

Company registration number 1043742  
Charity registration number 263960

# ALLCHURCHES TRUST LIMITED

## 2016 ANNUAL REPORT



**As the owner of an ethical and successful financial services group, our vision is to deliver steadily growing support to churches and other charities, for the greater good of all.**

# Allchurches Trust Limited

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# Allchurches Trust Limited

## About us

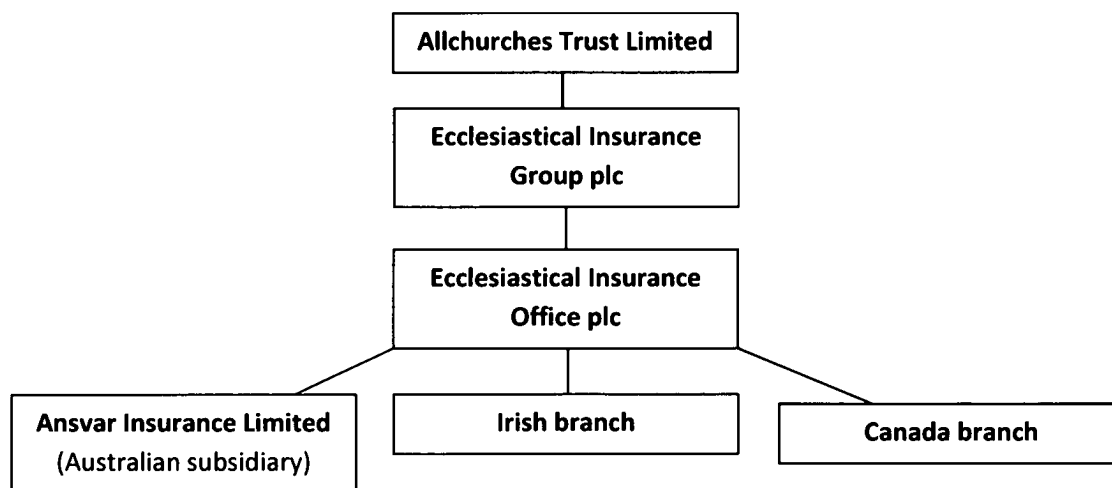
Allchurches Trust Limited (the Trust or the charity) was established in 1972. It is a registered charity that seeks to promote the Christian religion, providing grants to Anglican churches, churches of other denominations and the Christian community with an emphasis on heritage, care and the community.

The Trust is managed by the Board of trustees, who are also the directors of the charitable company for Companies Act purposes. The Trust is completely independent of the Church of England though, because of its Christian aims, some of its trustees and members are leading figures in the Church of England.

The Trust receives the majority of its income from the companies it owns, not from public donations. It is the owner of the Ecclesiastical Insurance Group plc (EIG plc) which in turn owns Ecclesiastical Insurance Office plc (EIO plc), an independent financial services company, regulated by the Financial Conduct Authority and Prudential Regulation Authority. EIO plc insures heritage buildings, charities, schools, churches and other faith buildings and provides a range of specialist investment management, broking and advisory services.

## Structure

A full list of the Trust's related undertakings is presented in note 44 to the financial statements. A simplified organogram is shown below.



# Allchurches Trust Limited

## Explanation of terms

Throughout the annual report the following terms are used as defined below:

Ecclesiastical	The abbreviation for the legal entities which together comprise the Ecclesiastical Insurance group
Ecclesiastical Insurance group	The overall term for the Ecclesiastical business which includes Ecclesiastical Insurance Group plc and its direct and indirectly-owned subsidiaries
EIG plc	Ecclesiastical Insurance Group plc, the direct subsidiary of Allchurches Trust Limited
EIO plc	Ecclesiastical Insurance Office plc, a direct subsidiary of EIG plc
The charity	Allchurches Trust Limited
The Trust	Allchurches Trust Limited

# Allchurches Trust Limited

## Reference and administrative details

<b>Board of trustees</b>	Sir Philip Mawer DLitt, LLD, Hon FIA <i>Chairman</i> Michael Arlington BSc (Hon), FRAgS Timothy Carroll, BA, MBA, FCII The Venerable Annette J. Cooper BA, MA, CQSW Stephen C. Hudson BA (Hons), FCA Sir Laurie Magnus Bt Christopher Smith, Barrister Ms Denise P. Wilson OBE, BA (Hons), FCII
<b>Company Secretary</b>	Mrs Rachael J. Hall FCIS
<b>Registered and Head Office</b>	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel: 01452 873 189
<b>Company Registration Number</b>	1043742
<b>Charity Registration Number</b>	263960
<b>Auditor</b>	Deloitte LLP, Chartered Accountants & Statutory Auditor, 2 New Street Square, London EC4A 3BZ
<b>Bankers</b>	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH
<b>Solicitors</b>	Farrer & Co, 66 Lincoln's Inn Fields, London WC2A 3LH
<b>Investment Managers</b>	EdenTree Investment Management Limited, 24 Monument Street, London EC3R 8AJ

# Allchurches Trust Limited

## Chairman's Report

### Overview

This was another record year for the Trust. In March, EIO plc, our wholly owned subsidiary, announced that it had not merely achieved but surpassed its target of giving £50 million to good causes through the Trust over the three years 2014-16, an achievement subsequently celebrated at a very well-attended Service of Thanksgiving in Gloucester Cathedral. By the end of 2016, EIO plc's grants to the Trust during the year totalled £24 million. These sums enabled the Trust to increase the total of grants it awarded to churches, church heritage, schools, charities and communities from £11.7 million in 2015 to £13.2 million, a new record. They also enabled it, as the Trust seeks to diversify its assets, to grow its expendable capital endowment fund to reach almost £70 million at the year end.

### Ecclesiastical Insurance group

As the Ecclesiastical Insurance group's (Ecclesiastical's) achievements indicate, it has continued its excellent progress in spite of difficult markets and wider economic uncertainties, such as those resulting from the Brexit vote. Ecclesiastical achieved a pre-tax profit of £85.8 million in 2016 and, while a good deal of this was the result of investment gains, the most pleasing element was the continuation of underwriting profitability, with the group combined operating ratio<sup>1</sup> standing at 89.8%. This was achieved in spite of a number of challenges, especially in Canada following the devastating Fort McMurray fire, the largest catastrophe in Canada's history. The Trust was delighted to be able to make a special grant of Can\$100,000 to the Anglican Church in Canada to help with community regeneration after the fire.

### Our grants

The income we received from EIO plc enabled us to make record grants in 2016. Later in this report we give specific examples of some of the grants we made. We systematically uplift all of our grants to less advantaged parishes<sup>2</sup>.

Among other developments during the year we:

- Increased our substantial grants to Anglican dioceses and cathedrals in the British Isles by 2.5%, a cumulative increase in these grants of 10% since the end of 2013. The grants to dioceses help parishes by reducing the financial burden which would otherwise fall (through the Parish Share or its equivalent) on their shoulders.
- Increased the total amount given directly in response to applications from parishes, cathedrals, schools and charities to £3.2 million, a rise of 33%.

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<sup>1</sup> The combined operating ratio is used by Ecclesiastical as a measure of underwriting efficiency. The ratio expresses the total of net claims costs, commission and underwriting expenses as a percentage of net earned premium.

<sup>2</sup> As measured by the Church Urban Fund deprivation index.

## Allchurches Trust Limited

- Granted £140,000 to help projects of strategic significance to the Church of England nationally.
- Gave £77,000 under a special programme to help churches install roof alarms to guard against the theft of lead. We introduced this special programme following a suggestion by a trustee of the Suffolk Historic Churches Preservation Trust and by 31 March 2017, when the programme closed, the total granted had reached over £275,000.
- Awarded grants totalling £493,000 to good causes in Ireland (both north and south of the border) and totalling £369,000 to Canada, the latter including a record grant of £300,000 spread over three years to the Yonge Street Mission to assist with community regeneration in Toronto. In addition, grants totalling AUS\$258,000 were awarded in Australia by EIO plc's subsidiary, Ansvar Insurance Limited.

Our policy of using some of our receipts to build the Trust's expendable capital endowment fund has begun to prove its worth, generating an additional £1.5 million of income in 2016 (2015: £0.8 million) which we used to help us make more grants. We embarked on this policy to diversify our asset base and so to reduce the risk to the charity (and therefore to the achievement of its objectives) which is unavoidably associated with owning a risk-based, insurance business. Our aim is to achieve over time a steady and sustainable increase in our grant-making, for the benefit of all our beneficiaries.

Our unrestricted fund stood at just under £16 million on 31 December 2016, reflecting our policy of keeping in reserve sufficient funds to cover all our future grants already committed, together with one year's worth of projected grants to dioceses and cathedrals and a balance to cover our projected spend in the first part of the ensuing year.

We keep the pattern of our grant-making under regular review. Having looked in detail in 2015 at the operation of our existing grant programmes, we intend, this year, to look longer term and more broadly at how we spend our money in support of our charitable objectives. We shall engage with our beneficiaries during this process and implement any resulting changes in a careful and measured way.

### **Donations received**

We were delighted to receive donations totalling £7.6m from Methodist Insurance PLC into the Trust's unrestricted fund during the year. Whilst these donations form part of our unrestricted fund, it is our intention to take into consideration Methodist Insurance PLC's preference for these donations to be used to provide grants to the Methodist Connexion, Methodist districts and circuits and to individual Methodist churches. Applications for these grants (which are in addition to other applications the Trust receives for Methodist causes) are considered by the Trust's Methodist Grant-Giving Committee.

### **Our people**

In February 2016 we welcomed the Revd Jeremy Noles as our third Grants Officer, covering the South East and East Anglia. In September, the Trust's Grants and Relationships Manager, Philip

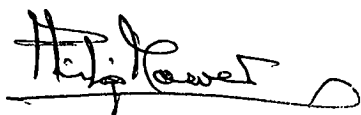


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Arundel, retired after six years outstanding service during which he greatly strengthened the professionalism and effectiveness of our grant-making arrangements, built the team of grants officers and introduced our online grant application system among many other initiatives. During the same month, we welcomed Janet Gough as our first executive director. Janet began the process of assisting the trustees to shape the next stage in the development of the Trust but in December 2016 decided to resign with effect from the end of the year. We are grateful for her contribution during her short time with us.

Among our trustees, we bade farewell in July 2016 to Michael Chamberlain FCA, OBE and the Rt. Revd Nigel Stock, both of them long-serving members of the Board. From their respective backgrounds and experience, each contributed selflessly and wisely to the work of the Trust and my colleagues and I are deeply grateful for all they did for us. In January 2016 we welcomed Stephen Hudson FCA as Michael Chamberlain's successor and, in April, Tim Carroll who succeeded David Christie as one of our two joint directors with EIG plc. We expect to announce a further appointment to the Board in 2017.

The past year has therefore been one of continued growth and development for the Trust. Much has been achieved; much remains to be done. As the Trust's resources increase, so does the complexity of the Trust's work. The challenges we face are, however, the result of success - the success of Ecclesiastical, its Board, its staff and its many loyal customers in building a first class company dedicated to serving the greater good, not least through the work of its charitable owner. As we face the challenges ahead, my colleagues and I - and above all our many beneficiaries - say a heartfelt thank you to them all.

A handwritten signature in black ink, appearing to read 'P. Mawer', with a long horizontal flourish extending to the right.

Sir Philip Mawer, Chairman  
25 April 2017

# Allchurches Trust Limited

## Strategic Report

### Our purposes and activities

The purposes of the charity are:

- to promote the Christian religion; and
- to contribute to the funds of any charitable institutions, associations, funds or objects and to carry out any charitable purpose.

The vision that shapes our annual activities remains the promotion of the Christian faith through supporting the mission and work of dioceses and cathedrals and allocating our charitable giving in response to requests from Anglican churches, churches of other denominations, Christian communities and other charitable organisations.

The charity also has the general aim of assisting in areas of greatest need and encouraging the training and development of lay and ordained people as well as helping projects enabling evangelism and church growth.

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance *Public Benefit: Running a Charity (PB2)*. The charity's income is derived from the gift aid it receives from its subsidiary company, EIO plc, and the investment income generated from the charity's capital endowment fund.

The objectives we have identified to help achieve the charity's aims in 2017 are to:

- Develop a new grants strategy, in consultation with key groups of beneficiaries, which continues to further the Trust's charitable objectives, in response to changing needs, and has the greatest possible beneficial impact on people's lives.
- Improve collaboration with public and other funders and delivery bodies to maximise that impact.
- Develop a communications strategy that supports delivery of the above.
- Review the Trust's investment policies (including its ethical investment approach) and associated arrangements to ensure they deliver maximum benefit to the Trust and therefore to beneficiaries.
- Ensure the successful implementation of new arrangements for allocating grants in Australia, Canada and Ireland.
- Successfully implement and monitor improved arrangements for ensuring the Trust assesses risk and audits its activities effectively.

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To achieve these objectives a detailed programme of activities has been prepared which includes:

- a strategic review of our grants policy;
- developing relationships with funders and other bodies (e.g. through sponsoring joint programmes) to extend the reach and impact of the grants we make;
- developing our communications capacity and approach to raise our profile in support of our objectives;
- reviewing our current investment arrangements in the light of the growth of the expendable capital endowment fund;
- ensuring the effective delivery of the revised grant-making arrangements in Australia, Canada and Ireland; and
- ensuring that the recently formed Audit and Risk Committee is effective in its operation.

# Allchurches Trust Limited

## Achievements and Performance

We had a successful year during 2016 and made significant progress in meeting the objectives we had set to further the charity's aims.

The objectives we set during 2016 were to:

- Recruit and induct an executive director to lead the development of the charity's strategy.
- Develop, in discussion with Ecclesiastical, a longer-term communications strategy for the charity and agree a plan for its implementation, building on the interim arrangements already agreed by the Board.
- Implement the outcome of the Board's 2015 review of our charitable giving policies, keeping them under consideration as necessary, informed by the changing expectations and priorities of our potential beneficiaries.
- Consider the implications for the charity of Ecclesiastical's business plan for 2016-2018, in discussion with the company as necessary.
- Implement arrangements to distribute grants to Methodist beneficiaries.
- Continue to strengthen the effectiveness of the Trust and its Board in meeting the needs of beneficiaries.

Our performance against each objective is set out below.

### **Recruit and induct an executive director**

With the assistance of external recruitment consultants, the trustees appointed their first executive director in September 2016. The new director embarked on an extensive induction programme to gain a thorough understanding of the charity and its beneficiaries and its relationship with its trading subsidiary, and began work on helping the trustees shape the future development of the Trust. However, the executive director subsequently decided to resign as at 31 December 2016. We shall seek to recruit a successor during 2017.

### **Develop a longer-term communications strategy**

A communications consultant was appointed during the year, to review the Trust's current communications capacity and to commence work on the development of the longer term communications strategy, which will include a review of the Trust's brand. During the year, the infrastructure supporting the communications function was strengthened through the appointment of a media relations consultant, refreshing the Trust's website, the development of a stakeholder database, and undertaking the groundwork required to launch a social media presence in 2017. Work to achieve this objective will be continued in 2017.

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### **Implement the outcome of the Board's 2015 review of our charitable giving policies**

The review of our charitable giving policies began in 2014. The review considered the different charitable giving programmes of the Trust with a view to clarifying their scope, improving their operation, strengthening the support we give to those who are less advantaged, and so making them even more effective and relevant to the needs of beneficiaries. After careful consideration of the needs of different beneficiaries of the charity, the Board agreed new charitable giving policies during 2015. Some examples of improvements made as a result of the review include the development of a deprivation weighting to uplift grants in less advantaged parishes in England and Scotland (work has commenced on developing similar scales for Wales and Ireland); and the launch of our first thematic programme to assist churches with the installation of roof alarms to guard against the theft of lead.

The work on developing a new grants strategy, which features in our 2017 objectives, will build on the outcome of the earlier review whilst also taking into account current developments among our beneficiaries. Having reviewed the detailed operation of our existing programmes, our aim now is to stand back and consider how the overall pattern of our grant-making should develop in the next five to 10 years in order to assist the continued achievement of our charitable objectives.

### **Consider the implications for the charity of Ecclesiastical's business plan for 2016-2018**

During the year, the trustees commissioned an independent review of the Trust's investment in the Ecclesiastical Insurance group (Ecclesiastical). The appointed consultant had been engaged to provide an independent review of the current positioning of EIG plc and its subsidiary companies, including EIO plc, and its near and medium term prospects. The report, which confirmed the continued potential of the Trust's principal investment, was considered by the investment committee and later by the trustees at an away day. Ecclesiastical was requested to respond to the findings of the report.

Most of the areas identified in the report were known to the EIG plc board and were being addressed as part of Ecclesiastical's 2020 strategic themes. The trustees confirmed that they were supportive of Ecclesiastical's new 2020 vision, strategic themes and initiatives and were broadly comfortable with Ecclesiastical's management response to the findings in the independent review.

The leadership and management of Ecclesiastical is the clear responsibility of EIG plc's own board and executive management team. In discharging its responsibilities as owner of EIG plc and as charitable trustee, the trustees will continue to keep themselves informed of Ecclesiastical's strategic development and progress as it unfolds over the next four years.

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### **Implement arrangements to distribute grants to Methodist beneficiaries**

The Trust received two donations from Methodist Insurance PLC during 2016 totalling £7.6m.

These donations form part of the Trust's unrestricted, undesignated funds. There is no legal restriction on how the donations can be used to further the Trust's charitable purposes and they have not been set aside to fund a specific project. However, the trustees intend to take into consideration Methodist Insurance PLC's preference for these donations to be used to fund grants to Methodist beneficiaries. Consequently, the trustees have established a separate committee of the Board, the Methodist Grant-Giving Committee, to consider grant applications which seek to enhance the mission and ministry of the Methodist Church in Great Britain and the Methodist Church in Ireland.

### **Continue to strengthen the effectiveness of the Trust and its Board in meeting the needs of beneficiaries**

During the year, the Board agreed that, as mentioned earlier, it should embark on a wide-ranging review of the structure of its grant-making programmes over the next five to 10 year period. A sub-committee of the Board has been set up to lead the review with the assistance of an external consultant. The review will involve listening to the views of all trustees, key stakeholders and our present and potential future beneficiaries. In December, the Board agreed the big picture questions that the review will need to consider. This exercise will continue throughout 2017. We expect that the new grants programme will begin to come into effect during 2018.

The Board also continued to keep its own effectiveness under review, led by the Chairman and the Nominations Committee. One development of note was the establishment of a new Audit and Risk Committee, to strengthen the Trust's arrangements for assessing the key risks to the charity and for overseeing the proper control and expenditure of its increasing resources. The full and effective implementation of this new arrangement is one of the Board's objectives for 2017.

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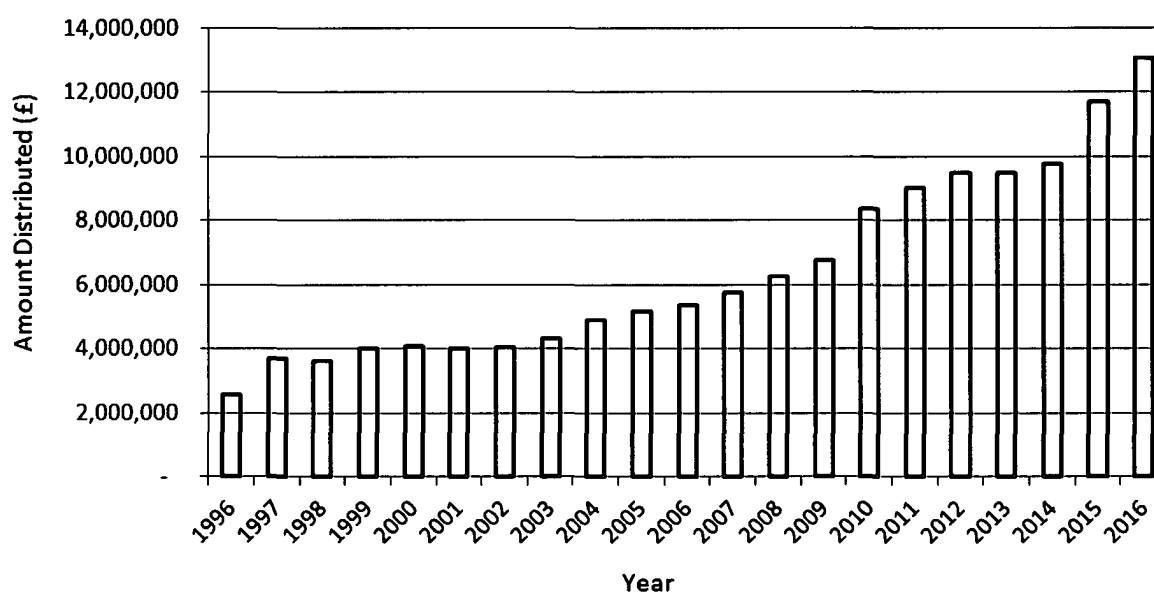
## Charitable Giving

Thanks to the efforts of Ecclesiastical staff and the loyalty of its customers, we were again able to increase our financial support to churches and other charitable institutions significantly, with total charitable giving of £13.2m (2015: £11.7m).

The charitable giving of the Trust is shown in its statement of financial activities on page 42.

An analysis of the charitable giving is shown below and in note 6 to the financial statements.

We have steadily increased charitable giving to Anglican dioceses, cathedrals and parishes, and to other churches and charitable organisations since 1972, distributing £89.8m over the past 10 years.



### Delivering public benefit with some examples

Some examples of recent charitable giving are listed below. These highlight some of the Trust's achievements and performance. Our beneficiaries have provided much positive feedback on the value and impact of the money we give.

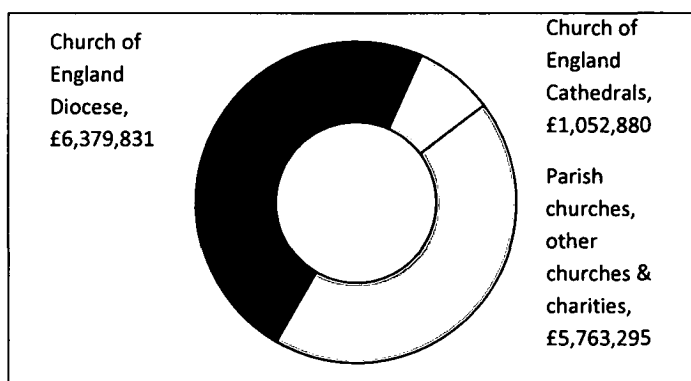
The £13.2m we gave away to good causes in 2016 breaks down like this:

	Number of grants	How much £
Church of England Dioceses	42	6,379,831
Church of England Cathedrals	45	1,052,880
Large Grants, above £6,250	122	2,647,434
Small Grants, up to £6,250	978	1,773,911
Special and Flagship Projects	24	1,209,600
Methodist Grant-Giving Committee grants	21	132,350
<b>Total Grants</b>	<b>1,232</b>	<b>13,196,006</b>

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Grants to Church of England dioceses and cathedrals totalling £7,432,711 were used in many different ways including:

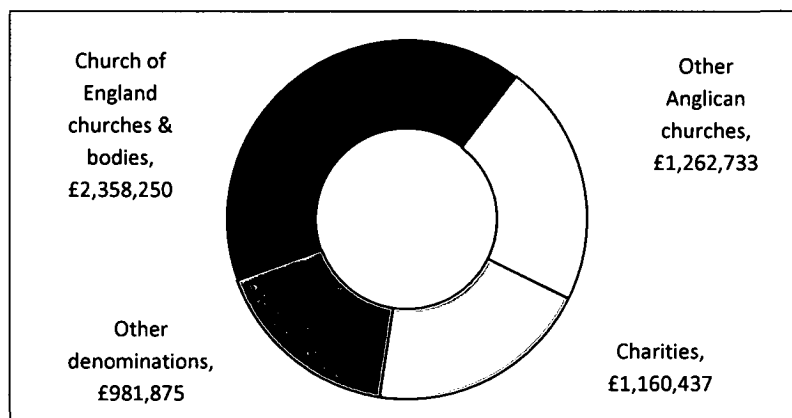
- Funding projects which encourage church growth and support mission
- Supporting the deployment of clergy, particularly in areas of greatest need
- Funding university chaplaincies and supporting ministry amongst children, young people and families



- Training of lay and ordained people, including pioneer ministers
- Repairs and maintenance of cathedral and parish church fabric
- Enabling cathedrals to maintain opening hours and avoid charging for entry
- Resourcing and developing music in cathedrals

Grants to Church of England parishes and bodies, churches of other denominations and charities totalling £5,763,295 were made and used for a variety of projects including:

- Building and restoration works
- Church community initiatives supporting mission and outreach
- School projects
- Projects helping people in need





# Allchurches Trust Limited

## Examples of charitable giving

### **"There must be an angel ..."**

*Eurythmics' Dave Stewart and the Trust back rescue of Grade I church in Sunderland*

Grade I listed Holy Trinity is an early Georgian architectural treasure, possibly the most significant building in the history of Old Sunderland. Located in one of the most economically deprived areas of England which also ranks in the top 3% of the most deprived neighbourhoods for educational attainment, Holy Trinity has been structurally unsafe and partly closed since 2014. Now cared for by the Churches Conservation Trust, it has become the subject of their latest big regeneration challenge.

Plans have been drawn up in conjunction with the local community, many of whom have deep family bonds with the church and fond personal memories of attending in the past. Holy Trinity will be transformed into The Canny Space, a conserved and renovated heritage landmark and a beacon of cultural renaissance in Sunderland.

The Trust is giving £129,000 to fund three local people to work for 12 months as apprentices on the restoration project, learning traditional building skills. Our grant addresses a recognised national shortage of people equipped with the skills to restore historic buildings and we'll be improving local employment. A series of workshops and videos will allow the wider community to gain an insight into the skills the apprentices are acquiring.

Dave Stewart, originally from Sunderland and known worldwide as part of the Eurythmics, and now running a well-known production and management company, will act as creative director for an arts, music and culture programme that will run in the beautifully restored and sensitively adapted church interior. Its aim is to engage local people, inspire new talent and attract visitors to the east end of Sunderland as a place to be celebrated and enjoyed.

Three staff posts and university internships will be created and up to 90 volunteers recruited and trained, giving them transferable social and work skills.

Especially important for local people who remember the church while it was still run by the Church of England is the fact that Holy Trinity will remain consecrated, with up to six services a year.

### **Charity shops with a difference**

*How Carlisle Diocese is reaching people over the counter*

Every year, the Trust gives a large proportion of its grants to Church of England dioceses for a great variety of good work. Carlisle Diocese is using some of its grant of £98,892 to run a network of second-hand shops across the city. Called "Opshops", they not only resell 75 tonnes of goods each year but also provide a non-threatening environment for worship, fellowship, practical and spiritual support to individuals who would not cross the threshold of a church. The projected turnover for OpShops for 2016 is £200,000 based on 61 volunteers making 300 sales a day.

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## **Big plans for Britain's smallest cathedral**

*A refurbishment project could regenerate an entire community*

The Welsh city of St Asaph lies between Denbigh and the coastal resort of Rhyl. It is home to the smallest cathedral in Britain and is set on the banks of the River Elwy. It has been an important ecclesiastical centre for centuries, dating back to AD560 when a community was founded by the Scottish saint Kentigern, who left his disciple Asaph in charge when he returned to Scotland.

In 2012 there was elation when this small community was awarded city status to mark the Queen's Diamond Jubilee. The joy was short-lived, however, as later that year the river Elwy burst its banks leading to severe flooding. It was catastrophic for the local economy and many businesses were badly affected.

The St Asaph Cathedral Development Project aims to regenerate the city and the surrounding area and pivotal to this is the provision of a cathedral tearoom and lavatories. There are usually no lavatories at all at the cathedral and only portaloos during the annual North Wales Music Festival and other special events.

The Trust has a proud record of helping to fund the unglamorous essentials and is delighted to provide £8,750 for St Asaph to help it entertain coach tours, concert-goers, walkers and worshippers from all over the world.

## **The future is digital**

*Helping a charity give young people computer training*

St Basil's is a charity that works with homeless 16 to 25-year-olds across the West Midlands. Single or young mothers with children, they have suffered neglect, abuse, poverty, bereavement, grown up in care, have mental health problems or have offended – often a devastating combination of all these (87% are NEET - not in education, employment or training).

St Basil's runs 28 supported accommodation centres and has recently enlarged its home in Redditch, a particularly deprived part of Birmingham, so that it can house 24 young people. But imagine 24 young people in a house with only one small room with a computer! Doing CVs, applying for courses and jobs, filling in benefit forms: all these essential steps to getting back on track are made even harder by lack of access to IT.

A grant of £1,000 from the Trust will provide St Basil's with three new computers, tables and chairs for a properly equipped training room, providing the means by which young residents can gain essential IT skills and compete with their peers in areas such as job applications and the search for permanent accommodation.

# Allchurches Trust Limited

## **A village hall for all**

*The refurbishment of All Saints will provide a vital community space*

The parish church of All Saints stands proudly on a hill overlooking the village of Herodsfoot. It's the only communal space in this tiny Cornish village of only 200 inhabitants. With services only once a month, the church could not survive without also hosting a range of social and community events and fortunately it has a strong local Friends group.

However, the church lacks basic facilities. Pews have been removed from the back of the nave but the parochial church council (PCC) urgently wants to add a kitchen, a lavatory and to improve the heating.

A survey of the villagers identified strong local support for this and with a grant of £1,500 from the Trust, building work can press ahead.

## **Reaching far and wide**

*How an online resource will bring a whole nation together*

The Church of Ireland has parishes far and wide, from the bustling city centre of Dublin to the most rural village locations. The church wants to make sure that everyone can interact with and feel part of the national body, and that people can make use of the resources it has to offer.

A newly designed parish resources website, funded by the Trust with a grant of £90,000, will provide access to useful tools like sample accounts and commonly used forms. The website will also enable people to network and stay in touch with each other more easily, for example by holding virtual meetings rather than having to travel large distances.

## **Two into one**

*How two parishes are updating one church to serve their communities*

The parishes of All Saints and St Frideswyde united in 2011, and decided to have just one church building and church hall. Now they want to update their church to better serve the local community of Crosby, Liverpool.

The church is on a busy road and doesn't have much frontage, so people often miss it. Having sold some land owned by the PCC, the parishes have 75% of the money they need to update their facilities and extend the church frontage in order to give the church more impact.

We have made a grant of £8,000 available to help make the church a multi-purpose space, with meeting rooms and a community area, as well as full disabled access. The church has been working in the community with young people and people who feel excluded, and this project will enable them to build on their successes.

# Allchurches Trust Limited

## **From the ground up**

*How one congregation plans to build a whole new church*

The Isle of Cumbrae is a 10-minute ferry ride from the Ayrshire Scottish coast, and thousands of tourists and day-trippers visit the island every week. Sadly, the Cumbrae Parish Church has had to close as the building is unsafe and the congregation is meeting in a local shop.

Now the congregation wants to build a new church and community centre and the Trust is helping with a grant of £9,000. They want somewhere that will encourage young people to stay on the island while also catering for its large elderly population; a place to provide worship and welcome for both young and old, local people and visitors, those with special needs and those needing a special space.

## **In the neighbourhood**

*St Catherine of Siena will bring young and old people together*

A recent survey shows that the population of West Berkshire will become increasingly elderly over the next 20 years. St Catherine of Siena in Tilehurst could provide a warm welcome to elderly people who feel isolated, as the church already has a number of links with the community. But the facilities urgently need updating.

With a grant of £7,000 the Trust is helping to fund a development project to create a new multi-use space at St Catherine's, with a kitchen, a ministry room and updated lavatory facilities. The church will be able to expand its popular lunch club from meeting once to three times a week, and to offer other activities for older people too.

The lunch club will give younger people and people with learning difficulties the chance to volunteer and gain useful skills in food preparation. St Catherine's will become a crucial meeting point for people from many different sections of the community and different age groups.

## **More room at the museum**

*Improving visitor facilities at an important heritage site*

John Wesley was an Anglican cleric and theologian who, with his brother Charles and fellow cleric George Whitefield, founded Methodism. John Wesley's Chapel in Bristol, known as The New Room, is the oldest Methodist chapel in the world and played an important role in the brothers' lives.

The chapel is now a Methodist museum, though people often visit for quiet contemplation.

Now the trustees of this important heritage site want to enhance the visitor facilities and improve the museum. They have already raised £2.6 million from the Heritage Lottery Fund. The Trust is pleased to be supporting the project too with a grant of £7,000, not least because many of the issues in which John Wesley was involved – the anti-slavery movement, equality for women, social justice – still resonate today.

# Allchurches Trust Limited

## **Why support matters**

*A grant means Ykids can reach out to children across deprived communities*

Based in Bootle, Ykids is a Christian charity working in some of the UK's most deprived communities, ranking in the top 1% and 2% in the multiple deprivation indices. Its vision is to transform Bootle through its young people and their families. Working intensively with 500 children and 30 families a year, they run youth groups, a community garden, self-esteem workshops, employment training and a high street café teaching cooking skills from scratch.

Ykids currently works from a small, rented office where there's very little space so it has to find other venues to deliver youth work. Now the charity has a chance to convert an empty library building and make it their new home.

The Trust is supporting Ykids with a grant of £4,300 to make its vision a reality. The new space will enable it to expand its offer to include new apprenticeships, intergenerational projects and alternative education for young people not coping with school.

## **Learning the language**

*A £1,000 grant will help Widden Primary School support non-English speaking children*

A number of children at Widden Primary School in Gloucester have challenging home lives, living in poverty or in a vulnerable situation, and many cannot speak English when they first start attending school.

Teachers at Widden want to set up a new kind of service to support the children most in need. They have set aside a room where they want to offer children a home-from-home environment, helping to develop their English skills and enabling them to reach the right level of education for their age.

The Trust is helping the school furnish and adapt the room. The facility will be used by the majority of the 270 children at the school, and will enable Widden to engage more fully and meaningfully with parents too.

## **Making the grade**

*Revitalising a grade 1 building to serve the local community*

St Mary Magdalene is a grade 1 listed building on the side of the Regent's Canal in Paddington. It's an outstanding example of neo-Gothic architecture, but is now on the English Heritage at Risk register.

St Mary's has recently joined forces with the Paddington Development Trust to add a new Heritage and Community Wing to the church. This will provide new facilities for visitors, including a learning workshop and a café that opens onto the canal.

The vision is for a combined worship and cultural space that can be used by the whole community. The area is extremely diverse, both culturally and economically, and with a grant of £75,000 the

## Allchurches Trust Limited

Trust is supporting this project that will encourage people to meet and build a community all can share.

### **Helping the UK's largest cathedral**

*"No-one seeing Liverpool cathedral for himself ... can fail to recognise that here is one of the great buildings of Europe" John Betjeman*

The Trust has become a significant donor to Liverpool Cathedral's 24 for 2024 Centenary Campaign to raise £24 million by 2024. Our grant of £100,000 will help secure a future for the UK's largest cathedral, also the fifth largest in the world and with the widest stone Gothic arches on earth! Liverpool's position near the sea has led to the cathedral's sandstone being eroded by salt and a major repair programme is needed to see the cathedral fit for its centenary in 2024. A huge range of activities takes place in this vast building but our grant will help the cathedral community to offer even more.

### **Modernisation supporting mission**

*New life breathed into 130-year-old building to meet the needs of the 21<sup>st</sup> century church and community*

Trinity URC and Methodist Church is the centre for a host of community activities in the market town of Great Harwood in East Lancashire. Activities at the church range from a weekly luncheon club for more than 90 people and dance classes to meetings for mothers and toddlers and members of The University of the Third Age.

The church, which is more than 130 years old, is in need of refurbishment. The plans include new toilet facilities, and a reconfigured entrance and foyer – in which the current large-tread staircase will be replaced with an easy-to-climb low-tread version and feature a coffee area and drop-in centre. New heating and lighting will also make the building more economical and practical to run.

The £50,000 grant awarded, combined with the funds that the church has raised itself over the last six years, has brought the start of the refurbishment work closer.

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## Key Performance Indicators

The charity's key performance indicators are evolving. Systems are in the process of being developed so that targets can be set and performance monitored.

### Financial

Indicator	Measure	Performance
<b>Incoming resources</b>	<p>The amount received from EIO plc in the form of gift aid payments.</p> <p>The level of gift aid that we expect to receive from EIO plc is set over a three-year period. EIO plc had undertaken to donate £50m to charity, including gift aid payments made to the Trust, over the three-year period from 2014-2016.</p>	<p>During 2016, we received gift aid payments totalling £24.0m from EIO plc (2015: £20.0m), taking the total received in the three-year period 2014-2016 to £67.5m, as EIO plc more than achieved its charitable giving goal.</p> <p>As part of the strategic vision for the development of Ecclesiastical over the next four years, EIO plc has set an even more challenging goal of giving an additional £100 million to charity by the end of 2020.</p>
<b>Charitable giving</b>	<p>The total charitable giving awarded by the Trust.</p> <p>It is our policy to try to ensure stability for beneficiaries and, where possible, steadily to increase the overall levels of charitable giving awarded. Because of the fluctuating nature of our income, we do not set a specific target by which charitable giving will be increased each year.</p>	<p>During 2016, total charitable giving awarded rose by 12.9% to £13.2m (2015: rose by 20% to £11.7m).</p>
<b>Diversification of assets</b>	<p>The proportion of the capital endowment fund as a percentage of the Trust's total assets.</p> <p>It is the medium term aim of the Trust to grow the capital endowment fund to 20% of the Trust's total assets. This diversification in assets will help us ensure that a sustainable flow of funds is available for charitable giving.</p>	<p>During 2016, transfers of £18.0m (2015: £10.0m) were made into the capital endowment fund. At the end of 2016 the capital endowment fund represented 14% (2015: 10%) of the Trust's total assets.</p>

# Allchurches Trust Limited

## Non-Financial

Indicator	Measure	Performance
<b>Diversity of charitable giving</b>	<p>The trustees want to ensure that the Trust's giving is geographically and denominationally spread, varies in size according to the scale and nature of each project, and is used to support a range of projects in line with its objects.</p> <p>Systems are being developed to track the geographical spread of the charity's grants.</p> <p>The varying size of individual grants made is assessed by the number of donations made in the following ranges: below £6,250; and above £6,250.</p>	<p>The recruitment of a grants officer for the South East has improved our geographical reach. We have also increased our presence in Ireland and regular visits are made to Irish applicants.</p> <p>The number of donations made in 2016 in these ranges is presented in the table on page 14 of this report.</p>
<b>Beneficiary satisfaction</b>	<p>The number of complaints received as a percentage of total applicants.</p> <p>The trustees want to ensure that beneficiaries remain satisfied in their dealings with the Trust and that complaints received remain below 1% of applicants.</p>	<p>The Trust prides itself on maintaining very high levels of satisfaction from its beneficiaries particularly in relation to their experience when applying for charitable giving. No complaints were received from beneficiaries during the current or prior year.</p>
<b>Promoting awareness of the Trust</b>	<p>The number of presentations made to beneficiaries and stakeholders of the Trust to promote awareness of what the Trust does and the nature of the projects it supports.</p>	<p>During 2016, 12 presentations (2015: 26 presentations) were given to a variety of groups including beneficiaries. In addition it was agreed in 2016 that a communications function would be developed. This will be progressed in 2017.</p>
<b>Improving the experience of potential beneficiaries</b>	<p>Development of the Trust's website as a vehicle for engaging with potential beneficiaries.</p>	<p>During 2016, the Trust's website was refreshed to provide more information about the Trust and to make it even easier for applicants to apply. Further work is planned during 2017.</p>



# Allchurches Trust Limited

## Financial review

### Parent charity

The charity statement of financial activities is shown on page 42.

### *Income*

In 2016, the charity's total income was £33.8m, a 55.7% increase on the prior year.

Donations under gift aid totalling £24.0m (2015: £20.0m) were received from EIO plc. The donations received from EIO plc are our principal source of funding. They are used to finance the regular charitable giving to dioceses and cathedrals and to finance the specific requests for charitable giving received from churches and charitable organisations.

The charity received additional donations totalling £7.6m from Methodist Insurance PLC.

Dividend and interest income on the capital endowment fund increased to £2.1m (2015: £1.6m) as a result of an increased level of investment arising from diversification of the charity's assets.

### *Expenditure*

Charitable giving increased in the year by 12.9% to £13.2m. An analysis of charitable giving is shown on page 14 of this report.

Expenditure on other charitable activities increased to £0.6m as a result of our investment in human resources and increases in travel costs and advisory fees.

No significant change in activities occurred in the year or to the date of this report.

### *Funds*

Total net income in the year was £55.2m (2015: £17.5m). This comprises:

- net income of £47.1m in the unrestricted fund which includes a £29.1m fair value gain on the value of the charity's investment in subsidiary undertakings; and
- net income of £8.1m in the capital endowment fund as a result of a £6.3m increase in the fair value of investments.

Transfers of £18.0m (2015: £10.0m) were made from the unrestricted fund into the capital endowment fund to further the Board's objective to diversify the charity's assets to ensure the sustainability of its charitable giving.

Total funds in the charity at 31 December 2016 were £488.2m (2015: £433.0m) consisting of £418.3m in the unrestricted fund (2015: £387.8m) and £69.9m (2015: £45.2m) in the capital endowment fund.

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The unrestricted fund includes a revaluation reserve of £402.4m (2015: £373.2m) which represents the cumulative increase in the fair value of the charity's investment in subsidiary undertakings. The revaluation reserve is not available for charitable purposes.

The charity continues to have adequate available resources to continue its charitable activities.

### **Trading subsidiaries**

The consolidated statement of financial activities is shown on page 56.

#### *Net income*

The principal activities of the charity's trading subsidiaries throughout and at the end of the year remain the provision of general insurance and a range of financial services in the United Kingdom and overseas. A list of these undertakings is given in note 44.

The trading subsidiaries reported net income of £76.7m (2015: net income of £48.7m), which includes the £25.0m release of the claims equalisation provision (2015: £0.3m release) as explained in note 38. General business underwriting profits rose for the third consecutive year. The liability portfolio benefited from the favourable development of prior year claims which settled at less than anticipated. The property portfolio was impacted by catastrophe events in Australia and Canada, in particular the Fort McMurray wildfire in Alberta.

Investment returns were better than the prior year reflecting the rise in the UK stock markets to an historic high in December, with the value of overseas investments benefiting from the low value of the pound.

Details of the key performance indicators for EIO plc are found in the Strategic Report of its accounts. Copies of these accounts are available from the registered office, as shown on page 5, and are provided to members of the charity.

During the year, the trading subsidiaries directly distributed £0.7m (2015: £0.6m) for charitable purposes.

No fund or subsidiary was materially in deficit at the end of the year.

#### *Consolidated funds*

The consolidated balance sheet is shown on page 58.

At the year end date, total group net assets were £593.1m (2015: £539.4m).

Group net assets include a net pension deficit of £24.8m (2015: net pension asset of £8.6m). The charity's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to new entrants. The movements in the pension schemes in the year are the result of changes in financial assumptions, in particular a significant fall in the discount rate and a small increase in inflation partially offset by gains resulting from other financial assumption changes. The cost of pension benefits and the present value of pension benefit liabilities depend on factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions

## Allchurches Trust Limited

will impact the profitability of the trading subsidiaries and may affect future funding of the pension schemes.

### **Factors affecting future financial position and performance**

The principal factor affecting the future position and performance of the charity is the performance of its trading subsidiaries, which are the principal source of funding for its charitable activities.

During 2016 the trustees commissioned an independent review of the Trust's investment in Ecclesiastical, the outcome of which is discussed on page 12 of this report.

Details of the principal risks and uncertainties to which the charity is exposed are given on pages 30-33 of this report.

# Allchurches Trust Limited

## Investments

### Investment objective and policy

Full details of the charity's investments in related undertakings are disclosed in note 44.

As explained on page 22 of this report, the charity has established a capital endowment fund to assist in diversifying its asset base to reduce the concentration risk arising from its ownership of a financial services group. Insurance is a risk business and the charity's income from its subsidiaries, in the form of gift aid, varies considerably over time. Gradually building the size of the capital endowment fund enables the charity to grow a separate income stream, for the benefit of present and future generations.

The principal investment objective in relation to the charity's capital endowment fund is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile. The target asset weighting for invested funds is:

Equities	60% - 80%
Fixed interest securities	10% - 30%
Property	0% - 10%
Cash	0% - 20%
Unquoted investments	0% - 5%

The Board regularly reviews the appropriateness of the investment strategy. The Board's principal obligation is to promote and protect the financial interests of the charity and of its beneficiaries. The capital endowment fund's performance will normally be reviewed annually against an agreed benchmark.

The trustees have adopted as part of the investment policy an absence of harm approach, and seek to avoid investing in companies whose activities may be inconsistent with the values of the charity's beneficiaries or supporters. These have been determined as companies wholly or mainly involved in the manufacture or production of tobacco, strategic arms and weaponry and pornographic media. The trustees believe this provides an appropriate balance between ethical considerations and fiduciary responsibility. Social investment does not form a material part of the capital endowment fund's investment activity. Any social investments must fully meet the financial and risk objectives and requirements of the fund.

As set out in the objectives on page 9 of this report, the trustees will review the charity's investment policy during 2017.

### Investment environment

The investment environment in 2016 generally improved over the year as global deflation fears receded and the commodity markets staged a moderate recovery. The Federal Reserve in the US raised interest rates in the US as the economy continues to expand, unemployment has fallen to low levels and wage inflation is showing signs of growth. But the investment markets were driven as much by political shocks as investment fundamentals. These included the UK electorate's decision to

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leave the European Union and the poll-defying election of the Republican candidate Donald Trump, highlighting voters' dissatisfaction with mainstream politicians and parties.

The collapse in Sterling following the Brexit vote had a significant impact on investment returns over the period. UK equities generated strong returns but tended to lag those of overseas markets in Sterling terms as the latter benefited from the weakness of the pound. Government and corporate bonds delivered decent returns for investors as bond yields declined.

### **Investment performance**

The capital endowment fund amounted to £69.9m (2015: £45.2m) at 31 December 2016.

The investment portfolio, which consists of the capital endowment fund investments (note 13) and cash at bank and in hand (note 15), is managed on behalf of the charity by EdenTree Investment Management Limited (EIM), a subsidiary of EIO plc. At the year end the portfolio consisted of a £48.2m 'directly invested' portfolio, a £5.6m holding in the Amity Balanced Fund, a £5.9m holding in the Amity Global Equity Income Fund and a further £10.0m in cash which, pending investment, was put on short term deposit in January 2017.

At the year end date the asset allocation of the portfolio was skewed due to a £13.0m cash transfer from the unrestricted fund on 30 December. During the remainder of the year the directly invested portfolio was invested in line with the target asset weightings referred to on page 27 of this report.

Investment income in the year was £2.1m (2015: £1.6m) and fair value gains were £6.3m (2015: £1.2m fair value loss).

Over the year the 'directly invested' investment portfolio, managed by EIM, at a total asset level performed ahead of its blended benchmark created by using the benchmark index asset returns and mid-target range weightings. It has also performed ahead of benchmark over the last three and five years.

The Amity Global Equity Income and Amity Balanced Fund underperformed their respective benchmark indices, mainly due to a higher than benchmark exposure to Sterling-denominated assets, over a period in which Sterling depreciated heavily. The two funds also lag behind benchmark over the longer term.

The Board and the Investment Committee keep the performance of the investment portfolio, including the Amity Funds, under review. EIM reports regularly to the Board and the Investment Committee.

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## Reserves policy

The trustees have an approved reserves policy which is reviewed at least annually. The trustees do not designate the funds that the charity receives.

It is the intention of the trustees to maintain the stability of the annual charitable giving the charity makes to dioceses and cathedrals. As the charity's principal income is derived from a cyclical industry, the trustees need to consider the potential volatility in income and the desire to have stable charitable giving when setting an appropriate reserves policy. The charity's management of these risks is outlined in the principal risks and uncertainties section on page 30.

In order to provide this stability it is the trustees' policy to retain in reserve, cash funds, including long-term cash deposits with original maturities over three months, at a level at least equivalent to the amount allocated for charitable giving to dioceses and cathedrals in the previous financial year. In addition, reserves are held where the charity has committed to longer-term funding for specific projects and for charitable giving which is contingent upon the satisfaction of agreed conditions. Funds are also held in reserve where the trustees are actively considering the development of new grant programmes.

Where year end reserves held are significantly in excess of the requirements outlined above, the trustees take corrective action to reduce the level of reserves held. This action may include, but is not limited to, any of the following:

- actively seeking to fund further projects that align with the charity's purposes;
- increasing the level of donations to existing beneficiaries in future periods; or
- transferring cash to the capital endowment fund in line with the charity's strategic objective to diversify its assets.

The purpose of the capital endowment fund and the charity's investment objectives and policy are outlined on page 27.

To comply with the reserves policy, the charity is required to hold cash funds, including long-term cash deposits, of at least £8.2m in the unrestricted fund at 31 December 2016, equivalent to the amount allocated for charitable giving to dioceses and cathedrals in 2016.

At the end of the year, the charity had cash reserves of £16.9m in the unrestricted fund, consisting of £6.4m cash at bank and in hand, £3.5m short term deposits and £7.0m cash deposits with original maturities over three months. £8.2m has been committed for charitable giving and will become payable in the future. £1.0m will be used to settle the accruals for grants payable as recognised in note 16, which includes two material grants: one for £250,000 and another for £200,000. Uncommitted reserves in the unrestricted fund total £7.7m at the end of the year.

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## Principal risks and uncertainties

The major risks to which the charity is exposed are reviewed by the Board with the aid of external advisers. Due to the nature of certain risks it is not possible or cost-effective to mitigate fully all risks.

The principal risks identified are detailed below together with a summary of the key mitigants.

Principal risks	Why they are important	How they are managed
<b>Market risks</b> The investment risks relate to underperformance of the investments of the charity which adversely impacts its ability to undertake charitable giving.	<p>A key objective of the charity is to contribute to the funds of any charitable institution, association, fund or object and to carry out any charitable purpose. Poor performance of the investments would result in reduced funds available to fulfil this objective.</p> <p>The key investments of the charity are Ecclesiastical and a capital endowment fund.</p> <p>Ecclesiastical's main business is general insurance which is historically volatile and therefore can result in a changeable income stream. The principal business risks associated with Ecclesiastical are found in the Risk Management section of the EIO plc annual report and accounts which are available from the registered office, as shown on page 5.</p>	<p>The charity has established an Investment Committee to set investment criteria and to oversee the performance of the investment portfolio. The performance of the investments is reviewed regularly. Limits have been established for the range of investments held within the capital endowment fund to ensure a diversified portfolio with an acceptable risk profile. The Board has also appointed a fund manager (whose appointment is reviewed regularly), who meets with the Chair of the Investment Committee quarterly.</p> <p>A formal policy exists between the charity and Ecclesiastical which specifies how the level of the gift aid payment is determined and this is supplemented by regular reporting from Ecclesiastical on its performance. In addition, two of the trustees of the charity are on the boards of EIG plc and EIO plc.</p> <p>The reserves policy on page 29 details the charity's policy to maintain the stability of charitable giving to its regular beneficiaries.</p> <p><i>The risk has remained broadly similar over the course of 2016 despite the volatility in the economic environment caused by the results of the EU referendum and US election.</i></p>

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Principal risks	Why they are important	How they are managed
<b>Concentration risk</b> The risk of detriment to the charity as a result of overexposure to the primary source of funding and capital.	The charity derives the majority of its income from its investment in Ecclesiastical. This means that there is a significant reliance on the ongoing performance of Ecclesiastical to enable the charity to continue to deliver its objectives.	<p>The charity formally sets out its expectations of Ecclesiastical. This is reviewed regularly and there is ongoing monitoring of the performance against these expectations.</p> <p>The charity regularly reviews its strategy and diversification needs to ensure the level of this risk remains acceptable.</p> <p>The charity has a capital endowment fund which is being built up to provide greater diversification of the charity's assets. This will continue to be increased.</p> <p><i>The level of this risk has not materially altered during the year, although the trustees' decision to gradually increase the size of the charity's capital endowment fund will, over time, help to further mitigate the risk.</i></p>
<b>Regulatory risk</b> The risk of public censure or regulatory intervention as a consequence of failing to comply with relevant legislation, policies etc ultimately leading to loss of public confidence in the Trust's charitable status.	As a charity, the activities of the Trust are closely governed by a wide range of legislation that must be complied with. Alongside existing legislation there continue to be frequent regulatory and legislative developments which must be closely monitored and acted upon in a timely manner. There could be significant cost and reputational implications if such changes are not identified, assessed and complied with in a timely manner.	<p>The charity has a dedicated resource to provide regular updates on relevant legislative or regulatory items to the Board and there is also a formal training programme for all trustees. External expertise through solicitors and auditors among others is also used.</p> <p><i>The level of this risk is unchanged over the course of the year.</i></p>



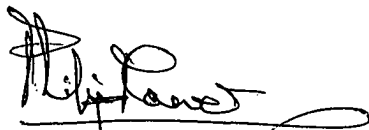
## Allchurches Trust Limited

Principal risks	Why they are important	How they are managed
<b>Reputation risk</b> The risk of damage to the reputation of the Trust through the actions of any people associated with the Trust, its investments or sector scandals resulting in a loss of trust from the people and groups that the Trust is looking to assist.	The reputation of the Trust is critical to its ability to continue to fulfil its stated objectives. Damage to the reputation may lead to a significantly reduced number of bodies applying to the Trust for charitable giving and limit the reach of the Trust and the effectiveness of its strategies.	Reputational risk is monitored continually by the Board through the reporting provided at its regular meetings.  Our principal asset insures church and charitable organisations including providing insurance cover for abuse claims. As we wish to ensure it behaves ethically when negotiating such claims, we are paying close attention to the work of the Independent Inquiry into Child Sexual Abuse (IICSA).  <i>The charity has appointed legal and PR advisors to provide specialist advice reflecting the fact that the level of risk has increased moderately during the year.</i>
<b>Strategy risk</b> This is the potential for failing or being unable to formulate and/or deliver an appropriate strategy, resulting in a failure to achieve the charity's objectives which are detailed on page 9 of this report.	The charity employs a number of strategies which it considers are most appropriate to achieve its aims and objectives. These strategies also underpin a number of the risks detailed within this section. The strategies ensure that the charity is best placed to achieve the stated objectives.	The charity conducts an annual review of the effectiveness of the strategies employed. Regular advice is sought from external parties as part of this process.  An annual review of board composition, skills and processes is undertaken to ensure ongoing appropriateness and identify areas for improvement.  <i>This risk has remained at a similar level during the year.</i>

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Principal risks	Why they are important	How they are managed
<b>Operational risk</b> This is the risk of an inability to deliver and operate within the policies agreed by the Board, resulting in a failure to meet the charity's objectives (full details of which are on page 9 of this report).	The Board sets the operational policies to be adhered to by staff and other people involved in the operation of the charity with the intention of ensuring that the charity's objectives are met. This risk relates to the potential for staff of the charity failing to deliver and operate within those policies, resulting in a failure to meet the objectives.	<p>This risk is managed by a robust control framework that ensures the effective management of operational risk. This includes ongoing training and induction processes for its trustees and staff and also those who provide arm's length support services to the charity.</p> <p>The policies and agreements with third parties are also regularly reviewed and updated to reflect the changing environment.</p> <p><i>This risk has remained at a similar level during the year.</i></p>

The Strategic Report of Allchurches Trust Limited was approved by the Board and signed on its behalf by



Sir Philip Mawer  
Chairman  
25 April 2017

# Allchurches Trust Limited

## Trustees' Report

### (incorporating the Directors' Report for the year ended 31 December 2016)

The trustees, who are the directors of the charitable company for Companies Act purposes, are pleased to present their annual report and review together with the audited financial statements of the charity and the group for the year ended 31 December 2016. In this report they are referred to as the trustees or, collectively, as the Board.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Articles of Association, and 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).

## Structure, Governance and Management

### Governing document

Allchurches Trust Limited was incorporated in 1972 in England and Wales. It is a company limited by guarantee not having a share capital and is a registered charity.

The governing documents are the articles of association.

In accordance with the articles of association, the company in general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of the company being wound up, the liability of each of the members is limited to £1. A member has the ability to affect the governance of the charity by voting at its annual general meeting (including on the election, re-election and removal of trustees and on any changes to the charity's articles of association) and thereby influencing the way the charity is run. Members are also responsible for receiving and adopting the charity's report and accounts; voting on the appointment or removal of external auditors and voting on any changes to the charity's name or articles of association.

### Organisation

The body responsible for the management, actions and decisions of the charity is the Board of trustees. The Board meets five times a year.

The Board seeks to ensure that all activities comply with UK law and regulatory guidance, and come within agreed charitable objectives. Its work includes setting the strategic direction of the charity, developing its objectives and policies, reviewing the performance of trading subsidiaries and delivering the outcomes for which the charity was established.

The Board has established an Investment Committee, an Audit and Risk Committee, a Nominations Committee and a Methodist Grants-Giving Committee.

The Investment Committee has two scheduled meetings a year and primarily oversees the charity's investment strategy, including the performance of its capital endowment fund.

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The Audit and Risk Committee was newly formed in 2016 and has four scheduled meetings a year. It is responsible for the appropriateness of the charity's financial reporting, the rigour of the external audit processes and the effectiveness of the risk management framework.

The Nominations Committee has two scheduled meetings a year. Its remit includes reviewing the structure, size, composition and effectiveness of the Board and its committees; overseeing the recruitment and induction of new trustees and the professional development of all the existing trustees; and considering succession planning and the membership needs of the charity.

The Methodist Grants-Giving Committee was established in 2016 and considers applications from and grants to Methodist beneficiaries. It meets four times a year.

The day-to-day management of the charity is undertaken by its senior executive staff and the Company Secretary.

Board procedures have been established setting out a framework for the conduct of trustees, with clear guidelines as to the handling of any conflicts of interest and the standard of behaviour, responsibilities, and best practice expected of them in fulfilling their obligations to the charity.

Trustees are able, where appropriate, to take independent professional advice at no personal expense so that they are able to fulfil their role.

### **Appointments to the Board**

The Board aims to have a diverse group of trustees, with a balance of necessary skills and experience, which is broadly representative of the communities it serves. Dialogue with stakeholders the charity serves take place in identifying potential candidates for the Board. All appointments to the Board are made on merit and to fulfil a specific function or need. The Board will advertise and engage external search consultants as appropriate.

In accordance with the articles of association, the Board may at any time appoint any person to be a trustee either to fill a casual vacancy or in addition to the existing trustees. Any such person appointed must retire at the following annual general meeting and will be eligible for election by the members. In certain circumstances, the articles of association permit a member to propose a trustee for election in general meetings.

The names of the trustees of the charity at the date of this report are stated on page 5.

Mr Michael A. Chamberlain and The Right Revd W. Nigel Stock resigned as trustees on 13 July 2016.

The Venerable Annette J. Cooper and Ms Denise P. Wilson retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The trustees are covered by qualifying third-party indemnity provisions which were in place throughout the year and remain in force at the date of this report.

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## Trustees' induction and training

All trustees are required to undertake a formal and comprehensive induction to the charity and its trading subsidiaries upon joining the Board. The induction is a two-stage process and is undertaken by the Secretariat.

On acceptance of a position on the Board, all trustees receive an induction pack, which includes their appointment letter and terms; latest audited report and accounts; constitutional documents; protocols on conflicts of interest, the handling of price-sensitive information, governance framework and board procedures, directors' and trustees' duties; board minutes for the current and past year; and board dates and contact details.

After appointment, a one-day induction programme is provided where presentations are given by the Secretariat, Finance, Group Risk and Group Strategy functions, and heads of the trading subsidiaries. The programme is also offered to other trustees as a refresher every two years and when a programme is being run. New trustees also meet individually with the Chairman, Deputy Chairman, Senior Independent Director and each of the Executive Directors of the main trading subsidiary, EIO plc.

In addition, trustees participate in a continuing professional development programme.

The Board undertook an internal evaluation of its performance during 2016, assisted by the Secretariat. The outcome of the evaluation was considered by the Board and the Nominations Committee and implementation of the agreed recommendations will be monitored by the Nominations Committee during 2017.

All trustees receive an annual review with the Chairman. The Chairman is appraised by the Board, in his absence, led by the Deputy Chairman.

## Related parties

Related parties of the charity include its subsidiary undertakings. A full list of the charity's related undertakings is disclosed in note 44 to the financial statements. All subsidiaries listed are included in the consolidated financial statements.

Where it is sensible and appropriate to do so in terms of efficiency and the prudent use of resources, the charity uses facilities and services provided by EIO plc for administrative support. Some of the services provided are donated by EIO plc and others are recharged.

None of the trustees receives any remuneration or other benefit from their work with the charity.

A conflicts register is maintained by the Company Secretary to monitor and manage any potential conflicts of interest. Training on the Companies Act 2006 and Charities Act 2011 has been given to all trustees and they are regularly reminded of their duties. Any conflicts are declared at the first board meeting at which the trustee becomes aware of the potential conflict and are then recorded in the conflicts register. The Board considers all conflicts in line with the provisions set out in the Company's articles. The trustees are required to review their interests recorded in the conflicts register twice a year.

# Allchurches Trust Limited

## Remuneration policy

The day-to-day management of the charity is undertaken by its senior executive staff and Company Secretary, who are the charity's key management personnel. Philip Arundel, Janet Gough and Rachael Hall were the key management personnel of the charity during the year. Remuneration of key management personnel is disclosed in note 12 to the financial statements.

All trustees give their time freely and no remuneration was received by any trustee in the year. The articles of association include a power to pay a chairperson but no such fee has been paid to date. Details of trustees' expenses are disclosed in note 11 to the financial statements.

The charity itself has no direct employees, but uses staff employed by a subsidiary company to undertake its charitable activities. These employee costs are recharged to the charity. The remuneration policy for the group can be found in the Group Remuneration Report of the EIO plc annual report and accounts which are available from the registered office, as shown on page 5.

## Charitable giving policy

The Board regularly reviews its charitable giving policy to ensure it reflects the changing circumstances of the charity, its strategic direction, its objects and its beneficiaries' needs, and thereby advances public benefit. A copy of the Trust's charitable giving policy can be found on the home page of our website.

Applications in respect of individual projects with a total value in excess of £0.5m are referred to the Board for consideration. These applications are subject to initial appraisal by the Chairman and grants officers.

Consideration of applications relating to individual projects of up to £0.5m is delegated by the Board to the Chairman and a grants officer. All charitable giving made under this delegated authority is disclosed to the Board at its next meeting.

Consideration of applications which seek to promote the mission and ministry of the Methodist Church in Great Britain and the Methodist Church in Ireland is delegated by the Board to the Methodist Grants-Giving Committee. All charitable giving made under this delegated authority is disclosed to the Board at its next meeting.

## Charitable giving by subsidiaries

The trading subsidiaries of the charity have an organised programme of direct community investment independent of the charity, which is managed centrally by Ecclesiastical's Group Corporate Responsibility team and at business unit level by local management. Through this programme they seek to fulfil their position as responsible businesses, to build and support their customers and brand, and to engage their people. It operates in two key ways: supporting projects and partnerships important to customers and communities; and providing charitable support for employees to give to causes close to their heart.

# Allchurches Trust Limited

## Political donations

As a charity, the Trust is not able to make political donations. It is the policy of the charity's main trading subsidiaries not to make political donations.

## Going concern

A review of the financial position and performance of the charity and its trading subsidiaries has been outlined in the Strategic Report on pages 24 and 25 together with a description of the principal risks and uncertainties faced by the charity on pages 30-33.

The charity, together with its trading subsidiaries, has considerable financial resources: the unrestricted fund has investments of £879.3m, 93% of which are liquid (restated 2015: investments of £848.2m, 94% liquid); cash at bank and in hand of £122.7m and no borrowings (restated 2015: cash at bank and in hand of £140.7m and no borrowings). As a consequence, the trustees have a reasonable expectation that the group is well placed to manage its business risks successfully and continue in operational existence for the foreseeable future.

Accordingly, the trustees continue to adopt the going concern basis in preparing the annual report and accounts.

## Trustees' Responsibilities Statement

The trustees (who are also directors of Allchurches Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for

## Allchurches Trust Limited

safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

### **Auditor and the disclosure of information to the auditor**

So far as each person who was a trustee/director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow trustees and the charity's auditor, each trustee has taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

In accordance with Section 489 of the Companies Act 2006, a resolution proposing that Deloitte LLP be re-appointed as auditor of the charity will be put to the annual general meeting.

### **Equalities and diversity**

The charity and its trading subsidiaries are committed to the principle and practice of equal opportunity in employment for all employees of group undertakings, applicants for employment and board membership.

The group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing groups, group newsletters and the annual publication of financial reports. Regular meetings are held between management and employees and discussion is encouraged. It is the group's policy to give full consideration to applications for employment by disabled persons. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

The Trustees' Report of Allchurches Trust Limited was approved by the Board and signed on its behalf by

A handwritten signature in black ink, appearing to read 'P. Mawer', written over a horizontal line.

Sir Philip Mawer  
Chairman  
25 April 2017



# Allchurches Trust Limited

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLCHURCHES TRUST LIMITED CHARITABLE COMPANY**

We have audited the financial statements of Allchurches Trust Limited for the year ended 31 December 2016 which comprise the Charity Statement of Financial Activities (incorporating an Income and Expenditure Account), the Charity Balance Sheet, the Charity Cash Flow Statement, the consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account), the consolidated Balance Sheet, the consolidated Cash Flow Statement and the related notes 1 to 48. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditor**

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Allchurches Trust Limited

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2016 and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other 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 Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept by the parent charity or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Reza Motazed FCA (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
25 April 2017

# CHARITY STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)

for the year ended 31 December 2016

	Notes	2016			2015		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income and endowments from:							
Donations	3	7,672	-	7,672	55	-	55
Investments							
<i>Gift aid from subsidiary</i>		24,000	-	24,000	20,000	-	20,000
<i>Dividend and interest income</i>	4	96	1,993	2,089	31	1,595	1,626
<b>Total income</b>		<b>31,768</b>	<b>1,993</b>	<b>33,761</b>	<b>20,086</b>	<b>1,595</b>	<b>21,681</b>
Expenditure on:							
Raising funds	5	-	(165)	(165)	-	(129)	(129)
Charitable activities							
<i>Grants</i>	6	(13,196)	-	(13,196)	(11,692)	-	(11,692)
<i>Other expenditure on charitable activities</i>	7	(580)	-	(580)	(289)	-	(289)
Other		-	-	-	(52)	-	(52)
<b>Total expenditure</b>		<b>(13,776)</b>	<b>(165)</b>	<b>(13,941)</b>	<b>(12,033)</b>	<b>(129)</b>	<b>(12,162)</b>
Net gains/(losses) on investments	8	29,106	6,334	35,440	9,212	(1,211)	8,001
Taxation	9	-	(31)	(31)	-	(20)	(20)
<b>Net income in the year</b>		<b>47,098</b>	<b>8,131</b>	<b>55,229</b>	<b>17,265</b>	<b>235</b>	<b>17,500</b>
Transfers between funds							
Transfers to the endowment fund	17	(18,000)	18,000	-	(10,000)	10,000	-
Transfer of investment income	17	1,493	(1,493)	-	837	(837)	-
<b>Net movement in funds</b>		<b>30,591</b>	<b>24,638</b>	<b>55,229</b>	<b>8,102</b>	<b>9,398</b>	<b>17,500</b>
Total funds brought forward		387,759	45,240	432,999	379,657	35,842	415,499
Total funds carried forward		418,350	69,878	488,228	387,759	45,240	432,999

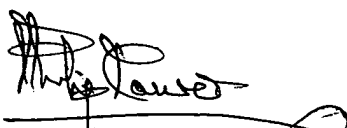
The accompanying notes are an integral part of this charity statement of financial activities. All income relates to continuing operations. The charity had no other recognised gains or losses during the current or prior year other than those included in the charity statement of financial activities.

# CHARITY BALANCE SHEET

for the year ended 31 December 2016

	Notes	2016		2015
		Unrestricted funds £000	Endowment funds £000	Total funds £000
<b>Fixed assets</b>				
Investments	13	402,402	54,909	457,311
<b>Total fixed assets</b>		<b>402,402</b>	<b>54,909</b>	<b>457,311</b>
<b>Current assets</b>				
Debtors	14	64	228	292
Investments	13	7,000	-	7,000
Cash at bank and in hand	15	9,938	14,743	24,681
<b>Total current assets</b>		<b>17,002</b>	<b>14,971</b>	<b>31,973</b>
<b>Liabilities</b>				
Creditors: amounts falling due within one year	16	(788)	(2)	(790)
<b>Net current assets</b>		<b>16,214</b>	<b>14,969</b>	<b>31,183</b>
<b>Total assets less current liabilities</b>		<b>418,616</b>	<b>69,878</b>	<b>488,494</b>
Creditors: amounts falling due after one year	16	(266)	-	(266)
<b>Total net assets</b>		<b>418,350</b>	<b>69,878</b>	<b>488,228</b>
<b>The funds of the charity:</b>				
Unrestricted funds	17	15,998	-	15,998
Endowment funds	17	-	69,878	69,878
Revaluation reserve	17	402,352	-	402,352
<b>Total unrestricted funds</b>		<b>418,350</b>	<b>69,878</b>	<b>488,228</b>
<b>Total funds</b>		<b>418,350</b>	<b>69,878</b>	<b>488,228</b>

The financial statements of Allchurches Trust Limited, registration number 1043742, on pages 42 to 55 were approved by the Board on 25 April 2017 and signed on its behalf by:

  
Sir Philip Mawer  
Chairman

C. Smith  
Trustee



# CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016	2015
	£000	£000
Net income for the reporting period	55,229	17,500
Adjustments for:		
Gains on investments	(35,440)	(8,001)
Dividend and interest income from investments	(2,089)	(1,626)
(Increase)/decrease in debtors	(8)	1
Increase in creditors	450	378
Taxation paid	31	20
Net cash provided by operating activities	18,173	8,272
Cash flows from investing activities:		
Dividend and interest income from investments	1,934	1,608
Proceeds from the sale of investments	7,174	3,054
Purchase of investments	(24,618)	(8,438)
Net cash used in investing activities	(15,510)	(3,776)
Change in cash and cash equivalents in the reporting period	2,663	4,496
Cash and cash equivalents at the beginning of the reporting period	22,014	17,499
Change in cash and cash equivalents due to exchange rate movements	4	19
Cash and cash equivalents at the end of the reporting period	24,681	22,014

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## 1 Accounting policies for charity parent only

Allchurches Trust Limited is a company limited by guarantee and a registered charity. The principal accounting policies adopted in preparing the charity financial statements are set out below.

### **Basis of preparation**

The financial statements of the charity 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) (SORP); Financial Reporting Standard 102 (FRS 102); and the Companies Act 2006 (the Act). The historical cost convention has been applied, modified to include certain items at fair value.

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

A review of the financial position and performance of the charity and its trading subsidiaries has been outlined in the Strategic Report on pages 24 and 25, together with a description of the principal risks and uncertainties faced by the charity on pages 30-33.

The charity has considerable financial resources: the unrestricted fund has cash at bank and in hand of £9.9m, cash deposits with original maturities of 12 months of £7.0m and no borrowings (2015: cash at bank and in hand of £15.1m, cash deposits with original maturities of 12 months of £nil and no borrowings). The charity also has access to considerable financial resources through its investment in its subsidiaries as outlined in consideration of the going concern status of the group in note 19. As a consequence, the trustees have a reasonable expectation that the charity is well placed to manage its business risks successfully and continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts of the charity.

The charity financial statements are stated in sterling, which is the charity's functional and presentational currency.

### **Fund structure**

Unrestricted funds of the charity consist of funds available to the trustees to apply for the general purposes of the charity, in addition to each of the priorities adopted by the charity as set out in the Strategic Report on page 9. Endowment funds are expendable endowments that are retained to strengthen the charity's reserves. The trustees have the power to convert endowment funds to expendable income. The trustees do not designate the funds that the charity receives.

### **Income**

#### **Gift aid**

Gift aid is recognised on an accruals basis at the point at which it is probable that the charity will receive the income and the amount receivable can be reliably measured.

#### **Donated services**

Donated services are an estimate of the fair value of management and administration costs incurred by subsidiary undertakings on behalf of the charity but not recharged. They are recognised on an accruals basis. An equal amount is included in expenditure on charitable activities.

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## Income from investments

Investment income consists of dividends and interest receivable for the year. Dividends on equity securities are recognised on the ex-dividend date. Interest is recognised as it accrues. Dividends from overseas equities are grossed-up for the irrecoverable withholding tax suffered.

Unrealised gains and losses are calculated as the difference between carrying value and the original cost, and the movement during the year is recognised in the statement of financial activities. The value of realised gains and losses includes an adjustment for previously recognised gains or losses on investments disposed of in the accounting period.

## Expenditure

### Charitable giving

Charitable giving is recognised once approved for payment by the Board. Charitable giving which is contingent upon the satisfaction of certain conditions is not recognised in the financial statements until those conditions have been satisfied. Contingent charitable giving is not material to the financial statements.

Expenditure is classified under the following headings in the statement of financial activities:

- Raising funds comprises the investment management fees incurred by the capital endowment fund.
- Charitable activities include charitable giving, shared costs (in respect of grants officers) and support costs (such as governance, finance and IT costs) including donated services. The bases for allocating costs to the specific activities are disclosed in note 7.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

## Taxation

ATL is a UK registered charity and is therefore exempt from corporation tax under Chapter 3 of Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes. Irrecoverable tax withheld from overseas dividend income in the capital endowment fund is recognised when the dividend is received.

## Transfers between funds

Transfers between the unrestricted fund and capital endowment fund are authorised by the Board, and are recognised when the cash is transferred.

## Financial instruments

As permitted by FRS 102, the charity has chosen to account for its financial instruments using the recognition and measurement provisions of IAS 39, *Financial Instruments: Recognition and Measurement* as adopted for use in the European Union and the disclosure requirements of section 11 and 12 of FRS 102.

IAS 39 requires certain financial assets and liabilities to be classified into separate categories, for which the accounting treatments differ.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- Financial instruments designated at fair value and those held for trading are subsequently carried at fair value. Changes in fair value are included in the statement of financial activities in the period in which they arise.
- All other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short term debtors and creditors when the recognition of interest would be immaterial).

The trustees consider that the carrying value of those financial assets and liabilities not carried at fair value in the financial statements approximates to their fair value.

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## Investments

### Financial assets at fair value

Investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the charity commits to purchase or sell the assets, at their fair value adjusted for transaction costs.

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available.

### Investments at amortised cost

Current asset investments at amortised cost consist of cash deposits with original maturities of more than three months but which mature within 12 months of the balance sheet date.

### Investment in subsidiary undertakings

Investment in subsidiary undertakings is accounted for at fair value. Changes in value are reported under 'net gains/(losses) on investments' in the parent statement of financial activities. The cumulative fair value gain is held in a revaluation reserve in the parent balance sheet.

### Short term deposits

Short term deposits at amortised cost are highly liquid investments with original maturities of three months or less.

### Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term deposits.

## 2 Critical accounting judgements and key sources of estimation uncertainty

In applying the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The key source of estimation uncertainty is determining the fair value of the investment in subsidiary undertakings. Estimating the fair value requires the use of valuation techniques which include discounted cash flow models and economic value analysis. Based on the calculations performed, the trustees deem that net asset value is a reasonable approximation of fair value. The carrying amount of the investment in subsidiary undertakings at the balance sheet date was £402,402,000 (2015: £373,296,000).

## 3 Donations

During the year the charity received donations totalling £7,579,000 from Methodist Insurance PLC. £4,000,000 was received under Gift Aid and a further £3,579,000 was transferred from the Charities Aid Foundation.

The charity received £93,000 (2015: £55,000) of donated services which the trustees have estimated as the fair value of management and administration costs incurred by subsidiary undertakings on behalf of the charity, but which are not recharged. An equal amount is included within expenditure on charitable activities.



# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## 4 Dividend and interest income

	2016			2015		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	1,433	1,433	-	1,163	1,163
Debt securities						
- government bonds	-	30	30	-	13	13
- listed	-	521	521	-	394	394
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	96	9	105	31	25	56
	<u>96</u>	<u>1,993</u>	<u>2,089</u>	<u>31</u>	<u>1,595</u>	<u>1,626</u>

## 5 Expenditure on raising funds

Expenditure on raising funds relates to investment management costs, which are charged to the capital endowment fund.

## 6 Grants

	Grants to institutions	Shared costs	Support costs	Total
	£000	£000	£000	£000
Church of England Dioceses	6,380	15	42	6,437
Church of England Cathedrals	1,053	15	42	1,110
Large grants, above £6,250	2,647	129	42	2,818
Small grants, up to £6,250	1,774	89	50	1,913
Special and Flagship Projects	1,210	44	41	1,295
Methodist Grant-Giving Committee grants	132	30	41	203
	<u>13,196</u>	<u>322</u>	<u>258</u>	<u>13,776</u>

The charity does not make grants to individuals.

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

Grants made to Church of England Dioceses during the year are listed on page 50. During the year the charity made the following other material institutional grants, where material is defined as over £50,000:

	2016 £000
Church of England Dioceses (analysed on page 50):	6,348
<b>Large grants, above £6,250:</b>	
Bath Abbey, Somerset	50
Liverpool Cathedral	100
Mustard Tree, Manchester	50
Representative Body of the Church of Ireland, Dublin	94
St Ebbe's Church, Oxford	58
St John's Church, Egham	57
St Mary Magdalene Church, Paddington	75
The Anglican Church of Canada, Toronto	100
The Representative Body of the Church in Wales	182
The RESOLVE project	52
The Yonge Street Mission, Toronto, Canada	300
	<hr/> 1,118
<b>Special and Flagship Projects:</b>	
Association of English Cathedrals, London	50
Churches Conservation Trust, London	129
Church of England Ministerial Experience Scheme, London	100
Church Urban Fund, London	50
Evangelical Alliance, London	90
Holy Trinity Brompton, London	50
Lead, Edinburgh	50
Llandaff Diocesan Board of Finance, Bridgend	60
Release Prison Partnership Ltd, Dublin	60
St John's College, Durham	100
Student Exploring Marriage Trust, Fareham	60
The Big Church Day Out, Littlehampton	60
The Friends of the Archbishop's Anglican Communion Fund (FACF), London	50
The Representative Body of the Church of Ireland (RCB), Dublin	90
The Society of Mary and Martha, Exeter	100
	<hr/> 1,099
<b>Methodist Grant-Giving Committee grants:</b>	
Trinity URC and Methodist Church, Great Harwood	50
	<hr/> 50
<b>Total material grants</b>	<hr/> <b>8,615</b>
<b>Grants that are not individually material:</b>	
Church of England Dioceses (analysed on page 50)	32
Church of England Cathedrals	1,053
Large grants, above £6,250	1,529
Small grants, up to £6,250	1,774
Special and Flagship Projects	111
Methodist Grant-Giving Committee grants	82
	<hr/> 4,581
<b>Total grants</b>	<hr/> <b>13,196</b>

Examples of grants paid are included in the Strategic Report. A full list of charitable grants in the year is included in the supplementary information on page 107.

## NOTES TO THE CHARITY FINANCIAL STATEMENTS

During the year, the charity made the following grants to Church of England Dioceses:

	2016 £000
<b>Church of England Dioceses:</b>	
Leeds Diocesan Board of Finance	335
The Diocese in Europe	17
The Diocese of Bath and Wells	140
The Diocese of Birmingham	136
The Diocese of Blackburn	130
The Diocese of Bristol	83
The Diocese of Canterbury	121
The Diocese of Carlisle	99
The Diocese of Chelmsford	260
The Diocese of Chester	159
The Diocese of Chichester	170
The Diocese of Coventry	91
The Diocese of Derby	140
The Diocese of Durham	173
The Diocese of Ely	101
The Diocese of Exeter	191
The Diocese of Gloucester	111
The Diocese of Guildford	99
The Diocese of Hereford	91
The Diocese of Leicester	131
The Diocese of Lichfield	233
The Diocese of Lincoln	166
The Diocese of Liverpool	156
The Diocese of London	440
The Diocese of Manchester	218
The Diocese of Newcastle	120
The Diocese of Norwich	178
The Diocese of Oxford	270
The Diocese of Peterborough	115
The Diocese of Portsmouth	73
The Diocese of Rochester	136
The Diocese of Salisbury	163
The Diocese of Sheffield	142
The Diocese of Sodor and Man	15
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	132
The Diocese of St Albans	147
The Diocese of St Edmundsbury and Ipswich	115
The Diocese of Truro	97
The Diocese of Winchester	125
The Diocese of Worcester	101
The Diocese of York	202
	<hr/>
	6,380

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## 7 Other expenditure on charitable activities

Other charitable expenditure of £580,000 relates to the shared costs and support costs incurred in the charity's grant making activities and can be analysed as follows:

	Church of England Dioceses £000	Church of England Cathedrals £000	Large grants, above £6,250 £000	Basis of allocation
Shared costs	15	15	129	Time spent
Support costs:				
Governance costs	20	20	20	Equal allocation
Finance	-	-	1	Number of grants
Information technology	3	3	3	Equal allocation
Buildings	4	4	4	Equal allocation
Corporate	3	3	2	Mixed allocation*
Other	12	12	12	Equal allocation
	<u>42</u>	<u>42</u>	<u>42</u>	
Other expenditure on charitable activities	<u>57</u>	<u>57</u>	<u>171</u>	
	Small grants, up to £6,250 £000	Special and Flagship Projects £000	Methodist Grant-Giving Committee grants £000	Basis of allocation
Shared costs	89	44	30	Time spent
Support costs:				
Governance costs	20	20	20	Equal allocation
Finance	10	-	-	Number of grants
Information technology	3	3	3	Equal allocation
Buildings	4	4	4	Equal allocation
Corporate	1	2	2	Mixed allocation*
Other	12	12	12	Equal allocation
	<u>50</u>	<u>41</u>	<u>41</u>	
Other expenditure on charitable activities	<u>139</u>	<u>85</u>	<u>71</u>	

\*Mixed allocation includes some expenses that have been allocated equally between the different categories and other expenses that have been allocated directly to specific categories based on the nature of the support cost.

## 8 Net gains/(losses) on investments

The net gains on investments in the unrestricted fund arises on its investment in subsidiary undertakings, which is accounted for at fair value.

The net gains/(losses) on investments in the capital endowment fund are all generated by financial assets at fair value through the statement of financial activities.

# NOTES TO THE CHARITY FINANCIAL STATEMENTS

## 9 Taxation

Allchurches Trust Limited is a registered charity and there is no corporation tax charge in the year (2015: £nil). The £31,000 (2015: £20,000) tax charge recognised in the statement of financial activities relates to irrecoverable withholding tax that has been suffered on dividends received from overseas equity investments held by the capital endowment fund.

## 10 Employee information

The charity itself has no direct employees, but uses staff employed by a subsidiary company to undertake its charitable activities. The subsidiary company recharges employee costs to the charity.

The average monthly number of full-time equivalent employees of the subsidiary company who carried out the charity's activities during the year was 4 (2015: 3). All employees were employed in the United Kingdom in both the current and prior year.

	2016 £000	2015 £000
Wages and salaries	184	124
Social security costs	19	11
Pension costs - defined contribution plans	10	7
Pension costs - defined benefit plans	9	10
	<u>222</u>	<u>152</u>

## 11 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Three trustees, who during the year were also non-executive directors of a subsidiary undertaking, received remuneration from that subsidiary in respect of their services as non-executive directors. Details of the remuneration they received are disclosed in note 28 to the consolidated financial statements.

During the year, the charity reimbursed expenses totalling £14,000 (2015: £5,000), which were incurred by 5 trustees (2015: 8 trustees) primarily in respect of travel expenses (2015: primarily in respect of travel and telephony services).

None of the trustees was a member of the trading subsidiaries' defined benefit pension schemes during the current or prior year.

## 12 Key management remuneration

Key management remuneration of the charity, including employee benefits, in the year was £78,000.

## NOTES TO THE CHARITY FINANCIAL STATEMENTS

### 13 Investments

	2016			2015		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Financial assets at fair value						
Equity securities						
- listed	-	45,471	45,471	-	30,406	30,406
Debt securities						
- government bonds	-	1,001	1,001	-	513	513
- listed	-	8,437	8,437	-	7,212	7,212
Investment in subsidiary	402,402	-	402,402	373,296	-	373,296
Total non-current investments	402,402	54,909	457,311	373,296	38,131	411,427
Current financial assets at amortised cost						
Cash on deposit	7,000	-	7,000	-	-	-
Total investments	409,402	54,909	464,311	373,296	38,131	411,427

The value of the investment in subsidiary on a historical cost basis is £50,000 (2015: £50,000).

Details of the charity's investment policy can be found in the Strategic Report on page 27.

Reconciliation of the movement in financial assets:

	2016			2015	
	Unrestricted funds	Endowment funds		Unrestricted funds	Endowment funds
	Investment in subsidiary	At amortised cost	At fair value	Investment in subsidiary	At fair value
	£000	£000	£000	£000	£000
Fair value at 1 January	373,296	-	38,131	364,084	33,957
Additions at cost	-	7,000	17,618	-	8,439
Sale proceeds	-	-	(7,174)	-	(3,054)
Fair value gains/(losses)	29,106	-	6,334	9,212	(1,211)
Fair value at 31 December	402,402	7,000	54,909	373,296	38,131

## NOTES TO THE CHARITY FINANCIAL STATEMENTS

### 14 Debtors

	2016		2015	
	Unrestricted funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £000
Prepayments and accrued income	64	228	-	172

### 15 Cash at bank and in hand

	2016		2015	
	Unrestricted funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £000
Short term deposits	3,512	-	-	-
Cash at bank and in hand	6,426	14,743	15,075	6,939
	<u>9,938</u>	<u>14,743</u>	<u>15,075</u>	<u>6,939</u>

### 16 Creditors

	2016		2015	
	Unrestricted funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £000
Amounts falling due within one year:				
Accruals for grants payable	692	-	562	-
Amounts due to related parties	1	-	9	-
Other creditors	95	2	1	2
	<u>788</u>	<u>2</u>	<u>572</u>	<u>2</u>
Amounts falling due after one year:				
Accruals for grants payable	266	-	40	-
	<u>266</u>	<u>-</u>	<u>40</u>	<u>-</u>

## NOTES TO THE CHARITY FINANCIAL STATEMENTS

### 17 Summary of fund movements

	Unrestricted funds £000	Endowment funds £000	Revaluation reserve £000	Total £000
Fund balance at 1 January 2016	14,513	45,240	373,246	432,999
Income	31,768	1,993	-	33,761
Expenditure	(13,776)	(165)	-	(13,941)
Taxation	-	(31)	-	(31)
Fair value gains on investments:				
Investment in subsidiary	-	-	29,106	29,106
Other investments at fair value	-	6,334	-	6,334
Net transfer between funds	(16,507)	16,507	-	-
Fund balance at 31 December 2016	15,998	69,878	402,352	488,228

The unrestricted fund consists of funds available to the trustees to apply for the general purposes of the charity, in addition to each of the priorities it has adopted as set out in the Strategic Report on page 9.

The capital endowment fund is an expendable endowment fund that is retained to strengthen the charity's reserves. During the year, £1,493,000 (2015: £837,000) of investment income in the capital endowment fund was converted to income and transferred to the unrestricted fund.

During the year, £18,000,000 (2015: £10,000,000) was transferred from the unrestricted fund into the capital endowment fund.

The revaluation reserve is the cumulative fair value gain on the charity's investment in subsidiary undertakings.

### 18 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. Transactions between the charity and its trustees, who are related parties, are disclosed in note 11.

	2016 £000	2015 £000
Gift aid received	24,000	20,000
Investment management fees paid	158	118
Expenses recharged	270	213
Amounts due to related parties	1	9

In the current and prior year gift aid was received from and expenses paid to Ecclesiastical Insurance Office plc. Investment management fees were paid to EdenTree Investment Management Limited. Both companies are subsidiaries of the group.



# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING A CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT)

for the year ended 31 December 2016

	Notes	2016			Restated* 2015		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
<b>Income from:</b>							
Donations		7,579	-	7,579	-	-	-
Other trading activities							
Income arising from trading activities	21	272,687	-	272,687	270,935	-	270,935
Investments							
Dividend, interest and rental income	22	39,347	1,993	41,340	35,999	1,595	37,594
<b>Total income</b>		<b>319,613</b>	<b>1,993</b>	<b>321,606</b>	<b>306,934</b>	<b>1,595</b>	<b>308,529</b>
<b>Expenditure on:</b>							
Raising funds		-	(165)	(165)	-	(129)	(129)
Charitable activities							
Grants		(13,196)	-	(13,196)	(11,692)	-	(11,692)
Other expenditure on charitable activities		(487)	-	(487)	(234)	-	(234)
Other							
Charitable donations paid by trading subsidiaries		(739)	-	(739)	(613)	-	(613)
Expenditure arising from parent		-	-	-	(52)	-	(52)
Expenditure arising from trading activities **		(241,703)	-	(241,703)	(266,245)	-	(266,245)
<b>Total expenditure</b>		<b>(256,125)</b>	<b>(165)</b>	<b>(256,290)</b>	<b>(278,836)</b>	<b>(129)</b>	<b>(278,965)</b>
Net gains/(losses) on investments	23	16,309	6,334	22,643	13,072	(1,211)	11,861
Taxation	24	(9,144)	(31)	(9,175)	(4,384)	(20)	(4,404)
		<b>70,653</b>	<b>8,131</b>	<b>78,784</b>	<b>36,786</b>	<b>235</b>	<b>37,021</b>
<b>Net (expenditure)/income for the year</b>	<b>25</b>						
a. arising from the charity		(6,007)	8,131	2,124	(11,947)	235	(11,712)
b. arising from trading activities		76,660	-	76,660	48,733	-	48,733
		<b>70,653</b>	<b>8,131</b>	<b>78,784</b>	<b>36,786</b>	<b>235</b>	<b>37,021</b>

\*The impact of discount rate changes on insurance contract liabilities has been presented within net gains/(losses) on investments for the first time in the current year. In the prior year the impact was included in expenditure arising from trading activities. The comparative financial statements have been restated to the revised basis, detailed in note 48.

\*\*The claims equalisation provision, held within provisions in the prior year (note 38), was previously required by law and maintained in compliance with the insurance companies' regulations and INSPRU prudential sourcebook for insurers. Solvency II replaces these rules with effect from 1 January 2016 and does not require a claims equalisation provision to be held. The provision, net of deferred tax, was transferred to net (expenditure)/income on 1 January 2016, and is shown within expenditure arising from trading activities and taxation accordingly.

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING A CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT) (CONTINUED)

for the year ended 31 December 2016

	Notes	2016			2015		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
<b>Transfer between funds</b>							
Transfers to the endowment fund		(18,000)	18,000	-	(10,000)	10,000	-
Transfer of investment income		1,493	(1,493)	-	837	(837)	-
<b>Other recognised (losses)/gains</b>							
Gains on revaluation of fixed assets		-	-	-	105	-	105
Actuarial losses on retirement benefits	39	(34,996)	-	(34,996)	(4,811)	-	(4,811)
<b>Other gains/(losses)</b>							
<i>Currency translation differences</i>	41	13,483	-	13,483	(6,461)	-	(6,461)
<i>Gains on net investment hedges</i>	41	2,067	-	2,067	-	-	-
Tax attributable to other recognised (losses)/gains	24	5,627	-	5,627	827	-	827
Minority interests	42	(9,104)	-	(9,104)	(9,181)	-	(9,181)
<b>Net movement in funds excluding minority interests</b>		<b>31,223</b>	<b>24,638</b>	<b>55,861</b>	<b>8,102</b>	<b>9,398</b>	<b>17,500</b>
Total funds brought forward		387,759	45,240	432,999	379,657	35,842	415,499
Acquisition of minority interests	42	(632)	-	(632)	-	-	-
<b>Total funds carried forward</b>		<b>418,350</b>	<b>69,878</b>	<b>488,228</b>	<b>387,759</b>	<b>45,240</b>	<b>432,999</b>

The accompanying notes are an integral part of this consolidated statement of financial activities. All income relates to continuing operations.

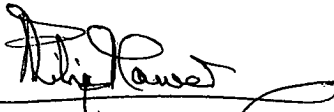
# CONSOLIDATED BALANCE SHEET

for the year ended 31 December 2016

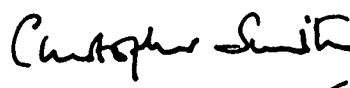
	Notes	2016 Total funds £000	Restated* 2015 Total funds £000
<b>Fixed assets</b>			
Intangible assets	31	26,607	31,336
Tangible assets	32	134,891	107,396
Investments	33	927,204	886,328
<b>Total fixed assets</b>		<b>1,088,702</b>	<b>1,025,060</b>
<b>Current assets</b>			
Debtors	35	414,982	312,520
Investments	33	7,000	-
Cash at bank and in hand	36	137,398	147,683
<b>Total current assets</b>		<b>559,380</b>	<b>460,203</b>
<b>Liabilities</b>			
Creditors: amounts falling due within one year	37	(97,786)	(94,203)
<b>Net current assets</b>		<b>461,594</b>	<b>366,000</b>
<b>Total assets less current liabilities</b>		<b>1,550,296</b>	<b>1,391,060</b>
Creditors: amounts falling due after one year	37	(1,543)	(1,282)
Provisions for liabilities	38	(919,010)	(849,692)
<b>Net assets excluding retirement benefit obligations</b>		<b>629,743</b>	<b>540,086</b>
Net pension (deficit)/asset	39	(24,752)	8,556
Other retirement benefit obligations	39	(11,913)	(9,193)
<b>Total net assets including retirement benefit obligations</b>		<b>593,078</b>	<b>539,449</b>
<b>The funds of the charity:</b>			
Unrestricted funds	40	15,998	14,513
Endowment funds	40	69,878	45,240
Revaluation reserve	40	577	572
Non-charitable trading reserves	40	380,327	366,553
Translation and hedging reserve	41	21,448	6,121
<b>Total unrestricted funds</b>		<b>488,228</b>	<b>432,999</b>
Minority interests	42	104,850	106,450
<b>Total funds</b>		<b>593,078</b>	<b>539,449</b>

\*The comparative financial statements have been restated to reflect a reclassification of cash at bank and in hand to investments, detailed in note 48.

The consolidated financial statements of Allchurches Trust Limited, registration number 1043742, on pages 56 to 106 were approved by the Board on 25 April 2017 and signed on its behalf by:

  
Sir Philip Mayer  
Chairman

C. Smith  
Trustee



# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	2016	Restated*
	£000	£000
Net income for the reporting period	78,784	37,021
Adjustments for:		
Depreciation of property, plant and equipment	1,957	1,883
Loss on disposal of property, plant and equipment	98	16
Revaluation of property, plant and equipment	1,020	(5,043)
Amortisation and impairment of intangible assets	6,542	6,525
Loss on disposal of intangible assets	-	11
Tax expense	9,175	4,404
Gains on investments	(42,371)	(2,626)
Dividend and interest income from investments	(33,939)	(32,036)
Finance costs	101	101
Increase in debtors	(22,342)	(22,610)
(Decrease)/increase in creditors	(1,160)	14,112
Decrease in provisions	(25,885)	(14,208)
Adjustment for pension funding	877	755
Increase in retirement benefit obligation	155	299
Proceeds from the sale of financial investments by trading subsidiaries	219,103	127,415
Purchase of investment property by trading subsidiaries	(27,993)	(24,130)
Purchase of financial investments by trading subsidiaries	(175,939)	(79,203)
Tax paid by trading subsidiaries	(5,488)	(7,581)
Dividends received by trading subsidiaries	8,507	9,391
Interest received by trading subsidiaries	20,615	23,686
Interest paid by trading subsidiaries	(101)	(101)
Net cash provided by operating activities	11,716	38,081
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,466)	(2,738)
Proceeds from the sale of property, plant and equipment	388	264
Purchases of intangible assets	(454)	(1,850)
Purchase of investments	(24,618)	(8,438)
Proceeds from the sale of investments	7,174	3,054
Acquisition of interests in subsidiaries, net of cash acquired	(816)	-
Disposal of businesses, net of cash transferred	-	5,260
Dividend and interest income from parent charity investments	1,934	1,608
Net cash used in investing activities	(18,858)	(2,840)

\*The comparative financial statements have been restated to reflect a reclassification of cash at bank and in hand to investments as detailed in note 48.

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2016

	2016 £000	Restated* 2015 £000
Cash flows from financing activities:		
Payment of finance lease liabilities	(368)	(331)
Dividends paid to non-controlling interests of subsidiaries	(9,104)	(9,181)
Net cash used in financing activities	<u>(9,472)</u>	<u>(9,512)</u>
Change in cash and cash equivalents in the reporting period	<u>(16,614)</u>	<u>25,729</u>
Cash and cash equivalents at the beginning of the reporting period	147,683	125,287
Change in cash and cash equivalents due to exchange rate movements	6,329	(3,333)
Cash and cash equivalents at the end of the reporting period	<u>137,398</u>	<u>147,683</u>

\*The comparative financial statements have been restated to reflect a reclassification of cash at bank and in hand to investments as detailed in note 48.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 Accounting policies for consolidated financial statements

The principal accounting policies adopted in preparing the consolidated financial statements are set out below. Where an accounting policy specifically relates to the charity, it is not repeated in the group's accounting policies, and reference should be made to note 1 to the charity's accounts.

### Basis of preparation

The consolidated financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; the Companies Act 2006 (the Act); and '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)' (SORP). The historical cost convention has been applied, modified to include certain items at fair value as permitted by section 404 of the Act. The format of the financial statements has been adapted to comply with the SORP as permitted by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

The principal activities of the trading subsidiaries of the charity remain the transaction of insurance and the provision of financial services. All funds within the trading subsidiaries support their trade. Note 46 includes certain disclosures relevant for groups containing insurance companies in accordance with Financial Reporting Standard 103 (FRS 103), Insurance Contracts.

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

The charity, together with its trading subsidiaries, has considerable financial resources: the unrestricted fund has investments of £879.3m, 93% of which are liquid (restated 2015: investments of £848.2m, 94% liquid); cash at bank and in hand of £122.7m and no borrowings (restated 2015: cash at bank and in hand of £140.7m and no borrowings). As a consequence, the trustees have a reasonable expectation that the group is well placed to manage its business risks successfully and continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts of the group.

Items included in the financial statements of each of the group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in sterling, which is the charity's functional and presentation currency.

### Basis of consolidation

The assets, liabilities and results of subsidiary undertakings are included in the consolidated financial statements using audited accounts made up to 31 December. For businesses acquired or disposed of during the year, the results and cash flows relating to a business are included in the consolidated statement of financial activities and the consolidated cash flow statement from the date of acquisition or up to the date of disposal. All inter-company transactions, balances and profits are eliminated.

The group uses the purchase method of accounting to account for business combinations. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date. Goodwill is calculated as the excess of the aggregate consideration transferred, the fair value of contingent consideration, the minority interests and, for an acquisition achieved in stages, the fair value of previously held equity interest over the fair value of the identifiable net assets acquired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **Foreign exchange**

The assets and liabilities of foreign operations are translated from their functional currencies into the group's presentation currency using year end exchange rates, and their income and expenses using average exchange rates for the year. Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. On disposal of a foreign operation, such exchange differences are transferred out of this reserve, along with the corresponding movement on net investment hedges, and are recognised in the statement of financial activities as part of the gain or loss on sale.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. Exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of financial activities.

## **Turnover**

### ***General insurance business***

Premiums written by trading subsidiaries are shown gross of commission paid to intermediaries and are accounted for in the period in which the risk commences. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed. Those proportions of premiums written in a year which relate to periods of risk extending beyond the end of the year are carried forward as unearned premiums.

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premium taxes.

### ***Long-term insurance business***

A trading subsidiary markets and sells pre-paid funeral plans, under the Perfect Choice brand. Immediately following a sale, the funeral plan funds are invested in a whole-of-life assurance policy with a life insurance company authorised by the Prudential Regulatory Authority (PRA). The trading subsidiary uses independent, third party, PRA authorised life insurance companies and a PRA authorised fellow trading subsidiary Ecclesiastical Life Limited (ELL) for this purpose. ELL is closed to new business.

By holding the funds in a whole-of-life assurance policy the Plan meets the requirements of Article 60(1) (a) of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

The ultimate responsibility for providing the funeral is passed to independent funeral directors who are not owned by the group.

In each case, the ultimate value and timing of the funeral plan funds that will be paid to the funeral director is uncertain. Therefore, the trading subsidiary has accepted insurance risk, as defined under FRS 103, from the plan holder. The settlement of the trading subsidiary's obligation under the funeral plan contract is directly matched by the proceeds it receives from the whole-of-life assurance policy, which is shown as long-term reinsurance. Only where the whole of life assurance policy is provided by ELL is the group exposed to the wider risks associated with a traditional life insurance business which are explained in more detail in note 3 of the EIG plc annual report and accounts which can be obtained from the registered office, as shown on page 5.

The funeral plan funds are recognised as written premium when receivable, at which date the liabilities arising from them are also recognised. The transfer of the funds to the life insurance company is then accounted for as a reinsurance premium, on the same day, which results in an offsetting reinsurance asset being recognised.

### ***Investment management and broking and advisory services***

Fees charged for investment management services are recognised as revenue when the services are provided. Initial fees, which exceed the level of recurring fees and relate to the future provision of services, are deferred and amortised over the anticipated period in which the services will be provided. Management fees charged in respect of funeral plans are only refundable where the plan is cancelled within 30 days, and are recognised in full when the plan is sold with provision being made for the expected level of cancellations that give rise to a refund.

Fee and commission income from the group's insurance broking activities is recognised at the inception date of the cover.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Claims

General insurance claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include all internal and external costs incurred in connection with the negotiation and settlement of claims.

Long-term insurance business claims and death claims are accounted for when notified.

## Insurance contract liabilities

### General insurance provisions

#### *(i) Outstanding claims provisions*

General insurance outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, the ultimate cost of which cannot be known with certainty at the balance sheet date. An estimate is made representing the best estimate plus a risk margin within a range of possible outcomes. Designated insurance liabilities are remeasured to reflect current market interest rates.

#### *(ii) Provision for unearned premiums*

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the statement of financial activities in order that revenue is recognised over the period of risk.

#### *(iii) Claims equalisation provision*

In the prior year provision was made in the consolidated accounts for the claims equalisation provision required by chapter 1 of the Prudential sourcebook for Insurers, in respect of trading subsidiaries. It was required to be included within provisions in the balance sheet even though no actual liability existed at the balance sheet date. Solvency II replaced these rules with effect from 1 January 2016 and does not require a claims equalisation provision to be held. The provision, having initially been recognised through net income/(expenditure), was released back to net income/(expenditure) on 1 January 2016 and is included in other expenditure arising from trading activities.

### Long-term business provisions

Under current requirements, long-term insurance contract liabilities arising from funeral plans, where the group's liability under the funeral plan is linked to inflation, are measured using accounting policies consistent with those adopted previously prior to the adoption of FRS 103. The long-term business provision is held in respect of funeral plans and determined using methods and assumptions approved by the directors of the trading subsidiaries based on advice from the Chief Actuary.

Long-term insurance contract liabilities arising from funeral plans, where the group's liability under the funeral plan is linked to performance of a with-profits life assurance plan provided by an independent, third party, life insurance company, are based on the group's estimate of the surrender value of the with-profits life assurance policy at the balance sheet date.

## Reinsurance

### General business

Certain trading subsidiaries assume and cede reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as direct business. Outwards reinsurance premiums are accounted for in the same accounting period as the related premiums for the direct or inwards business being reinsured. Estimates are included for premiums not notified by the year end and provision is made for the anticipated lapse of renewals not yet confirmed.

Reinsurance assets primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Reinsurance

### Long-term business

The group is the named beneficiary on a number of life assurance products sold by independent, third party, life insurance companies. The group has committed to pay the value it receives from these policies to the funeral director, appointed under the funeral plan of the named insured life, in consideration of their provision of the services agreed under the funeral plan. These contracts are shown as reinsurance of the corresponding obligations the group recognises in respect of the related funeral plan.

## Intangible assets

### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, being the difference between the cost and the fair value of assets and liabilities acquired, is capitalised in the balance sheet and amortised through the statement of financial activities over its estimated useful economic life of 10 years, on a straight-line basis. The gain or loss on any subsequent disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill.

### Other intangible assets

Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of the intangible assets acquired.

The amortisation charge for goodwill and other intangibles for the period is included in the statement of financial activities within expenditure arising from trading activities.

## Financial instruments

As permitted by FRS 102, the group has chosen to account for its financial instruments using the recognition and measurement provisions of IAS 39, *Financial Instruments: Recognition and Measurement* as adopted for use in the European Union.

IAS 39 requires certain financial assets and liabilities to be classified into separate categories, for which the accounting treatments differ.

The classification depends on the nature and purpose of the financial assets and liabilities, and is determined at the time of initial recognition. Financial instruments are initially measured at fair value. Their subsequent measurement depends on their classification:

- Financial instruments designated as at fair value, those held for trading, and hedge accounted derivatives are subsequently carried at fair value. Changes in the fair value of hedge accounted derivatives are included in the other recognised gains/(losses) in the statement of financial activities. All other changes in fair value are included in net gains/(losses) on investments in the statement of financial activities in the period in which they arise.
- All other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short-term debtors and creditors when the recognition of interest would be immaterial).

The trustees consider that the carrying value of those financial assets and liabilities not carried at fair value in the financial statements approximates to their fair value.

## Investments

### (i) Financial assets at fair value through profit or loss

Investments are classified into this category if they are managed, and their performance evaluated, on a fair value basis. Purchases and sales of these investments are recognised on the trade date, which is the date that the group commits to purchase or sell the assets, at their fair value adjusted for transaction costs. Financial investments within this category are classified as held for trading if they are derivatives that are not accounted for as a net investment hedge or are acquired principally for the purpose of selling in the near term.

The fair values of investments are based on quoted bid prices. Where there is no active market, fair value is established using a valuation technique based on observable market data where available.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## **(ii) Financial assets at amortised cost**

Financial assets at amortised cost include loans and cash held on deposit for more than three months. These are carried at amortised cost using the effective interest method. To the extent that a loan is uncollectable, it is written off as impaired. Subsequent recoveries are credited to the statement of financial activities.

## **Income from investments**

Investment income consists of dividends, interest and rent receivable for the year. Dividends on equity securities are recognised on the ex-dividend date. Interest is recognised as it accrues. Dividends from overseas equities are grossed-up for the irrecoverable withholding tax suffered.

The impact of discount rate changes on insurance contract liabilities has also been included within net gains/(losses) on investments for the first time in the current year. The prior period has been restated for the retrospective application of the change in accounting policy, detailed in note 48.

Unrealised gains and losses are calculated as the difference between carrying value and the original cost, and the movement during the year is recognised in the statement of financial activities. The value of realised gains and losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

## **Derivative financial instruments**

Derivative financial instruments include foreign exchange contracts and other financial instruments that derive their value from underlying equity instruments. All derivatives are initially recognised in the balance sheet at their fair value, which usually represents their cost, including any premium paid. They are subsequently remeasured at their fair value, with the method for recognising changes in the fair value depending on whether they are designated as hedges of net investments in foreign operations. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Certain trading subsidiary derivative transactions, while providing effective economic hedges under the trading subsidiaries' risk management positions, do not qualify for hedge accounting under FRS 102 and are therefore treated as held for trading. Their fair value gains and losses are recognised immediately in net gains/(losses) on investments. The fair value gains and losses for derivatives which are hedge accounted under FRS 102 are shown as other recognised gains/(losses) in the statement of financial activities.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the balance sheet as they do not represent the fair value of these transactions. Collateral pledged by way of cash margins on futures contracts is recognised as an asset on the balance sheet within cash at bank and in hand.

## **Derivative instruments for hedging of net investments in foreign operations**

On the date a foreign exchange contract is entered into, the trading subsidiaries designate certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedge the forward foreign currency rate. Hedge accounting is used for derivatives designated in this way, provided certain criteria are met. At the inception of the transaction, the trading subsidiaries document the relationship between the hedging instrument and the hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction. The trading subsidiaries also document their assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item, both at inception and on an ongoing basis.

Gains and losses on the hedging instrument, relating to the effective portion of the net investment hedge, are recognised in other recognised gains/(losses) as part of the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in net income/(expenditure), and is included in net investment gains/(losses). Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to net income/(expenditure) on disposal of the related investment.

## **Offset of financial assets and financial liabilities**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Deferred acquisition costs

### General insurance business

For general insurance business, a proportion of commission and other acquisition costs relating to unearned premiums is carried forward as deferred acquisition costs or, with regard to reinsurance outwards, as deferred income. Deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset.

### Long-term business

For long-term insurance contracts, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. Acquisition costs which are incurred during a financial year are deferred and amortised over the period during which the costs are expected to be recoverable, if applicable.

## Taxation

Tax arising from trading activities comprises current and deferred tax. Tax is included in calculating the net income/(expenditure) for the period except to the extent it relates to items recognised in other gains and losses, in which case it is recognised in other gains and losses. Irrecoverable tax withheld from overseas dividend income is recognised when the dividend is received.

Current tax is the expected tax payable by the trading subsidiaries on their taxable results for the period and any adjustment to the tax payable in respect of previous periods.

Deferred tax is recognised in respect of timing differences, being the difference between when gains and losses are included in tax assessments and when they are recognised in the financial statements. Deferred tax is measured using tax rates expected to apply when the related deferred tax asset is realised or when the deferred tax liability is settled based on tax rates and laws which have been enacted or substantively enacted at the year end date.

Deferred tax assets are recognised to the extent that it is more likely than not that future taxable profits will be available against which the future reversal of timing differences can be offset.

## Tangible assets

Investment property comprises land and buildings which are held for long-term rental yields. It is carried at fair value with changes in value recognised in the statement of financial activities within net gains or losses on investments. Investment property is valued annually by external qualified surveyors.

Owner-occupied property is stated at fair value and movements are taken to the revaluation reserve, net of deferred tax. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to non-charitable trading reserves. Where the market value of an individual property is below original cost, any revaluation movement arising during the year is recognised within net gains/(losses) on investments in the statement of financial activities. Valuations are carried out at least every three years by external qualified surveyors.

All other items classified as tangible fixed assets are carried at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of the assets to their residual values over their estimated useful lives as follows:

Computer equipment	3 - 5 years straight line
Motor vehicles	4 years straight line or 27% reducing balance
Fixtures, fittings and office equipment	3 - 10 years, or length of lease, straight line

## Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposit held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Employee benefits

### Pension obligations

The trading subsidiaries operate a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds.

For defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the statement of financial activities so as to spread the regular cost over the service lives of employees, in accordance with the advice of qualified actuaries. The pension obligation is measured as the present value of the estimated future cash outflows using a discount rate based on market yields for high-quality corporate bonds. The resulting pension scheme surplus, where recoverable, or deficit appears as an asset or obligation in the consolidated balance sheet. Actuarial gains and losses are recognised immediately in the statement of financial activities within other recognised gains/(losses).

Contributions in respect of defined contribution schemes are recognised as expenditure in the statement of financial activities as incurred.

### Other post-employment obligations

Some trading subsidiaries provide post-employment medical benefits to their retirees. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses are recognised immediately in the statement of financial activities within other recognised gains/(losses). Independent qualified actuaries value these obligations annually.

### Other benefits

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

### Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made as lessees under operating leases are charged to net income/(expenditure) on a straight-line basis over the period of the lease. Rental income received as a lessor under operating leases is credited to net income/(expenditure) on a straight-line basis over the period of the lease. Benefits that the group receives as a lessee or provides as a lessor as an incentive to enter into an operating lease agreement are spread on a straight-line basis over the lease term.

Leases, where a significant portion of the risks and rewards of ownership are transferred to the group, are classified as finance leases. Assets obtained under finance lease contracts are capitalised as tangible assets and are depreciated over the period of the lease. Obligations under such agreements are included within other creditors net of finance charges allocated to future periods. The interest element of the lease payments is charged to net income/(expenditure) over the period of the lease.

## 20 Critical accounting estimates and judgements in applying accounting policies

The trading subsidiaries make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are regularly reviewed and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical accounting estimates and judgements made by the trading subsidiaries relate to:

- (a) The ultimate liability arising from claims made under general business insurance contracts
- (b) Estimate of future benefit payments arising from long-term insurance business
- (c) Pensions and other post-employment benefits
- (d) Goodwill
- (e) Carrying value of tax liabilities
- (f) Unlisted equity securities

Full details of the critical accounting estimates and judgements that are made by the trading subsidiaries can be found in the notes to the financial statements of EIG plc, which are available from the registered office on page 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21 Trading activities

The income and expenditure arising from trading activities relates to the activities of the charity's trading subsidiaries.

A full list of the charity's trading subsidiaries is provided in note 44. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities on page 56.

The income from trading activities includes net earned premiums and fee and commission income for insurance business; and fee and commission income for investment management and broking and advisory services, which includes prepaid funeral plan distribution and administration.

The expenditure from trading activities includes net incurred claims, fees, commissions and expenses for insurance business; and expenses for investment management and broking and advisory services, which includes prepaid funeral plan distribution and administration.

Gross written premiums are used as the measure of turnover for the general insurance and long-term insurance businesses. Fee and commission income earned in relation to services provided by the group to third parties is the measure of turnover for investment management and broking and advisory activities, which includes prepaid funeral plan distribution and administration.

**(a) An analysis of the group's turnover by geographical location of office is set out below:**

	2016 £000	2015 £000
United Kingdom and Ireland	289,248	269,986
Australia	41,810	37,451
Canada	45,470	39,907
	<u>376,528</u>	<u>347,344</u>
Reconciliation of turnover to income from trading subsidiaries:		
Turnover	376,528	347,344
Outward reinsurance premium	(140,747)	(113,115)
Net change in provision for unearned premium	1,103	4,677
Other fee and commission income not included in turnover	35,803	32,029
Income arising from trading activities	<u>272,687</u>	<u>270,935</u>

**(b) An analysis of the turnover from trading activities by class of business is set out below:**

	2016 £000	2015 £000
General insurance business	310,061	308,086
Long-term insurance business	26,783	113
Investment management	10,070	11,275
Broking and advisory	29,614	27,870
	<u>376,528</u>	<u>347,344</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) An analysis of long-term insurance gross written premiums is set out below:

	2016	2015
	£000	£000
Single premiums	26,770	101
Regular premiums	13	12
	<u>26,783</u>	<u>113</u>

(d) Results of trading subsidiaries engaged in insurance business

	2016			Restated 2015	
	Ecclesiastical Insurance Office plc £000	Ansvar Insurance Limited £000	Ecclesiastical Life Limited £000	Total £000	Total £000
<b>Profit and loss account</b>					
Turnover	268,270	41,810	77	310,157	308,200
Dividend and interest income	37,090	3,654	2,923	43,667	38,404
Other income	(57,743)	(19,410)	-	(77,153)	(76,409)
Total income	<u>247,617</u>	<u>26,054</u>	<u>3,000</u>	<u>276,671</u>	<u>270,195</u>
Net incurred claims	(77,660)	(8,866)	(1,694)	(88,220)	(101,233)
Charitable donations	(547)	(141)	-	(688)	(435)
Other expenditure	(98,958)	(14,792)	(454)	(114,204)	(126,912)
Total expenditure	<u>(177,165)</u>	<u>(23,799)</u>	<u>(2,148)</u>	<u>(203,112)</u>	<u>(228,580)</u>
Net gains/(losses) on investments	16,295	(1,157)	2,446	17,584	7,800
Taxation	(7,306)	(338)	(100)	(7,744)	(2,836)
Gift aid paid to parent charity	(24,000)	-	-	(24,000)	(20,000)
Other comprehensive income and changes in equity	<u>(30,252)</u>	<u>5,149</u>	<u>-</u>	<u>(25,103)</u>	<u>(23,620)</u>
Profit retained and transferred to reserves	<u>25,189</u>	<u>5,909</u>	<u>3,198</u>	<u>34,296</u>	<u>2,959</u>
<b>Balance sheet</b>					
Total assets	<u>1,141,792</u>	<u>177,901</u>	<u>141,868</u>	<u>1,461,561</u>	<u>1,425,086</u>
Equity	433,849	45,402	47,719	526,970	491,998
Liabilities	707,943	132,499	94,149	934,591	933,088
Total liabilities	<u>1,141,792</u>	<u>177,901</u>	<u>141,868</u>	<u>1,461,561</u>	<u>1,425,086</u>
These results have been included in the consolidated statement of financial activities on page 56 after consolidation adjustments.					

As described in note 48, the impact of discount rate changes on insurance contract liabilities has been reclassified from expenditure arising from trading activities to net gains/(losses) on investments, with the comparative period being restated to the revised basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (e) Results of trading subsidiaries engaged in investment management and broking and advisory services

	2016				2015	
	Ecclesiastical Planning Services Limited £000	EdenTree Investment Management Limited £000	South Essex Insurance Brokers Limited £000	Lycetts Holdings Limited £000	Total £000	Total £000
<b>Profit and loss account</b>						
Turnover	1,923	12,478	8,956	19,902	43,259	41,198
Dividend and interest income	4	54	700	134	892	722
Total income	1,927	12,532	9,656	20,036	44,151	41,920
Charitable donations	-	-	(48)	(3)	(51)	(51)
Other expenditure	(1,905)	(10,944)	(7,620)	(17,461)	(37,930)	(35,048)
Total expenditure	(1,905)	(10,944)	(7,668)	(17,464)	(37,981)	(35,099)
Net gains/(losses) on investments	-	-	-	-	-	35
Taxation	(5)	(322)	(478)	(533)	(1,338)	(1,353)
Other comprehensive income and changes in equity	-	(3,000)	(1,000)	(4,051)	(8,051)	838
Profit/(loss) retained and transferred to/(from) reserves	17	(1,734)	510	(2,012)	(3,219)	6,341
<b>Balance sheet</b>						
Total assets	159,948	14,000	16,941	24,285	215,174	54,880
Equity	121	8,399	11,856	4,256	24,632	28,550
Liabilities	159,827	5,601	5,085	20,029	190,542	26,330
Total liabilities	159,948	14,000	16,941	24,285	215,174	54,880
These results have been included in the consolidated statement of financial activities on page 56 after consolidation adjustments.						

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22 Dividend, interest and rental income

	2016			2015		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income from financial assets at fair value through profit or loss						
Equity securities						
- listed	6,812	1,433	8,245	7,408	1,163	8,571
- unlisted	3,432	-	3,432	1,968	-	1,968
Debt securities						
- government bonds	1,561	30	1,591	3,159	13	3,172
- listed	16,120	521	16,641	17,351	394	17,745
Income from financial assets at amortised cost						
a. interest income on mortgages and other loans	-	-	-	26	-	26
b. cash at bank and in hand and cash deposits net of exchange gains and losses	3,778	9	3,787	(321)	25	(296)
c. other income received	1,257	-	1,257	1,412	-	1,412
Other income						
d. rental income	6,387	-	6,387	4,996	-	4,996
	<u>39,347</u>	<u>1,993</u>	<u>41,340</u>	<u>35,999</u>	<u>1,595</u>	<u>37,594</u>

### 23 Net gains/(losses) on investments

	2016			Restated 2015		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Net gains/(losses) on investments	36,037	6,334	42,371	3,860	(1,211)	2,649
Net (losses)/gains on investment property	(1,116)	-	(1,116)	4,970	-	4,970
Impact of discount rate change on insurance contract liabilities	(18,612)	-	(18,612)	4,242	-	4,242
	<u>16,309</u>	<u>6,334</u>	<u>22,643</u>	<u>13,072</u>	<u>(1,211)</u>	<u>11,861</u>

As described in note 48, the impact of discount rate changes on insurance contract liabilities has been reclassified from expenditure arising from trading activities to net gains/(losses) on investments, with the comparative period being restated to the revised basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 Tax arising from trading activities

The charity is a UK registered charity and is therefore exempt from corporation tax under Chapter 3 of Part 11 of the Corporation Tax Act 2010 or section 256 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

Taxation arises from the activities of the charity's trading subsidiaries.

(a) Tax charged/(credited) to net income/(expenditure) for the year

	2016 £000	2015 £000
Current tax on net income for the year		
UK corporation tax	4,948	3,197
Double tax relief	(19)	4
	<u>4,929</u>	<u>3,201</u>
Foreign tax	(227)	1,358
Adjustments in respect of prior years		
UK corporation tax	84	404
Foreign tax	-	(19)
	<u>84</u>	<u>385</u>
Total current tax	<u>4,786</u>	<u>4,944</u>
Deferred tax		
Origination and reversal of timing differences	5,774	2,644
Effect of change in tax rate on opening liability	(1,385)	(3,186)
Adjustment in respect of prior years	-	2
Total deferred tax	<u>4,389</u>	<u>(540)</u>
Total tax on net income/(expenditure) for the year	<u>9,175</u>	<u>4,404</u>

A change in the UK standard rate of corporation tax from 21% to 20% became effective from 1 April 2015. Where appropriate, current tax has been provided at the rate of 20% for the current year and at the blended rate of 20.25% for the prior year. A further reduction in the rate of corporation tax to 19% will become effective from April 2017, reducing again to 17% effective from April 2020. Deferred tax has been provided at an average rate of 17.6% (2015: 18.6%).

Tax on the group's net income before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

	2016 £000	2015 £000
Net income before tax	87,959	41,425
Tax calculated at the UK standard rate of tax of 20% (2015: 20.25%)	17,592	8,389
<i>Factors affecting charge for the year:</i>		
Expenses not deductible for tax purposes	5,905	1,437
Non-taxable income	(2,867)	(1,272)
Long-term insurance and other tax paid at non-standard rates	(10,216)	(613)
Generation/(utilisation) of tax losses for which no deferred tax asset has been recognised	62	(203)
Impact of reduction in deferred tax rate	(1,385)	(3,721)
Adjustments to tax charge in respect of prior periods	84	387
Total tax expense	<u>9,175</u>	<u>4,404</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Tax charged/(credited) to other recognised gains/(losses)

	2016 £000	2015 £000
Current tax charged on:		
Fair value movements on hedge derivatives	204	-
Deferred tax (credited)/charged on:		
Fair value movements on owner-occupied property	(5)	(22)
Actuarial movements on retirement benefit plans	(5,845)	(805)
Fair value movements on hedge derivatives	19	-
Total tax (credited)/charged to other recognised gains/(losses)	<u>(5,627)</u>	<u>(827)</u>

## 25 Net (expenditure)/income for the year

	2016		2015	
	Unrestricted funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £000
Net (expenditure)/income for the year has been arrived at after charging/(crediting):				
Net foreign exchange (gains)/losses	(2,995)	(4)	1,421	(20)
Depreciation of tangible fixed assets	1,957	-	1,883	-
Amortisation of goodwill	4,228	-	4,162	-
Amortisation of intangible assets	2,314	-	2,363	-
Operating lease rentals	3,994	-	3,772	-
Fair value gains/(losses) on investments designated at fair value through profit and loss	36,037	6,334	3,837	(1,211)
Fair value (losses)/gains on investment property	(1,116)	-	4,845	-
The amortisation of goodwill is included in 'expenditure arising from trading activities' in the consolidated statement of financial activities.				

## 26 Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	8	6
Fees payable to the charity's auditor and its associates for other services:		
- The audit of the charity's subsidiaries	514	478
Total audit fees	<u>522</u>	<u>484</u>
- Audit-related assurance services	281	86
- Other assurance services	7	6
Total non-audit fees	<u>288</u>	<u>92</u>
Fees payable to the charity's auditor in respect of associated pension schemes		
- The audit of associated pension schemes	17	17
Total auditor's remuneration	<u>827</u>	<u>593</u>
Amounts disclosed are net of services taxes, where applicable.		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 27 Employee information

The average monthly number of employees of the group, including Executive Directors of the trading subsidiaries, during the year by geographical location was:

	2016 No.	2015 No.
United Kingdom and Ireland	1,110	1,075
Australia	87	92
Canada	71	68
	<u>1,268</u>	<u>1,235</u>

	2016 £000	2015 £000
Wages and salaries	68,771	61,911
Social security costs	6,682	5,564
Pension costs - defined contribution plans	3,495	3,103
Pension costs - defined benefit plans	3,126	3,181
Other post-employment benefits	346	460
	<u>82,420</u>	<u>74,219</u>

The above figures do not include termination benefits of £673,000 (2015: £996,000).

Due to the high number of qualified and skilled staff the Statement of Recognised Practice's requirement to disclose the number of group employees who received emoluments over £60,000 is commercially sensitive to the trading activities of the group and, with the agreement of the charity's trustees, is not made here.

## 28 Key management remuneration

Three trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. Details of the emoluments received are as follows:

	2016 £000	Restated* 2015 £000
Timothy Carroll	58	53
David Christie	14	60
Ms Denise Wilson	60	53
Total emoluments paid to trustees in their capacity as non-executive directors of subsidiary undertakings	<u>132</u>	<u>166</u>

\* Timothy Carroll became a trustee of the charity on 25 April 2016. He received remuneration as a non-executive director of a subsidiary undertaking during 2015 which has been disclosed for comparative purposes.

None of the trustees was a member of the trading subsidiaries' defined benefit pension schemes during the current or prior year.

The key management remuneration of the charity is disclosed in note 12. The key management remuneration of the trading subsidiaries can be found in note 12 of the EIG plc annual report and accounts which are available from the registered office, as shown on page 5.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 Acquisition of subsidiary

Ecclesiastical Insurance Group plc (EIG plc) acquired NAFD Services Limited (which was re-named Ecclesiastical Planning Services Limited (EPSL) after acquisition) in January 2016 following the National Association of Funeral Directors (NAFD's) decision to put the business up for sale. The group had provided a full administration service for this business since 2006 and wished to continue to operate in this growing market. EPSL's intention is to continue distributing funeral plans through funeral directing firms that are members of NAFD whilst remaining alert to opportunities that will enable plan sales to grow as a result of developing relationships with suitable distribution partners.

EIG plc paid a total consideration, including costs, of £126,000 to acquire EPSL. The identifiable net liabilities of EPSL at acquisition were £587,000. Goodwill of £713,000 has been recognised at group level.

EIG plc subsequently subscribed to a further 700,000 shares in EPSL, which were issued at £1 nominal value.

### 30 Disposal of business

On 20 January 2015, Ecclesiastical Financial Advisory Services Limited entered into an agreement to transfer its mortgage business to Holmesdale Building Society. The transfer was completed on 1 February 2015.

	2015 £000
The net assets at the date of disposal were:	
Financial investments	6,084
Consideration and costs of sale:	
Cash received	(5,260)
Contingent consideration arrangement	(824)
Sale costs and related net expenses	19
Loss on disposal	<u>19</u>

The net cash inflow arising on disposal was £5,260,000.

In 2015, the fair value of the contingent consideration was estimated to be £824,000, with the final amount payable being dependent on the development of the mortgage book over the seven years after disposal. At 31 December 2016, £194,000 of the contingent consideration had been received.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 31 Intangible assets

	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
<b>Cost</b>				
At 1 January 2016	45,802	20,509	16,727	83,038
Additions	713	454	-	1,167
Disposals	-	(1,012)	-	(1,012)
Exchange movements	-	796	-	796
At 31 December 2016	46,515	20,747	16,727	83,989
<b>Amortisation</b>				
At 1 January 2016	27,015	15,882	8,805	51,702
Provided in the year	4,228	1,185	1,129	6,542
Disposals	-	(1,012)	-	(1,012)
Exchange movements	-	150	-	150
At 31 December 2016	31,243	16,205	9,934	57,382
<b>Net book value</b>				
At 1 January 2016	18,787	4,627	7,922	31,336
At 31 December 2016	15,272	4,542	6,793	26,607

Goodwill arose on the acquisition of subsidiary undertakings and on the acquisition of business.

Other intangible assets consist of acquired brand, customer and distribution relationships, which have an overall remaining useful life of six years on a weighted average basis.

£5,979,000 of the other intangible assets balance in the current year relates to the acquisition of Lycetts Holdings Limited and has a remaining useful life of six years.

None of the intangible assets noted above relate to the charity.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 Tangible assets

	Land and buildings		Computer equipment	Motor vehicles	Office equipment	Total
	Investment property	Freehold				
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
At 1 January	98,750	3,090	6,447	2,643	7,271	118,201
Additions - acquisitions	27,851	-	871	522	1,595	30,839
Additions - subsequent expenditure	142	-	-	-	-	142
Disposals	(343)	-	(773)	(653)	(946)	(2,715)
Fair value (losses)/gains	(1,116)	25	-	-	-	(1,091)
Exchange movements	-	-	144	-	230	374
At 31 December	125,284	3,115	6,689	2,512	8,150	145,750
<b>Depreciation</b>						
At 1 January	-	-	4,932	1,037	4,836	10,805
Charge for the year	-	-	825	408	724	1,957
Disposals	-	-	(769)	(421)	(942)	(2,132)
Exchange movements	-	-	83	-	146	229
At 31 December	-	-	5,071	1,024	4,764	10,859
<b>Net book value</b>						
At 1 January	98,750	3,090	1,515	1,606	2,435	107,396
At 31 December	125,284	3,115	1,618	1,488	3,386	134,891

None of the tangible assets noted above relate to the charity.

The group's investment properties were revalued at 31 December 2016 by Cluttons LLP, an external firm of chartered surveyors. Valuations have been carried out in accordance with The RICS Valuation - Professional Standards UK, revised in April 2015.

All freehold properties were revalued at 31 December 2015, with the exception of two properties, one of which was revalued at 31 December 2014 and the other at 31 December 2016. Valuations were carried out by Cluttons LLP in accordance with The RICS Valuation - Professional Standards UK, revised in April 2015.

The value of the investment property on a historical cost basis is £119,880,000 (2015: £92,300,000). The value of freehold property on a historical cost basis is £3,337,000 (2015: £3,337,000).

Included within investment property is long leasehold property with a net book value at 31 December 2016 of £15,657,000.

There are no restrictions on the realisability of investment and freehold property, nor on the remittance of income and proceeds of disposal. At the year end, there were no contractual obligations relating to investment properties.

Included within net book value of motor vehicles is £1,359,000 and within net book value of computer equipment is £nil in respect of assets held under finance leases.

Investment property transactions are shown as operating activities in the consolidated statement of cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 Investments

	2016 £000	Restated 2015 £000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	308,197	304,921
- unlisted	41,155	36,304
Debt securities		
- government bonds	180,228	161,203
- listed	382,625	373,263
- unlisted	139	187
Derivative financial instruments:		
- forwards	2,974	-
- options	-	713
	<u>915,318</u>	<u>876,591</u>
Financial assets at fair value through other recognised gains/(losses)		
Derivative financial instruments:		
- forwards	2,067	-
	<u>2,067</u>	<u>-</u>
Financial assets at amortised cost		
Cash held on deposit	9,802	9,721
Other loans	17	16
	<u>9,819</u>	<u>9,737</u>
Total non-current investments	<u>927,204</u>	<u>886,328</u>
Current asset investments at amortised cost		
Cash held on deposit	7,000	-
Total investments	<u>934,204</u>	<u>886,328</u>

As described in note 48, the comparative period has been restated for cash held on deposit, which has been reclassified from cash at bank and in hand to investments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of the movement in financial assets:

	Unrestricted funds		Endowment funds	
	At fair value	At amortised	At fair value	At amortised
	through profit or loss £000	cost £000	through profit or loss £000	cost £000
<b>2016</b>				
Fair value at 1 January	838,460	9,737	38,131	-
Additions at cost	175,852	7,087	17,618	-
Sale proceeds	(225,013)	-	(7,174)	-
Fair value gains	43,097	-	6,334	-
Redemption and repayments	-	(5)	-	-
Exchange losses	30,080	-	-	-
Fair value at 31 December	862,476	16,819	54,909	-
<b>2015 (restated)</b>				
Fair value at 1 January	890,198	20,842	33,957	-
Additions at cost	79,197	6	8,439	-
Sale proceeds	(118,671)	(10,985)	(3,054)	-
Fair value gains/(losses)	1,604	(14)	(1,211)	-
Redemptions and repayments	-	(112)	-	-
Exchange losses	(13,868)	-	-	-
Fair value at 31 December	838,460	9,737	38,131	-



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 34 Derivative financial instruments

The trading subsidiaries utilise derivatives to mitigate equity price risk arising from investments held at fair value, foreign exchange risk arising from investments denominated in foreign currencies, and foreign exchange risk arising from investments denominated in Sterling that contain underlying foreign currency exposure. These 'non-hedge' derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

In the current year, a trading subsidiary has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A gain of £2,067,000 (2015: £nil) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 41. The trading subsidiary has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

Group	2016			2015		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
<b>Non-hedge derivatives</b>						
<i>Equity/Index contracts</i>						
Futures	25,157	-	543	30,763	-	1,466
Options	-	-	-	7,501	713	-
<i>Foreign exchange contracts</i>						
Forwards (Euro)	78,511	2,974	-	-	-	-
<b>Hedge derivatives</b>						
<i>Foreign exchange contracts</i>						
Forwards (Australian dollar)	39,443	1,954	-	-	-	-
Forwards (Canadian dollar)	29,047	113	-	-	-	-
	<b>172,158</b>	<b>5,041</b>	<b>543</b>	<b>38,264</b>	<b>713</b>	<b>1,466</b>

All balances are current.

The notional amounts above reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transactions. They do not reflect current market values of the open positions.

Derivative fair value assets are recognised within investments (note 33) and derivative fair value liabilities are recognised within creditors (note 37).

Amounts pledged as collateral in respect of derivative contracts are disclosed in note 36.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 Debtors

	2016 £000	2015 £000
<b>(a) Amounts falling due within one year</b>		
Trade debtors	84,237	74,886
Other debtors	24,653	24,102
Amounts due from related parties	3	23
Reinsurers' share of technical provisions	102,151	98,967
Accrued rent and interest	5,663	6,281
Deferred acquisition costs	30,705	28,394
Current tax recoverable	1,400	331
Other prepayments and deferred income	5,617	3,619
	<u>254,429</u>	<u>236,603</u>
<b>(b) Amounts falling due after one year</b>		
Trade debtors	2,000	2,000
Other debtors	1,231	6
Reinsurers' share of technical provisions	154,233	71,773
Deferred tax assets	3,075	2,138
Other prepayments and deferred income	14	-
	<u>160,553</u>	<u>75,917</u>
<b>Total debtors</b>	<u>414,982</u>	<u>312,520</u>

Trade debtors are the debtors arising from the direct insurance, insurance broking and reinsurance operations of trading subsidiaries. Where there are legal rights of set off, reinsurance debtors and creditors within the same party have been netted off to show the net debtor or creditor that will actually be settled.

The reinsurers' share of technical provisions include balances due from insurance and reinsurance companies for ceded insurance liabilities arising from the insurance business of the trading subsidiaries. Further information is provided in note 46 VII.

A reconciliation of the movement in deferred acquisition costs is presented in note 46 VI.

#### (c) Overdue and impaired trade debtors

There has been no significant change in the recoverability of the group's trade debtors arising out of insurance and reinsurance operations, for which no collateral is held. The trustees consider that the amounts are recoverable at their carrying values, which are stated net of an allowance for doubtful debts for those debtors that are individually determined to be impaired.

The group allowance for doubtful debts includes a provision of £154,000 (2015: £163,000) in respect of debtors that are individually determined to be impaired based on an assessment of their ageing profile and credit rating at the reporting date.

Included within debtors is £6,018,000 (2015: £5,242,000) overdue but not impaired. Of this balance, £5,414,000 (2015: £4,647,000) is not more than three months overdue at the reporting date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 36 Cash at bank and in hand

	Unrestricted funds	2016 Endowment funds	Total £000	Unrestricted funds £000	Restated 2015 Endowment funds £000	Total £000
Short term deposits	42,751	-	42,751	57,266	-	57,266
Cash at bank and in hand	79,904	14,743	94,647	83,478	6,939	90,417
	<u>122,655</u>	<u>14,743</u>	<u>137,398</u>	<u>140,744</u>	<u>6,939</u>	<u>147,683</u>

Included within short-term bank deposits are trading subsidiary cash deposits of £1,956,000 (2015: £3,122,000) pledged as collateral by way of cash margins on open derivative contracts and cash to cover derivative liabilities.

Included within cash at bank and in hand are trading subsidiary cash deposits of £2,612,000 (2015: £nil) pledged as collateral by way of cash calls from reinsurers.

As described in note 48, the comparative period has been restated for cash held on deposit, which has been reclassified from cash at bank and in hand to investments.

### 37 Creditors

	2016 £000	2015 £000
(a) Amounts falling due within one year		
Trade creditors	20,162	25,948
Other creditors	32,996	26,857
Derivative liabilities	543	1,466
Corporation tax	4,179	3,667
Accruals and deferred income	39,906	36,265
	<u>97,786</u>	<u>94,203</u>
(b) Amounts falling due after one year		
Other creditors	1,277	1,242
Accruals and deferred income	266	40
	<u>1,543</u>	<u>1,282</u>

Trade creditors are the creditors arising from the direct insurance and reinsurance operations of trading subsidiaries. Where there are legal rights of set off, reinsurance debtors and creditors within the same party have been netted off to show the net debtor or creditor that will actually be settled.

Deferred income arises from the operations of the trading subsidiaries.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 38 Provisions for liabilities

	2016 £000	2015 £000
Provisions for liabilities	6,226	4,066
Deferred tax liabilities	29,281	29,979
Technical provisions	701,152	705,268
Long-term business technical provisions	182,351	85,422
Claims equalisation provision	-	24,957
	<u>919,010</u>	<u>849,692</u>

All provisions relate to the trading subsidiaries.

Technical provisions, long-term business technical provisions and, in the prior year, claims equalisation provision arise on the general insurance and long-term business of the trading subsidiaries. Further details of these provisions are provided in note 46 parts VII to X.

The claims equalisation provision was previously required by law and maintained in compliance with the insurance companies' regulations and INSPRU prudential sourcebook for insurers. Solvency II replaces these rules with effect from 1 January 2016 and does not require a claims equalisation provision to be held. The provision was transferred to net (expenditure)/income on 1 January 2016, and is shown within expenditure arising from trading activities.

### (a) Provisions for liabilities

	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2016	3,243	823	4,066
Acquisition	-	633	633
Additional provisions	3,835	1,130	4,965
Used during year	(2,943)	(146)	(3,089)
Not utilised	(339)	(32)	(371)
Exchange differences	-	22	22
At 31 December 2016	<u>3,796</u>	<u>2,430</u>	<u>6,226</u>
Current	2,308	128	2,436
Non-current	1,488	2,302	3,790

### Regulatory and legal provisions

The group operates in the financial services industry and is subject to regulatory requirements in the normal course of business, including contributing towards any levies raised on UK general and long-term business. The provisions reflect an assessment by the group of its share of the total potential levies.

In addition, from time to time the group receives complaints from customers and, while the majority relate to cases where there has been no customer detriment, we recognise that we have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. We therefore believe that it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The group continues to reassess the ultimate level of complaints expected and the appropriateness of the provision, which reflects the expected redress and associated administration costs that would be payable in relation to any complaints we may uphold.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Other provisions

The provision for other costs relates to costs in respect of dilapidations and deferred consideration and the amount needed to cover the future administration costs to administer the claims on the pre-paid funeral plans were Ecclesiastical Planning Services Limited to cease to write new business.

### (b) Deferred tax

	2016 £000	2015 £000
At 1 January	27,841	29,161
Charged to net income/(expenditure)	5,774	2,646
Credited to net income/(expenditure) - resulting from reduction in tax rate	(1,385)	(3,186)
Credited to other recognised gains/(losses)	(6,023)	(867)
Charged to other recognised gains/(losses) - resulting from reduction in tax rate	192	40
Exchange differences	(193)	47
At 31 December	26,206	27,841

	2016 £000	2015 £000
Deferred tax assets included in debtors	3,075	2,138
Deferred tax liabilities included in provisions for liabilities	(29,281)	(29,979)
Net provision for deferred tax	(26,206)	(27,841)
Deferred tax is provided as follows:		
Unrealised investment gains	(30,899)	(30,382)
Claims equalisation provision	(3,785)	-
Retirement benefit obligations	6,285	119
Depreciation in excess of capital allowances	(201)	585
Other timing differences	2,394	1,837
Net provision for deferred tax	(26,206)	(27,841)

The group expects a net deferred tax asset of £1.5m (2015: £2.1m, net deferred tax asset) to reverse within 12 months of the year end date. The reversal is expected to arise from transitional rules regarding taxation of the claims equalisation provision, sale of investments, claiming of capital allowances, settlement of overseas claims costs, and other temporary timing differences.

In the prior year no deferred tax was recognised in respect of the claims equalisation provision as the accounting treatment did not give rise to a temporary timing difference. In the current year, and as explained in note 46 part X, the provision is no longer required to be held subsequent to the implementation of Solvency II on 1 January 2016. Under the transition rules set out by HM Treasury, a temporary timing difference arises as the claims equalisation provision is taxable over six years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 39 Retirement benefit obligations

### (a) Defined benefit pension plans

The trading subsidiaries' main plan is a defined benefit plan for UK employees, which includes two discrete sections, the EIO Section and the Ansvar Section. The assets of the plan are held separately from those of the group by the Trustee of the Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund (the 'Fund'). The Fund is subject to the Statutory Funding Objective under the Pensions Act 2004. An independent qualified actuary appointed by the Fund's trustee is responsible for undertaking triennial valuations to determine whether the Statutory Funding Objective is met. Pension costs for the plan are determined by the Fund's trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2013. In the prior year, the surplus in the scheme was restricted, in accordance with FRS 102, to the amount that was recoverable through a reduction in future contributions. Lycetts Holdings Limited also operates a defined benefit plan. Actuarial valuations were reviewed and updated at 31 December 2016 for FRS 102 purposes.

In the current year, actuarial losses arising from changes in financial assumptions of £71.3m (2015: actuarial gains of £5.9m) have been recognised in the statement of financial activities. These losses resulted from a 1.2% fall in the discount rate and a 0.2% increase in inflation, partially offset by gains arising from the changes in financial assumptions noted below.

In line with common market practice, an allowance has been made in the current year for the future volatility of inflation when setting the inflation assumption for the trading subsidiaries' main scheme. This has resulted in a reduction in the plan's liabilities by approximately £20m which is recognised within the statement of financial activities. No allowance for inflation volatility was made in the prior year for the trading subsidiaries' main scheme.

A trading subsidiary has a constructive obligation to award discretionary pension increases in the EIO Section for service prior to 6 April 1997. In setting the assumption for discretionary pension increases in the FRS 102 valuation, consideration is given to the expectations around future increases in light of the scheme's circumstances at the balance sheet date. This approach has been formalised in the current year through the development of a sliding scale to determine the discretionary pension increase assumption. In the current year the discretionary pension increase assumption fell to 0.8% (2015: 2.1%) which reduced the value of the scheme's liabilities by approximately £9m.

A trading subsidiary is also the sponsoring employer for the Ecclesiastical Insurance Office plc Pension and Life Assurance Scheme ('EIOPLA'). This is a defined benefit scheme that has been closed to new entrants since 1 July 1998, providing benefits to pensioners of Methodist Insurance PLC, a company with a similar culture and whose insurance risks, excluding terrorism, are fully reinsured by the trading subsidiary. The assets of the scheme are held separately from those of the group.

In the prior year, formal notice was given to the Trustee of EIOPLA to wind-up the defined benefit pension scheme. The wind-up formally commenced on 1 July 2015. On 18 December 2015, the scheme's defined benefit obligations were discharged, resulting in nil obligations at the current and prior year-end date. The wind-up is expected to complete in the first half of 2017. In the current and prior year, the FRS 102 surplus in the scheme has been restricted in line with FRS 102 to the amount of surplus that the trading subsidiary expects to receive when the scheme wind-up is completed.

	2016 £000	2015 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(363,854)	(287,206)
Fair value of plan assets	339,246	303,045
	(24,608)	15,839
Restrictions on asset recognised	(144)	(7,283)
Net asset in the balance sheet	(24,752)	8,556
The following is the analysis of the net pension asset for financial reporting purposes:		
Net pension asset	144	10,893
Net pension liability	(24,896)	(2,337)
	(24,752)	8,556

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2016 £000	2015 £000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	3,709	3,985
Administration cost	488	375
Interest income on plan assets	(11,435)	(11,358)
Interest cost on scheme liabilities	10,795	10,634
Effect of interest on the asset ceiling	269	-
Losses on settlements/curtailments	-	155
Total, included in expenditure arising from trading activities*	<u>3,826</u>	<u>3,791</u>
The amounts recognised in actuarial losses on retirement benefits are as follows:		
Return on plan assets, excluding interest income	28,550	(8,832)
Experience gains on liabilities	2,739	758
Gains from changes in demographic assumptions	158	428
(Losses)/gains from changes in financial assumptions	(71,286)	5,903
Change in asset restriction	7,408	(6,720)
	<u>(32,431)</u>	<u>(8,463)</u>
* Charge to net income/(expenditure) includes £699,000 (2015: £610,000) in respect of salary sacrifice contributions.		

The principal actuarial assumptions (expressed as weighted averages) were as follows:

	2016 %	2015 %
Discount rate	2.60	3.80
Inflation (RPI)	3.30	3.10
Inflation (CPI)	2.30	2.10
Future salary increases	4.47	4.52
Future increase in pensions in deferment	2.34	2.14
Future average pension increases (RPI)	3.00	3.10
Future average pension increases (CPI)	1.15	2.10

Mortality rate	2016	2015
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	24.0	24.0
Female	25.6	25.6
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	26.3	26.3
Female	27.9	27.8

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Plan assets are as follows:	2016	2015
	£000	£000
Cash and cash equivalents	17,838	8,705
Equity instruments		
UK quoted	85,057	73,465
UK unquoted	179	275
Overseas quoted	82,656	69,226
	<u>167,892</u>	<u>142,966</u>
Debt instruments		
UK public sector quoted - fixed interest	263	6,381
UK non-public sector quoted - fixed interest	68,527	59,603
UK quoted - index-linked	38,812	42,530
	<u>107,602</u>	<u>108,514</u>
Derivative financial instruments	2,143	(564)
Property	42,121	41,960
Other	1,650	1,464
	<u>339,246</u>	<u>303,045</u>

The actual return on pension plan assets was a gain of £39,985,000 (2015: gain of £2,526,000).

The movements in the fair value of plan assets and the present value of the defined benefit obligations over the year are as follows:

	2016	2015
<b>Plan assets</b>		
At 1 January	303,045	310,047
Interest income	11,435	11,358
Return on plan assets, excluding interest income	28,550	(8,832)
Pension benefits paid and payable	(6,529)	(10,333)
Contributions paid	2,949	3,036
Assets distributed on settlements	-	(2,199)
Administrative expenses	(204)	(32)
At 31 December	<u>339,246</u>	<u>303,045</u>
<b>Defined benefit obligation</b>		
At 1 January	287,206	291,709
Current service cost	3,709	3,985
Administration cost	284	344
Interest cost	10,795	10,634
Pension benefits paid and payable	(6,529)	(10,333)
Experience gains on liabilities	(2,739)	(758)
Gains from changes in demographic assumptions	(158)	(428)
Losses/(gains) from changes in financial assumptions	71,286	(5,903)
Liabilities extinguished on settlements/curtailments	-	(2,044)
At 31 December	<u>363,854</u>	<u>287,206</u>
<b>Restriction on asset recognised</b>		
At 1 January	7,283	563
Effect of interest on the asset ceiling	269	-
Change in asset restriction	(7,408)	6,720
At 31 December	<u>144</u>	<u>7,283</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (b) Post-employment medical benefits

EIO plc operates a post-employment medical benefit plan, for which it chooses to self-insure. The method of accounting, assumptions and the frequency of valuation are similar to those used for the defined benefit pension plans.

The amounts recognised in the balance sheet are determined as follows:

	2016 £000	2015 £000
Present value of unfunded obligations and net obligations in the balance sheet	11,913	9,193
<b>Movements in the net obligations recognised in the balance sheet are as follows:</b>		
At 1 January	9,193	12,546
Total expense charged to net income/(expenditure)	346	460
Net actuarial losses/(gains) during the year, included in other recognised gains/(losses)	2,565	(3,652)
Benefits paid	(191)	(161)
At 31 December	11,913	9,193
<b>The amounts recognised through net income/(expenditure) are as follows:</b>		
Interest cost	346	460
Total, included in employee benefits expense	346	460

The principal actuarial assumptions were as follows:	2016 %	2015 %
Discount rate	2.6	3.8
Medical cost inflation	9.3	9.1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 40 Summary of reserve movements

	Unrestricted fund £000	Endowment fund £000	Revaluation reserve £000	Non-charitable trading reserve £000	Translation and hedging reserve £000	Total £000
Fund balance at 1 January 2016	14,513	45,240	572	366,553	6,121	432,999
Income	7,768	1,993	-	311,845	-	321,606
Gift aid paid to charity parent	24,000	-	-	(24,000)	-	-
Expenditure	(13,776)	(165)	-	(242,349)	-	(256,290)
Fair value gains on investments	-	6,334	-	16,309	-	22,643
Taxation	-	(31)	-	(9,144)	-	(9,175)
Reserve transfers	(16,507)	16,507	-	-	-	-
Currency translation differences	-	-	-	-	13,483	13,483
Gains on net investment hedges	-	-	-	-	2,067	2,067
Actuarial losses on retirement benefit obligations	-	-	-	(34,996)	-	(34,996)
Tax attributable to other recognised (losses)/gains	-	-	5	5,845	(223)	5,627
Minority interests	-	-	-	(9,104)	-	(9,104)
Acquisition of minority interests	-	-	-	(632)	-	(632)
Fund balance at 31 December 2016	15,998	69,878	577	380,327	21,448	488,228

The unrestricted fund consists of funds available to the trustees to apply for the general purposes of the charity, in addition to each of the priorities it has adopted as set out in the Strategic Report on page 9.

The capital endowment fund is an expendable endowment fund that is retained to strengthen the charity's reserves. The trustees have the power to convert endowment funds to expendable income.

The revaluation reserve represents the cumulative net fair value gains on the trading subsidiaries' freehold property

## 41 Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2016	6,121	-	6,121
Gains on currency translation differences	13,483	-	13,483
Gains on net investment hedges	-	2,067	2,067
Attributable tax	-	(223)	(223)
At 31 December 2016	19,604	1,844	21,448

The translation reserve arises on consolidation of the group's foreign operations. The hedging reserve represents the cumulative amount of gains and losses on designated hedging instruments in respect of the trading subsidiaries' net investments in foreign operations.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 42 Minority interests

Minority interests comprise the 8.625% Non-cumulative Irredeemable Preference shares (NcIPs) in Ecclesiastical Insurance Office plc.

During 2016, the charity's direct subsidiary, EIG plc, acquired NcIPs with a nominal value of £1,600,000 for a cash consideration of £2,232,000 paid to minority interest holders. The £632,000 paid in excess of the shares acquired has been transferred directly to the non-charitable trading reserve.

### 43 Financial commitments

#### Capital commitments

At the year end of the current and prior year, the group and charity had no capital commitments.

#### Operating lease commitments

##### *Amounts receivable*

The group leases premises under non-cancellable operating lease agreements. The future aggregate minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Within 1 year	6,857	5,282
Between 1 & 5 years	24,218	16,725
After 5 years	35,620	28,871
	<u>66,695</u>	<u>50,878</u>

##### *Amounts payable*

The group leases premises and equipment under non-cancellable operating lease agreements. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Within 1 year	3,886	3,195
Between 1 & 5 years	12,789	9,806
After 5 years	5,020	5,154
	<u>21,695</u>	<u>18,155</u>
Operating lease rentals charged to net income in the period	3,994	3,772

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 44 Related undertakings

The charity's interest in related undertakings at 31 December 2016 is as follows:

Company	Company Registration Number	Share Capital	Holding of shares by		Charity	Subsidiary	Activity
Subsidiary undertakings							
Incorporated in the United Kingdom							
Ecclesiastical Insurance Group plc *	1718196	Ordinary	100%	-		Investment holding company	
Ecclesiastical Insurance Office plc *	24869	Ordinary	-	100%		Insurance	
		Preference	-	1.5%			
Ecclesiastical Investment Management Limited *	1811698	Ordinary	-	100%		Dormant company	
Ecclesiastical Life Limited *	0243111	Ordinary	-	100%		Life insurance	
Ecclesiastical Financial Advisory Services Limited *	2046087	Ordinary	-	100%		Independent financial advisory	
Ecclesiastical Underwriting Management Limited *	2368571	Ordinary	-	100%		Insurance management services	
Ecclesiastical Planning Services Limited *	2644860	Ordinary	-	100%		Funeral plan administration	
EdenTree Investment Management Limited *	2519319	Ordinary	-	100%		Investment management	
E.I.O. Trustees Limited *	0941199	Ordinary	-	100%		Dormant company	
Farmers & Mercantile Insurance Brokers Limited **	3142714	Ordinary	-	100%		Insurance agents and brokers	
Lycett, Browne-Swinburne & Douglass Limited **	00706042	Ordinary	-	100%		Insurance agents and brokers	
Lycetts Financial Services Limited **	02057974	Ordinary	-	100%		Insurance agents and brokers	
Lycetts Holdings Limited **	05866203	Ordinary	-	100%		Investment holding company	
South Essex Insurance Brokers Limited *	6317314	Ordinary	-	100%		Insurance agents and brokers	
South Essex Insurance Holdings Limited *	6317313	Ordinary	-	100%		Investment holding company	
Incorporated in Australia							
Ansvar Insurance Limited ***	007216506	Ordinary	-	100%		Insurance	
Ansvar Insurance Services Pty Limited ***	162612286	Ordinary	-	100%		Dormant company	
Associated undertakings							
Incorporated in the United Kingdom							
Regis Mutual Management Limited ****	4194000	Ordinary A	-	26%		Insurance management services	
* Registered office: Beaufort House, Brunswick Road, Gloucester, GL1 1JZ, United Kingdom							
** Registered office: Milburn House, Dean Street, Newcastle upon Tyne, NE1 1PP, United Kingdom							
*** Registered office: Level 5, Southbank Boulevard, Melbourne, VIC 3006, Australia							
**** Registered office: 7 Maltings Place, 169 Tower Bridge Road, London, SE1 3JB, United Kingdom							
^ not audited							
The holding in Regis Mutual Management Limited is included within financial investments.							

The financial statements of Ecclesiastical Insurance Office plc and Ecclesiastical Insurance Group plc, the parent companies of the main trading groups, are publicly available, therefore a detailed analysis of their results is not presented here. Copies of the financial statements are available from the registered office as shown on page 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 45 Related party transactions

Other related parties of the group includes the group's pension plans.

	2016	2015
	£000	£000
Income from transactions with other related parties	939	918
Expenditure arising from transactions with other related parties	-	38
Amounts owed by other related parties	3	23

Transactions with other related parties during the current and prior year includes the investment management fee paid by the group's main defined benefit pension scheme to EdenTree Investment Management Limited, a subsidiary of the group.

## 46 Financial risk and insurance disclosures in respect of trading subsidiaries

### I. Fair value hierarchy

The fair value measurement basis used to value those financial assets and financial liabilities held at fair value is categorised into a fair value hierarchy as follows:

Level 1: fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. This category includes listed equities in active markets, listed debt securities in active markets and exchange-traded derivatives.

Level 2: fair value measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes listed debt or equity securities in a market that is not active and derivatives that are not exchange-traded.

Level 3: fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes unlisted debt and equities, including investments in venture capital, and suspended securities.

Analysis of fair value measurement bases	Fair value measurement at the end of the reporting period based on			
	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
At 31 December 2016				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	262,459	267	41,155	303,881
Debt securities	551,539	1,876	139	553,554
Derivatives	-	2,974	-	2,974
Hedge accounted derivatives	-	2,067	-	2,067
Total financial assets at fair value	813,998	7,184	41,294	862,476
At 31 December 2015				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	274,294	221	36,304	310,819
Debt securities	524,452	2,289	187	526,928
Derivatives	-	713	-	713
Total financial assets at fair value through profit or loss	798,746	3,223	36,491	838,460

The derivative liabilities of the group are measured at fair value through the statement of financial activities and are categorised as level 2 (see note 34).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The valuation techniques used for instruments categorised in levels 2 and 3 are described below.

### *Listed debt and equity securities not in active market (level 2)*

These financial assets are valued using third-party pricing information that is regularly reviewed and internally calibrated based on management's knowledge of the markets.

### *Non-exchange-traded derivative contracts (level 2)*

The trading subsidiary's derivative contracts are not traded in active markets. Foreign currency forward contracts are valued using observable forward exchange rates corresponding to the maturity of the contract and the contract forward rate. Over-the-counter equity or index options and futures are valued by reference to observable index prices.

### *Unlisted equity securities (level 3)*

These financial assets are valued using observable net asset data, adjusted for unobservable inputs including comparable price-to-book ratios based on similar listed companies, and management's consideration of constituents as to what exit price might be obtainable.

The valuation is most sensitive to the level of underlying net assets, the euro exchange rate, the price-to-book ratio chosen, an illiquidity discount and a credit rating discount applied to the valuation to account for the risks associated with holding the asset. If the price-to-book ratio, illiquidity discount and credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£5m (2015: +/-£4m).

The increase in value during the year is primarily the result of a weakening of Sterling against the Euro and an increase in underlying net assets, partially offset by a decrease in the price-to-book ratio.

### *Unlisted debt (level 3)*

Unlisted debt is valued using an adjusted net asset method whereby management uses a look-through approach to the underlying assets supporting the loan, discounted using observable market interest rates of similar loans with similar risk, and allowing for unobservable future transaction costs.

The valuation is most sensitive to the level of underlying net assets, but it is also sensitive to the interest rate used for discounting and the projected date of disposal of the asset, with the exit costs sensitive to an expected return on capital of any purchaser and estimated transaction costs. Reasonably likely changes in unobservable inputs used in the valuation would not have a significant impact on total funds or on net income/(expenditure).

The decrease in value during the year is primarily the result of a decrease in underlying net assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## II. Financial risk and capital management

The principal financial risks to which the group is exposed arise from the financial assets, financial liabilities, reinsurance assets and reinsurance liabilities of the trading subsidiaries.

There has been no change from the prior period in the nature of the financial risks to which the group is exposed, although the outcome of the Brexit vote has resulted in greater uncertainty in relation to the economic risks to which the group is exposed, including equity price volatility, narrowing of interest and discount rates, movements in exchange rates and long-term UK growth prospects. The group's management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

### (a) Credit risk

Credit risk is the risk of non-payment of obligations by counterparties and financial market borrowers. Key areas where the group is exposed to credit risk are:

- reinsurers' share of general insurance liabilities (excluding provision for unearned premiums) and amounts due from reinsurers' in respect of claims already paid;
- the carrying value of whole-of-life assurance policies, purchased by the group from independent, third party, life insurance companies, to meet the group's obligations in respect of funeral plans sold;
- deposits held with banks;
- amounts due from insurance intermediaries and policyholders; and
- counterparty default on loans and debt securities.

The carrying amount of financial and reinsurance assets represents the group's maximum exposure to credit risk. The group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed.

Reinsurance is used to manage insurance risk. This does not, however, discharge the trading subsidiaries' liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the trading subsidiaries remain liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on a regular basis through the year by reviewing their financial strength. There has been no significant change in the recoverability of the trading subsidiaries' general business reinsurance balances during the year.

Purchase of a whole-of-life assurance policy does not discharge the trading subsidiary's liability to provide a funeral. If a third party life insurance company fails to pay a claim on notification of death of the insured life, for any reason, the trading subsidiary remains liable for the funeral fee payable to the funeral director. The trading subsidiary purchases life assurance policies from reputable, authorised life insurance companies, which are regulated by the PRA and FCA, and considers the risk of non-payment to be remote.

Group cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

The trading subsidiaries' credit risk policies detail prescriptive methods for the collection of premiums and control of intermediary and policyholder debtor balances. The level and age of debtor balances are regularly assessed via monthly credit management reports. These reports are scrutinised to assess exposure in more than one region in respect of aged or outstanding balances. The group has no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders due to the well-diversified spread of such debtors.

The debt securities portfolio consists of a range of mainly fixed interest instruments including government securities, local authority issues, corporate loans and bonds, overseas bonds, preference shares and other interest-bearing securities. Limits are imposed on the credit ratings of the corporate bond portfolio and exposures regularly monitored.

### (b) Liquidity risk

Liquidity risk is the risk that funds may not be available to pay obligations when due. The trading subsidiaries are exposed to daily calls on their available cash resources mainly from claims arising from insurance contracts. The trading subsidiaries have robust processes in place to manage liquidity risk and have available cash balances, other readily marketable assets and access to funding in case of exceptional need. This is not considered to be a significant risk to the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A maturity analysis for the non-derivative net financial liabilities of the trading subsidiaries' long-term business liabilities is as follows:

	Maturing:			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
<b>At 31 December 2016</b>				
Gross long-term business provision	13,548	46,576	122,228	182,352
Ceded long-term business provision	(7,359)	(24,764)	(58,329)	(90,452)
Net long-term business provision	6,189	21,812	63,899	91,900
<b>At 31 December 2015</b>				
Gross and net long-term business provision	6,354	21,976	57,092	85,422

## (c) Market risk

The trading subsidiaries are exposed to market risk (comprising interest rate, currency and equity price risk). The sensitivity of net income/(expenditure) and reserves to movements in market risk variables, each considered in isolation and before the mitigating effect of derivatives, is shown in the following table:

Variable	Change in variable	Potential increase/ (decrease) in net income/(expenditure)		Potential changes in funds	
		2016 £000	2015 £000	2016 £000	2015 £000
Interest rate risk	-100 basis points	(8,570)	(6,377)	122	(29)
	+100 basis points	4,699	2,154	(139)	29
Currency risk	-10%	4,491	4,195	8,453	7,052
	+10%	(3,674)	(3,433)	(6,916)	(5,770)
Equity price risk	+/- 10%	24,310	24,788	-	-

The following assumptions have been made in preparing the above sensitivity analysis:

- the value of fixed income investments will vary inversely with changes in interest rates, and all territories experience the same interest rate movement;
- currency gains and losses will arise from a change in the value of Sterling against all other currencies moving in parallel;
- equity prices will move by the same percentage across all territories; and
- change in net income/(expenditure) is stated net of tax at the standard rate applicable in each of the territories in which the trading subsidiaries operate.

## (i) Interest rate risk

The group's exposure to interest rate risk arises primarily from movements on financial investments that are measured at fair value and have fixed interest rates, which represent a significant proportion of the group's assets, and from those insurance liabilities of the trading subsidiaries for which discounting is applied at a market interest rate. Investment strategy is set in order to control the impact of interest rate risk on anticipated group cash flows and asset and liability values. The fair value of the group's investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Interest rate risk concentration is reduced by adopting asset-liability duration matching principles where appropriate.

For funeral plans sold by the group, where the group also provides the whole-of-life assurance policy backing the plan, benefits payable to policyholders are independent of the returns generated by interest-bearing assets held by the group. Therefore the interest rate risk on the invested assets supporting these liabilities is borne by the group. This risk can be mitigated by purchasing fixed interest investments with durations that match the profile of the liabilities. For funeral plan policies, benefits are linked to the Retail Price Index (RPI). Assets backing these liabilities are also linked to the RPI, and include index-linked gilts and corporate bonds. For practical purposes it is not possible to exactly match the durations due to the uncertain profile of liabilities (e.g. mortality risk) and the availability of suitable assets, therefore some interest rate risk will persist. The group monitors its exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

Where the group invests funeral plan funds in a whole-of-life assurance policy with an independent, third party, life insurance company, the group has no net exposure to interest rate risk.

### (ii) Currency risk

Foreign exchange risk arises from recognised assets and liabilities denominated in other currencies and net investments in foreign operations. The group mitigates this risk through the use of derivatives when considered necessary.

The group exposure to foreign currency risk within the investment portfolios arises from purchased investments that are denominated in currencies other than Sterling.

The foreign operations of the trading subsidiaries create two sources of foreign currency risk:

- The operating results of the foreign branches and subsidiaries in the group financial statements are translated at the average exchange rates prevailing during the period; and
- the equity investment in foreign branches and subsidiaries is translated into sterling using the exchange rate at the year end date.

In the current year, the trading subsidiaries have designated certain derivatives as a hedge of net investments in Canada and Australia, which have Canadian and Australian Dollars respectively as their functional currency. The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 34.

The largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/(liabilities) are shown below, representing effective diversification of resources:

	2016		2015
	£000		£000
Aus \$	48,728	Aus \$	45,530
Can \$	38,592	Can \$	32,544
Euro	38,661	Euro	25,213
USD \$	848	USD \$	3,289
Japanese Yen	603	NZ \$	2,130

The figures in the table above, for the current and prior years, do not include currency risk that the trading subsidiaries are exposed to on a 'look through' basis in respect of collective investment schemes denominated in Sterling. In the current year, the trading subsidiaries have entered into derivatives to hedge currency exposure, including exposures on a 'look through' basis. The open derivatives held by the trading subsidiaries at the year end to hedge currency exposures are detailed in note 34.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### (iii) Equity price risk

Equity price risk exists because of financial investments held by the group which are stated at fair value through profit and loss. The group mitigates this risk by holding a diversified portfolio across geographical regions and market sectors, and through the use of derivative contracts from time to time which would limit losses in the event of a fall in equity markets.

The concentration of equity price risk by geographical listing, before the mitigating effect of derivatives, to which the group is exposed is as follows:

	2016 £000		2015 £000
UK	257,856	UK	269,725
Europe	41,150	Europe	36,526
Canada	3,085	Canada	2,257
US	1,585	US	2,139
Other	205	Other	172
Total	<u>303,881</u>	Total	<u>310,819</u>

### (d) Capital management

The group's primary objectives when managing capital are to:

- comply with the regulators' capital requirements of the markets in which the trading subsidiaries operate; and
- safeguard the group's ability to continue to meet stakeholders' expectations in accordance with the charity's objectives.

The trading subsidiaries are subject to insurance solvency regulations in all the territories in which they issue insurance and investment contracts, and capital is managed and evaluated on the basis of regulatory and economic capital.

The UK regulated subsidiaries are required to comply with rules issued by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). With effect from 1 January 2016 a new Europe-wide regulatory capital regime (Solvency II) came into effect. The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR).

The EIG plc figures shown in the table below are unaudited and based on the latest information provided to management. These figures will be subject to a separate independent audit, as part of the trading subsidiaries' process for Solvency II reporting to the PRA. Final audited figures will be made publicly available in the Solvency and Financial Condition Report (SFCR) which will be available on EIG plc's website shortly after the deadline for submission to the PRA of 1 July 2017.

	(unaudited)	
	2016 £000	2015 £000
Solvency II Own Funds	455,470	457,685
Solvency Capital Requirement	(295,388)	(291,323)
Own Funds in excess of Solvency Capital Requirement	<u>160,082</u>	<u>166,362</u>
Solvency II Capital Cover	154%	157%

The regulated trading subsidiaries have adopted the Solvency II standard formula approach to determine their respective solvency capital requirements (SCR). EIO plc is working with the PRA to gain approval of a full internal model in the near future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### III. Insurance risk

Through the general insurance and long-term business operations of the trading subsidiaries, the group is exposed to a number of insurance risks. Factors such as the business and product mix, the external environment including market competition and reinsurance capacity all may vary from year to year, along with the actual frequency, severity and ultimate cost of claims and benefits. This subjects the group to underwriting and pricing risk (the risk of failing to ensure disciplined risk selection and achieve the required premium), claims reserving risk (the risk of actual claims payments exceeding the amount being held in reserves) and reinsurance risk (the risk of failing to access and manage reinsurance capacity at a reasonable price).

More detailed information relating to the insurance risk arising from the trading subsidiaries can be found in note 3 of the EIO plc annual report and accounts, which is available from the registered office on page 5.

#### (i) Risk mitigation

The group's underwriting strategy is designed to ensure that the underwritten risks are well diversified in terms of type and amount of risk and geographical spread. Gross and net underwriting exposure is protected through the use of a comprehensive reinsurance programme.

#### (ii) Concentrations of risk

With reference to written premium, the concentrations of insurance risk for the financial year before and after reinsurance by territory is summarised below. These classifications have changed in 2016 in line with how the business looks at the classes of business under Solvency II, with the prior year restated.

Group		General insurance				Long-term insurance
		Property	Liability	Miscellaneous financial loss	Other	Funeral plans
Territory		£000	£000	£000	£000	£000
<b>2016</b>						
United Kingdom and Ireland	Gross	156,083	50,152	14,000	2,546	26,783
	Net	84,843	47,713	9,040	550	77
Australia	Gross	23,112	16,769	1,105	824	-
	Net	3,091	14,459	1,065	817	-
Canada	Gross	31,159	14,311	-	-	-
	Net	21,057	13,385	-	-	-
Total	Gross	210,354	81,232	15,105	3,370	26,783
	Net	108,991	75,557	10,105	1,367	77
<b>2015</b>						
United Kingdom and Ireland	Gross	162,401	49,380	16,351	2,596	113
	Net	89,062	46,480	11,370	621	113
Australia	Gross	20,708	15,062	1,131	550	-
	Net	1,936	12,993	1,089	545	-
Canada	Gross	28,194	11,713	-	-	-
	Net	19,995	10,880	-	-	-
Total	Gross	211,303	76,155	17,482	3,146	113
	Net	110,993	70,353	12,459	1,166	113

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## IV. Net insurance premium income

	General insurance £000	Long-term insurance £000	Total £000
<b>For the year ended 31 December 2016</b>			
Gross written premiums	310,061	26,783	336,844
Outward reinsurance premiums	(114,041)	(26,706)	(140,747)
Net written premiums	196,020	77	196,097
Change in the gross provision for unearned premiums	2,926	-	2,926
Change in the provision for unearned premiums, reinsurers' share	(1,823)	-	(1,823)
Change in the net provision for unearned premiums	1,103	-	1,103
Earned premiums, net of reinsurance	197,123	77	197,200
<b>For the year ended 31 December 2015</b>			
Gross written premiums	308,086	113	308,199
Outward reinsurance premiums	(113,115)	-	(113,115)
Net written premiums	194,971	113	195,084
Change in the gross provision for unearned premiums	3,889	-	3,889
Change in the provision for unearned premiums, reinsurers' share	788	-	788
Change in the net provision for unearned premiums	4,677	-	4,677
Earned premiums, net of reinsurance	199,648	113	199,761

Earned premiums net of reinsurance are included in the income arising from trading activities in the statement of financial activities.

## V. Fees, commissions and other acquisition costs arising from insurance business

	2016 £000	2015 £000
Fees paid	740	665
Commission paid	45,592	44,477
Change in deferred acquisition costs	(124)	1,754
Other acquisition costs	15,000	13,697
Fees, commissions and other acquisition costs	61,208	60,593

Fees, commissions and other acquisition costs are included in expenditure arising from trading activities in the statement of financial activities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## VI. Deferred acquisition costs

	2016 £000	2015 £000
At 1 January	28,394	31,117
Increase in the period	29,756	28,626
Release in the period	(29,632)	(30,380)
Exchange differences	2,187	(969)
At 31 December	30,705	28,394
All balances are current.		

Deferred acquisition costs are included in debtors in the balance sheet (note 35).

## VII. General insurance liabilities and reinsurance assets

	2016 £000	2015 £000
<b>Gross</b>		
Claims outstanding	540,864	551,487
Unearned premiums	160,288	153,697
Total gross insurance liabilities	701,152	705,184
<b>Recoverable from reinsurers</b>		
Claims outstanding	115,179	120,753
Unearned premiums	50,753	49,987
Total reinsurers' share of insurance liabilities	165,932	170,740
<b>Net</b>		
Claims outstanding	425,685	430,734
Unearned premiums	109,535	103,710
Total net insurance liabilities	535,220	534,444
<b>Gross insurance liabilities</b>		
Current	306,034	315,374
Non-current	395,118	389,810
<b>Reinsurance assets</b>		
Current	94,791	98,967
Non-current	71,141	71,773

Gross insurance liabilities are included in provisions for other liabilities (note 38). Reinsurers' share of insurance liabilities is included in debtors (note 35).

### (i) Reserving methodology

Reserving for general business insurance claims is a complex process and the trading subsidiaries adopt recognised actuarial methods and, where appropriate, other calculations and statistical analysis. Actuarial methods used include the chain ladder, Bornhuetter-Ferguson and average cost methods.

### (ii) Uncertainty margin

To reflect the uncertain nature of the outcome of the ultimate settlement cost of claims an uncertainty margin is added to the best estimate. The addition for uncertainty is assessed using actuarial methods including the Mack method and Bootstrapping techniques, based on at least the 75th percentile confidence level for each portfolio.

### (iii) Calculation of provisions for latent claims

The trading subsidiaries adopt commonly used industry methods including those based on claims frequency and severity and benchmarking.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (iv) Discounting

General insurance outstanding claims provisions are undiscounted, except for designated long-tail classes of business for which discounted provisions are held in the following territories:

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2016	2015	2016	2015
UK and Ireland	0.7% to 2.7%	1.0% to 3.5%	16	15
Canada	1.1% to 3.1%	1.1% to 3.2%	14	14
Australia	2.5%	2.0%	4	4

At the end of the year the undiscounted gross outstanding claims provision was £581,958,000 (2015: £603,735,000).

The impact of discount rate changes on the outstanding claims provision is presented within net gains/(losses) on investments (note 23).

## (v) Assumptions

The most significant assumptions in determining the undiscounted general insurance reserves are the anticipated number and ultimate settlement cost of claims, and the extent to which reinsurers will share in the cost. Factors which influence decisions on assumptions include legal and judicial changes, significant weather events, other catastrophes, subsidence events, exceptional claims or substantial changes in claims experience and developments in older or latent claims. Significant factors influencing assumptions about reinsurance are the terms of the reinsurance treaties, the anticipated time taken to settle a claim and the incidence of large individual and aggregated claims.

There are no significant changes in assumptions.

## (vi) Claims development tables

The nature of liability classes of business is that claims may take a number of years to settle and before the final liability is known. The tables below show the development of the undiscounted estimate of ultimate gross and net claims cost for these classes across all territories.

Estimate of gross ultimate claims											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	50,840	56,420	74,742	84,476	82,095	100,612	81,725	61,901	46,464	51,738	
One year later	47,307	53,552	59,807	75,550	76,371	88,046	80,027	50,571	43,582		
Two years later	43,270	47,643	55,250	62,239	71,543	78,196	69,860	48,327			
Three years later	35,510	44,658	57,134	66,422	68,587	72,516	66,192				
Four years later	35,556	40,433	55,695	61,330	60,841	67,980					
Five years later	34,925	37,546	58,631	62,074	59,914						
Six years later	34,036	37,864	54,942	61,871							
Seven years later	33,917	37,289	57,729								
Eight years later	33,028	38,014									
Nine years later	34,136										
Current estimate of ultimate claims	34,136	38,014	57,729	61,871	59,914	67,980	66,192	48,327	43,582	51,738	529,483
Cumulative payments to date	(29,757)	(32,332)	(48,145)	(49,733)	(46,668)	(43,481)	(31,943)	(9,440)	(3,949)	(1,298)	(296,746)
Outstanding liability	4,379	5,682	9,584	12,138	13,246	24,499	34,249	38,887	39,633	50,440	232,737
Effect of discounting											(11,684)
Present value											221,053
Discounted liability in respect of earlier years											127,137
Total discounted gross liability (for liability classes) included in insurance liabilities in the balance sheet											348,190

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Estimate of net ultimate claims											
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	46,235	51,795	64,476	73,218	75,302	88,247	76,729	59,633	42,739	47,402	
One year later	43,107	48,432	53,700	64,796	72,336	79,272	66,475	47,690	40,397		
Two years later	38,979	44,498	50,805	57,758	68,057	73,735	60,075	47,428			
Three years later	34,180	42,524	50,168	59,353	66,822	69,837	55,710				
Four years later	35,004	39,321	50,062	55,975	60,314	65,872					
Five years later	34,688	37,208	49,879	57,012	59,521						
Six years later	33,702	37,606	48,960	57,070							
Seven years later	33,718	37,089	52,254								
Eight years later	32,819	37,996									
Nine years later	34,102										
Current estimate of ultimate claims	34,102	37,996	52,254	57,070	59,521	65,872	55,710	47,428	40,397	47,402	497,752
Cumulative payments to date	(29,757)	(32,332)	(43,822)	(45,485)	(46,449)	(42,540)	(23,983)	(9,439)	(3,949)	(1,298)	(279,054)
Outstanding liability	4,345	5,664	8,432	11,585	13,072	23,332	31,727	37,989	36,448	46,104	218,698
Effect of discounting											(11,684)
Present value											207,014
Discounted liability in respect of earlier years											108,949
Total discounted net liability (for liability classes) included in insurance liabilities in the balance sheet											315,963

### VIII. Long-term liabilities and reinsurance assets

	2016	2015
	£000	£000
<b>Gross</b>		
Claims outstanding	-	84
Long-term business provision	182,352	85,422
	<u>182,352</u>	<u>85,506</u>
<b>Recoverable from reinsurers</b>		
Long-term business provision	90,452	-
	<u>90,452</u>	<u>-</u>
<b>Net</b>		
Claims outstanding	-	84
Long-term business provision	91,900	85,422
	<u>91,900</u>	<u>85,422</u>
<b>Gross insurance liabilities</b>		
Current	13,549	6,438
Non-current	168,803	79,068
<b>Reinsurance assets</b>		
Current	7,360	-
Non-current	83,092	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (i) Assumptions

Where the trading subsidiary's liability under the funeral plan is linked to performance of a with-profits life assurance plan provided by an independent, third party, life insurance company, liabilities are based on the trading subsidiary's estimate of the surrender value of the with-profits life assurance policy.

Where the trading subsidiary's liability under the funeral plan is linked to inflation, the most significant assumptions in determining long-term business claims reserves are as follows:

### **Mortality**

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data.

### **Investment returns**

Projected investment returns are based on actual yields for each asset class less an allowance for credit risk, where appropriate.

The investment return assumption is determined by calculating an overall yield on all cash flows projected to occur from the portfolio of financial assets which are assumed to back the relevant class of liabilities.

### **Funeral plans renewal expense level and inflation**

Where the life assurance contracts backing funeral plans are underwritten by the group, an expense reserve is included in the valuation of long term business claims reserves.

## (ii) Changes in assumptions

Projected investment returns have been revised in line with the changes in the actual yields of the underlying assets. As a result, liabilities have increased by £10.9m (2015: £1.9m decrease).

Changes to renewal expense assumptions was a £0.6m increase (2015: £0.3m increase).

## (iii) Sensitivity analysis

The sensitivity of the net income/(expenditure) before tax of the trading subsidiaries to changes in the key assumptions used to calculate the long-term insurance liabilities is shown in the following table. No account has been taken of any correlation between the assumptions.

Assumption	Change in assumption	Potential increase/ (decrease) in net income/ (expenditure)	
		2016 £000	2015 £000
Deterioration in annuitant mortality	+10%	900	300
Improvement in annuitant mortality	-10%	(1,100)	(400)
Increase in fixed interest/cash yields	+1% pa	(100)	(100)
Decrease in fixed interest/cash yields	-1% pa	(200)	(400)
Worsening of base renewal expense level	+10%	(700)	(600)
Improvement in base renewal expense level	-10%	700	500
Increase in expense inflation	+1% pa	(1,100)	(800)
Decrease in expense inflation	-1% pa	900	700



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## IX. Movements in insurance liabilities and reinsurance assets

	Group £000	Reinsurance £000	Net £000
<b>Claims outstanding</b>			
At 1 January 2016	551,571	(120,753)	430,818
Cash (paid)/received for claims settled in the year	(184,846)	64,907	(119,939)
Change in liabilities/reinsurance assets	145,159	(50,977)	94,182
Exchange differences	28,980	(8,356)	20,624
At 31 December 2016	540,864	(115,179)	425,685
<b>Provision for unearned premiums</b>			
At 1 January 2016	153,697	(49,987)	103,710
Increase in the period	156,245	(49,673)	106,572
Release in the period	(159,171)	51,496	(107,675)
Exchange differences	9,517	(2,589)	6,928
At 31 December 2016	160,288	(50,753)	109,535
<b>Long-term business provision</b>			
At 1 January 2016	85,422	-	85,422
Acquisition	59,429	(59,429)	-
Effect of new business in the year	27,374	(27,374)	-
Effect of claims during the year	(11,868)	5,616	(6,252)
Changes in assumptions	19,734	(8,050)	11,684
Other movements	2,261	(1,215)	1,046
At 31 December 2016	182,352	(90,452)	91,900
<b>Claims outstanding</b>			
At 1 January 2015	564,380	(107,331)	457,049
Cash (paid)/received for claims settled in the year	(174,263)	50,721	(123,542)
Change in liabilities/reinsurance assets	172,818	(66,925)	105,893
Exchange differences	(11,364)	2,782	(8,582)
At 31 December 2015	551,571	(120,753)	430,818
<b>Provision for unearned premiums</b>			
At 1 January 2015	161,624	(50,134)	111,490
Increase in the period	154,575	(50,038)	104,537
Release in the period	(158,464)	49,250	(109,214)
Exchange differences	(4,038)	935	(3,103)
At 31 December 2015	153,697	(49,987)	103,710
<b>Long-term business provision</b>			
At 1 January 2015	94,324	-	94,324
Effect of claims during the year	(7,111)	-	(7,111)
Changes in assumptions	(3,870)	-	(3,870)
Other movements	2,079	-	2,079
At 31 December 2015	85,422	-	85,422

## X. Claims equalisation provision

In the prior year, a claims equalisation provision was included within provisions for liabilities, albeit it did not represent a liability at the balance sheet date. The provision was previously required by law and maintained in compliance with the insurance companies' regulations and INSPRU prudential sourcebook for insurers. Solvency II replaced these rules with effect from 1 January 2016 and does not require a claims equalisation reserve provision to be held. A £24,957,000 decrease in the provision, (2015: £342,000 decrease), was recognised during the year within expenditure arising on trading activities. The provision at 31 December 2016 was £nil (2015: £24,957,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 47 Subsequent events

### Ogden discount rate change

On 27 February 2017, the Lord Chancellor and Secretary of State for Justice made an announcement in relation to decreasing the Ogden discount rate from 2.5% to -0.75%, based on a three year average of real returns on index linked gilts. A government review of the framework under which the future rate is set will also be undertaken. Courts must consider the Ogden rate when awarding compensation for future financial losses in the form of a lump sum in personal injury cases.

The trading subsidiaries' continuing UK employers liability and public liability portfolio of risks currently have low order sensitivity to the level of the rate due to low frequency of catastrophic injury cases, and discontinued UK motor business is at an advanced stage of run off. The insurance contract liabilities at the balance sheet date reflect the current rate of -0.75% and uncertainties over the future rate. It is estimated that a 1% fall in the rate would increase the ultimate claims cost to the group in the order of £1m with no adverse profit or loss impact due to uncertainty margins held.

### Acquisition of business

On 18 November 2016, Ecclesiastical Planning Services Limited entered into an agreement to acquire certain assets of Funeral Planning Services Limited, an unlisted independent provider of prepaid funeral plans, in order to further expand the group's funeral planning business. The transfer of assets was completed on 17 February 2017 for a consideration of £5,750,000, of which £4,000,000 was paid in cash, with deferred consideration of up to £1,750,000 payable over the next two years. Goodwill is expected to be recognised on acquisition.

## 48 Prior year restatement

During the year the trading subsidiaries made a voluntary amendment to their policy of presenting the impact of discount rate changes on insurance contract liabilities within expenditure arising from trading activities in the consolidated statement of financial activities, instead presenting it within net gains/(losses) on investments. The revised presentation matches movements in insurance liabilities due to discount rate changes with movements in the assets backing the liabilities. This results in the claims and change in insurance liabilities being more relevant and comparable from year to year. There is no impact on net income/(expenditure) or on reserves as a result of this reclassification.

Under FRS 102 when a change in accounting policy is applied voluntarily a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. The endowment fund is unaffected by the change in accounting policy and has therefore not been included in the table below.

	As reported 2015 Unrestricted funds £000	Accounting policy change		Restated 2015 Unrestricted funds £000
		General insurance £000	Long-term insurance £000	
Income from:				
Other trading activities				
<i>Income arising from trading activities</i>	270,935	-	-	270,935
Investments				
<i>Dividend, interest and rental income</i>	35,999	-	-	35,999
<b>Total income</b>	<b>306,934</b>	<b>-</b>	<b>-</b>	<b>306,934</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	As reported 2015 Unrestricted funds £000	Accounting policy change		Restated 2015 Unrestricted funds £000
		General insurance £000	Long-term insurance £000	
<b>Expenditure on:</b>				
Charitable activities				
<i>Grants</i>	(11,692)	-	-	(11,692)
<i>Other expenditure on charitable activities</i>	(234)	-	-	(234)
Other				
<i>Charitable donations paid by trading subsidiaries</i>	(613)	-	-	(613)
<i>Expenditure arising from parent</i>	(52)	-	-	(52)
<i>Expenditure arising from trading activities</i>	(262,003)	(2,360)	(1,882)	(266,245)
<b>Total expenditure</b>	<b>(274,594)</b>	<b>(2,360)</b>	<b>(1,882)</b>	<b>(278,836)</b>
Net gains on investments	8,830	2,360	1,882	13,072
Taxation	(4,384)	-	-	(4,384)
	<b>36,786</b>	<b>-</b>	<b>-</b>	<b>36,786</b>
<b>Net (expenditure)/income for the year</b>				
<i>a. arising from the charity</i>	(11,947)	-	-	(11,947)
<i>b. arising from trading activities</i>	48,733	-	-	48,733
	<b>36,786</b>	<b>-</b>	<b>-</b>	<b>36,786</b>

In addition to the above, the comparative consolidated financial statements have been restated to reclassify £9,721,000 from cash at bank and in hand to investments, to better reflect the expected maturity of the cash held on deposit. There is no impact on net income/(expenditure) or on reserves as a result of this reclassification.

The effects of the restatements are included in the consolidated balance sheet, the consolidated statement of cash flows, and throughout the financial statement comparatives, where appropriate.

SUPPLEMENTARY INFORMATION  
(UNAUDITED)

## SUPPLEMENTARY INFORMATION (UNAUDITED)

During the year, the charity made the following grants to Church of England Cathedrals:

	2016 £000
<b>Church of England Cathedrals:</b>	
Birmingham Cathedral	22
Blackburn Cathedral	22
Bradford Cathedral	22
Bristol Cathedral	22
Bury St Edmunds Cathedral	22
Canterbury Cathedral	32
Carlisle Cathedral	22
Cathedral of the Holy Trinity, Gibraltar	22
Chelmsford Cathedral	22
Chester Cathedral	22
Chichester Cathedral	22
Coventry Cathedral	22
Derby Cathedral	22
Durham Cathedral	32
Ely Cathedral	22
Exeter Cathedral	22
Gloucester Cathedral	32
Guildford Cathedral	22
Hereford Cathedral	22
Leicester Cathedral	22
Lichfield Cathedral	22
Lincoln Cathedral	22
Liverpool Cathedral	22
Manchester Cathedral	22
Newcastle Cathedral	22
Norwich Cathedral	22
Peel Cathedral	22
Peterborough Cathedral	22
Portsmouth Cathedral	22
Ripon Cathedral	22
Rochester Cathedral	22
Salisbury Cathedral	22
Sheffield Cathedral	22
Southwark Cathedral	22
Southwell Minster	22
St Albans Cathedral	22
St George's Chapel, Windsor	22
St Paul's Cathedral	32
Truro Cathedral	22
Wakefield Cathedral	22
Wells Cathedral	22
Westminster Abbey	32
Winchester Cathedral	22
Worcester Cathedral	22
York Minster	32

## SUPPLEMENTARY INFORMATION (UNAUDITED)

During the year, the charity made the following large grants, above £6,250:

	2016 £000
<b>Large grants, above £6,250:</b>	
Aberdeen Cathedral	11
Abingdon Baptist Church, Oxfordshire	7
Acomb Methodist Church, York	8
Adeyfield Free Church, Hemel Hempstead	35
All Saints' Church, Ilkley	14
All Saints' Church, Sparkwell, Plymouth	7
All Saints with St Frideswyde Church, Crosby, Liverpool	8
Amersham United Charities, Buckinghamshire	10
Badminton Road Methodist Church, Bristol	11
Bangor Cathedral	11
Bath Abbey, Somerset	50
Brecon Cathedral	11
Calvary Church (Haverfordwest), Pembrokeshire	23
Caterham Community Church, Surrey	7
Christ Church W4, Chiswick, London	7
College of St Barnabas, Lingfield, Surrey	9
Crofts End Church, Bristol	15
Cumbrae Cathedral (Scottish Episcopal Church, Isle of Cumbrae)	11
Cumbrae Parish Church of Scotland, Millport	9
Dorchester Community Church, Dorset	14
Dublin Cathedral	11
Dundee Cathedral	11
Dundonald Presbyterian Church, Belfast	16
East and Old Parish Church,(C of S) Forfar, Angus	13
Edinburgh Cathedral	22
Emmanuel Church, West Hampstead, London	10
Fountain Square Church, Tideswell, Derbyshire	8
Freeschool Court Evangelical Church, Bridgend	10
Fulham Palace Trust, London	30
Glasgow Cathedral	11
Gleneagles Anglican Church, Wellingborough	23
Havens Christian Hospice, Southend on Sea, Essex	9
Holy Trinity Church, Bradford on Avon	20
Holy Trinity Church, Frome	9
Holy Trinity Church, Minchinhampton	10
Holy Trinity Church, Rusholme, Manchester	14
Inverness Cathedral	11
Leaside Church, Ware, Hertfordshire	10
St Mary's Cathedral, Limerick, Republic of Ireland	11
Linacre Methodist Mission, Litherland, Liverpool	17
Liverpool Cathedral	100

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Large grants, above £6,250 (continued):	
Llandaff Cathedral	22
Llanthony Secunda Priory Trust, Gloucester	20
Longton Community Church, Preston, Lancashire	34
Main Street Presbyterian Church, Garvagh, Coleraine, Londonderry Northern Ireland	12
Monmouth Cathedral	11
Mustard Tree, Manchester	50
Northampton Roman Catholic Diocesan Trust	48
Oban Cathedral	11
Perth Cathedral	11
Portsmouth Cathedral	10
Queen Victoria Seamen's Rest (QVSR), London	19
Representative Body of the Church of Ireland, Dublin	94
Richmond Baptist Church, Anfield, Liverpool	7
Ripon College Cuddesdon, Oxford	20
Riverside Church, Whitstable, Kent	24
Skipton Baptist Church, North Yorkshire	12
St Andrew's Cathedral, Inverness	10
St Anne and St Agnes Church, London	7
St Anne's Cathedral, Belfast	11
St Asaph Cathedral	20
St Barnabas Parish Church, London	46
St Bride's Roman Catholic Church, East Kilbride, Scotland	15
St Brigid's Cathedral, Kildare	11
St Canice's Cathedral, Kilkenny	11
St Catherine of Siena Church, Tilehurst, Reading, Berkshire	7
St Columb's Cathedral, Derry, Northern Ireland	11
St David's Cathedral	22
St Ebbe's Church, Oxford	58
St Endellion Parochial Church Council, Cornwall	10
St Fethlimidh's Cathedral, Kilmore	11
St Fin Barre's Cathedral, Cork	11
St George's Chapel, Windsor	10
St Helen's Church, Lundy Island	20
St John the Baptist Church, Busbridge, Surrey	19
St John the Evangelist Church, Redhill, Surrey	22
St John's Church, Egham	57
St Jude's Church, Plymouth	20
St Macartan's Cathedral, Enniskillen	11
St Mary Magdalene Church, Paddington	75
St Mary Without-the-Walls Church, Handbridge, Chester	15
St Mary's Cathedral, Tuam	11

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
<b>Large grants, above £6,250 (continued):</b>	
St Mary's Church (RC), Lanark, Lanarkshire Scotland	8
St Mary's Church, Loughton, Essex	10
St Mary's Church, Maidenhead, Berkshire	20
St Michael and All Angels Church, Harrow Weald, London	16
St Michael and All Angels Church, Summertown, Oxford	7
St Patrick's Cathedral, Armagh	11
St Patrick's Cathedral, Dublin	11
St Peter's Church, Bethnal Green	10
St Peter's Church, Yateley Hampshire	9
St Philip's Dorridge and St James' Church , Bentley Heath, West Midlands	35
St Richard's Church, Hanworth, London	7
St Wilfrid's Centre, Sheffield	25
The Anglican Church of Canada, Toronto	100
The Cathedral Church of the Blessed Virgin Mary of Lincoln	10
The Diocese of Aberdeen	7
The Diocese of Bangor	14
The Diocese of Brechin	7
The Diocese of Edinburgh	19
The Diocese of Glasgow and Galloway	14
The Diocese of Llandaff	47
The Diocese of Monmouth	22
The Diocese of St Andrews	8
The Diocese of St Asaph	23
The Diocese of St Davids	24
The Diocese of Swansea and Brecon	20
The General Synod of the Scottish Episcopal Church Nominees	18
The New Room (known as John Wesley's Chapel), Bristol	7
The Representative Body of the Church in Wales	182
The RESOLVE project	52
The Yonge Street Mission, Toronto, Canada	300
Truro Cathedral	14
Victoria Methodist Church, Bristol	15
Wellesley Parish Church,(Church of Scotland) Methil, Fife, NE Scotland	13
Willington Open Door Methodist Church, County Durham	8
Worcester Park Baptist Church, Surrey	19



## SUPPLEMENTARY INFORMATION (UNAUDITED)

During the year, the charity made the following small grants, up to £6,250:

	2016 £000
Small grants, up to £6,250:	
1st Martock and Hamdon Boys' Brigade, Somerset	1
ABC to read, Reading	1
Aberyscir Parish Church, Brecon	1
Above and Beyond, Bristol	2
Acorn Christian Healing Foundation, Bordon	1
Actionplus Foundation, London	1
Albrighton Methodist Church, West Midlands	2
Alderney Methodist Church, Guernsey	2
Alive Church Lincoln	1
All Hallows Church, Ipswich	2
All Hallows' Church, Mitton	2
All Hallows Church, Woolfardisworthy West	1
All Nations Ministries, Plymouth	1
All Saints Church and Community Centre, Tuckingmill	1
All Saints' Church, Barnby-in-the-Willows	2
All Saints' Church, Baschurch	2
All Saints' Church, Bolton Percy	3
All Saints' Church, Boughton Aluph	2
All Saints Church, Bradford	1
All Saints' Church, Burnham Thorpe	1
All Saints' Church, Cawthorne	1
All Saints Church, East Hanningfield	1
All Saints' Church, East Huntspill	1
All Saints' Church, East Pennard	2
All Saints' Church, Faringdon	2
All Saints' Church, Gresford	1
All Saint's Church, Hameringham	1
All Saints' Church, Hannington	1
All Saints' Church, Herodsfoot	2
All Saints' Church, Horseheath	1
All Saints' Church, Little Shelford	1
All Saints' Church, Mappleton	1
All Saints' Church, Newland	2
All Saints' Church, Penarth	2
All Saints Church, Pickwell	1
All Saints Church, Preston in Holderness	1
All Saints Church, Ravenstone	1
All Saints' Church, Shelley	2
All Saints' Church, Sherbourne	2
All Saints' Church, South Cave	3
All Saints' Church, St Helier	2

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
All Saints Church, Stand	3
All Saints' Church, Staplehurst	1
All Saints' Church, Stisted	1
All Saints' Church, Sutton Courtenay	5
All Saints' Church, Tarrant Keyneston	1
All Saints' Church, Thrumpton	1
All Saints' Church, Tilbrook	1
All Saints Church, Welborne	3
All Saints Church, Weybourne	2
All Saints Church, Wing	1
All Saints' Church, Wood Norton	3
All Saints' Church, Writtle	1
All Saints' Parish Church, Evesham	1
All Saints' Parish Church, Leamington Priors	2
All Saints' Parish Church, Sherburn in Elmet	2
All Souls' Church, Cheriton	1
Amersham High Street Methodist Church, Buckinghamshire	2
Amesbury Baptist Church, Wiltshire	1
Annbank Parish Church, Ayr	5
Antioch Christian Centre, Llanelli	1
Apex Church, Peterhead	2
Argoed Baptist Chapel, Blackwood	3
Ark Church, Nottingham	1
Arthur Rank Hospice Charity, Cambridge	2
Ashar Bringing Hope, Shrewsbury	1
Ashford CE Primary School, Middlesex	0
Ashgate Hospicecare, Old Brampton, Derbyshire	2
Avendale Old Parish Church, Strathaven	2
Ballintemple Parish Church, Cavan	2
Ballycrochan Presbyterian Church, Bangor	1
Ballynure Methodist Church, Co. Antrim	1
Barlow and Cutthorpe Methodist Church, Derbyshire	1
Barnby Dun Methodist Church, South Yorkshire	1
Barrow Hill Methodist Community Church, Chesterfield	1
Baxter United Reformed Church, Kidderminster	2
Belhelvie Parish Church, Aberdeenshire	2
Bellaghy Presbyterian Church, Northern Ireland	1
Bethesda Church, Narberth	4
Bethesda Methodist Church, Redfield	3
Bethlehem Chapel, Blaenavon	1
Betws Penpont Church, Powys	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
<b>Small grants, up to £6,250 (continued):</b>	
Bishop Hannington Memorial Church, Hove	6
Bladon Methodist Church, Oxfordshire	4
Blessed Virgin Mary Church, Batcombe	3
Blockley Church, Gloucestershire	2
Bluestone Methodist Church, Portadown	2
Bognor Regis Baptist Church known as Opengate, West Sussex	4
Borley Church, Essex	1
Boroughbridge Methodist Church, North Yorkshire	1
Braniel Community Church, Belfast	1
Brockenhurst Anglican Church, Hampshire	4
Burgh St Margaret Church, Fleggburgh	3
Calvary Chapel, Kings Heath Elim Church, Birmingham	1
Caring For Life, Leeds	1
Castlepollard and Oldcastle Union of Parishes, Ireland	1
Castletown Parish Church, Carlow	1
Cathedral and Church Buildings Division, Church of England, London	2
Celebrate Norwich and Norfolk	1
Cemetery Road Baptist Church, Sheffield	1
Central Vineyard Church, Northampton	3
Chandler's Ford Methodist Church, Hampshire	1
Chapelton and Harehills Area Learning Project, Leeds	1
Chelmsford Cathedral	1
Cheltenham Minster Bell Appeal, Gloucestershire	5
Christ Church Barnstaple, Devon	2
Christ Church Morningside, Edinburgh	3
Christ Church South Manchester URC	6
Christ Church Southampton CIO, Hampshire	2
Christ Church with St Philip Church, Eastbourne	1
Christ Church Woodhouse, Huddersfield	1
Christ Church, Blacklands and St. Andrew's, Hastings	2
Christ Church, Clifden, Connemara	2
Christ Church, Dalbeattie	1
Christ Church, Eaton	2
Christ Church, Isle of Dogs	2
Christ Church, Liverpool	6
Christ Church, Ore	1
Christ Church, Oxford	1
Christ Church, Portsdown	2
Christ Church, Sidcup	5
Christ Church, Swallownest	1
Christ the King Church, Bowburn	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
<b>Small grants, up to £6,250 (continued):</b>	
Christ the Sower Ecumenical Primary School, Milton Keynes	3
Christchurch, Marton cum Grafton	1
Christchurch, Pointon	1
Christian Community Action, Reading	1
Church Housing Trust, Accrington	1
Church of Ireland, Kells Union of Parishes	1
Church of Our Lady, Upton Pyne	2
Church of Our Saviour, East Springfield	2
Church of St Andrew, Northwold	4
Church of St George, Douglas	2
Church of St John the Baptist, Berwick St John	2
Church of St Lawrence, Lackford	2
Church of St Mary and St Gabriel, Stoke Gabriel	2
Church of St Mary Magdalene, Fifehead Magdalene	1
Church of St Mary the Virgin, Brecon	4
Church of St Mary the Virgin, Halkyn	1
Church of St Michael and All Angels, Bishop's Cleeve	1
Church of St Peter the Fisherman, Craster	1
Church of the Ascension, Balham Hill	1
Church of the Ascension, Blackheath	3
Church of the Ascension, Kenton	1
Church of the Holy Cross, Moreton Morrell	3
Church of the Holy Rood, Ampney Crucis	3
Church of the Holy Rood, Holybourne	3
Church of the Holy Spirit, Bedgrove	3
Church of the Most Precious Blood, London	2
Churches Together Kings Lynn	1
Clophill Methodist Church, Bedfordshire	1
Coffee and Craft (Wycliffe Baptist Church), Reading	1
Colonsay and Oronsay Parish Church, Argyll	2
Coney Hill Baptist Church, West Wickham	2
Corpus Christi Catholic Primary School, Stechford	1
Coulsdon Church of England Primary School, Surrey	1
Cowbridge United Free Church, Vale of Glamorgan	2
Craiglockhart Parish Church, Edinburgh	2
Crayford Baptist Church, London	2
Crediton Congregational Church, Devon	4
Croes y Parc Baptist Church, Peterson-super-Ely	3
Cross Rhythms, Stoke-on-Trent	2
Cushendun Buildings Preservation Trust, Antrim	5
Dalziel St Andrew's Parish Church, Motherwell	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Derg Parish Church, County Tyrone	2
Ditchet Church, Somerset	1
Doncaster Deaf Trust, South Yorkshire	1
Downall Green Independent Methodist Church, Wigan	1
Downshire Road Presbyterian Church, Newry, Northern Ireland	2
Draycott Mission, Gloucestershire	1
Duffield Baptist Church, Derby	2
Dull and Weem Parish Church, Perthshire	1
Durisdeer Parish Church, Thornhill	1
Eccleston PCC, Lancashire	1
Edenderry Parish Church, Northern Ireland	2
Edinburgh University Christian Union	1
Edward Road Baptist Church, Birmingham	1
Elim Pentecostal Church Huddersfield	1
Elim Pentecostal Church, Thornton Heath	2
Eltisley Parish Church, Cambridgeshire	1
Emmanuel Baptist Church, Netherton	3
Erdington Six Ways Baptist Church, Birmingham	1
Erpingham Church, Norfolk	2
Evangelical Movement of Wales, Bridgend	5
Fairhaven United Reformed Church, Lancashire	2
Fallings Park Methodist Church, Wolverhampton	1
Fareham Baptist New Life Church, Hampshire	4
FirmFoundation, Harrow	1
Francis House Children's Hospice, Didsbury	1
Freedom Church Mereside, Blackpool	3
Friends of Gloucestershire Archives CIO, Gloucester	5
Friends Of Lambeth Palace Library - London	3
Friends of Nunney Church Parish of Postlebury, Somerset	4
Friends of St Mary's Church Bletsoe, Bedford	3
Garforth Methodist Church, Leeds	1
German-speaking Lutheran Church in East Anglia, Cambridge	4
Gillingham Baptist Church, Kent	6
Glenageary Killiney National School, Dublin	2
Godalming United Church, Surrey	2
Grange United Reformed Church, Southcote	1
Green Pastures Christian Nursing Home, Banbury	2
Greenwich Youth for Christ, Kidbrooke	1
Greyfriars Kirk, Edinburgh	1
Guildford Cathedral	5
Gunwen Methodist Chapel, Cornwall	4

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Hackney Vineyard Church, London	1
Hailsham Parish Church, East Sussex	2
Hainault Road Baptist Church, Leyton	1
Hall Bower Sunday School, Huddersfield	1
Hall Green Methodist Church, Coventry	2
Hall Green United Community Church, Birmingham	2
Hampden Chapel Assemblies of God Church, Hackney	2
Happy Days Ministries UK, Halifax	3
Harbour Church, Portsmouth	4
Havering Road Methodist Church, Romford	6
Haxby and Wigginton Methodist Church, York	5
Heart Church, Nottingham	1
Hebrides Alpha Project, Isle of Lewis	2
Hele Road Baptist Church, Hele	1
Helping Hands Community Outreach Project, Portadown	2
Henley Methodist Church, Warwickshire	1
Hetton Methodist Church, Tyne and Wear	1
Hexham Community Church, Northumberland	2
Higherford Methodist Church, Lancashire	2
Hollingworth Methodist Church, Cheshire	1
Holy Apostles Church, Cheltenham	5
Holy Cross Church, Bilbrook	1
Holy Cross Church, Durley	1
Holy Cross Church, Hove	2
Holy Cross Church, Seend	2
Holy Trinity Church, Ascott-under-Wychwood	1
Holy Trinity Church, Barsham	2
Holy Trinity Church, Bickerstaffe	1
Holy Trinity Church, Bishop's Stortford	2
Holy Trinity Church, Blacon	1
Holy Trinity Church, Bledlow	3
Holy Trinity Church, Bolton Le Sands	4
Holy Trinity Church, Drybrook	1
Holy Trinity Church, Hurst Green	1
Holy Trinity Church, Killiney	1
Holy Trinity Church, Leeds	1
Holy Trinity Church, Milton Damerel	3
Holy Trinity Church, Nailsea	2
Holy Trinity Church, North Ormesby	1
Holy Trinity Church, Old Hill	3
Holy Trinity Church, Scoulton	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Holy Trinity Church, Southport	5
Holy Trinity Church, Tattershall	1
Holy Trinity Church, Washington	4
Holy Trinity Church, Yockleton, Shrewsbury	2
Holy Trinity First School, Berwick upon Tweed	1
Holy Trinity Minster Church, Great Paxton	2
Holy Trinity Parish Church, Idle	1
Horeb Baptist Church, Nantymoel	1
Horizon Life Training, Harrogate	4
Horsington Church School, Somerset	1
Hospice of the Good Shepherd, Chester	2
Hot Line Meals Service, London	1
Hurtado Jesuit Centre, London	1
Ignite Elim Church, Lincoln	1
Immanuel Church, Chichester	1
John Paul 2 Foundation for Sport, London	1
Jubilee Church Hull	1
Julianstown Union of Parishes, Republic of Ireland	1
Junction Youth, St Mary Mags Church, Billingham	1
Kells Union of Parishes (St Columba's Church), Ireland	1
Kilsyth Methodist Church, Glasgow	1
King's Church Darlington, Durham	1
Kings Church Portsmouth, Hampshire	1
King's Church, Loughborough	1
King's Lynn Minster, Norfolk	6
Kingshurst Evangelical Church, Birmingham	6
Kingston Wesley Methodist Church, Hull	1
Kingussie Parish Church, Inverness-shire	2
Langham Arts Trust, London	2
Lee Abbey Fellowship, Devon	1
Leeds Diocese Music Department Schools Singing Programme, Leeds	3
Leicester Cathedral	1
Leuchars St Athernase Church of Scotland, Fife	6
Liberty Christian Ministries, Norbury	0
Lichfield Cathedral	1
Limekilns Parish Church, Fife	6
Lincoln Cathedral	1
Linwood Parish Church, Renfrewshire	2
Llangunllo Community Hall Management Committee, Powys	1
Llangunnor Church, Carmarthen	1
London School of Theology, Northwood	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Long Sutton Baptist Church, Lincolnshire	1
Longbenton Methodist Church, Tyne and Wear	1
Longton Methodist Central Hall, Staffordshire	1
Lurgan Parish Church of Ireland, Ireland	1
Maghera Presbyterian Church, Northern Ireland	1
Marton United Reformed Church, Blackpool	3
Milton Baptist Church, Acton Bridge	1
Minster Church of Rotheram All Saints, South Yorkshire	3
Morley St Botolph's Church, Norfolk	2
Motherwell South Parish Church, Lanarkshire	1
Mount Zion Independent Methodist Church, Cliviger	3
Mullingar Union of Parishes - Almoritia Church, Ireland	1
Mure Memorial Church of Scotland, Baillieston	3
National Rheumatoid Arthritis Society, Maidenhead	5
New Brimington Methodist Church, Derbyshire	1
New Life Christian Centre, Colne	1
New Life Church, Congleton	1
New Life Community Church, Tonyrefail	5
New Machar Parish Church, Aberdeenshire	5
New Testament Church of God, Alvaston	3
North Watford Methodist Church, Hertfordshire	1
Northern Ireland Hospice, Newtownabbey	2
Northfield Methodist Church, Birmingham	3
Northgate United Reformed Church, Co Durham	3
Oakworth Methodist Church, West Yorkshire	3
OASIS Community Church and Centre, Worksop	1
Old Church, Penallt	1
Ottery St Mary Heritage Society, Devon	1
Ottery St Mary Parish Church, Devon	3
Our Lady Help of Christians Church, Kitts Green, Birmingham	6
Our Lady of the Wayside Catholic School, Solihull	1
Oxford Churches Debt Centre	1
Pakistan Community Centre, Derby	1
Parish Church of St Andrew, Fersfield	1
Parish Church of St Gabriel, Heaton	1
Parish Church of St George the Martyr, Shirley	1
Parish Church of St John and St Petroc, Devoran	2
Parish of Mill End and Heronsgate with West Hyde, Hertfordshire	1
Parish of St Martin in Herne, Kent	4
Parish of St Martin, St Wilfrid and St Alban, Brighton	2
Parish of St Matthew and St Luke, Chadderton	2



## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
<b>Small grants, up to £6,250 (continued):</b>	
Parochial Church Council of St Thomas the Martyr Church, Overmonnow	5
PCC of Holy Cross Church, Pattishall	1
PCC of Holy Trinity and St Oswald Church, Farningley	5
PCC of the Anglican Parish of Penn Street with Holmer Green, High Wycombe	1
PCC St John's Community Centre, Congleton	4
Play Park Project, Grand Bay-Westfield, Canada	6
Plymouth Methodist Central Hall, Devon	1
Portslade United Reformed Church, Sussex	1
Prees Baptist Church, Shropshire	6
Prestbury Hall Users Group, Cheltenham	1
Prestongrange Parish Church, Prestonpans	2
Priory Church of St Mary and St Blaise, Boxgrove	2
Quiet Waters, Falkirk	1
Ramsgate Christian Fellowship, Kent	1
Rayleigh Methodist Church, Essex	1
RCCG Testimony Assembly, Dagenham	6
REinspired, Earley	1
Restore (York) Ltd, York	1
Riding Mill Village Hall Trust, Northumberland	2
Robert Stewart Memorial URC, Fenham	1
Rosebery Road Methodist Church, Norwich	2
Roundhay Parochial Hall, Leeds	2
Royal Grammar School, High Wycombe	1
Sacred Heart and St Margaret Mary Church, Aston	5
Sacred Heart Catholic Church, Tunstall	3
Saffron Walden Community Church, Essex	2
Saint Barnabas Church, Drefach Felindre	2
Saint Mabon's Church, Llanfabon	1
Saint Matthew's Church, Rowde	1
Saint Olaves with St Giles' Church, York	2
Saint Peter and Saint Paul's Church, Wingrave with Rowsham	1
Saint Stephen and All Martyrs Church, Oldham	4
Sandford Parish Church, Ranelagh	1
Sandholes Presbyterian Church, Northern Ireland	5
Saxtead Parish Church (All Saints), Suffolk	1
Scotter Methodist Chapel, Lincolnshire	3
Scottish Redundant Churches Trust, Edinburgh	1
Shefford Methodist Church, Bedfordshire	2
Siloe Chapel, Aberdare	1
SOS Polonia Trust, Portsmouth	1
Speen Baptist Church, Buckinghamshire	4

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Spiritualized, Kingsbridge	1
Spring Mount Christian Fellowship, Barrow in Furness	2
St Agnes and St Pancras Church, Liverpool	4
St Aidan's Church, Barrow in Furness	4
St Aidan's Church, Skelmanthorpe	2
St Aidan's Church, Southcoates	2
St Alban the Martyr Church, Northampton	1
St Alban's Church, Windy Nook	1
St Albans Primary School, Hornchurch	1
St Andrew with St John the Baptist Church, Crewe	1
St Andrews Church, Hambleton	1
St Andrew's Church, Countesthorpe	3
St Andrew's Church, Great Dunham	3
St Andrew's Church, Great Finborough	1
St Andrew's Church, Greensted juxta Ongar	1
St Andrew's Church, Hagbourne	2
St Andrew's Church, Little Berkhamsted	2
St Andrew's Church, Moulsecoomb	1
St Andrew's Church, Oving	1
St Andrew's Church, Ringstead	1
St Andrew's Church, Roker	3
St Andrew's Church, Shepherdswell	1
St Andrew's Church, Sutcombe	1
St Andrew's Church, Wilmcote	1
St Andrew's Church, Wissett	1
St Andrew's Church, Wiveliscombe	3
St Andrew's Church, Wootton	1
St Andrew's Community Action Group, Belfast	1
St Andrew's Methodist Church, Southwick	3
St Andrew's Parish Church, Dearnley	1
St Andrew's United Reformed Church, Cheltenham	1
St Anne's Church, Eastville	1
St Anne's Church, Soho	2
St Augustine's Church, Penarth	1
St Barnabas Church, Carlisle	4
St Barnabas' Church, Clarksfield	1
St Barnabas Church, Eltham	1
St Bartholomew's Church, Great Harwood	4
St Bartholomew's Church, Otford	3
St Bartholomew's Church, Sproxton	2
St Basils, Birmingham	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Bede with St Clement Church, Toxteth	1
St Benedict Biscop Church, Wombourne	2
St Bernard's Church, Hamstead	1
St Botolph's Church, Colchester	2
St Botolph's Church, Hadstock	2
St Botolph's Church, Heene	3
St Breaca Church, Breage	3
St Catherine's Church (Church of Ireland), Fenagh	1
St Catherine's Church, Draughton	1
St Catherine's Church, Towersey	4
St Catherine's Hospice, Crawley	0
St Cattwg's Church, Port Eynon	1
St Cenau Church, Llangenny	1
St Chad's Centre Trust Company Ltd., Bishop's Tachbrook	5
St Chad's Church, Lichfield	1
St Chad's Church, Rubery	2
St Christopher's Church, Bare	1
St Christopher's Church, Bradford	1
St Christopher's Church, Springfield	1
St Christopher's Church, Willingale	1
St Clement's Church, Openshaw	1
St Columba's Church in the Parish of Christ the King, Wideopen	2
St Creden Church, Sancreed	6
St Cubert Parish Church, Cornwall	4
St Cuthbert's Church, Thetford	4
St Cyngar's Church, Borth y Gest	2
St David's Church, Betws Ammanford	1
St David's Church, Llywel	2
St David's Church, Pontycymer	1
St David's Church, Rhosllanerchrugog	2
St David's Church, Wettenhall	1
St Edith's Church, Monks Kirby	2
St Edmund and St George Church, Hethe	2
St Edmund's Church, Riby	1
St Edmund's Parish Church, Holme Pierrepont	1
St Edward the Confessor Church, Cheddleton	2
St Edward The Confessor Church, Sudbrooke	1
St Edward's Church, Egguckland	1
St Egewlin Church, Scalford	2
St Faith's Church, Newton Longville	1
St Faith's Church, Wilsthorpe	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Francis of Assisi Church, West Wickham	2
St Gabriel's Church, Stanbury	1
St George the Martyr Church, Brentwood	2
St George's Church, Anstey	1
St George's Church, Clun	1
St George's Church, Cwmparc	4
St George's Church, Edgbaston	3
St George's Church, Modbury	5
St George's Church, Rodington	3
St George's Church, Ruishton	1
St George's Church, Stockport	2
St George's Church, Swallowbeck	4
St George's Church, Tredegar	4
St George's Church, Wrotham	5
St George's Parochial Church Council, Newtown	3
St Gerard's Roman Catholic Church, Castle Vale, Birmingham	1
St Germain's Church, Bobbingworth	1
St Giles and St Nicholas Church, Sidmouth	2
St Giles Catholic Church, Cheadle	2
St Giles Church, Aintree	2
St Giles' Church, Blaston	1
St Giles' Church, Goodrich	2
St Giles' Church, Goxhill	1
St Giles Church, Hooke	1
St Giles' Church, Bradford on Tone	2
St Gluvias Community Hall Association, Penryn	1
St Gwenllwyfo's Church, Llanwenllwyfo	1
St Gwinear Parish Church, Cornwall	1
St Helen and the Holy Cross Church, Sheriff Hutton	1
St Helena's Church, Thoroton	2
St Helen's Auckland Church, County Durham	3
St Helens Baptist Church, Merseyside	6
St Helens Christian Life Centre, Merseyside	1
St Helens Church, Brant Broughton	3
St Helen's Church, Kelloe	3
St Helen's Church, Stapleford	3
St James Church, Ab Kettleby	1
St James' Church, Bondleigh	2
St James' Church, Burton Lazars	2
St James' Church, Christleton	1
St James' Church, Harvington	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St James' Church, Holywell	1
St James' Church, Little Paxton	1
St James Church, Melsonby	2
St James' Church, Moulton Chapel	3
St James Church, Preston Plucknett	4
St James' Church, Skillington	1
St James' Church, Southbroom	1
St James' Church, Styvechale	2
St James' Church, Westhead	1
St James' Church, Whitechapel	1
St James RC Church, Kinross	1
St James the Great Church, Clayton	1
St James the Great Church, Snitterfield	1
St James the Great Parish Church, Congleton	1
St James the Greater Church, Twycross	2
St John Newland Evangelical Church, Hull	2
St John of Beverley Church, Salton	2
St John the Baptist Church, Okewood Hill	1
St John the Baptist Church, Axbridge	2
St John the Baptist Church, Bamford	1
St John the Baptist Church, Bettisfield	1
St John the Baptist Church, Blisworth	1
St John the Baptist Church, Flitton	1
St John the Baptist Church, Frome	1
St John the Baptist Church, Grove	4
St John the Baptist Church, Guilden Sutton	2
St John the Baptist Church, Holland Road, London	6
St John the Baptist Church, Horrabridge	1
St John the Baptist Church, Kenley	2
St John the Baptist Church, Penmaen	1
St John the Baptist Church, Peterborough	3
St John the Baptist Church, Stanton St John	1
St John the Baptist Church, The Lee, Buckinghamshire	1
St John the Baptist Church, Watlington	2
St John the Baptist with Our Lady and St Laurence Church, Thaxted	1
St John the Divine Church, Billericay	1
St John the Divine Church, Frankby with St Nicholas Church, Greasby, Wirral	5
St John the Divine Church, Southrey	1
St John the Evangelist Church, Bexley	1
St John the Evangelist Church, Boscombe	4
St John the Evangelist Church, Dewsbury	3

# SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St John the Evangelist Church, Farsley	1
St John the Evangelist Church, Ickham	2
St John the Evangelist Church, Staplegrove	3
St John the Evangelist Church, Tolpuddle	2
St John the Evangelist Church, Treslothan	0
St John the Evangelist Episcopal Church, Stranraer	1
St John The Evangelist Roman Catholic Church, Banbury	2
St John's and King's Park Church of Scotland, Dalkeith	4
St John's C of E School, Sandbach Heath	1
St John's Church and Community Hall, Cumnock	3
St John's Church, Ben Rhydding	2
St John's Church, Birkby	1
St John's Church, Carrington	1
St John's Church, Cowgill	1
St John's Church, Drumshanbo	1
St John's Church, Kensal Green, London	1
St John's Church, Littleworth	2
St John's Church, Rhosnesni	1
St John's Church, Weymouth	1
St John's College, Durham	1
St Joseph's Church, Tynan, Co. Armagh	2
St Katharine's Church, Exbury	1
St Katharine's Parish Church, Ickleford	1
St Katharine's, The Danish Church in England, London	6
St Laurence in Thanet Team Ministry, Ramsgate	1
St Laurence's Church, Stanwick	1
St Lawrence and All Saints Church, Steeple	1
St Lawrence Church, Abbots Langley	4
St Lawrence Church, Alton	3
St Lawrence Church, Little Waldingfield	1
St Lawrence Church, Winchester	1
St Lawrence Parish Church, York	2
St Lawrence's Church, Weston-under-Penyard	2
St Leonard's Church, Beoley	2
St Leonard's Church, Cotheridge	1
St Leonard's Church, Deal	1
St Leonard's Church, Denton	1
St Leonard's Church, Pitcombe	2
St Leonard's Church, Sheepstor	2
St Leonard's Parish Church, Hardwick	1
St Llawddog Church, Penboyr	2

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Luke the Evangelist Church, York	2
St Luke's Church, Carlisle	2
St Luke's Church, Kislingbury	3
St Luke's Methodist Church Centre, Rochester	2
St Margaret of Antioch Church, Hinton Waldrist	5
St Margaret of Scotland Church, Whaddon	2
St Margaret's Church East with West Wellow, Romsey	1
St Margaret's Church, Bagendon	1
St Margaret's Church, Clenchwarton	1
St Margaret's Church, Long Riston	1
St Margaret's Church, Queen Charlton	1
St Margaret's Church, Sea Palling	1
St Margaret's Parish Church of Scotland, Glenrothes	1
St Margaret's Welcome Centre, Hull	1
St Margret of Antioch Church, Cowlinge	1
St Margret of Antioch Church, Thrandeston	1
St Mark's Church, Bestwood Village	1
St Mark's Church, Exeter	1
St Mark's Church, Mansfield	1
St Mark's Church, New Milverton	1
St Mark's Church, Newby	2
St Mark's Church, Sticker	1
St Mark's Church, Stockland Green	1
St Mark's Church, Worle	2
St Mark's School, Bath	1
St Martha's Methodist Church, Tring	2
St Martin in the Delph Church and Centre, Staffordshire	1
St Martin of Tours Parish Church, Middlesbrough	2
St Martin-in-the-Fields Church, London	1
St Martin's Catholic Academy, Stoke Golding	3
St Martin's Church, North Perrott	2
St Martin's Church, Sherwood	1
St Martin's Parish Church, Knowle	1
St Mary and All Saints Church, Bradley	1
St Mary and Holy Trinity Church, Bow	4
St Mary and St Botolph's Church, Hevingham	1
St Mary and St John's Roman Catholic Church, Wolverhampton	1
St Mary and St Laurence Church, Bolsover	4
St Mary and St Peter's Church, Bagillt	2
St Mary Magdalene Church, Barkway	1
St Mary Magdalene Church, Boddington	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Mary Magdalene Church, Debenham	1
St Mary Magdalene Church, Hart Village	1
St Mary Magdalene Church, Leintwardine	1
St Mary Magdalene Church, Tormarton	1
St Mary Magdalene Church, Willen	1
St Mary Magdalene PCC St James Church Hall, Bridgnorth	1
St Mary Magdalene's Church, Enfield	1
St Mary Magdalene's Church, Lillington	2
St Mary Our Lady Church, Sidlesham	6
St Mary Redcliffe Church, Bristol	2
St Mary the Less Church, Chilbolton	1
St Mary The Virgin and All Saints Church, Debden	1
St Mary the Virgin Church, Ashwell	1
St Mary the Virgin Church, Badby	3
St Mary the Virgin Church, Baldock	4
St Mary the Virgin Church, Charminster	2
St Mary the Virgin Church, Childrey	1
St Mary the Virgin Church, Elland	1
St Mary the Virgin Church, Ewelme	1
St Mary the Virgin Church, Farthingstone	1
St Mary the Virgin Church, Fen Ditton	1
St Mary the Virgin Church, Frampton on Severn	1
St Mary the Virgin Church, Gislingham	2
St Mary the Virgin Church, Gissing	3
St Mary the Virgin Church, Great Milton	1
St Mary the Virgin Church, Greetham	1
St Mary the Virgin Church, Higham Ferrers	1
St Mary the Virgin Church, Mold	3
St Mary the Virgin Church, Narford	1
St Mary the Virgin Church, Ovingham	2
St Mary the Virgin Church, Peldon	2
St Mary the Virgin Church, Snettisham	1
St Mary the Virgin Church, Stoneleigh	5
St Mary the Virgin Church, Strensall	3
St Mary the Virgin Church, Strethall	1
St Mary the Virgin Church, Wappenham	1
St Mary the Virgin Church, Ware	3
St Mary the Virgin Church, Westonzoyland	4
St Mary the Virgin Church, Wix	1
St Mary the Virgin Parish Church, Glemsford	1
St Mary-at-Finchley Church, London	3



## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Mary's Church Hall, Selly Oak	2
St Mary's Church in Wales, Brynmawr	2
St Mary's Church, Ardee	1
St Mary's Church, Arlingham	1
St Mary's Church, Ashwell	2
St Mary's Church, Bacton	2
St Mary's Church, Bainton	1
St Mary's Church, Berkeley	1
St Mary's Church, Blyth	1
St Mary's Church, Buckden	1
St Mary's Church, Bury St Edmunds	2
St Mary's Church, Caerhun	1
St Mary's Church, Camberley	2
St Mary's Church, Carew Cheriton	2
St Mary's Church, Chithurst	2
St Mary's Church, Eynesbury	1
St Mary's Church, Flitcham	1
St Mary's Church, Fotherby	1
St Mary's Church, Great Eversden	4
St Mary's Church, Great Sankey	1
St Mary's Church, Grendon	1
St Mary's Church, Hampstead Norreys	2
St Mary's Church, Hampton	1
St Mary's Church, Harkstead	2
St Mary's Church, Herbrandston	2
St Mary's Church, Hook with Warsash	1
St Mary's Church, Johnstown	1
St Mary's Church, Kings Pyon, Herefordshire	3
St Mary's Church, Liss	5
St Mary's Church, Llanvair Discoed	2
St Mary's Church, Old Malton	2
St Mary's Church, Oldberrow	1
St Mary's Church, Oldham	2
St Mary's Church, Playford	1
St Mary's Church, Portskewett Heritage Centre, Monmouthshire	2
St Mary's Church, Radcliffe on Trent	2
St Mary's Church, Rawtenstall	1
St Mary's Church, Rhuddlan	1
St Mary's Church, Richmond	2
St Mary's Church, Ringstead	1
St Mary's Church, Salcott Virley	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Mary's Church, Selborne	1
St Mary's Church, Shenley	1
St Mary's Church, Shinfield	1
St Mary's Church, Sneed	1
St Mary's Church, Sompting	1
St Mary's Church, Southampton	1
St Mary's Church, Staunton-on-Wye	3
St Mary's Church, Stratford St Mary	4
St Mary's Church, Stretton	1
St Mary's Church, Sullington	1
St Mary's Church, Swaffham Bulbeck	1
St Mary's Church, Tenbury Wells	2
St Mary's Church, Thakeham	1
St Mary's Church, Tydd St Mary	1
St Mary's Church, Walsgrave on Sowe	1
St Mary's Church, Weeford	1
St Mary's Church, Weymouth	2
St Mary's Church, Whitchurch	1
St Mary's Church, Willesden	3
St Mary's Church, Wooler	2
St Mary's Church, Wycliffe	1
St Mary's Parish Church, Slough	3
St Mary's Priory Church, Monmouth	1
St Matthew's Church, Donnington Wood	2
St Matthew's Church, Buckley	1
St Matthew's Church, Lee	1
St Matthew's Church, Normanton on Trent	1
St Matthew's Church, Worthing	1
St Mawgan-in-Meneage Parish Church, Mawgan	5
St Meilyr's Church, Llys-y-Fran	1
St Mellans, Agaderg Parish Church, Northern Ireland	1
St Melyd's Church, Meliden	1
St Michael and All Angels Church, Badminton	1
St Michael and All Angels Church, Bude Haven	1
St Michael and All Angels Church, Cockerham	1
St Michael and All Angels Church, Cookley	1
St Michael and All Angels Church, Dewsall	1
St Michael and All Angels Church, Edwin Ralph	1
St Michael and All Angels Church, Felton	1
St Michael and All Angels Church, Ingoldisthorpe	1
St Michael and All Angels Church, Middleton by Youlgreave	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
<b>Small grants, up to £6,250 (continued):</b>	
St Michael and All Angels Church, Middlewich	1
St Michael and All Angels Church, Mitcheldean	1
St Michael the Archangel Church, Dundry	6
St Michael the Archangel Church, Letchworth	1
St Michaels and All Angels Church, Aberystwyth	3
St Michael's and All Angels Church, Brampton Abbots	4
St Michael's Church, Betws yn Rhos	1
St Michael's Church, Bray	2
St Michael's Church, Budbrooke	4
St Michael's Church, Burnett	1
St Michael's Church, Cornhill	1
St Michael's Church, Cwmafan	1
St Michael's Church, Doddiscombsleigh	1
St Michael's Church, Little Coates, Grimsby	2
St Michael's Church, Stoke Gifford	1
St Michael's Church, Wincle	2
St Michael's Hospice, St Leonards on Sea	1
St Milburga's Church, Stoke St Milborough	2
St Mildred's Church, Addiscombe	4
St Mildred's Church, Whippingham	2
St Nectan's Church, Welcombe	2
St Neot Church, Cornwall	3
St Nicholas Church, Alcester	3
St Nicholas Church, Allington	1
St Nicholas Church, Ashchurch	1
St Nicholas' Church, Blundellsands	1
St Nicholas Church, Durham	1
St Nicholas' Church, Kelvedon Hatch	1
St Nicholas Church, Laindon with Dunton	4
St Nicholas' Church, Marston	1
St Nicholas' Church, Rawreth	1
St Nicholas Church, Stretton	1
St Nicholas' Church, Sutton	1
St Nicholas' Church, Ulcombe	1
St Nicolas' Church, Shoreham-by-Sea	1
St Oswald's Church, East Stoke	1
St Oswald's Church, Filey	1
St Oswald's Church, Pontypool	1
St Owen's Church, Bromham	5
St Patrick Roman Catholic Church, Oldham	2
St Patrick's Roman Catholic Church, Crossmaglen	4

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Patrick's Roman Catholic Church, Winson Green, Birmingham	4
St Paul's Church, Burradon	2
St Paul's Church, Chudleigh Knighton	1
St Paul's Church, Derby	3
St Paul's Church, Grange-over-Sands	5
St Paul's Church, Hainault	4
St Paul's Church, Shepley	1
St Paul's Church, Spennymoor	1
St Paul's Church, Woodford Bridge	1
St Pauls Parish Church, York	1
St Peter and Paul's Church, Caistor	4
St Peter and Paul's Church, Mautby	1
St Peter and St James C of E Parish Church, Halwill Town	4
St Peter and St Paul Church, Ewhurst	1
St Peter and St Paul's Church, Belton, Grantham	2
St Peter and St Paul's Church, Great Bowden	2
St Peter and St Paul's Church, Horndon on the Hill	1
St Peter and St Pauls Church, Hucknall	1
St Peter and St Paul's Church, Kedington	1
St Peter and St Paul's Church, Little (Bardfield) Saling	1
St Peter and St Paul's Church, Long Compton	1
St Peter and St Paul's Church, Warsop	1
St Peter and St Paul's Church, Wymering	1
St Peter and St Paul's Parish Church, Great Somerford	4
St Peter and St Paul's Parish Church, Swadcliffe	1
St Peter's Church and St Peter's Church Hall, Bishop's Waltham	1
St Peter's Church in Holderness, East Yorkshire	1
St Peter's Church, Bexleyheath	1
St Peter's Church, Bridge	2
St Peter's Church, Brighton	6
St Peter's Church, Combswich	2
St Peter's Church, Copt Oak	1
St Peter's Church, Cransford	1
St Peter's Church, Ealing	4
St Peter's Church, Elmsett	2
St Peter's Church, Forsbrook	1
St Peter's Church, Hutton Cranswick	2
St Peter's Church, Ilfracombe	5
St Peter's Church, Neatishead	1
St Peter's Church, Newnham	2
St Peter's Church, Norton	2

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Peter's Church, Oundle	1
St Peter's Church, Pavenham	1
St Peter's Church, Seaview	2
St Peter's Church, Sible Hedingham	2
St Peter's Church, Sowerby	1
St Peter's Church, Stourton	3
St Peter's Church, Windrush	2
St Peter's Church, Wormleighton	3
St Peter's Collegiate Church, Wolverhampton	4
St Peter's Scottish Episcopal Church, Linlithgow	2
St Philemon's Church, Toxteth	1
St Philip and St James Church, Alderley Edge	5
St Philip's Church, Bournemouth	3
St Piran's Cross Multi-Academy Trust, Truro	2
St Quiricus and St Julietta Church, Tickenham	2
St Raphael's Church, Huccaby	1
St Richard's Church, Heathfield	1
St Saviour and St Peter's Church, Eastbourne	4
St Saviour's Church, Bamber Bridge	2
St Saviour's Church, Larkhall	4
St Seraphim's Trust, Little Walsingham	4
St Stephens Church Lympne Bellringers Society, Kent	1
St Stephen's Church Steeton with Eastburn, West Yorkshire	2
St Stephens Church, Astley	2
St Stephen's Church, Lympne	2
St Stephen's Church, West Bowling	5
St Stephen's Church, Winsham	2
St Swithun upon Kingsgate Church, Winchester	2
St Teilo's Church, Llantilio Pertholey	3
St Theodore's Church, Cwmfelinfach	1
St Thomas a Becket Church, Box	2
St Thomas a Becket Church, Ramsey	2
St Thomas Beckett Church, Tugby	2
St Thomas Church, Bradley	1
St Thomas Church, Bradwell-on-Sea	2
St Thomas' Church, Kirkholt	1
St Thomas Church, Norwich	1
St Thomas' Church, Stockport	1
St Thomas' Church, Stopsley Village	1
St Thomas Church, Swansea	1
St Thomas' Church, Wednesfield	1

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
St Thomas of Canterbury Church, Hullbridge	1
St Thomas of Canterbury Roman Catholic Church, Sevenoaks	5
St Thomas the Apostle Church, Chevithorne	1
St Thomas the Martyr Church, Winchelsea	1
St Tysilio's Church, Sellack	2
St Vedast's Church, Tathwell	1
St Veep Parish Church, Lostwithiel	2
St Vincent's Church, Newnham	1
St Werburgh's Church, Kingsley	2
St Wilfrid's Church, Calverley	2
St Wilfrid's Church, Harrogate	5
St Wilfrid's Church, North Muskham	2
St Winifreds Church, Penrhiwceiber	1
St Wystan's Church, Repton	1
Stapleford Methodist Church, Nottinghamshire	1
Step, St Albans	1
Stoke Gabriel Baptist Church, Devon	1
Stone Methodist Chapel, Buckinghamshire	1
Strand Church, Dawlish	1
Street United Reformed Church, Somerset	3
Swaffham Methodist Church, Norfolk	4
Tarporley Baptist and Methodist Church, Cheshire	2
Temple Hill Baptist Church, Dartford	1
The Albion Academy, Salford	0
The Anglican Church of St Andrew, Chew Stoke	2
The Bevern Trust, Barcombe	1
The Bridge Church St Ives, Cambridgeshire	1
The Church of St Mary the Virgin, Nether Broughton	2
The Church of St Peter, Stainforth	1
The Church of the Holy Rood, Wool	1
The CoED Foundation, Birmingham	1
The Community Church in Southport	2
The Diocese of Argyll	4
The Diocese of Moray	4
The Edgemoor Group of Parishes, Devon	0
The Episcopal Church of St James the Great, Stonehaven	1
The Friends of Saint Mary's Church, Uffington	1
The Harrogate Hub, North Yorkshire	2

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
The Hill Church, Swansea	2
The Leam Methodist Church, Gateshead	1
The Liverpool Virginia West Africa Youth Pilgrimage, Huyton	3
The London Institute for Contemporary Christianity, London	2
The Luton and Dunstable Hospital Charitable Trust, Bedfordshire	1
The Message Trust (Eden Bus), Manchester	2
The Methodist Church, Ryde, Isle of Wight	1
The Norfolk Hospice, Hillington	1
The Oxford House in Bethnal Green, London	1
The Oxford Pastorate, Oxford	2
The Parish Church of St Augustine, Rumney	4
The Parish Church of St Denys, Sleaford	1
The Parochial Church Council of Deeping St. James, Lincolnshire	2
The Parochial Church Council of Gimingham, Norfolk	1
The Parochial Church Council of The Ecclesiastical Parish of Newchurch, Culcheth	1
The Parochial Church Council of the Ecclesiastical Parish of St John, Bowling, Bradford	6
The Parochial Church Council of the Ecclesiastical Parish of St Thomas, Garstang	3
The Point Church, Burgess Hill	1
The Prince and Princess of Wales Hospice, Glasgow	2
The Priory Church of St Mary and St Cuthbert, Bolton Abbey	2
The Priory Church of St Mary, Lancaster	3
The Priory Church of St Peter and St Paul, Leominster	1
The Rainbow Centre, Scarborough	1
The Salvation Army, Croydon	1
The Select Vestry St. John's Church, Kiltreevogue Parish, Ireland	1
The Society of the Sacred Cross, Lydart	2
The Town Estate, Barrow	2
The Vine Church, Sheffield	1
The Vine Trust of St Mary's Laisterdyke, West Yorkshire	1
The Vine, Maidstone	2
The Wave Youth and Children's Ministry, Swanage	4
The Wynd Centre, Paisley	1
Third Space Ministries, Morden	1
Thornton, Bagworth and Stanton under Bardon PCC, Leicestershire	1
Thundersley Methodist Church, Essex	2
Timberland Methodist Church, Lincolnshire	2
Timsbury Methodist Church, Bath	1
Tiree Parish Church of Scotland	2
Transformations, Leeds	1
Transforming Notts Together, Southwell	1
Trentham Methodist Church, Staffordshire	3

## SUPPLEMENTARY INFORMATION (UNAUDITED)

	2016 £000
Small grants, up to £6,250 (continued):	
Trinity Baptist Church, Derby	1
Trinity Methodist Church, Middlesbrough	3
Trinity United Reformed/Methodist Church, Sutton	2
Trustees of the Church of St John The Evangelist, Dublin	1
Tyburn Convent, London	2
Underwood Baptist Free Community Church, Llanmartin	2
Upper Caldecote Methodist Church, Bedfordshire	1
Upton Noble Church of England VC Primary School, Somerset	1
Urban Pursuit CIC, Bristol	1
Ushaw College, Durham	1
Via Wings, Dromore	2
Victoria Stafford Road Methodist Church, Sheffield	1
Walmer Parish Churches, Kent	1
Waveney Foodbank, Suffolk	1
Waverton Evangelical Fellowship, Cheshire	4
Wellow Church Schoolroom, Nottinghamshire	2
St George's Church, Wembdon	5
Wesley Methodist Church, Chester	6
Westhoughton Methodist Church, Lancashire	1
Whiteshill Evangelical Church, Bristol	2
Whitfield Parochial Church, Glossop	4
Widden Primary School, Gloucester	1
William Temple Parish Church, Wythenshawe	2
Willington Methodist Church, Bedford	2
Willowfield Parish Community Association, Belfast	4
Winterley Methodist Church and Community Centre, Cheshire	2
Wirral Foodbank, Birkenhead	1
Woking and Sam Beare Hospices, Surrey	1
Word of Life Church, Grove Park, London	2
Wroughton Youth Adventure Charity, Wiltshire	1
Wycliffe United Reformed Church, Leicester	1
Wylam Methodist Church, Northumberland	4
Yarcombe Baptist Church, Devon	2
Ykids, Bootle	4
YMCA, Birmingham	1



## SUPPLEMENTARY INFORMATION (UNAUDITED)

During the year, the charity made the following special and flagship project grants:

	2016 £000
<b>Special and Flagship Projects:</b>	
Anglican Consultative Council, London	7
Archbishops' Council, London	40
Association of Church Accountants and Treasurers, London	30
Association of English Cathedrals, London	50
Churches Conservation Trust, London	129
Church in Wales, Cardiff	39
Church of England Ministerial Experience Scheme, London	100
Church Urban Fund, London	50
Dublin and Glendalough Dioceses, Dublin	30
Evangelical Alliance, London	90
Historic Religious Buildings, London	12
Holy Trinity Brompton, London	50
Lead, Edinburgh	50
Llandaff Diocesan Board of Finance, Bridgend	60
Norwich Cathedral	40
Release Prison Partnership Ltd, Dublin	60
St John's College, Durham	100
The Students Exploring Marriage Trust, Fareham	60
The Big Church Day Out, Littlehampton	60
The Friends of the Archbishop's Anglican Communion Fund (FACF), London	50
The Queen Elizabeth Scholarship Trust, London	18
The Representative Body of the Church of Ireland (RCB), Dublin	90
The Society of Mary and Martha, Exeter	100

During the year, the charity made the following Methodist Grant-Giving Committee grants:

	2016 £000
<b>Methodist Grant-Giving Committee grants:</b>	
Barlow and Cutthorpe Methodist Church, Derbyshire	2
Bilton Area Methodist Church, Harrogate	20
Bishop Street Methodist Church, Leicester	1
Burn Park Methodist Church, Sunderland	1
Dundrum Methodist Church, Dublin	3
Garston Park Church, Liverpool	2
Hesleden Methodist Church, Hartlepool	1
Longton Central Hall, Stoke on Trent	3
Nanstallon Methodist Church, Bodmin	1
Old Roan Methodist Church, Liverpool	1
Perth Methodist Church	3
Pickmere Methodist Church, Knutsford	3
Pilling Methodist Church, Preston	3
Plymouth Methodist Central Hall	3
Queen Victoria Seamen's Rest (QVSR), London	25
South Wigston Methodist Church, Leicester	1
St Luke's Methodist Church Centre, Rochester	3
Syke Methodist Church, Rochdale	4
Trinity URC and Methodist Church, Great Harwood	50
Upper Caldecote Methodist Church, Biggleswade	5
Wath Methodist Chapel, Harrogate	1