,072)</td>
<td>129,500</td>
</tr>
<tr>
<td>Syria programs</td>
<td>-</td>
<td>1,221,043</td>
<td>(1,221,043)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total of funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Statement of funds - prior year

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unrestricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Funds</td>
<td>33,390</td>
<td>15,628</td>
<td>(11,705)</td>
<td>-</td>
<td>37,313</td>
</tr>
<tr>
<td><strong>Restricted funds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Libya programmes</td>
<td>-</td>
<td>986,339</td>
<td>(986,339)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Syria programmes</td>
<td>-</td>
<td>867,289</td>
<td>(867,289)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total of funds</strong></td>
<td>33,390</td>
<td>1,853,628</td>
<td>(1,853,628)</td>
<td>-</td>
<td>37,313</td>
</tr>
</tbody>
</table>

Restricted comprise the following:

Libya - this programme focuses on strengthening the capacity of local leaders to manage conflict during the country's political transition, and aims to reduce tensions within and between communities as well as contributing to laying the foundations for a political settlement at the national level.

Syria - the work in Syria focuses on human security (strengthening resilience to conflict in vulnerable communities and contributing towards stabilisation efforts) and civil society work (supporting civil society organisations to connect, share experiences, and be part of decision-making).
Notes to the Financial Statements
For the year ended 30 March 2017

14. Analysis of net assets between funds

Analysis of net assets between funds - current year

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th></th>
<th>Restricted funds</th>
<th></th>
<th>Total funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2017</td>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td></td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>12,088</td>
<td>0</td>
<td>12,088</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>20,275</td>
<td>481,189</td>
<td>501,464</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors due within one year</td>
<td>(25,568)</td>
<td>(320,656)</td>
<td>(346,224)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>37,828</td>
<td>129,500</td>
<td>167,328</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Analysis of net assets between funds - prior year

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted funds</th>
<th></th>
<th>Restricted funds</th>
<th></th>
<th>Total funds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
<td>2016</td>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
<td></td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>2,115</td>
<td>0</td>
<td>2,115</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>71,472</td>
<td>673,794</td>
<td>745,266</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors due within one year</td>
<td>(36,274)</td>
<td>(673,794)</td>
<td>(710,068)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>37,313</td>
<td>0</td>
<td>37,313</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. Reconciliation of net movement in funds to net cash flow from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Net income for the year (as per Statement of Financial Activities)</td>
<td>130,015</td>
<td>3,923</td>
</tr>
<tr>
<td><strong>Adjustment for:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation charges</td>
<td>7,632</td>
<td>3,618</td>
</tr>
<tr>
<td>Decrease in debtors</td>
<td>90,831</td>
<td>62,916</td>
</tr>
<tr>
<td>(Increase)/decrease in creditors</td>
<td>(288,242)</td>
<td>333,127</td>
</tr>
<tr>
<td><strong>Net cash (used in)/provided by operating activities</strong></td>
<td>(59,764)</td>
<td>403,584</td>
</tr>
</tbody>
</table>
Notes to the Financial Statements
For the year ended 30 March 2017

16. Analysis of cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in hand</td>
<td>330,040</td>
<td>483,013</td>
</tr>
<tr>
<td>Total</td>
<td>330,040</td>
<td>483,013</td>
</tr>
</tbody>
</table>

17. Related party transactions

At the balance sheet date £13 (2016: £13) was owed to one of the Trustees in respect of expenses to be reimbursed.

At the balance sheet date, amounts totalling £7,770 (2016: £16,340) were owed to key management personnel of the Charity in respect of loans made to the company prior to obtaining charitable status and expenses paid in behalf of the Charity to be reimbursed.

During the year, £41,652 (2016: £76,672) was paid to the spouse of a member of key management personnel for consultancy and project advisory services provided during the year. At the balance sheet date an amount totalling £1,010 (2016: £812) was owed by the Charity in respect of these services.

18. Controlling party

The Charity is under the control of the members. There is no overall individual controlling party.