

Stewardship Services (UKET) Limited

Annual Report and Financial Statements: 30 September 2017

stewardship[®]

transforming generosity

MAKING
GIVING
EASY

IN
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GENE SATURDAY

STRENGTHENING
CHRISTIAN
CAUSES



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stewardship[®]

Registered Charity Number 234714 Company limited by guarantee registered number 90305

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Chairman's Statement

Thank you for taking the time to read our Annual Report and Accounts, for what has been another year of exceptional growth at Stewardship.

I hope that you will find this summary of our activities both encouraging and inspiring, as we reflect on the impact that our work has had across both our giving services for individuals and the professional services to churches and Christian charities.

2016/17 has seen us yet again exceed the growth targets across our core services (income £74.9m, 4% growth), for which we are truly thankful and so encouraged. And, while we believe it right to celebrate growth of these headline figures, what excites us most are the stories of impact behind each one - of lives changed, churches and ministries better resourced, communities transformed, resulting in tangible encounters with Jesus through the generosity of His church.

This year has also been an opportunity for the trustees, senior management and wider staff team to pause and take stock on all that we have achieved to date, and to establish a new long term strategy to further accelerate our activities up to 2025. We end this financial year now ambitiously pursuing this next phase of growth and change that we believe God is calling us to, which includes:

Encouraging and inspiring a younger generation of UK Christians to be radically generous in their support of Christian causes, and

Leading churches, ministries, charities and workers, to be more effective stewards of the many resources in their care.

I am excited about all that the next year will bring.

With grateful thanks for your support,

Ram



History and Public Benefit: Why Are We Here?

History

Stewardship began its life in 1906 as the United Kingdom Evangelisation Trust (UKET) with our primary function being to hold in trust resources generously given by its members for Christian based philanthropy.

Some 110 years later, we remain a pioneer of generosity; during the last year we have received £71.3m (2016: £68.4m) of donations and legacies, and granted funds of £64.4m (2016: £59.7m). We act as a connector and influencer amongst those that we serve. In addition, we encourage churches to teach on generosity and we challenge them and individuals to join us on our generosity campaigns, spearheaded by 40acts.

In addition we strengthen Christian causes through our professional services, support and advisory teams who offer a range of services to churches and Christian charities.

Public Benefit

Stewardship seeks to add value and facilitate the work of Christian churches, workers and charities in the UK and abroad by providing services designed to handle efficiently the receipt and distribution of charitable funds.

In addition, the range of services provided by Stewardship enables churches, workers and charities to better fulfil their key activities of advancing the Christian faith, preventing or relieving poverty, the advancing of health and the saving of lives, and the bringing of relief to those in need.

The trustees have had regard to the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning future developments as we seek to continue making a difference.

Objectives: What We Are Trying To Do

Our Vision

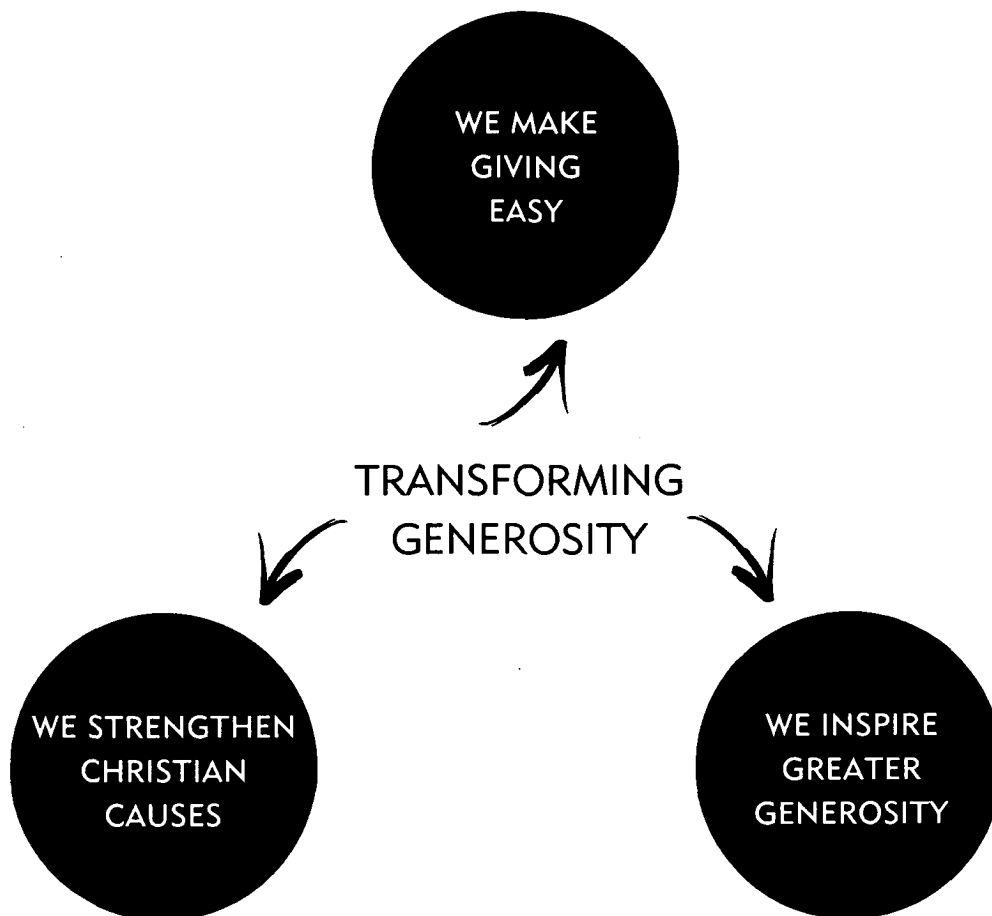
For the world to encounter
Jesus through the generosity of
His church.

Our Mission

Transforming generosity.

Our Values

- Generosity
- Integrity
- Relationship
- Excellence



Our Ambition

Stewardship aims to unite the evangelical Christian community in the UK around a vision for radical expressions of biblical generosity. Whether rich, poor or in between, we will support this community to give generously and receive abundantly to ensure that every believer is resourced to share the gospel in a biblically-based and culturally relevant manner, and every church or ministry has access to sound financial, governance and back-office services to help them stay focussed on their mission.

Strategic Report

1. Activities and Achievements: What Did We Do and How Well We Did It



Making Giving Easy: Our Giving and Recipient Accounts

Giving Services rests at the heart of our aim to make giving easy. Whether it's supporting event fundraising, organising regular giving, or making one-off or legacy gifts, a Stewardship Giving account remains a popular choice for a growing number of Christians in the UK. Because of the generosity of these account holders and in accordance with our grant making policy, we are able to provide grants to a wide range of charitable causes that support our own purposes and objectives.

These grants enable Christian workers, Churches and Christian organisations to remain appropriately resourced and able to continue their activities; preaching and teaching the gospel of Jesus Christ and responding to the emotional, spiritual and practical needs of the communities they serve.

In the coming year we hope to see a further increase in gifts in and fundraising pages as we progress towards a target of £200m in grants made annually by 2025.

Giving Services

2017 saw us receive £71.3m from more than 33,000 active Stewardship Giving accounts; experiencing a growth in account numbers of 3% from 2016 (£68.4m from 32,000 active accounts).

"We opened a giving account so that we could track our giving more easily. We also wanted to make it easier to give one-off gifts for causes we don't usually support."
Stewardship Giving account holder

Give.net, our online fundraising platform, has had over 3,800 appeal pages created (2016: 3,000). During the year we have made it easier, simpler and quicker for people to make donations on give.net fundraising pages across all devices; using their mobile phone, tablet or PC. It's all part of our vision to make giving easy, inspire greater generosity and strengthen Christian causes.

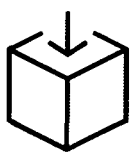
Grant Making

During 2017 we were able to release £64.4m of grants, 8% growth on 2016 (£59.7m), as follows:

Churches:	£19.9m
Christian organisations:	£28.0m
Christian workers:	£12.4m
Bible college students:	£0.6m
Other charities:	£3.5m

"Having little time to spare, Stewardship's service makes our church giving painless. The quality of reports enables us to easily spot trends in our giving and there's always someone helpful on the phone if we have a query."

Church Treasurer



Strengthening Christian Causes: Our Professional Services

Our professional services, support and advisory teams seek to serve the church and the Christian community by helping and encouraging them to:

- Demonstrate a Godly attitude towards handling their finances.
- Operate a solid and reliable system for administering finances.
- Establish and encourage an environment of accountability for those handling money and throughout the church.

We believe that when finance is done well it enables churches and Christian charities to be in the best position possible to use its resources for maximum impact. Helping clients achieve good practices in respect of their finance enables Stewardship to strengthen Christian causes and, as result, puts them in a position to focus on sharing the Christian gospel.

Payroll

Our payroll Bureau Service now looks after 576 Church and Christian Charities, an increase of 10% from last year, and ended Stewardship's financial year with strong growth, with an average of nine new clients for each of the last three months. The bureau now pays over 2,460 employees every month, up by 9% from last year.

During the year, we have also successfully guided 308 payroll clients through the new pension regulations, making sure that they all complied with the new legislation. We achieved our goal of ensuring that all our Payroll clients complied with Pensions Auto enrolment. A client survey was issued early in 2017, in which we received a 98% good or excellent score in the six questions asked relating to the payroll bureau service.

"We run a large payroll and it's important that everything is done well and efficiently. We need quick and helpful answers to our queries via email and phone and that's just what we get from Stewardship"
Stewardship payroll client

In the coming year we aim to grow by over 90 clients and maintain our customer satisfaction levels. We will do this through a continuation of our existing service and a marketing and sales strategy to promote the bureau.

Technical, Training and Support

Stewardship provides training to church leaders, treasurers, administrators and charity trustees through seminars, briefing papers and a quarterly webinar dial-in which now regularly attracts over 150 participants, a 50% increase since 2016.

We ran our 3 core training sessions throughout the year. This meant we have directly trained 331 people (22% increase on 2016), explaining the complexities of charity law and financial regulations in ways that are relevant to the church and Christian community. Over the last three years 100% of all delegates rated our Christian worker training as good or excellent.

Our Consultancy help-line provides clients with a rapid response to issues that they are struggling to understand or to deal with, and our charity formation service helped in the birth of 71 new charities (2016: 65).

"The advice we have received has been particularly helpful because, whilst it addresses the technical issues, it does so with an understanding of the particular situations a Christian Church faces"

Stewardship consultancy helpline client

Independent Accounts Examination

We aspire not only to provide our clients with what can be recognised as industry leading accounts preparation and examination services for churches and Christian charities but also to serve them well in the face of an ever-changing landscape, including new rules for examinations and charity governance. In this way our clients can know what best practice looks like in accounts and financial control.

"The people I dealt with were very friendly and knowledgeable, and always willing to go the extra mile."
Stewardship independent examination client

Our team of qualified finance professionals carried out the independent examination of the annual financial accounts for more than 357 church and Christian charity clients in 2017 (2016: 311 – 14% increase). In particular our team helped clients work through the changes introduced by the new requirements of charity FRS 102 Statement of Recommended Practice which impacted 188 of our clients as well as those for whom it meant a transition from receipt and payment accounting.

We believe compliance is one thing our clients value and we filed on time with the relevant

regulatory body all accounts for clients received prior to reporting deadlines. In our client feedback during 2017 we received a 98% good or excellent score across the questions asked about the examination service. Customer satisfaction is one of our key metrics and we aim to keep the feedback at this level.

In the coming year we aim to grow by over 50 clients and maintain our customer satisfaction levels. We will do this by through a continuation of our existing service and a new focus of working with denominational groups of churches.

Mortgage Provision

Stewardship mortgages are primarily used to help churches buy, build, renovate and improve their premises and thereby to assist them to engage with their communities.

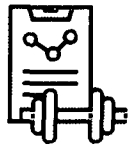
In 2017, Stewardship was able to advance £5.5m (2016: £3.5m) in mortgages, bringing our year end mortgage book to £16.0m (2016: £14.7m).

Mortgages were provided to 14 churches with an average advance of £395k (2016 - 15 churches, average advance £233k). Our mortgage service has an exemplary track record and we give thanks to God for our clients' integrity in managing their finances.

"Stewardship has been fantastic to us so thank you. The shared vision and partnership in the gospel has meant a huge amount to us."

Stewardship mortgage client

Loans approved but not yet taken up suggest that our loan book will increase significantly during 2017/18, in line with our trustees' desire to see continued growth in what is, for us, both missional and effective, social impact investing.



Inspiring Greater Generosity: Our Campaigns and Resources

Our campaigns and resources are about inspiring generosity that is more than just 'giving money'. We want to lead by example and offer solutions to others so that they are motivated and equipped to begin to change the world around them through their own acts of radical generosity.

Teach, Provoke and Challenge

We inspire the church to teach more effectively on generosity and we ask churches and individuals to join with us in our own generosity campaigns making the most of the resources that we make available to them.

Over 100,000 people signed up to take part in our award winning 40acts generosity campaign. Take a look at 40acts.org.uk

"So glad my friend told me about 40 acts! It just opens up your eyes to the so many ways you can make a difference without going on a mission trip; in your day to day 'mundane' routine that we kind of get stuck in and struggle to see outside of ourselves at times. I love it, the ideas are great, the text is just right and inspiring"
40acts participator

In the coming years we hope to grow the number of people taking an active part in the 40acts campaign. We will do this through building an online community where participants can join together to inspire and encourage each other on the journey to being more radically generous.

Raising Funds for Christian Charities and Churches

This year we launched a one-day annual conference for Christian charities, church leaders and fundraisers. It provided an opportunity to hear and question key Christian funders, inspirational church and charity leaders and experts in fundraising for Christian causes.

The purpose of such an event is to train those involved in raising funds with sound practical and expert advice, set within a framework of clear biblical principles, to ensure the Christian charity sector is abundantly resourced through effective and compliant fundraising.

Over 500 people attended our first conference and our ambition is to repeat that number at the next year's conference.

"Relevant topics. Excellent speakers."
Conference attendee

2. Financial Review: How Our Finances Have Performed

Summary Financial Highlights

During the financial year we saw gifts into Stewardship Giving accounts increase by £2.9m to £71.3m, reflecting the continued generosity of our account holders. Donations out to charitable causes also increased by £4.7m to £64.4m.

We continue to see that some Stewardship Giving account holders gift into their account, for example during their working life, and then express a preference to how the money is donated over a longer period. During the year the number of live giving accounts also grew by 3% to over 33,000.

Our professional services income grew by 25% as staff served an increasing number of churches and

Christian charities, providing payroll and independent accounts examination services. With the increase in regulations and charity governance, we see a growing number of clients seeking Stewardship's professional advice.

Total Stewardship funds grew £9.0m, from £104.3m to £113.3m in the year. There was substantial growth in restricted funds, £9.1m up, reflecting growth in balances on Stewardship Giving accounts and an unrealised revaluation increase in investments of £1.9m. See page 18 for details of the financial review for investments.

	2017 £'000	2016 £'000
Gifts in from account holders	68,826	67,250
Legacies	2,454	1,112
	<u>71,280</u>	<u>68,362</u>
Grants to charitable causes		
Christian churches	19,888	18,294
Christian organisations	27,968	26,090
Christian workers	12,430	11,810
Bible College students	627	651
Other charities	3,515	2,887
Total grants to charitable causes	<u>64,428</u>	<u>59,732</u>
Income from provision of professional services	<u>735</u>	<u>590</u>
Fund balances		
Restricted funds	104,607	95,477
Unrestricted funds	8,661	8,792
Total funds	<u>113,268</u>	<u>104,269</u>

3. Future Plans: What We Are Going To Do and How We Are Going To Do It

The trustees and Senior Management Team have given considerable thought, prayer and discussion to establishing a longer-term strategy. Set out below are the stated ambition and agreed strategic objectives for 2018 to 2025.

What Is In Store for the Future: Where We Want To Be In 2025

- Be the market leader in providing digital giving products to the Christian community.
- Be recognised as the philanthropy services provider of choice for individuals, Christian family trusts and foundations.
- Be the catalyst for a fresh movement of radical biblical generosity throughout the UK.
- Pursue an ambitious new vision to grow the technical professional services and products offered to churches, Christian charities and other Christian causes and the methods by which it is accessed.
- Grow our position in the market through a relaunch of the Stewardship brand and pursue an accelerated sales and marketing plan that reflects our new strategy and goals.

Strategic Objectives for 2018 – 2025

1. Digital Giving and Philanthropy Services

Goal: To be distributing £200m per year to giving services' recipients.

Objective: Update and relaunch our Stewardship Giving account.

Objective: Tailor our offering for Gold account holders, including developing new products, to provide services that meet our donors' needs.

2. Catalysing radical generosity

Goal: To be training 500 church leaders per year to teach confidently on giving in their churches.

Objective: New resources and support for Church leaders on generosity.

- Developing curriculums for bible colleges and church leadership training programmes.

- Growing the range of practical resources, templates and support available to church leaders to help them.

3. Growth of professional services

Goal: To provide regular training and advice to a community of 10,000 treasurers and leaders and support an additional 1,000 churches and Christian charities through our services.

Objective: Grow the range of advice and consultancy available.

- Launching a Church Finance Health Check tool.
- Launch a new, premier consultancy service for churches and Christian charities.
- Launch a digital knowledge based Consultancy Helpline.

Objective: Grow the capacity of our professional services teams.

- Appoint a Professional Services Director.

Achieving Our Objectives: One Year at a Time

The trustees and Senior Management Team continually keep one eye to the future - both our next financial year and beyond. Set out below are the key objectives we were working on during 2016/17 and what we are now working on for 2017/18 in order to move towards achieving our stated objectives.

1. Long Term Strategy

We met our objectives for 2016/17 by finalising our long term plan and having it approved by the Trustees.

In the coming year Stewardship will continue to develop its Long Term Strategy as we work through strategic milestones, build an action plan around deliverable projects and a budget for the next three

to five years. We want to put *radical* generosity (not just generosity) at the core of what we do. This planning will include the development of a timeline and milestones for the seven year strategy.

2. Customer engagement

As outlined in the Activities and Achievements section we met this objective in the year as there was growth in all three areas of our mission activities.

We aim during 2017/18 to continue our customer growth, as we engage with churches, Bible colleges, Christian charities and givers offering both our professional services and giving products. We will develop a Sales & Marketing plan in order to meet the strategic objectives of the long term plan. We are looking to increase the offering available in our Gold account holders, and review the professional services offerings with the appointment of a Professional Services Director.

3. Digital and Technology

As the digital and technology needs of all organisations are accelerating, so are Stewardship's. Our future is digital, and, historically, it has been one of our greatest challenges. In recent years our approach to systems development has improved, but innovation has been moderate as it competed with routine maintenance and staffing constraints.

In 2017 we made a significant investment to position us for the delivery of new digital solutions to support our mission. Give.net was mobile enabled and a Chief Information Officer joined our team. In 2017/18 this will include implementing a new accounting software package, and steps towards a complete redesign of our flagship digital product, the Stewardship giving account, to ensure it remains fit for purpose in a rapidly evolving, and increasingly mobile, digital landscape.

4. Organisational

In meeting our objective for 2016/17 with the arrival of a Chief Information Officer, we will now

review our management structure, ensuring that we update roles and responsibilities across the Senior Management Team.

We have hired a contractor to assist with GDPR to ensure we are ready by the effective date of the legislation.

We tested our business continuity plan, as was our objective, with a number of staff working from home with no impact upon business operations.

Starting in 2018 we will add a Professional Services Director who will expand our existing offering to a wider network while listening to clients to identify the additional support services church leaders need to enable them to focus externally, while we support them internally.

4. Organisational and Governance Structure: How We Work

Stewardship is a company limited by guarantee registered in England and Wales (number 90305) and a registered charity (number 234714). We are governed by a Memorandum and Articles of Association, as last amended in September 2017. See page 4 for details of the public benefit provided by Stewardship. All of the directors of the company are also trustees and members of the charity. The trustees meet regularly as Council and are referred to as members of the Council. Together with the Senior Management Team (SMT) they provide:

- Strategic vision;
- Governance oversight; and
- Operational process and direction.

Appointment of New Trustees

The existing trustees, together with the Chief Executive, seek to identify potential new trustees with the character, energy, shared vision, skills and experience to provide a positive contribution to Stewardship and who we consider will be able to help in our development. Potential trustees are given significant exposure to Stewardship before a decision is made on their appointment. The power to appoint new trustees rests with the existing trustees on a two-third's majority.

Induction of New Trustees

A full induction programme is provided for new trustees covering areas that include:

- Our vision, mission and values.
- Explanations of all of Stewardship's products and services.
- Details of our objectives for our coming year and our Strategic Plan.
- The roles and responsibilities of trustees under charity law and governance.

Operations and Decision Making

The trustees meet regularly either as Council or in committees where, in full consultation with the

SMT, the main strategic and directional decisions are taken. Day-to-day operations are delegated to the SMT which has, within certain limits, delegated authority. Suitable benchmarks and milestones are agreed so as to provide a basis on which to measure achievements, with the SMT generally reporting progress to the trustees through the various committees.

There are four trustee committees which are:

1. Finance and Investment Committee

This is responsible for overseeing the general financial management and investment activity of Stewardship including:

- Investment strategy and advice, including the appointment of investment managers.
- Receiving and challenging budgets and management accounts.
- Treasury and liquidity policy.
- Review and approve large value mortgages.
- Monitoring of reserves.

2. Audit and Risk Committee

This has the responsibility for the supervision of audit and the oversight of risk management including:

- Supervising the maintenance of appropriate internal controls;
- Advising the Council on minimising the risk profile of future strategies;
- The appointment of auditors;
- The review and proposing to Council of the Annual Report and Accounts;

3. Appointments and Remuneration Committee.

This is responsible for:

- Proposals for the appointment of trustees;

- The appointment and remuneration of the Chief Executive and members of the SMT. Agreeing the basis for the general pay award to staff. Pay increases for all employees, including the Chief Executive and Senior Management Team, are subject to cost of living increases and to individual performance assessed in line with the performance appraisal criteria agreed as part of the Charity's performance management system.

- Between council meetings to act as a first point of reference for the Chairman and SMT on urgent issues.
4. Legacy Fund Grants Committee
- This committee is responsible for the award of grants from legacy funds which are managed by Stewardship.

5. Our People: Who We Are

Members of Council

The following served as Directors and Members of the Council (trustees) for the full year ended 30 September 2017, and up to the date of approval of the accounts, except where stated otherwise:

Balram Gidoomal CBE <i>(Chairman)</i>	Heather Grizzle <i>(Vice Chairman)</i>	Antony Barnes BSc FCA FCT	Stephanie Biden	Simon Blake FCA CF
Appointments and Remuneration	Legacy Fund Grants, Appointments and Remuneration	Finance and Investment	Audit and Risk	Finance and Investment (Chairman), Appointments and Remuneration
Gareth Burns	Sandra Cobbin	Helen Senior CA	Ritzema Steytler MBA	Michael Wright FCSI
Legacy Fund Grants	Legacy Fund Grants	Audit and Risk (Chairman)		Finance and Investment

New appointments:

Jeremy Marshall
8 June 2017
Finance and Investment

Resignations:

Gareth Russell	Samuel Wright MA, FCSI
4 March 2017	4 March 2017

Senior Management Team

The Senior Management Team (SMT) works in partnership with the trustee Council to deliver our goals and mission. The current members of the SMT are:

Michael O'Neill Chief Executive	Frances Miles Head of Giving Services	Juliet Maggs ACA Finance Director	Daniel Jones Head of Business Development	Gary Palmer Chief Information Officer
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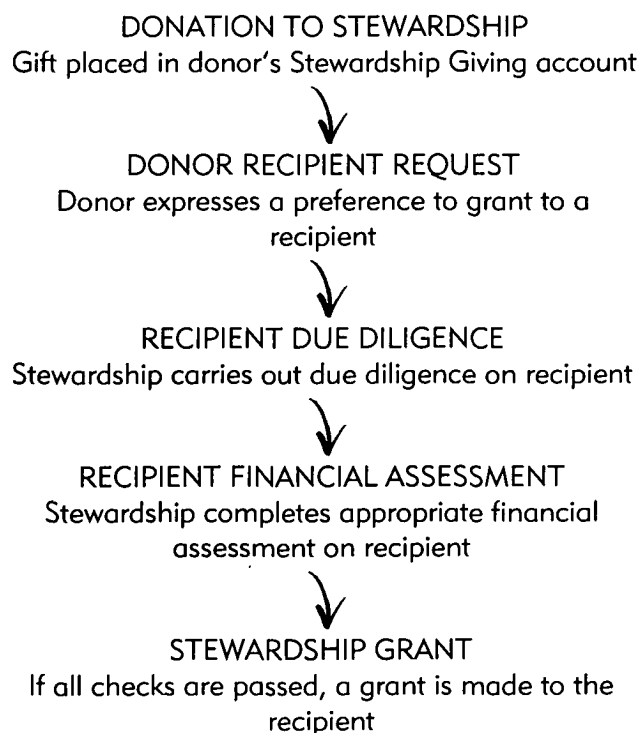
6. Policies: Our Operational Framework

Grant Making Policy

Stewardship works in partnership with its donors and other parties to identify Christian churches, workers and charities for the purpose of providing grant support. Assessment of the activities being performed by proposed recipients is undertaken by Stewardship to ensure that the recipients work is properly understood and that this is consistent with our own objectives.

Only when we are satisfied of this alignment and after we have undertaken our due diligence, will we consider making a grant. The depth of due diligence undertaken is risk based and we consider a number of risk factors (including geographical location and structure) before determining what is an appropriate level of support.

Account holders making gifts to Stewardship may express a preference that funds are donated to specific recipient causes. Following successful due diligence and a financial needs assessment, a beneficiary is recognised as eligible by us and we will then consider the preference request of the donor. This end-to-end process helps those that give to us to identify closely with the recipient and allows the recipient to be aware of committed financial support.



Investment Policy and Powers

Stewardship Giving accounts hold cash balances as some of our account holders choose to gift into their Stewardship account and then express a wish for how these funds are granted out to recipients over a number of years. For more significant balance in a Gold a/c the trustees may, at the request of a gold account holder, invest these funds to provide an income stream to the Giving accounts and to assist in maintaining capital value. Investments also generate income to assist with the costs of running Stewardship. In order to minimise any investment risk, generate income and provide liquidity, a number of different investment approaches are applied to the funds held by Stewardship.

- Investments in cash and term deposits are governed by our Liquidity Policy, which determines the eligibility of counter-parties making use of recognised credit agency ratings and risk assessments.
- Equity and bond investments are managed by our Finance and Investment Committee with advice from our retained investment advisors. Ethical screens are applied to equity investments so as to limit our exposure to companies with operations in areas that are contrary to our own philosophy and beliefs.
- Mortgage provision to churches and Christian charities is considered a key part of fulfilling our charitable objectives, whilst at the same time this social impact investing provides an investment return. These mortgages and loans are governed by our Mortgage Policy which is designed to manage risk.
- Programme and social related investments are reviewed by the Finance and Investment Committee. These investments seek to provide a positive social impact whilst at the same time generating an investment return.

Investment Performance and Fund Management

Stewardship's investment objective is to look at total return, balancing the need of income for

mission fulfilment with maintaining or growing capital. We also look to manage risk by keeping a spread of investments which will have varying aims and therefore slightly differing returns. Total investments have increased £10.1m to £123.8m, including an increase in the market value of equities by £2.5m, but a decline in bonds of £(0.6)m. Net additions into investments were £5.6m, as we saw increased client gifts into Giving accounts and a growth in our mortgage book of £1.3m.

Investment returns are benchmarked and performance monitored as follows:

- Externally managed pooled equity and bond funds are benchmarked against the weighted indices for the asset classes in which funds are invested. These funds are offered to our Gold account clients, who can indicate how they would like balances in their Stewardship accounts to be invested. Performance of both funds is reviewed quarterly by the Finance and Investment Committee.
 - **Balanced Fund**
Sarasin & Partners manages the Balanced Fund which aims to achieve a balance between income and long term capital growth whilst meeting the objective of beating CPI +4% over the long-term. Equity volatility remains at a 25-year low and valuations look stretched making return from equity a challenge, however total income and capital return during the year of 9.6% was close to the benchmark of 9.9%. Over the longer term the fund has met the objective of CPI +4%.
 - **Growth Fund**
Rathbones manages the Growth Fund which aims for a longer term approach with a focus on capital growth. During the year returns on the Growth fund were 12.5% (total income and capital return) verses benchmark of 13.3%. UK equities were ahead of benchmark but overseas were hit by a poor performing Global fund. Over the

life of the Growth fund returns remain significantly above benchmark, 205% vs 146%.

- Externally managed bonds held in Stewardship's Fixed Income Fund are chosen to maintain capital and to generate income at 2.5% per annum, as set by the Finance and Investment Committee. Over the 12 months of the review period, total returns was (0.1%). Income has been ahead of target, but this has netted out against capital losses, as we saw a significant proportion of the capital gains to bonds from last year reversed. An additional £1m was added to the portfolio in December 2016.
- Returns for term deposits, mortgages and social investments are set by the Finance and Investment Committee, with performance reviewed on a quarterly basis. As shown in the table below, these categories of investments showed a return in line with benchmark during the year.

→ Mortgage rates are set after considering factors which include default risk, base interest rate, security provided and competitor rates.

→ Term deposits are held with a range of counterparties to spread the risk as well as maximise return while remaining in line with the liquidity policy. Of our balances 85% is held at institutions with a long term credit rating of A or higher.

- Social investments enable organisations to generate an investment return whilst also fulfilling our own charitable objectives. Given the dual nature of these investments, benchmark returns are set by the Finance and Investment Committee recognising that investment return is important but is not the only consideration. These investments are reviewed periodically by the committee including default risk.

	Capital 2017 £'000	Income 2017 £'000	Capital 2016 £'000	Income 2016 £'000	Actual return* 2017 %	Benchmark return* 2017 %
Cash and money market deposits	40,746	432	39,531	621	1.1%	0.9%
Pooled investment funds (equities and bonds)						
Balanced Fund	33,325	901	29,564	914	9.6%	9.9%
Growth Fund	8,932	249	6,112	176	12.5%	13.3%
Fixed income fund (bonds)	23,600	463	22,643	469	(0.1)%	2.5%
Church and charity mortgages	16,033	629	14,737	620	4.1%	4.1%
Social investments	1,092	42	1,092	42	3.8%	3.8%
Other	89	-	73	-	0.0%	0.0%
Total	123,817	2,716	113,752	2,842		
Net realised and unrealised investment gain/(loss)		1,927		4,965		

* Total performance return, i.e. both capital growth and income

Reserves Policy

The trustees determine that Stewardship needs to maintain reserves to cover:

- Against the risk of default by counterparties holding cash deposits
- Total running costs for six months
- All budgeted capital expenditure for the coming year
- Mortgage default

The actual level of reserves is reviewed by the Finance and Investment Committee in the context of the current operating environment and the principal risks and uncertainties that we face. Given Stewardship's asset base of over £100m, cash is deposited with a spread of counterparties that either have high credit ratings or have been credit assessed.

We manage the level of funds held with each counterparty. However, the trustees still consider that a level of reserves should be maintained to manage the exposure to any one counterparty. Our mortgage service to church and Christian charities has an exemplary track record and we are extremely thankful to God for our clients' integrity in managing their accounts. However the trustees consider it is prudent to ensure reserves are in place should a mortgage default.

Based on the four criteria above, requires Stewardship to hold free reserves in the range of £5.5m to £6.4m. This is based on the following calculation:

- An amount included in the 2017/18 budget for capital expenditure of £580k. This includes significant one off IT spend of which £85k may fall into 2018/19.
- Budgeted running costs (excluding depreciation) in 2017/18 of £3.8m, giving rise to six months' costs of £1.9m for target reserves.
- With respect of the counterparty exposure risk we estimate a reserves need of between six and eight percent, of the £34.3m of restricted funds held at counterparties. This gives rise to a reserve requirement of between £2.1m and £2.7m.
- An average outstanding mortgage balance of £157k per client. With a mortgage portfolio of 102 loans a full review does not show any specific reserves necessary and of the total £19.2m projected loan book balance for September 2018 between five and six percent is provided for, giving rise to a reserve requirement of between £960k and £1.2m.

At the year end free reserves at £5.7m (2016 £5.7m) were within the range of our policy. (Free reserves are defined under the charity SORP as unrestricted reserves less fixed assets.)

Restricted reserves at 30 September 2017 are £104.6m (2016 £95.5m) and comprise gifts received into Stewardship Giving accounts. The donors will at some future date express a preference as to how these funds may be granted out to specific recipient causes. Upon approval of the preference, the grant payments will be made. Until such a time the funds are held as restricted within Stewardship's accounts.

7. Principle Risks and Uncertainties: the Main Risks We Face

Stewardship is largely dependent upon receiving donations from givers. The principal identified risks and uncertainties are therefore concentrated around the conditions which facilitate giving and our own operational abilities to efficiently manage and facilitate the flow of funds through the organisation. We maintain and update a risk register which is regularly monitored by the SMT, and reported to the trustees via the Audit and Risk

Committee on a quarterly basis. The trustees in conjunction with the SMT, consider that they have established appropriate systems to anticipate risks as they arise and have instigated procedures and actions to mitigate the probability, likelihood and impact that such risks may pose to the organisation. The principal risks and uncertainties have been identified as:

Risk Title	Risk Description	Mitigation
Charity Tax Legislation changes	A change in the tax rules reducing the incentive for charitable giving. Such a change may reduce the number of donors or the total donations received, and may undermine the benefit of the services that we provide.	We work closely with the Charity Commission and HMRC on public policies. We also provide our regular communications online and in print about the status of charity tax and charity law and its potential impact upon our service users.
Investment and counterparty risk	Worsening economic conditions may adversely impact the value of our investments and in extreme cases may pose a threat to the counterparties holding our deposits and investments.	A well diversified portfolio has been constructed to help counter this risk. Regular monitoring and review of all investments is carried out by the Finance and investment Committee.
Reputational concern around use of funds	Our reputation is paramount and therefore adverse publicity linked to our investments or grants would be damaging.	Extensive due diligence procedures seek to mitigate the risk of grants being misapplied and the use of ethical screening seeks to mitigate the exposure of investments to undesirable organisations.
Loss of key management	With a relatively small team, the loss of key staff would undoubtedly be significant.	We continue to invest in our people, seeking to grow new leaders from our existing staff, thereby providing a degree of succession planning.
Compliance risk	With increasing regulation and compliance requirements from the Charity Commission and UK law, a failure to keep up to date could lead to investigation and, ultimately, sanctions. Key legislation change at this time is GDPR.	Stewardship has appointed a contractor to assist with GDPR and guide us through preparations for when this comes into force. We continue to monitor and flag compliance issues and address them as they arise through the audit and risk committee.
IT and Cyber security	In common with other organisations, cyber-attacks present a constant threat to the integrity and availability of our systems and data.	We operate a number of proactive preventative measures to protect against threats. We aim to design systems and infrastructure with security 'baked in' at the start, evaluating the strength of these measures on an ongoing basis.

Modern Day Slavery Act

The Modern Slavery Act 2015 is a positive piece of legislation aiming to safeguard workers from exploitation. Stewardship has a zero tolerance approach to modern slavery and human trafficking. As far as is possible Stewardship ensures that the organisations we provide grants to, do not use the funds in ways that are contrary to this Act.

Fundraising Statement

Stewardship does not actively engage in any public fundraising and did not employ any third party professional to engage in such fundraising activities during the year.

The fundraising costs in the Statement of Financial Activities refer to investment manager fees from third party fund managers who invest on Stewardship's behalf to generate funds by way of

investment return. Whilst Stewardship does produce printed information, the aim of these documents is not to raise funds for our purposes but to promote our services in order to fulfil our aims.

Stewardship did not receive any formal complaints during the year in respect of any fundraising activities.

Statement of Council Responsibilities

The members of Council are responsible for preparing the Annual report, incorporating the strategic report, and the financial statements in accordance with applicable law and regulations.

Company law requires the members of Council to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the members of Council 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity for that period.

In preparing these financial statements, the members of Council are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The members of Council are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the charity's website is the responsibility of the trustees. The trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Re-election of the Members of Council

Under the Articles of the charity, Trustees serve for a term of 3 years at which point they may be appointed for a further term. Appointment of Auditors

A resolution to reappoint BDO LLP as auditors will be proposed at the annual general meeting.

Provision of Information to Auditors

As required by the Companies Act, the trustees who held office at the date of approval of the Annual Report as set out above each confirm that: so far as they are aware, there is no relevant audit information (information required by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and as the directors of the Company they have taken all the steps they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Approval

This report including the strategic report was approved by the Council on the 9 March 2018 and signed on its behalf.

Signed on behalf of the Council by:

A handwritten signature in black ink, appearing to be 'Balram Gidoomal', written in a cursive style.

Balram Gidoomal CBE, Chairman

Independent Auditor's Report to Members of Stewardship Services (UKET) Limited

Opinion

We have audited the financial statements of Stewardship Services (UKET) Limited ("the Charitable Company") for the year ended 30 September 2017 which comprise the statement of financial activities, the balance sheet, the cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charitable Company's affairs as at 30 September 2017 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in

accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Related To Going Concern

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

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

Other Information

The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. The other information comprises: the Chairman Statement and the Strategic Report. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material

inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed By the Companies Act 2006

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

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

Matters on Which We Are Required to Report by Exception

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 misstatement in the Strategic report or the Trustee's report.

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

- adequate accounting records have not been kept by the Charitable Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Charitable Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Council responsibilities, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Charitable Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our

audit work, for this report, or for the opinions we have formed.

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

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>

This description forms part of our auditor's report.

BDO LLP

Fiona Condron (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor
Gatwick, West Sussex

Date: 12 March 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Financial Activities

For the Year Ended 30 September 2017

	<u>Notes</u>	<u>Unrestricted Funds 2017 £'000</u>	<u>Restricted Funds 2017 £'000</u>	<u>Total Funds 2017 £'000</u>	<u>Total Funds 2016 £'000</u>
Income from:					
Donations and legacies	2	1,462	69,818	71,280	68,362
Charitable activities	3	877	-	877	718
Investments	4	1,591	1,125	2,716	2,842
Total		3,930	70,943	74,873	71,922
Expenditure on:					
Raising funds		(47)	-	(47)	(43)
Grants	5	(3)	(64,425)	(64,428)	(59,732)
Charitable activities	6	(3,326)	-	(3,326)	(3,215)
Total		(3,376)	(64,425)	(67,801)	(62,990)
Net gains/(losses) on investments		(433)	2,360	1,927	4,965
Net income		121	8,878	8,999	13,897
Transfers between funds	17	(252)	252	-	-
Net movement in funds		(131)	9,130	8,999	13,897
Reconciliation of funds:					
Total funds brought forward		8,792	95,477	104,269	90,372
Total funds carried forward		8,661	104,607	113,268	104,269

All transactions arise from continuing operations.
All gains and losses are included above.

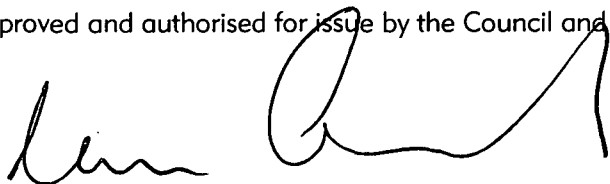
The notes on pages 31 to 45 form part of these financial statements

Balance Sheet

As at 30 September 2017

Company number: 90305		2017	2017	2016	2016
	Notes	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed assets:					
Tangible assets	11		2,963		2,959
Investments:					
Mortgages and loans	12	14,652		13,647	
Other Investments	13	<u>67,038</u>		<u>59,484</u>	
			81,690		73,131
Total fixed assets			<u>84,653</u>		<u>76,090</u>
Current assets:					
Stocks		4		5	
Debtors	14	1,662		1,261	
Mortgages and loans	12	1,381		1,090	
Money market deposits		37,187		36,792	
Cash at bank and in hand		<u>3,559</u>		<u>2,739</u>	
Total current assets		<u>43,793</u>		<u>41,887</u>	
Liabilities:					
Creditors: Amounts falling due within one year					
Church and mission organisations: deposits held		11,367		9,719	
Third party trusts' cash balances		6		33	
Other creditors	15	<u>3,805</u>		<u>3,956</u>	
		15,178		13,708	
Net current assets			28,615		28,179
Total assets less current liabilities			<u>113,268</u>		<u>104,269</u>
Total net assets			<u>113,268</u>		<u>104,269</u>
The funds of the charity:					
Restricted funds	16		104,607		95,477
Unrestricted funds	16		<u>8,661</u>		<u>8,792</u>
			<u>113,268</u>		<u>104,269</u>

Approved and authorised for issue by the Council and signed on their behalf on the 9 March 2018.



Balram Gidoomal
Chairman

The notes on pages 31 to 45 form part of these financial statements

Cash Flow Statement

For the Year Ended 30 September 2017

	2017 <u>£'000</u>	2016 <u>£'000</u>
Cash flows from operating activities:		
<i>Net cash provided by operating activities</i>	5,614	5,623
Cash flows from investing activities:		
Dividends and interest from investments	2,716	2,842
Mortgage advances	(5,533)	(3,496)
Mortgage capital repayments	4,237	2,104
Decrease / (increase) in money market deposits (more than 3 months)	3,722	(866)
Adjustment / purchase of property, plant and equipment	(192)	102
Proceeds from sale of investments	1,035	4,381
Purchase of investments	(6,662)	(9,343)
<i>Net cash utilised by investing activities</i>	(677)	(4,276)
<i>Change in cash and cash equivalents in the reporting period</i>	4,937	1,347
<i>Cash and cash equivalents at the beginning of the reporting period</i>	15,348	14,001
<i>Cash and cash equivalents at the end of the reporting period</i>	20,285	15,348
Reconciliation of net income to net cash flow from operating activities -	2017 <u>£'000</u>	2016 <u>£'000</u>
Net income for the reporting period (as per statement of financial activities)	8,999	13,897
Adjustments for:		
Depreciation charges	188	230
(Gains) on investments	(1,927)	(4,965)
Dividends and interest from investments	(2,716)	(2,842)
Decrease in stocks	1	1
(Increase)/decrease in debtors	(401)	66
Increase/(decrease) in creditors	1,470	(764)
<i>Net cash provided by operating activities</i>	5,614	5,623
Analysis of cash and cash equivalents:		
Cash at bank	3,559	2,739
Money market deposits (less than 3 months)	16,726	12,609
Total cash and cash equivalents	20,285	15,348
Money market deposits (greater than 3 months)	20,461	24,183
Total cash and money market deposits	40,746	39,531

The notes on pages 31 to 45 form part of these financial statements

Notes to the Financial Statements

For the Year Ended 30 September 2017

1 ACCOUNTING POLICIES

a) Basis of accounting:

The financial statements have been prepared under the historic cost convention except for investments which are included at bid market price and long lease assets held at valuation. They are also prepared in accordance with the Companies Act 2006, the applicable Accounting Standards and in particular, the Charities Statement of Recommended Practice (Charities SORP, FRS 102 September 2015).

The financial statements include the results of all the Charity's operations which are described in the Trustees' Report. All operations referred to in the Statement of Financial Activities are continuing.

b) Key judgements and estimates:

The trustees make judgements and accounting estimates, as required, that are considered reasonable and prudent. Assets and liabilities are reviewed to ensure that all are reasonably included and valued given the known factors that impact the charity. Our mortgage book is assessed and the trustees consider that no bad debt provision is required given the exemplary track record of our clients and the current status of the mortgage accounts.

c) Income:

- i. Voluntary income represents monies received by the charity from donations, gifts or legacies. Donations and gifts are recognised in the statement of financial activities usually in the period they are received or, if appropriate, when any requested conditions have been met. Where a donation or gift is made with a valid Gift Aid declaration, the Gift Aid is recognised in the period in which the original donation or gift was made. Legacies are accounted for as income once the receipt of the legacy becomes probable and quantifiable.
- ii. All other income is recognised on an accruals basis and included in the Statement of Financial Activities when the charity is entitled to the income. This includes all earned investment income and fee income on services provided by Stewardship.

Notes to the Financial Statements

For the Year Ended 30 September 2017

d) Expenditure:

- i. Grants to charitable causes, principally represent the payments made following the expression of wishes made by our givers, from their Stewardship accounts. These are recognised in the accounts on receipt of the givers expression of wishes, provided that Stewardship has completed the appropriate due diligence and financial assessment checks on the charitable cause nominated. Where Stewardship has followed a donor's request and allocated funds to a recipient's account, Stewardship continues to have discretion to decline to make payment, if circumstances have changed between the allocation of funds and payment date. However, the trustees are of the view that that in most cases this is unlikely to occur and therefore the accounts include amounts yet to be paid to the recipient as a liability.
- ii. Other expenditure in the furtherance of charitable objects is accounted for on an accruals basis. Where expenditure does not fall clearly into one category, costs are apportioned by headcount.
- iii. Governance costs include the cost of the audit, trustees' expenses and the staff costs associated with directly supporting trustees' meetings.

e) Tangible Fixed Assets:

- i. Tangible fixed assets (except long leasehold assets) costing more than £1,000 are capitalised and are stated at historic cost less accumulated depreciation. Depreciation is provided on these tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life. A full year's depreciation is charged in the year of acquisition and then calculated as follows –
 - Fixtures, fittings and equipment - 3 years
 - Information technology software - 3 years
 - Improvements to long leasehold assets – 15 years
- ii. Long leasehold assets are stated at valuation. These are subject to a full valuation every five years with an interim review carried out in the third year of this cycle.

f) Investments:

Investments are included at bid market value at the balance sheet date except for Social Investments which are reported at their recoverable value. Unrealised gains and losses at the end of the financial period are included in the statement of financial activities. Realised gains and losses are shown separately and are calculated as the difference between valuation at the start of the financial year or the cost of purchase during the year and the subsequent sale proceeds.

Notes to the Financial Statements

For the Year Ended 30 September 2017

g) Reserves:

- i. Unrestricted funds are available to cover the cost of running Stewardship. Our policy for reserve levels is explained on page 20 of our Trustee report.
- ii. Restricted funds comprises of gifts received into Stewardship's Giving accounts. Donors at some future date will express preferences as to how these funds may be granted out to specific recipient causes. Upon approval of the preferences the grant payments will be made. Until such a time the funds are held as restricted within Stewardships accounts.

h) Going Concern:

The trustees have reviewed the financial position, plans, reserves and risk management of the Charity and believe Stewardship has adequate resources to continue operations for the foreseeable future and therefore support the preparation of these financial statements on a going concern basis.

2 INCOME FROM DONATIONS AND LEGACIES

	2017 £'000	2016 £'000
Gifts	68,826	67,250
Legacies	2,454	1,112
	<u>71,280</u>	<u>68,362</u>

3 INCOME FROM CHARITABLE ACTIVITIES

	2017 £'000	2016 £'000
Professional Services		
Payroll administration	333	276
Accounting and consultancy	288	255
Publications & advisory services	98	43
Charity formation services	16	16
Fund Management		
Investment	111	104
Mortgages	18	10
Other income	13	14
	<u>877</u>	<u>718</u>

Notes to the Financial Statements

For the Year Ended 30 September 2017

4 INVESTMENT INCOME

	2017 <u>£'000</u>	2016 <u>£'000</u>
Interest on money market deposits	432	621
Mortgage interest	629	620
Income from externally managed investment funds	1,655	1,601
	<u>2,716</u>	<u>2,842</u>

5 GRANTS

Stewardship works in partnership with its donors and other parties to identify Christian churches, workers and charities for the purpose of providing grant support. Summary details of grants made during the year are shown below -

	2017 <u>Number</u>	2017 <u>£'000</u>	2016 <u>Number</u>	2016 <u>£'000</u>
Grants of over £1,000 - to Christian Churches	2,149	6,992	1,925	5,529
- to Christian organisations	3,271	14,150	3,022	12,649
- to support Christian workers	1,042	1,939	913	1,776
- to support Bible college students	89	165	75	145
- to other charities	495	1,965	360	1,545
	<u>7,046</u>	<u>25,211</u>	<u>6,295</u>	<u>21,644</u>
Grants of under £1,000 - to Christian Churches	115,040	12,896	117,199	12,765
- to Christian organisations	303,549	13,818	296,514	13,441
- to support Christian workers	274,709	10,491	267,694	10,034
- to support Bible college students	11,825	462	13,713	506
- to other charities	39,468	1,550	35,471	1,342
	<u>744,591</u>	<u>39,217</u>	<u>730,591</u>	<u>38,088</u>
Total Grants	<u>751,637</u>	<u>64,428</u>	<u>736,886</u>	<u>59,732</u>

Notes to the Financial Statements

For the Year Ended 30 September 2017

6 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Giving Services £'000	Fund Management £'000	Professional Services £'000	Governance costs £'000	Total 2017 £'000	Total 2016 £'000
Staff costs	1,141	143	791	54	2,129	1,979
Interest payable	-	66	-	-	66	75
Services to clients	26	1	31	-	58	40
IT costs	423	22	116	-	561	592
Marketing	103	8	118	-	229	234
Premises	68	7	46	-	121	94
Printing, postage and stationery	30	3	19	-	52	40
Professional costs	16	4	38	43	101	83
Other costs	2	2	(1)	6	9	78
	<u>1,809</u>	<u>256</u>	<u>1,158</u>	<u>103</u>	<u>3,326</u>	<u>3,215</u>

Costs are either allocated directly to the service area to which they relate or apportioned by headcount.

	2017 £'000	2016 £'000
Net income for the year is stated after charging:		
Depreciation on tangible fixed assets	188	230
Auditor's remuneration: audit	24,955	25,450
Auditor's remuneration: other services	1,951	1,600

7 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL

	2017 £'000	2016 £'000
<u>Staff costs and emoluments</u>		
Wages and salaries	1,635	1,526
Social security costs	165	141
Pension contributions	240	205
Other employer benefits	16	16
	<u>2,056</u>	<u>1,888</u>

Notes to the Financial Statements For the Year Ended 30 September 2017

7 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES AND THE COST OF KEY MANAGEMENT PERSONNEL *(continued)*

	<u>2017</u> <u>£'000</u>	<u>2016</u> <u>£'000</u>
<u>Redundancy and termination payments</u>		
Redundancy and ex-gratia payment on termination of office	-	26

	<u>2017</u> <u>No.</u>	<u>2016</u> <u>No.</u>
<u>Average number of full time equivalent employees</u>		
Giving Services	25	24
Fund Management *	3	2
Professional Services	17	17
	<u>45</u>	<u>43</u>

*Fund Management includes Mortgages and Treasury management

Employees emoluments exceeding £60,000 (excluding pension contributions)

£120,000 - £129,999	1	-
£110,000 - £119,999	-	1
£60,000 - £69,999*	3	3

	<u>2017</u> <u>£60,475</u>	<u>2016</u> <u>£45,217</u>
Contributions to money purchase pension schemes for these employees		

* included within the 2016 analysis of employee emolument bands, is one employee who received a redundancy payment during the year

	<u>2017</u> <u>£331,989</u>	<u>2016</u> <u>£360,341</u>
<u>Remuneration of key management personnel</u>		

Trustees' fees and expenses

No fees are paid to trustees for their services. Expenses incurred in carrying out trustee's duties totalled £4,355 (2016 £4,280). The majority of expenses were regarding the annual trustees' away day meeting and were paid directly to suppliers. Of the above figure, five trustees were reimbursed directly for travel expenses £429 (2016 ten trustees £971).

Notes to the Financial Statements For the Year Ended 30 September 2017

8 PENSION CONTRIBUTIONS

The trust contributes to a defined contribution pension scheme. Contributions for the year amounted to £239,628 (2016 £205,044).

Pension contributions are accounted for as they fall due. Contributions at the balance sheet date which were pending payment to our pension provider totalled £1,184 (2016 £1,737).

9 RELATED PARTY TRANSACTIONS

The trustees of Stewardship may use the services provided in the normal course of the activities of the organisation and there are no preferential terms. The trustees may also be trustees of other organisations which Stewardship supports in the normal course of its grants making activities and professional services. They receive no personal benefit and the amounts concerned are immaterial. The trustees have instituted a register of other interests and disclosure is made at trustee meetings of any conflicts of interest.

	2017	2016
	<u>£'000</u>	<u>£'000</u>
Donations received from trustees and their related parties	<u>329</u>	<u>214</u>
The above donations are reported excluding gift aid.		

Payments for legal and professional advice relating to Stewardship's activities totalling £21,897 (2016: £8,587) were made to Bates Wells & Braithwaite London LLP, of which one of the trustees is a partner. Our trustee was not involved in any legal and professional advice received from Bates Wells & Braithwaite London LLP. The balance due to Bates Wells & Braithwaite at 30 September 2017, included within creditors, was £4,082 (2016: £nil).

Payments for delivery of the Raising Funds for Christian Churches and Charities Conference held in November 2016 totalling £10,000 (2016: £nil) were made to David Senior, the husband of one of the trustees. This payment was a performance based capped fee, dependant on delegates attending the conference.

During the year, services were provided by the professional services team to Global Generosity Network, a registered charity, whose trustees included B Gidoomal (Trustee) and M O'Neill (Chief Executive), to prepare accounts and assist in the winding up of the charity without charge. The value of the uncharged services provided was £750.

Notes to the Financial Statements

For the Year Ended 30 September 2017

10 STATEMENT OF FINANCIAL ACTIVITIES – PRIOR YEAR

	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total Funds 2016 £'000	Total Funds 2017 £'000
Income from:				
Donations and legacies	1,398	66,964	68,362	71,280
Charitable activities	718	-	718	877
Investments	1,765	1,077	2,842	2,716
Total	3,881	68,041	71,922	74,873
Expenditure on:				
Raising funds	(43)	-	(43)	(47)
Grants	(1)	(59,731)	(59,732)	(64,428)
Charitable activities	(3,215)	-	(3,215)	(3,326)
Total	(3,259)	(59,731)	(62,990)	(67,801)
Net gains/(losses) on investments	1,045	3,920	4,965	1,927
Net income	1,667	12,230	13,897	8,999
Transfers between funds	(308)	308	-	-
Net movement in funds	1,359	12,538	13,897	8,999
Reconciliation of funds:				
Total funds brought forward	7,433	82,939	90,372	104,269
Total funds carried forward	8,792	95,477	104,269	113,268

Notes to the Financial Statements

For the Year Ended 30 September 2017

11 TANGIBLE FIXED ASSETS

	Long Leasehold premises £'000	Leasehold improvements £'000	Fixtures, fittings & equipment £'000	Computer equipment & software £'000	Total £'000
At cost or valuation					
As at 1 October 2016	2,501	345	97	2,070	5,013
Additions	-	42	2	164	208
Disposals	-	-	(47)	(1,336)	(1,383)
Adjustments	17	(33)	-	-	(16)
As at 30 September 2017	2,518	354	52	898	3,822
Depreciation					
As at 1 October 2016	-	56	87	1,911	2,054
Charge for the period	-	20	12	156	188
Released on disposals	-	-	(47)	(1,336)	(1,383)
As at 30 September 2017	-	76	52	731	859
Net Book Values:					
As at 30 September 2017	2,518	278	-	167	2,963
As at 1 October 2016	2,501	289	10	159	2,959

Long leasehold premises and improvements, fixtures, fittings, equipment and software are used to support direct charitable purposes and for the management and administration of the Trust.

The valuation of the long leasehold premises is recorded at 2014 purchase price.

The adjustment to the cost of tangible fixed assets relates to VAT, following confirmation from HMRC regarding the treatment of partial exemption calculations which impacted the purchase cost of Stewardship's offices.

A review of the asset register has resulted in the disposal of all information technology software assets greater than 5 years old, which are now considered obsolete, as at 30 September 2017.

Notes to the Financial Statements

For the Year Ended 30 September 2017

12 MORTGAGES AND OTHER LOANS

	2017 <u>£'000</u>	2016 <u>£'000</u>
Mortgage and other loan balances at 1 October	14,737	13,345
Advanced	5,533	3,496
Capital repayments	<u>(4,237)</u>	<u>(2,104)</u>
Mortgage and other loan balances at 30 September	<u>16,033</u>	<u>14,737</u>
Analysed as follows:		
Amounts falling due within one year	1,381	1,090
Amounts falling due after more than one year	<u>14,652</u>	<u>13,647</u>
	<u>16,033</u>	<u>14,737</u>

Notes to the Financial Statements

For the Year Ended 30 September 2017

13 OTHER INVESTMENTS

The following table shows investments held by Stewardship, valued at bid market price except for Social Investments which are reported at their recoverable value.

	2017	2016
	<u>£'000</u>	<u>£'000</u>
Market value of investments at 1 October	59,484	49,557
Additions	6,662	9,343
Proceeds of sale	(1,035)	(4,381)
Net investment gains	1,927	4,965
Market value of investments at 30 September	<u>67,038</u>	<u>59,484</u>
Historic cost	<u>58,220</u>	<u>52,416</u>

Sarasin & Partners LLP and Rathbone Investment Managers Ltd manage the Balanced and Growth funds on a discretionary basis. As such, additions and disposals are recorded on the basis of cash injected into or withdrawn from each fund.

	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	2017	2017	2017	2016	2016	2016
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Balanced Fund	-	33,325	33,325	-	29,564	29,564
Growth Fund	1,638	7,294	8,932	1,513	4,599	6,112
Fixed income investments	-	23,600	23,600	-	22,643	22,643
Social investments	1,092	-	1,092	1,092	-	1,092
Other	-	89	89	-	73	73
	<u>2,730</u>	<u>64,308</u>	<u>67,038</u>	<u>2,605</u>	<u>56,879</u>	<u>59,484</u>
UK	1,958	47,864	49,822	1,886	40,653	42,539
Overseas	676	15,429	16,105	712	15,733	16,445
Cash	96	1,015	1,111	7	493	500
	<u>2,730</u>	<u>64,308</u>	<u>67,038</u>	<u>2,605</u>	<u>56,879</u>	<u>59,484</u>

Notes to the Financial Statements

For the Year Ended 30 September 2017

14 DEBTORS: DUE WITHIN ONE YEAR

	2017 <u>£'000</u>	2016 <u>£'000</u>
Income tax recoverable - gift aid	565	148
Trade debtors	54	82
Other debtors	256	292
VAT	-	44
Prepayments	50	65
Accrued income	737	630
	<u>1,662</u>	<u>1,261</u>

All amounts fall due within one year.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 <u>£'000</u>	2016 <u>£'000</u>
Trade creditors	1,161	1,113
Grant payments due	2,329	2,644
VAT and payroll taxes	79	41
Accruals and deferred income	236	158
	<u>3,805</u>	<u>3,956</u>

Notes to the Financial Statements

For the Year Ended 30 September 2017

16 ANALYSIS OF CHARITABLE FUNDS

Analysis of movements in funds: current year

	Unrestricted Funds			Restricted Funds*
	General Fund	Revaluation Reserve	Total	
	£'000	£'000	£'000	£'000
Balance 1 October 2016	7,217	1,575	8,792	95,477
Income	3,930	-	3,930	70,943
Expenditure	(3,376)	-	(3,376)	(64,425)
Transfers	(252)	-	(252)	252
Investment (losses)/gains	-	(433)	(433)	2,360
Balance 30 September 2017	<u>7,519</u>	<u>1,142</u>	<u>8,661</u>	<u>104,607</u>

Analysis of movements in funds: prior year

Balance 1 October 2015	6,903	530	7,433	82,939
Income	3,881	-	3,881	68,041
Expenditure	(3,259)	-	(3,259)	(59,731)
Transfers	(308)	-	(308)	308
Investment gains/(losses)	-	1,045	1,045	3,920
Balance 30 September 2016	<u>7,217</u>	<u>1,575</u>	<u>8,792</u>	<u>95,477</u>

***Restricted funds - Stewardship Giving account balances**

Restricted funds comprise gifts received into Stewardship Giving accounts. Donors at some future date will express preferences as to how these funds may be granted out to specific recipient causes. Upon approval of the preferences the grant payments will be made. Until such a time the funds are held as restricted within Stewardship's accounts.

17 TRANSFERS BETWEEN FUNDS

	Unrestricted Funds	Restricted Funds	Unrestricted Funds	Restricted Funds
	2017	2017	2016	2016
	£'000	£'000	£'000	£'000
Investment income attributable to certain funds	(252)	252	(308)	308

Notes to the Financial Statements

For the Year Ended 30 September 2017

18 ANALYSIS OF NET ASSETS BY FUND

	Unrestricted Funds £'000	Restricted Funds £'000	Client Funds £'000	Total Funds 2017 £'000
Fixed assets	2,963	-	-	2,963
Mortgage loans to churches	-	16,033	-	16,033
Investments	2,730	64,308	-	67,038
Money market deposits and cash balances	3,929	23,344	13,473	40,746
Other current assets	497	1,169	-	1,666
Current liabilities	(1,458)	(247)	(13,473)	(15,178)
Net Assets	8,661	104,607	-	113,268

	Unrestricted Funds £'000	Restricted Funds £'000	Client Funds £'000	Total Funds 2016 £'000
Fixed assets	2,959	-	-	2,959
Mortgage loans to churches	-	14,737	-	14,737
Investments	2,605	56,879	-	59,484
Money market deposits and cash balances	3,876	23,385	12,270	39,531
Other current assets	755	511	-	1,266
Current liabilities	(1,403)	(35)	(12,270)	(13,708)
Net Assets	8,792	95,477	-	104,269

Client Funds represent deposits placed with Stewardship by churches.

Notes to the Financial Statements For the Year Ended 30 September 2017

19 OUTSTANDING COMMITMENTS

At 30 September 2017 there were outstanding commitments relating to mortgage offers of £3.1m (30 September 2016 £1.2m).

20 INDEMNITY INSURANCES

Stewardship has taken out indemnity insurance cover for trustees. Premiums due for the policies during the year totalled £2,304 (2016: £2,252).

21 TAXATION

The trustees consider that Stewardship meets the charity tests set out in Para 1 Schedule 6 Finance Act 2010 and accordingly is potentially exempt from taxation in respect of income or capital gains within categories covered by Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period.

Legal and Administrative Details

BANKERS

Lloyds Bank PLC

First Floor, Criterion House, 40 Parkway, Chelmsford, Essex CM2 7PN

SOLICITORS

Bates Wells & Braithwaite London LLP

10 Queen Street Place, London EC4R 1BE

Withers LLP

16 Old Bailey, London, EC4M 7EG

Coffin Mew LLP

1000 Lakeside North Harbour, Western Road, Portsmouth PO6 3EN

Anthony Collins Solicitors LLP

134 Edmund Street, Birmingham B3 2ES

INVESTMENT MANAGERS

Sarasin & Partners LLP

Juxton House, 100 St Paul's Churchyard, London EC4M 8BU

Rathbone Investment Management Limited

8 Finsbury Circus, London, EC2M 7AZ

Ashburn Wealth Management Limited

Ashburn House, 84 Grange Road, Darlington DL1 5NP

AUDITORS

BDO LLP

2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA

TECHNICAL DIRECTOR

Kevin Russell ACA CTA

REGISTERED OFFICE

1 Lamb's Passage, London, EC1Y 8AB

OPERATING NAME

The Trust operates under the name of Stewardship