



St Patrick's Cathedral

ALLCHURCHES TRUST LIMITED

2020 ANNUAL REPORT & ACCOUNTS

Company registration number 1043742

Charity registration number 263960

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St Luke's Healthcare
for the Clergy, London

Explanation of terms

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

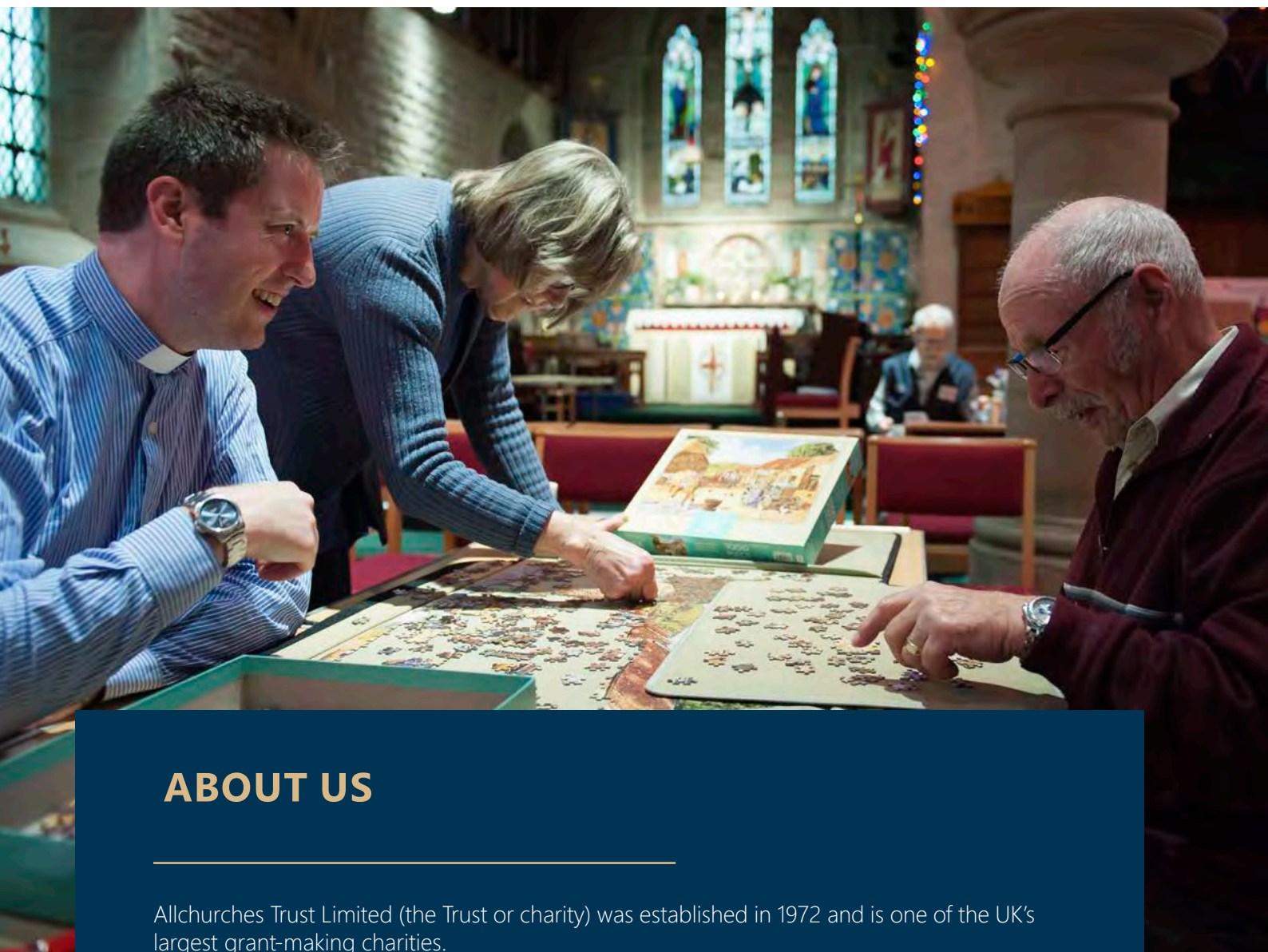
Ecclesiastical Insurance Group plc, the direct subsidiary of Allchurches Trust Limited

EIO plc

Ecclesiastical Insurance Office plc, a direct subsidiary of EIG plc. It is the principal operating subsidiary.

The Trust or the charity

Allchurches Trust Limited



ABOUT US

Allchurches Trust Limited (the Trust or charity) was established in 1972 and is one of the UK's largest grant-making charities.

Our charity promotes the Christian religion and provides grants and support to Christian churches and charitable organisations, strengthening communities and seeking to help those in areas of greater need and deprivation. As one of the few charities prepared to fund projects at an early stage, the Trust also acts as a 'catalyst' funder and is uniquely placed to provide early practical advice that can help applicants unlock additional project funding.

The Trust is the owner of Ecclesiastical Insurance Group plc (EIG plc), which in turn owns Ecclesiastical Insurance Office plc (EIO plc), and receives the majority of its income from the companies it owns; it does not fundraise. The charity is governed by a board of trustees who set its strategic direction and fully recognise their responsibility to deliver on its objects in a way that enhances public trust. Among the trustees are senior Church of England and Methodist clerics, which helps the board to understand and reflect its beneficiary base, but it is completely independent of these churches. A full list of the Trust's related undertakings is presented in note 45 to the financial statements.

The Trust seeks to celebrate and share the successes of beneficiaries and to recognise and support their challenges. In doing so, trustees increasingly seek the views of our large beneficiary network in shaping the charity's programmes and its approach to fulfilling its mission.

CHAIRMAN'S REPORT

I write this report almost a year to the day since the first lockdown commenced and our staff, and the staff of our trading subsidiaries, left their offices for home-working. This has been a tough time for so many, coping with the lack of face to face engagement, forced to embrace virtual meetings to fulfil professional responsibilities, and all the while looking after loved ones, home-schooling and being separated from family and friends. Against that backdrop, the achievements of 2020 are all the more remarkable.



The advent of the pandemic early in 2020 had an almost immediate effect. Stock market volatility pushed the value of investment portfolios down and insurance analysts drew attention to the huge potential for Covid-19 related claims, notably in the area of business interruption losses. Regulators reacted by giving cautionary, if not discouraging, signals around dividend payments.

In that environment the trustees decided to proceed on the basis that any 2020 grant from Ecclesiastical was unlikely and that, ultimately, proved to be the case, even though much of the ground lost in the first half of the year had been recovered by year end. In the light of the financial challenges and hardship faced by beneficiaries, and the impact on the people and places they support, the trustees also decided that 2020 was not the year to cut back on grant making. Rather, they agreed to liquidate a modest proportion of the charity's Expendable Endowment Fund (EEF) to maintain liquidity and re-build reserves and thereby continue to support its beneficiaries through these uncertain times.

Despite the challenging times, and with the benefit of a £10m EEF withdrawal, we were again able to significantly increase our financial support to churches and other charitable institutions in 2020, with total charitable giving of £23.3m (2019: £17.9m). The value of the EEF at the end of the year was £104.1m. A further £5m withdrawal was made in March 2021.

Through its Methodist Grant-Giving Committee, the Trust awarded grants totalling £2.5m (2019: £2m) to support the mission and ministry of the Methodist Church in Britain and Ireland.

Overview

2020 proved to be a uniquely challenging year for our trading subsidiary, Ecclesiastical Insurance Office plc (EIO). Following a strong financial performance in 2019, EIO reported a loss before tax of £15.7m¹ (2019: profit before tax £73.3m¹) principally due to Covid-19's impact on financial markets which led to investment losses in the first half of 2020. Holding a sizeable equity portfolio can lead to short term volatility in reported results but subsequent gains have been steady and the company, in its investment strategy, continues to take a long-term view.

Underwriting continued to be profitable with a profit of £12.1m¹ (2019: £20.0m¹), after £18.7m for Covid-19 related claims where there is confirmed cover, implying that the underlying underwriting profit was over £30m¹. Gross written premiums grew by 11% to £437m (2019: £394m) supported by strong customer retention and new business wins.

Premium growth in Ecclesiastical's Australian and Canadian operations was strong at circa 20% at a time when markets continued to harden. In 2020 Canada had one of its best ever years with net profit before tax of c\$10m¹. Australia reported a net profit of a\$3.9m¹ but incorporating a\$10m reserve strengthening and provisions for Covid-19 claims.

¹ The figures stated have been prepared under International Financial Reporting Standards (IFRS), which is the accounting basis under which Ecclesiastical prepares its financial statements. These may differ when consolidated into the Trust's group financial statements, which are prepared under UK Generally Accepted Accounting Practice (UKGAAP).

The Broking and Advisory business segment was again profitable¹ and our investment management business, EdenTree, continues to thrive and plans ambitious growth under its new CEO supported by a new Group Chief Investment Officer.

Operationally, all parts of the Group responded exceptionally well to the challenges posed by the pandemic with customer service maintained at extraordinarily high levels, despite home working. Staff demonstrated flexibility, agility and great character in staying on course and true to EIG's vision and purpose.

Looking ahead, the future for EIG is bright as it enters a new chapter. New IT systems are now being rolled-out. A new, purpose-built office in Gloucester opened its doors in February 2021 and a new, modern visual identity has been adopted. During 2021 EIG expects to hit the target it set in 2016 of donating £100m to charity.

Grant-making

The trustees' immediate response to the pandemic was to approve five emergency Covid-19 grants totalling £350,000 to churches and Christian charities, responding to the issues of increased food poverty, and the need to provide help and support for those who became financially vulnerable.

We brought forward the first tranche of Recurrent Grants payments from September to June to help ease financial difficulties faced by dioceses and cathedrals during the lockdown period, primarily due to church closures, and the consequent impact on the communities they support.

A new Thematic Grants programme, Hope Beyond, was launched in July 2020 and ran until mid-February 2021 to help meet the changing needs of communities coping with the ongoing impact of the Covid-19 crisis and provide opportunities for individual, church and community flourishing for life beyond lockdown. The three aims of the programme were:

- Responding to the issues of loneliness and isolation exacerbated by the Covid-19 pandemic
- Growing community resilience and

promoting mental and emotional health and wellbeing

- Growing technological capability and resilience, particularly increasing digital capacity and provision

Demand far exceeded our expectations with just short of 900 applications, well distributed both by Christian denomination and geography. With a success rate in the order of 85% we awarded some £5m in Hope Beyond grants when all applications were processed.

I am truly humbled by the huge effort made by the small team of full and part-time staff which supported the trustees in devising, scoping, communicating and delivering on this response to Covid-19 in such short order and in such stressed circumstances.

Other achievements

Throughout 2020 the Trust continued to work on a review of its brand and that of its trading subsidiary. Stakeholder research has been conducted and a creative agency engaged to help inform trustees' decision-making as to whether to reposition the Trust under a new, co-shared brand name with the Group that it owns. A Strategy & Business Plan for the years 2021 to 2023 was developed and approved. A Governance Review by an independent law firm was completed with no material shortcomings identified and an independent review of our trading subsidiary commissioned which will be completed and considered by the Board during the first half of 2021. Mr David Smart was appointed to the Board in March 2021 with a view to succeeding Sir Laurie Magnus as Chair of the Trust's Finance & Investment Committee in due course.

In closing, I am proud that we have been able to make a positive difference to so many lives in 2020 despite the unprecedented nature of the pandemic. I and my fellow trustees can only express our immense gratitude to our colleagues who went far beyond expectations to maintain our charitable purpose.

Tim Carroll
Chairman
6 May 2021

¹ As prepared under International Financial Reporting Standards (IFRS), which is the accounting basis under which Ecclesiastical prepares its financial statements. These may differ when consolidated into the Trust's group financial statements, which are prepared under UK Generally Accepted Accounting Practice (UKGAAP).

STRATEGIC REPORT

Our Vision, Mission and Values

Allchurches Trust Limited (the Trust) is an independent registered charity established in 1972. Its objects are to promote the Christian faith and to contribute to the funds of any charitable institutions and to carry out any charitable purpose.

The charity is governed by a board of trustees which sets its strategic direction and ensure it meets its goals and objectives. Trustees fully recognise their responsibility to manage the Trust's affairs and deliver on its objects in a way that enhances public trust. In planning its activities, the trustees consider the Charity Commission's guidance on public benefit, including the guidance Public Benefit: Running a Charity (PB2).

The Trust recognises that good governance is the cornerstone of a successful and sustainable business. Over a number of years, the Trust has worked to ensure that good governance is at the heart of the Trust's activities and that its operations are efficient, effective and sustainable. The Trust complies with the Charity Governance Code.

During 2020, the trustees reviewed the purpose of the charity and adopted new vision and mission statements. The new vision and mission along with the values that guide our grant-giving and are reflected in all of our actions are shown below:

OUR VISION

To be one of the UK's most impactful Christian grant-making charities.

OUR MISSION

To equip and empower Christian organisations to have a positive and transformative impact on lives and communities.

OUR VALUES



Compassionate and philanthropic



Ethical and responsible



Sustainable and enduring



Inclusive and collaborative



Caring and Christian



Empowering and impactful



Creative and supportive



A guardian of heritage



A champion for those in need

OUR STRATEGY 2021-23

During the year, the trustees reviewed the Trust's strategy and have developed a three-year Strategy and Business Plan.

The strategy for 2021 to 2023 will continue the theme of building a strong and sustainable future for the Trust and its beneficiaries. The key strategic priorities will focus on a beneficiary centred approach that listens and responds to beneficiaries' changing needs, aiding recovery and building resilience in the Christian charitable sector to cope with current and emerging challenges, while always striving for operational excellence and considering sustainability in all that we do.

The strategy reflects not only the Trust's continued focus on modernisation but also on ensuring that its grants programmes are effective and efficient and enable its beneficiaries to have a long-lasting positive and transformative impact within their communities. The strategy will also embrace the activities to refresh and modernise its brand redesign and launch a successor programme for the recurrent grants to Anglican dioceses and cathedrals which expires at the end of 2022.

The strategy is underpinned by six strategic goals and the outcomes to be delivered at the end of the planning period (31 December 2023) are shown in the table on the following page:



STRATEGIC GOAL KEY OUTCOMES WE AIM TO DELIVER BY 2023



- A strong governance framework will be embedded, meeting the required standards for charities with a connected non-charitable trading subsidiary, complying fully with the revised Charity Governance Code, operating within risk appetite and appropriately advised by knowledgeable and competent advisers.
- Recommendations arising from the 2021 independent review of the Trust's principal investment will be considered by the trustees and implemented.
- The Trust will continue to have strong oversight of its trading subsidiaries and will support its continued development as a successful financial services group.



- Impact practice will be embedded in all of our grants programmes, providing a framework by which the success of individual grant programmes can be judged and outcomes can be utilised to inform the Trust's strategic planning, including the development of new and adapted open and recurrent grants programmes that listen and respond to changing beneficiary needs.
- Impact measurement and analysis will be used to continually improve the Trust's beneficiary offer and to evidence the Trust's own impact to key stakeholders.
- The Trust will take a leading role in sharing its learning on impact practice with other Christian funders and its beneficiaries, with the aim of enabling and celebrating the Christian charitable sector's increasingly positive and transformative impact on communities.



- The Trust will play an increasingly prominent role in Christian Networks and will have explored/delivered a joint grants programme and/or campaign with one or more Christian funders that will enhance the Christian sector's reputation for responding to the needs of its beneficiaries and having a transformative impact on communities.
- New and deeper connections will be formed that generate an increasing percentage and enhanced quality of applications from denominations outside the Church of England and from charities.



- The Trust will be the 'go to' for both funding support and advice for Christian charities and churches, offering a suite of guidance and tools for beneficiaries in a range of formats that help equip them to meet changing needs and build resilience in both their organisation and their community.
- Gaps in beneficiary skills, knowledge and provision will be identified through needs analysis surveys and a sector mapping exercise, and the Trust will look to develop its own expertise in the areas identified.
- Outreach to selected partners will inform planning, exploring the potential for joint resource development and campaigns where both partners can add expertise and value through networks, media, influencers, etc.
- The Trust's deepening expertise will be shared through its own and partner channels and events.



- The operating model of the Trust will be efficient and effective but also resilient and robust to respond to the challenge of change.
- Be increasingly self-sufficient and less reliant on resources from its trading subsidiaries particularly in relation to digital services (e.g. website, CRM).
- Future sustainability will be considered in fulfilling the Trust's plans, including the impact on the environment and climate change.
- The Trust's staff and trustees will also be better equipped and more confident to act as spokespeople and/or ambassadors for the Trust.



- Significantly enhanced its reputation as a champion of the Christian charitable sector.
- Maximised the opportunities linked to the rebrand to increase awareness of its grant-giving and value add activity, and successfully mitigated the associated risks.

OUR PLANS FOR 2021

In 2021, the key initiatives that will be prioritised are:

STRATEGIC GOAL

STRATEGIC INITIATIVES



Implement the actions arising from the Independent Governance Review carried out in 2020 to further strengthen and enhance the charity's governance.



Strengthen the Trust's risk management through the adoption of a risk management policy and a defined risk appetite.



Successfully comply with the refreshed 2020 Charity Governance Code, in particular the updated Integrity and Equality, Diversity and Inclusion principles.



Undertake an independent review of the Trust's principal investment and assess how well the current strategy is being delivered for the benefit of the charity.



Undertake a review of the Trust's grant-making to ensure the charity's grant-giving responds to beneficiary need and is aligned with strategy and areas of funding focus.



Continue to embed impact practice into the Trust's grant programmes to assess their success and inform strategic planning of the charity's grant-giving.



Deepen understanding of the sector and increase connections and relationships with key denominational stakeholders.

Grow denominational network to help grow awareness of the Trust's grant giving and increase the charity's presence to enable greater denominational reach.

Build existing relationships with key Christian sector stakeholders to deepen insight of the needs and opportunities to inform the Trust's strategic planning.



Engage with key sector bodies and 'think tanks' to identify trends, challenges and opportunities.

Develop the Trust's expert knowledge and offering for the sector.

STRATEGIC GOAL

STRATEGIC INITIATIVES



Research and gain greater insight of beneficiary needs and existing resources to inform the Trust’s ability to add value in addition to its grant-giving.

Develop new ways of sharing advice-style content on the Trust’s advice and resources hub to respond to evolving beneficiary need.



Continue to build capacity and expertise of trustees and staff and support and develop a flexible workforce in a post COVID-19 environment.



Review the Trust’s technology and software systems to ensure systems are efficient and meet requirements and build staff skills to ensure maximum benefit is derived from system use.



Ensure orderly and diverse succession plans are in place for trustees and key roles and the principles of Diversity, Equality and Inclusion are embedded into recruitment practices.



Review the Trust’s target operating model to ensure it is efficient and effective to support the Trust’s vision, mission, and values and sustainability.



Develop a dynamic reputational management strategy to protect and grow the Trust’s reputation and ensure that the charity continues to support the building of public trust and confidence in the charity sector.



Develop a new marketing and communications strategy to optimise opportunities and provide reassurance to key stakeholders



Launch and embed a new, more modern brand for the Trust that enhances the Trust’s reputation and reflects the charity’s history and objects.

OUR ACHIEVEMENTS IN 2020

Despite the challenges presented by the Covid-19 pandemic, we made significant progress and we had another successful year in meeting the objectives we had set for 2020:

OUR OBJECTIVES FOR 2020

WHAT WE ACHIEVED

Continue to implement and monitor the success of the new grants programmes launched in 2019; identify a partner in Ireland for the Heritage Grants programme; and identify potential new funding streams under the Thematic Grants programme.

The new grants programmes launched in 2019 continued in 2020 with 175 grants being awarded under our Thematic programme 'Growing Lives' totalling £1.6m and 15 grants awarded under our Transformational Grants programme totalling just over £3m. Discussions also commenced with a potential partner in Ireland for the Heritage Grants Programme. More details of our grant giving in the year are included on pages 14-24.

A new Thematic Grants programme, Hope Beyond, was launched in July and ran until mid-February 2021 to help meet the changing needs of communities coping with the ongoing impact of the Covid-19 crisis.

Continue to develop impact evaluation for the Trust, primarily focusing on the Transformational, Thematic and General Grant programmes, with the aim of having mechanisms in place by the end of 2020 to assess the impact of these schemes.

Impact evaluation scoping work has been undertaken to lay the foundations to measure the impact of the Transformational and Thematic Grant programmes. The first surveys to measure impact of successful applicants were undertaken in early 2021.

Impact evaluation scoping work of the Large Grants programme will be considered in 2021 as part of the Trust's Grants Review.

Further develop internal and external communications plans, working with key stakeholders to increase transparency and recognition, to continue to raise the Trust's profile in a targeted manner and to explore how the charity can add value to its existing beneficiaries through means additional to grant funding.

The Trust continued to focus its communications and marketing activity on increasing awareness of the charity's funding streams and expertise. Our website was successfully relaunched, including a new advice and resources hub, featuring blog guidance and useful shareable tools on a range of subjects. Website users increased by 29%, and our new advice and resources hub received more than 30,000 views. The Trust's LinkedIn account was also launched.

A Christian specialist PR agency was also engaged to assist with the launch of the Trust's first external research report linked to Growing Lives and the new Hope Beyond programme.

In addition, the Trust is conducting a review of its brand and that of its trading subsidiary, based on stakeholder research and with a creative agency engaged to help inform trustees' decision-making. The Trust is intending to launch its new, modernised brand in 2022.

Ensure the successful induction of the new auditors.

A new Statutory Auditor, PricewaterhouseCoopers LLP ('PwC LLP') was appointed at the Annual General Meeting in July 2020 and successfully inducted during the year.

Appoint a new investment advisor to the Trust following the resignation of PricewaterhouseCoopers LLP ('PwC LLP') on 31 December 2019 (who could no longer undertake the role, due to being appointed as Statutory Auditor).

Owl Private Office LLP were appointed as the new Investment Advisor with effect from 19 February 2020.

Successfully induct the new chairman and Grants Committee chairman and the new trustees into their respective roles.

A new Chairman, Grants Committee Chairman and two new trustees, Revd Paul Davis and Sir Stephen Lamport GCVO DL, were successfully inducted in 2020.

Ensure that effective succession is in place for the roles of deputy chairman of the Board and the chairman of the Finance and Investment Committee, and implement any consequential changes in the Board's organisational arrangements.

We reviewed our succession plans, in particular, for the role of Deputy Chairman of the Board and the Chair of the Finance and Investment Committee. Recruitment for a successor to the Chair of the Finance and Investment Committee commenced in December 2020 and the appointment of David Smart was made in March 2021.

Continue to develop relationships with other funders, potential partners and delivery bodies and explore opportunities for major Christian grant-makers and other trusts to act collectively for the benefit of beneficiary groups.

We continue to develop relationships with other funders and potential partners. In 2020, the Trust has set strategic initiatives for 2021, detailed on pages 9 to 10, which includes plans to further build on its strategic partnerships.



RESPONDING TO CHALLENGES

2020 was a period of significant social and economic uncertainty as a result of the Covid-19 pandemic and Brexit. The former, an exceptional event, had a significant impact on the Trust's beneficiaries and the people and places they support. It is recognised that the crisis resulting from the pandemic will not only impact on the financial period 2020 but on 2021 and beyond.

The trustees' immediate response to the pandemic was to approve five emergency Covid-19 grants totalling £350,000 to churches and Christian charities, responding to the issues of increased food poverty, and the need to provide help and support for those who became financially vulnerable.

As a funder, we recognised that we needed to be flexible and adapt our grants programmes to meet the changed environment and provide support to our beneficiaries to cope with current and emerging challenges.

We brought forward the first tranche of Recurrent Grants payments from September to June to help ease financial difficulties during the lockdown period, primarily due to church closures, and the impact on the communities they support. In addition, we offered our beneficiaries the flexibility to put forward proposals that might involve re-directing our grant monies to meet urgent community need in response to the pandemic.

The impact of the Covid-19 pandemic led the trustees to support the development of a new thematic programme – 'Hope Beyond'. The programme's aim was to resource churches and

Christian charities to engage in new ways of working and areas of work that will best meet the changing needs of communities coping with the ongoing impact of the Covid-19 crisis, and provide opportunities for individual, church and community flourishing for life beyond lockdown. The programme was launched in July 2020 and demand for grants was extremely strong. We also provided additional resources via our website advice and resources hub to help organisations build resilience in response to Covid-19.

The charity's own small team has also been impacted by the pandemic in terms of resource and administration of grants. However, we have been able to keep our existing grant-giving programmes up and running whilst meeting the additional challenge of the extended grant-giving via our Hope Beyond programme.

The Trust's own investments have not been immune to the Covid-19 pandemic. The Trust and its subsidiaries experienced losses in their respective investment portfolios during early 2020 and the insurance and broking subsidiaries were exposed to business interruption claims where there was confirmed cover. In 2020, the Trust did not receive any donation from EIO plc reflecting the period of significant economic uncertainty and anticipated negative impact on its financial results. Given the significant impact of Covid-19 on the Trust's beneficiaries, the trustees decided to liquidate a modest proportion of the expendable endowment fund (EEF) to maintain liquidity and rebuild reserves and thereby continue to support its beneficiaries through these uncertain times.

We will continue to keep our own response to the crisis under review as the situation evolves, but the Trust remains well placed financially and looks forward to continuing to make a positive difference in partnership with our beneficiaries.

OUR GRANT-GIVING

The Trust's principal source of income is the grants it receives as the owner of the Ecclesiastical Insurance group. As insurance is a risk business, the Trust recognises that grants received may fluctuate. As a consequence of the impact Covid-19 had on subsidiary profits during 2020, the Trust did not receive a donation from Ecclesiastical in 2020. Despite the challenging times, and with the benefit of the withdrawal from the EEF, we were again able to increase our financial support to churches and other charitable institutions significantly in 2020, with total charitable giving of £23.3m (2019: £17.9m).

The Trust aims, in particular, to help those in areas of greater need. At the heart of the Trust's grant-making is the Christian belief that individuals reach their full potential in community and that the opportunity to flourish should be available to all. Increasingly, our grants target people in need but they also strengthen the churches, schools and charities who deliver that help. Grants awarded to beneficiaries from such areas in greater need are increased above the normal level, with recently launched grant programmes such as Hope Beyond and Growing Lives factoring deprivation into the grant calculation.

Our research conducted in 2020, based on beneficiary surveys, informed our Covid-19 response and the development of our new 'Hope Beyond' Thematic Grants programme, launched in July 2020. In addition to the Hope Beyond programme, the Trust also gave emergency grants totalling £350,000 to support charities responding and adapting to help those in need during the pandemic.



GRANT-GIVING AT A GLANCE

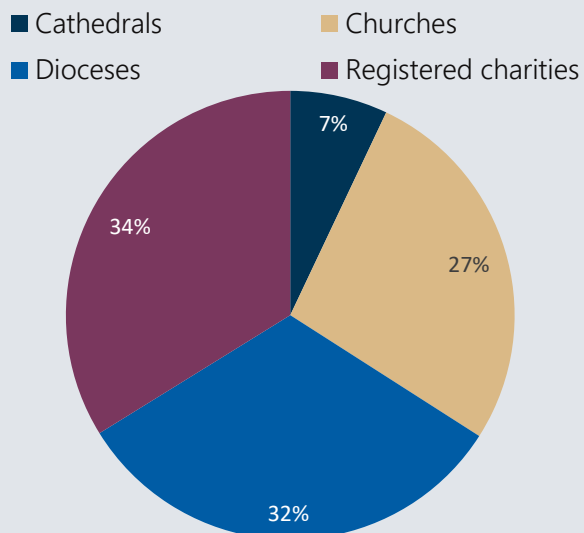
£136.3m
 donated in
 grants over the
 past 10 years

The Trust aims to deal with 75% of grant applications within six months and 90% within 12 months.

We actually processed 95% of grant applications within six months.

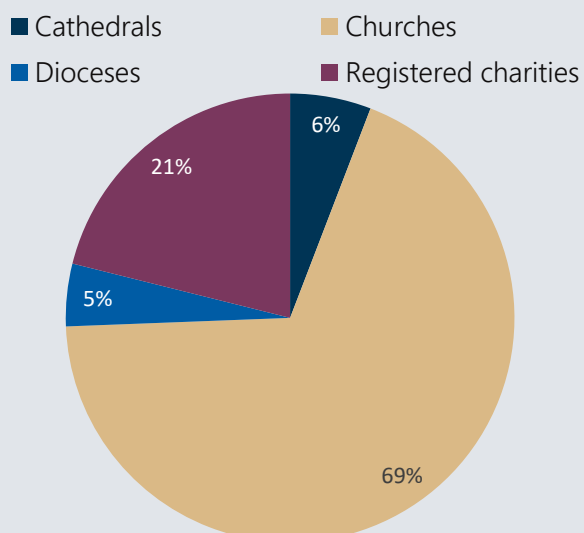
WE RECEIVED 1,865 APPLICATIONS IN 2020: 89% WERE AWARDED A GRANT

VALUE OF GRANTS



£23.3m donated in grants in 2020

NUMBER OF GRANTS



Further information on the Trust's charitable giving is shown in its statement of financial activities and on pages 14 to 24, page 61 and in note 6 to the charity financial statements.

A full list of grant beneficiaries in 2020 is available on the Trust's website.

OUR GRANT PROGRAMMES

The Trust operated a number of grants programmes during the year:

'HOPE BEYOND' THEMATIC GRANTS PROGRAMME

In response to the Covid-19 pandemic, the Trust launched the 'Hope Beyond' Thematic grants programme in July 2020, to enable churches and Christian charities to meet changing needs within their communities, helping beneficiaries and the communities they support to adapt to the challenges and opportunities presented by the pandemic.

In 2020, 428 grants totalling nearly £3.2m were awarded to beneficiaries throughout the UK and Ireland, with grants awarded between 10% and 80% of project cost, to a maximum of £50,000.

The programme closed in February 2021. Grants awarded totalled over £5.1m. The Trust's vision for the programme was that churches and Christian charities would feel more confident and better equipped to embrace new ways of working and offer support and activities to better meet the changing needs of their communities as the impact of the Covid-19 pandemic became clearer.

The programme focused on three key aims:

- Responding to the issues of loneliness and isolation exacerbated by the Covid-19 pandemic
- Growing community resilience and promoting mental and emotional health and wellbeing, including the provision of mental health and wellbeing support groups and 1:1 counselling for people of all ages (including clergy)
- Growing technological capability and resilience, particularly increasing digital capacity and provision, and supporting those without online access to get online through training and support

Seeking to receive applications from a wider denominational reach, the Trust's efforts in 2020 resulted in 67% of applications being received from denominations (outside of the Church of England) and charities. The programme closed on 15 February 2021 to give time for the trustees to assess the impact of the programme through survey responses, the changing needs of beneficiaries as the pandemic continues, and how best the Trust can focus its Covid-19 support as organisations adapt to the 'new normal'.



Shine West Bowling is a vibrant community hub linked to St Stephens Church that reaches out to the socially excluded, bringing communities together, and delivering a wide range of community services to people of all ages, faiths and ethnicities. A £5,500 Hope Beyond grant from the Trust will support the transformation of a dark basement room into a counselling space for individual and group support, which leads onto a tranquil garden ideal for wellbeing groups. West Bowling is an area which already had an above average number of people with mental health issues before the pandemic, and so this space will seek to address the increasing need for support.

GENERAL GRANTS PROGRAMME

The Trust's General Grants programme continued through 2020 and forms the backbone of our grant-making. The General Grants programme is split into two categories: Small Grants and Large Grants.

In 2020, 750 Small Grants totalling £2.4m were awarded to churches and charities across the UK and Ireland. In 2020, 41 Large Grants totalling £1.5m were awarded to churches and charities across the UK and Ireland.

Projects with a cost of up to £1m are considered under Small Grants. Projects with a cost over £1m are considered under Large Grants. The focus of this programme is on:

- the repair, restoration, protection and improvement of church buildings, cathedrals and other places of Christian worship, especially where those changes support wider community use
- equipping Christian charities and churches to help the most vulnerable and tackle social issues, including homelessness, poverty, climate change and cultural cohesion
- projects that support churches and Christian leaders, locally and nationally, spiritually and numerically, and share the Christian faith

The Trust will review the General Grants programme and consider developing programme impact work in 2021 as part of its Grants Review.



A £34,000 grant from the Trust is helping to build a dedicated space for wellness and spiritual repair in Wales. Glenwood Church in Cardiff reaches areas which are among the 10% most deprived in Wales. Some 35% of households are living in income poverty; leading to challenges such as physical and mental health issues, isolation and a lack of aspiration and opportunities. The church and community complex already run a range of support and activities and now a two-storey annex will house a wellbeing centre - a place for promoting a sense of belonging, purpose and connectedness for people of all ages through courses and activities, ranging from art and drama sessions to therapeutic cooking.

TRANSFORMATIONAL GRANTS PROGRAMME

The Transformational Grants programme, which began in 2019, continues to run.

During the year, 15 grants totalling more than £3m were awarded to a range of charities and church bodies across the UK and Ireland.

The Trust's vision for the programme is that more churches and Christian charities will connect with more people, communities and organisations, who will benefit from their innovative and impactful work; inspiring and increasing confidence in others to do the same.

The programme's key aim is to enable churches and Christian charities to grow, through funding projects that enable a step change in organisational capacity, reach and impact. Grants awarded in 2020 supported work amongst children, young people and students, evangelism and church growth, food poverty, projects responding to mental health and other social needs, digital transformation, religious excellence in the media, and helping to establish community businesses in places of worship.

Grants awarded are for multi-year projects and it is therefore too soon to measure the success of the programme.



A £202,500 transformational grant to the Plunkett Foundation will enable more community-owned businesses, such as shops and cafes, to open in churches. The Trust funding will enable the Plunkett Foundation to offer a specialist support service to provide the bespoke advice and support needed to encourage new community businesses to thrive in places of worship. In addition to helping communities develop new services where there is a proven need, community businesses also help address a range of issues including isolation, loneliness, wellbeing, work and training. One of the biggest challenges facing community businesses is the lack of availability of suitable premises.

METHODIST GRANTS PROGRAMME

The Trust's Methodist Grants programme continued in 2020, seeking to support Methodist churches in their mission and ministry. The Methodist Grants programme is supported by a grant which the Trust receives from Methodist Insurance PLC and which is designated for the purpose of Methodist grant-giving.

In 2020, 42 grants totalling £2.5m were awarded to Methodist beneficiaries across the UK and Ireland.

The Trust's vision for the programme is that its grants help to enhance the mission and ministry of the Methodist Church in Great Britain and the Methodist Church in Ireland.

The programme's key aim is to support Methodist churches in their mission and ministry with a particular focus on church growth (both numerically and spiritually), community engagement, accessibility, building development, and projects which will give an environmental benefit.

Initial survey responses have shown that 72% of grant recipients state that our grant has helped to significantly improve building accessibility; 90% of recipients state that our grant helped them raise further project funding. Survey responses also indicated that the impact from the Covid-19 pandemic has caused some projects to be delayed.

Following initial impact evaluation work carried out during the year, the impact of the programme's grant-giving will continue to be assessed and measured in 2021.



A £20,000 grant from the Methodist programme is supporting Wesley Methodist Church to develop a charity and community hub. The hub will be a place for worship, mission work and community activities. Its existing charity hub is home to Graft Thames Valley (supporting employment opportunities for disabled or disadvantaged people) and Reading Frontline (providing advice and assistance to those struggling with debt). However, Wesley Methodist Church wants to enhance its support for these and other charities further and bring the entire building back into use. It will create a community hub for lunch clubs; run craft activities and 'knit and natter' and provide social opportunities for the residents in new apartment blocks being built opposite.

'GROWING LIVES' THEMATIC GRANTS PROGRAMME

The 'Growing Lives' Thematic Grants programme, first launched in May 2019, closed at the end of October 2020. **During 2020, 175 grants totalling £1.6m were awarded to churches and Christian charities across the UK and Ireland.**

The Trust's vision for the programme was that churches and Christian charities would feel more confident, inspired and better equipped to help young people reach their potential, both spiritually and in other ways, through active participation in church and community life.

The programme's key aim was to equip and empower churches and Christian charities to engage more young people more regularly, forging lasting relationships that would provide an opportunity for individual, family, church and community flourishing.

97% of beneficiaries surveyed in January 2021 said that they felt that their church or organisation was now better equipped physically to deliver children and/or youth work, exceeding the target KPI of at least 90%.

Seeking to increase awareness of the programme and receive applications from a wider denominational reach, the Trust's efforts in 2020 resulted in 74% of applications being received by other denominations (outside of the Church of England) and charities, exceeding the target KPI set of 30%.

The Trust is continuing to assess the responses of its impact survey conducted in early 2021 and will consider the results as part of its Grants Review and to inform the development of future grants programmes.



St John's Church, Waterloo is embarking on a £5 million refurbishment of its church and crypt. With the help of a £25,000 Growing Lives grant, the crypt will become 'Youthspace' - a place of refuge for young people aged 13 to 19. As part of their plans, St John's will work with 15 young people in regular attendance who might otherwise find themselves vulnerable to drugs, crime and gang culture. The church also received a grant of £22,500 from the Trust's Hope Beyond programme in 2020 to support its Waterloo Well project, which will support disadvantaged people whose lives have been made harder still by the pandemic, especially those experiencing homelessness, young people and people looking for work.

RECURRENT GRANTS PROGRAMME

The Trust’s Recurrent Grants programme provides annual ‘recurrent’ grants to dioceses, cathedrals and provincial bodies (in Wales, Scotland and Ireland) of the Church of England, the Church in Wales, the Episcopal Church of Scotland, and the Church of Ireland, to support their mission and ministry.

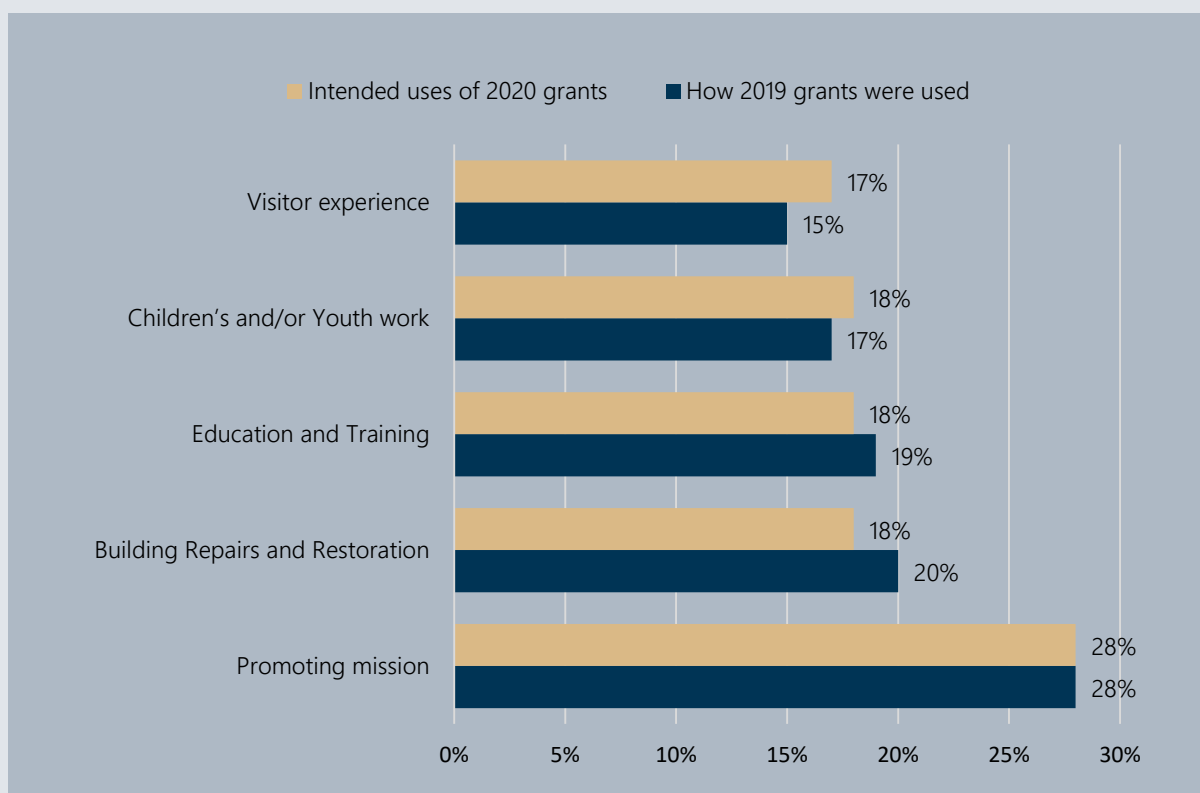
In 2020, nearly £1.5m in grants was given to cathedrals and £6.9m to dioceses and provincial bodies.

In recognition of the exceptional challenges arising from the Covid-19 pandemic, the Trust brought forward payment of the first tranche of recurrent grants to June 2020 to help beneficiaries manage cash-flow impacted by the pandemic.

While recurrent grants beneficiaries have freedom to use their grants towards, amongst other uses, capital, building improvement and equipment costs, and environmental projects, trustees agreed in 2020 to issue guidance to direct the use of grants towards work that:

- **Enables or stimulates spiritual or numerical growth**
- **Helps to sustain mission and ministry in disadvantaged areas**
- **Focuses on providing a response to social issues**
- **Enables work with children and young people**

A new online reporting survey of how beneficiaries used their grant in 2019 showed that:



Further results of the survey will be used to inform the Trust’s review of its grant-giving and grant programmes in 2021.

ROOF PROTECTION SCHEME THEMATIC PROGRAMME

The Trust's Roof Protection Scheme Thematic programme, first launched in 2016, continued through 2020, providing grants to help churches install roof alarms in response to the problem of metal theft.

In 2020, 58 grants totalling £306,000 were awarded to local churches, dioceses and local historic churches trusts.

An impact survey was conducted in early 2021 in respect of the Roof Protection Scheme programme which indicated that whilst 57% of respondents had experienced theft of metal prior to the completion of the roof protection project for which a grant was given, this figure fell to less than 1% once an alarm had been installed. Similarly, 89% of dioceses and local historic churches trusts reported a reduction in theft of metal from churches in their area; and 70% of local churches expected to be able to function more effectively as a result of improved protection from theft of metal.

HERITAGE GRANTS PROGRAMME

The Trust's Heritage Grants programme, launched in 2018, continued through 2020, aimed at helping to build and protect sustainable skills to care for the UK and Ireland's historic environment. Throughout 2020, the Trust continued to monitor the progress of its Heritage grants awarded in 2018 to the Queen Elizabeth Scholarship Trust, The Prince's Foundation and Historic England for three-year projects.

In 2020 we provided The Prince's Foundation with a further £7,000 grant, to help with unexpected additional costs due to having to postpone their archaeological field school to 2021, as a result of the Covid-19 pandemic.

The Trust has also commenced discussions with a potential Heritage Grants partner in Ireland.

The trustees will consider and review its Heritage Grants programme as part of its Grants Review in 2021.

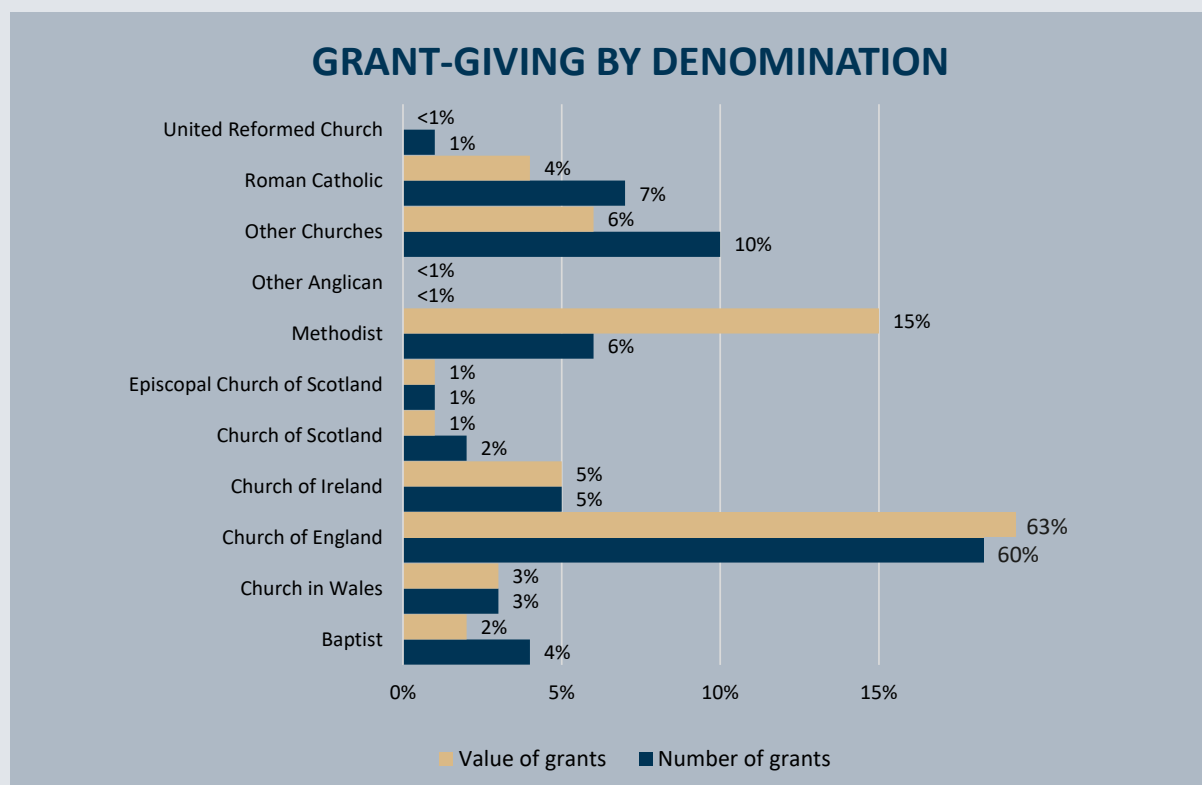
2020 GRANT GIVING DATA

The geographical, denominational and charitable spread of grants made, which are shown in the following tables and on page 15, are largely determined by the Trust's objects and the pattern of applications received by the Trust.

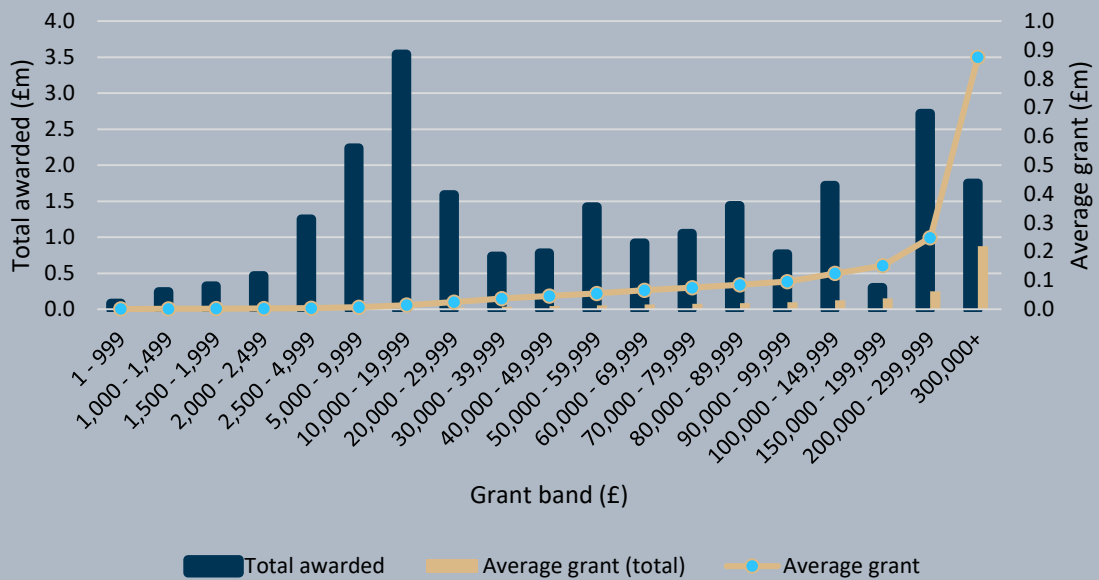
The grants made reflect the number of applications received by the Trust and the size of the project covered by each application as well as the decisions made by trustees about those applications. Assessing trends in grant-making data can be difficult when so much of that data is externally driven.

The Church of England receives the highest percentage of grants made by the Trust as it is the Established Church in England with a much higher number of parishes and church buildings to support than any other denomination across the UK and Ireland. Many of the applications received are not just about maintaining church buildings but about adapting them for community use, thus helping those communities to develop and thrive. Many applications involve the provision by churches and other local groups of services to the community, such as helping people experiencing homelessness, supporting asylum seekers, providing groups to tackle loneliness among older people or activities for young people and families.

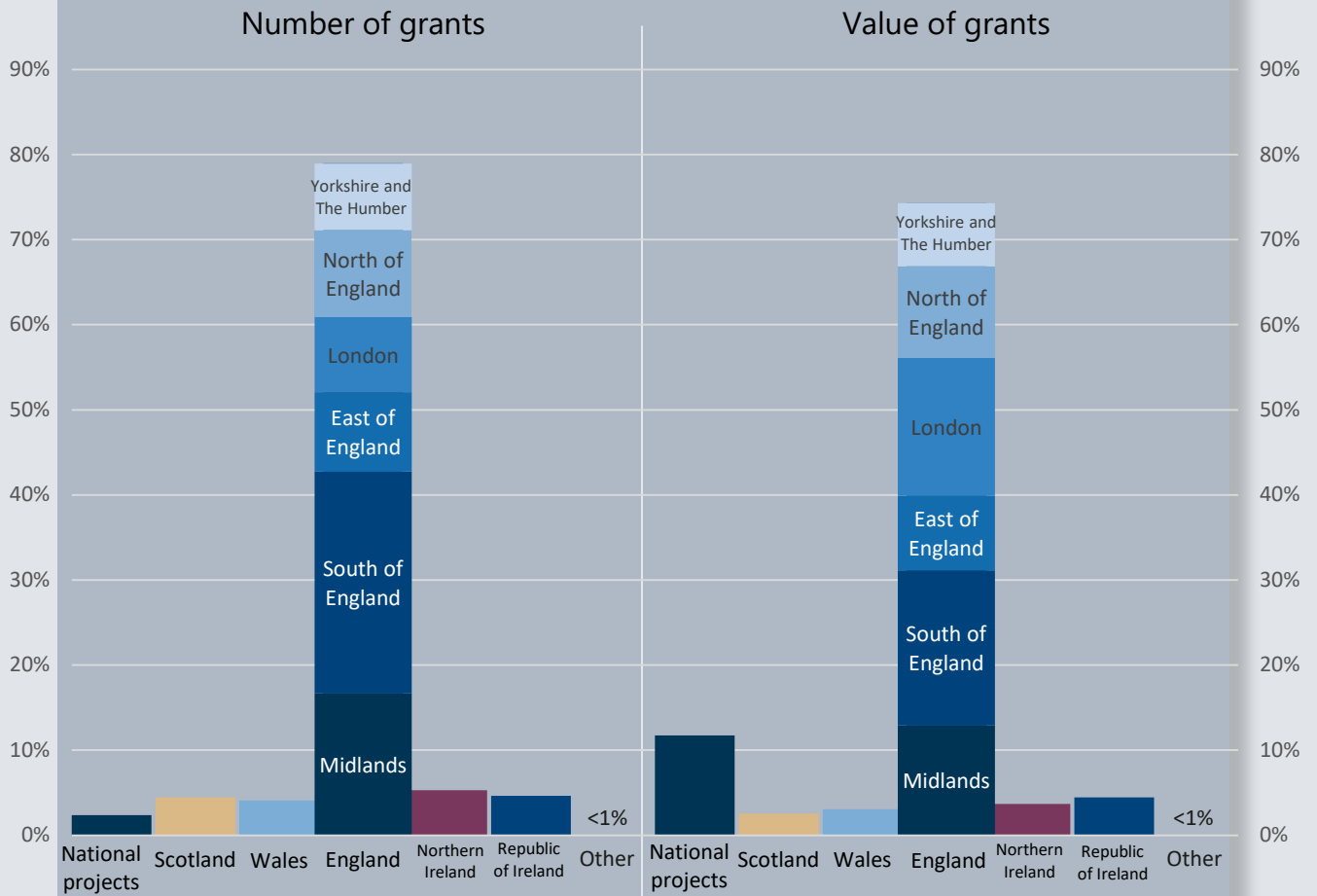
As part of the Trust's strategy, the trustees have set a strategic aim to grow the Trust's denominational network and encourage applications from denominations outside the Church of England, through awareness raising of the charity's grant-giving and building strategic relationships. This aim builds on the work carried out in 2020 through the Growing Lives and Hope Beyond programmes to receive grant applications from a wider denominational reach.



TOTAL AND AVERAGE GRANTS AWARDED BY GRANT BAND



GRANT-GIVING BY GEOGRAPHICAL SPREAD



FINANCIAL REVIEW

PARENT CHARITY

The charity statement of financial activities is shown on page 54.

Our total net expenditure in the year was £62.7m (2019: net income £48.6m).

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Total income	3,299	3,106	6,405	35,271	3,704	38,975
Total expenditure	(24,305)	(375)	(24,680)	(18,609)	(332)	(18,941)
Net (losses)/gains on investments	(43,928)	(458)	(44,386)	18,247	10,366	28,613
Taxation	-	(83)	(83)	-	(65)	(65)
Net (expenditure)/income in the year	(64,934)	2,190	(62,744)	34,909	13,673	48,582
Transfers to endowment funds	(5,200)	5,200	-	(13,500)	13,500	-
Transfers to unrestricted funds	12,723	(12,723)	-	3,457	(3,457)	-
Net movement in funds	(57,411)	(5,333)	(62,744)	24,866	23,716	48,582

Net expenditure of £64.9m (2019: £34.9m net income) in the unrestricted fund reflects the impact of the coronavirus pandemic, with a £32.0m fall in income and a £43.9m reduction in the carrying value of our investment in subsidiary undertakings. Despite a significant drop in financial markets in the first quarter of the year, the EEF portfolio recovered, generating £2.2m net income in the year (2019: £13.7m net income).

Prior to the UK experiencing the full impact of the coronavirus pandemic, the trustees invested a further £4.2m into the EEF as they continued to diversify the Trust's assets. A further £1m was transferred later in the year. However, as the effects of the pandemic were felt, and with the prospect of receiving no gift aid from EIO plc, the trustees took the decision to withdraw £10.0m from the EEF in order to build reserves and ensure that the Trust could continue to support its beneficiaries. A further £2.7m of investment income earned in the EEF was transferred to unrestricted funds during the year.

INCOME

Our income fell significantly in 2020 to £6.4m (2019: £39.0m) due to the economic impact of the coronavirus pandemic. We received no gift aid from EIO plc in the year (2019: £30.0m), its performance having been impacted by Covid-19 related insurance claims where there was confirmed cover and the impact on financial markets. Dividend and interest income fell to £3.2m (2019: £3.8m) as company dividends were cut and interest rates were reduced to almost zero.

Donation income of £3.0m received from Methodist Insurance PLC, was designated on receipt for the furtherance of purposes or projects relating to the Methodist Church.

EXPENDITURE

Despite the prospect of a significant reduction in our own income, we remained committed to supporting our beneficiaries. Our charitable giving increased by 30.6% in the year to £23.3m (2019: £17.9m). This included £3.2m awarded through our Hope Beyond grants programme, £3.1m through our Transformational grants programme and £2.4m through our Small Grants. Further details of our charitable giving in the year are included on pages 14-24 of this report and in note 6 to the charity financial statements.

Operating expenses increased to £1.0m (2019: £0.8m). We aim to keep operating expenses below 7.5% of total charitable giving and have achieved this as follows:

TARGET	2020	2019	2018
7.5%	4.3%	4.3%	4.5%

FUNDS

Total funds in the charity at 31 December 2020 were £556.0m (2019: £618.8m) consisting of £452.0m in the unrestricted fund (2019: £509.4m) and £104.1m (2019: £109.4m) in the EEF. The unrestricted fund includes a revaluation reserve of £439.4m (2019: £483.4m) 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. The going concern statement for the charity is on page 46.

RESERVES

The objective of our reserves policy is to ensure that the Trust has sufficient liquid resources to meet its grant commitments and maintain flexibility in its grant giving. Our principal source of income is the gift aid that we receive from our trading subsidiary, EIO plc. As the insurance market is cyclical, and the income that we receive can fluctuate, we hold reserves to ensure that we can continue with our grant giving in the event of a reduction in income. Our reserves policy is set by reference to the amount of cash and readily realisable assets that we hold in the general and designated unrestricted funds.

In setting the policy, the trustees consider the potential volatility in income arising from market and concentration risks, the management of which is outlined in the principal risks and uncertainties section on pages 33-36.

During the year, the Trust's reserves policy was revised. The trustees have determined that the level of reserves that the Trust should hold in its unrestricted funds, in the form of cash and readily realisable assets, should be sufficient to cover six months forecast cash outflows. Target reserves at 31 December 2020 were £9.8m.

As the Trust's income fell significantly in 2020, withdrawals were made from the EEF in order to maintain liquidity and re-build reserves. At 31 December 2020, the Trust held reserves of £14.4m, which exceeded the target level. The trustees do not intend to take corrective action to reduce the level of reserves held at this time due to the continuing uncertainty around beneficiary needs and future income arising from the ongoing coronavirus pandemic.

TRADING SUBSIDIARIES

The consolidated statement of financial activities is shown on page 72.

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 45.

The trading subsidiaries reported a net loss of £19.6m (2019: net income of £64.5m) which was principally due to investment losses experienced in the first half of the year, offset by steady gains later in the year. The Group's general business insurance reported a profit of £11.4m¹ (2019: £19.8m¹) after £18.7m for Covid-19 related claims where cover was confirmed, demonstrating continued progress in underlying performance. Underlying underwriting performance was resilient, despite the impact of some adverse weather events in Australia and Canada and the impacts of anticipated lower prior year releases and reserves strengthening.

The broking and advisory businesses reported an overall pre-tax loss of £1.4m¹ after amortisation of goodwill and intangibles (2019: pre-tax loss of £1.5m¹). Fair value losses on the trading subsidiaries' financial assets contrasted with gains in the prior year but with the conclusion of a Brexit deal and the US election, the year ended with far less uncertainty and volatility compared to that experienced from March 2020 as markets reacted to the measures taken by Governments to tackle Covid-19.

¹This is the result under UK Generally Accepted Accounting Practice (UKGAAP) which is the accounting basis under which the consolidated financial statements of the Trust are prepared. Ecclesiastical prepares its own financial statements under International Financial Reporting Standards (IFRS).

Details of the key performance indicators for EIO plc are found in the Strategic Report of its annual report and accounts. Copies of these accounts are available from the registered office, as shown on page 129, and are provided to members of the charity.

During the year, the trading subsidiaries directly distributed £2.7m (2019: £2.5m) for charitable purposes.

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

CONSOLIDATED FUNDS

The consolidated balance sheet is shown on page 74.

At the year-end date, total group net assets were £657.9m (2019: £721.9m).

Group net assets include a net pension liability of £16.2m (2019: £3.5m net pension asset). The charity's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to new entrants. The trading subsidiaries' main scheme, operated by EIO plc, closed to future accrual with effect from 30 June 2019. The reduction in the net pension asset during the year was primarily due to actuarial losses arising from changes in financial assumptions (£56.2m), partially offset by actuarial gains from changes in demographic assumptions (£5.9m) and experience gains on liabilities (£15.0m). A 0.6% fall in the discount rate accounted for the majority of the actuarial loss on financial assumptions. Further details relating to the trading subsidiaries' defined benefit pension schemes are included in note 40 to the consolidated financial statements.

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.

Whilst the conclusion of Brexit and the US elections towards the end of 2020 provided some market stability, we are still living with Covid-19 and the economic consequences are expected to continue. This may expose the Trust to financial market volatility, either directly through its expendable endowment fund, or indirectly through the performance of its trading subsidiaries.

More details of the principal risks and uncertainties to which the charity is exposed, and how it manages them, are included on pages 33-36 of this report.

INVESTMENTS

The charity is the ultimate parent undertaking of Ecclesiastical Insurance Group plc, and full details of the charity's investments in related undertakings are disclosed in note 45. The Trust's principal source of income is the gift aid it receives, as owner, from the Ecclesiastical Insurance group. The Board discusses regularly with Ecclesiastical the rate of return it expects on its investment and monitors performance over a rolling 5, 7 and 10 year period.

As explained on page 33 of this report, the charity has established an expendable endowment fund (EEF) 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 EEF enables the charity to grow a separate, more stable, income stream, for the benefit of present and future generations. The longer-term aim of the Trust is to increase the proportion of its investments held in the EEF.

The EEF is invested through two investment fund managers: EdenTree Investment Management Limited (EdenTree) and Rathbones Investment Management Limited (Rathbones), who operate under the same investment policy. The performance of the investment managers, as explained on page 31, is assessed against a benchmark over 1, 3, 5 and 10-year periods, dependent on the duration of their appointment. From 19 February 2020, Owl Private Office LLP provided expert investment advice to the Board's Finance and Investment Committee.

The Board and the Finance and Investment Committee, with its investment advisor, keep the performance of the investment portfolio under review. EdenTree and Rathbones report regularly to the Board and the Finance and Investment Committee.

INVESTMENT OBJECTIVE AND ETHICAL INVESTMENT POLICY

The Board's principal obligation is to promote and protect the financial interests of the charity and of its beneficiaries, and regularly reviews the appropriateness of the investment strategy, including its ethical investment policy. The principal investment objective in relation to the charity's expendable endowment fund is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile. The target strategic asset allocation weighting, as set out in the Statement of Investment Policy, for invested funds in 2020 was:

	Target
DEVELOPED EQUITIES	70%
EMERGING EQUITIES	10%
FIXED INCOME SECURITIES (INCLUDING CASH)	20%
PROPERTY	0%

The trustees have adopted an absence of harm approach, and seek to avoid the Trust investing in companies whose activities may be inconsistent with the values of the Trust's beneficiaries or supporters. These have been determined as companies that are wholly or mainly involved in the manufacture or production of alcohol, gambling, pornographic and violent material, strategic weapons (including indiscriminate weaponry) and tobacco. In the case of indiscriminate weaponry, the Trust takes a 'nil exposure' approach.

In addition, the Investment Managers apply a positive engagement approach to the Trust's portfolios, actively seeking out companies that exhibit strong corporate citizenship and business ethics. The trustees support this 'responsible investment' approach, which recognises that companies cognisant of a wider responsibility to the environment, human and labour rights and the communities in which they operate, are more likely to deliver enhanced shareholder value over time and be less exposed to material non-financial risk. On behalf of the Trust, the Investment Managers will specifically seek to engage promoting action in three areas:

- **Climate change;**
- **Human and labour rights, including modern slavery; and**
- **Financial inclusion and business ethics.**

Climate change represents a material risk to the planet, people and society; it also represents a material business risk for the insurance industry and for the Trust. The trustees have adopted a 'carbon aware' approach in which the overall carbon profile and intensity of companies is taken into account when making investment decisions. The Investment Managers will also seek opportunities to invest in areas that are leading the transition to a low carbon economy where these also meet the Investment Managers' robust investment criteria. Companies with a material exposure to oil sands and Arctic drilling are excluded.

The trustees believe this provides an appropriate balance between ethical considerations and fiduciary responsibility. Social investment does not form a material part of the expendable endowment fund's investment activity. Any social investments must fully meet the financial and risk objectives and requirements of the fund.

INVESTMENT ENVIRONMENT

2020 was a volatile year for investment markets as they reacted to the economic impact of the coronavirus pandemic. By the year end, global equities were up 13%, interest rates had fallen to practically zero and currencies remained largely flat. However, this masks huge fluctuations during the year, particularly in March, when we saw almost unprecedented levels of volatility in global markets. By late March, world markets were down over 30% before recovering strongly. The UK market was down 13% over the year, hampered by the value make-up of the UK indices, dividend cuts by nearly 500 UK companies and ongoing concerns over Brexit. This was very much a year of divergence across sectors: technology and healthcare stocks raced to new highs, while financials and oil and gas companies stumbled.

INVESTMENT PERFORMANCE

The EEF amounted to £104.1m (2019: £109.4m) at 31 December 2020. £5.2m excess reserves was transferred into the EEF portfolio, £4.2m of which was transferred in the first quarter of the year. This was offset by a subsequent withdrawal of £10.0m from the EdenTree portfolio in the final quarter of the year as the Trust's income fell. Dividend and interest income fell to £3.1m (2019: £3.7m) as dividends were cut in response to the coronavirus pandemic.

The portfolio managed by EdenTree stood at £76.1m (2019: £90.3m), of which £68.6m (2019: £75.6m) was in a discretionary portfolio and £7.4m (2019: £14.7m) invested in EdenTree open-ended investment company (OEIC) funds. Over the year, the investment portfolio managed by EdenTree delivered a return of 0.8%, which was 0.8% behind the composite benchmark (+1.6%). EdenTree's two equity Amity Charity OEIC funds, Balanced and Global Equity, underperformed their benchmarks. The portfolio fell significantly during the first quarter of the year as the effects of the global pandemic hit global equity markets. However, improvement in the equity markets in general and specifically in the UK in the fourth quarter was reflected in a significant rise in the value of the portfolio. Over the longer-term, the discretionary portfolio managed by EdenTree has outperformed its benchmark over 5 and 10 years. Investments in the EdenTree OEICs, which were held for less than ten years, have underperformed their benchmark over the past 3 years.

The discretionary portfolio managed by Rathbones stood at £28.0m (2019: £19.1m), delivering a return of 9.5% over the year, which was 7.9% ahead of the composite benchmark. Although performance of the portfolio suffered in the first quarter's market fall, it recovered quickly due to preferential asset allocation and stock selection. As Rathbones commenced managing the charity's investments in 2018, benchmarking of its performance over the longer term is not applicable.

CLIMATE CHANGE AND ENVIRONMENT

The Group reports on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The reporting year runs from January to December. The emissions reporting boundary is defined as all entities and facilities either owned or under operational control of the Group and associated travel by staff. The Group continues to improve the coverage and quality of data which informs the reporting.

Scope 1 Emissions from fluorinated gas losses and fuel combustion in premises/ vehicles, Scope 2 Emissions from electricity and cooling in premises, and Scope 3 Emissions associated with business travel, waste and water use have been calculated using UK Government Greenhouse Gas reporting conversion factors 2020 (Department for Business, Energy & Industrial Strategy), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Group's 2020 carbon footprint has been significantly influenced by the Covid-19 pandemic. Business travel makes the largest contribution to footprint and it was greatly reduced due to Government restrictions. The Group expects business travel to increase in the future, however 2020 also inspired us to adopt new technologies and think differently about future working so we expect our impact to reduce overall. We are particularly pleased to achieve sourcing more than 92% of our energy from renewables.

In line with the Streamlined Energy and Carbon Reporting requirements the Group's carbon footprint is detailed here including the first report on carbon intensity:

	UK tCO ₂ e		NON-UK tCO ₂ e		TOTAL tCO ₂ e	
	2020	2019	2020	2019	2020	2019
SCOPE 1	378	530	-	-	378	530
SCOPE 2	17	63	6	7	23	70
SCOPE 3	125	826	-	-	125	826
TOTAL	520	1,419	6	7	526	1,426

Total energy use 2,682,606 kWh, of which 2,655,294 is UK and 27,312 non-UK. Carbon intensity: 0.54 tonnes/employee (2019: 1.45). tCO₂e refers to tonnes (t) of carbon dioxide (CO₂) equivalent (e).

The Group continues to focus on the influence it can exert through the carbon intensity of investments. In 2021 the Group will move into our new head office which has been designed to a 'very good' BREEAM sustainability standard. The building features heat recycling, solar panels and electric charging points. Improving working environments across our Group will boost wellbeing, reduce our impact and support a more flexible working future.

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 all risks fully. Covid-19 had a significant impact during 2020 and the evolving risks associated with this global pandemic have been fully considered by the charity. All identified risks are monitored and assessed on an ongoing basis and actions taken where appropriate. The principal risks identified are detailed below together with a summary of the key mitigants utilised.

INVESTMENT RISKS

The investment risks relate to underperformance of the investments of the charity which could adversely impact its ability to undertake charitable giving.

WHY THEY ARE IMPORTANT

A key objective of the charity is to contribute to the funds of any charitable institutions, associations, funds or objects and to carry out any charitable purpose. Poor performance of the charity's investments would result in reduced funds available to fulfil this objective.

The key investments of the charity continue to be Ecclesiastical Insurance Group and an expendable endowment fund.

Ecclesiastical's business operations include the provision of specialist general insurance. This is historically volatile and therefore can result in a variable income stream. The principal risks associated with the Ecclesiastical business can be found within the Risk Management section of the EIO plc annual report and accounts which are available from the registered office, as shown on page 129.

HOW THEY ARE MANAGED

The charity has a Finance and Investment Committee which is responsible for setting investment criteria and overseeing the performance of the investment portfolio. The performance of the investments is reviewed regularly. Limits have been established for the permitted range of investments held within the expendable endowment fund to ensure a diversified portfolio with an acceptable risk profile. The Board uses two investment fund managers to enable further diversification. An independent investment adviser has also been appointed and provides the Finance and Investment Committee with investment monitoring reports twice a year. These appointments are regularly reviewed.

A formal policy between the charity and Ecclesiastical specifies how the level of income paid via gift aid is determined and this is subject to regular review.

Regular reporting is received from Ecclesiastical on its performance and two of the trustees act as 'common directors' with the Trust's principal asset, Ecclesiastical. In addition, there is a regular review of the performance of Ecclesiastical as an investment against external benchmarks.

The reserves policy on page 26 details the charity's policy to maintain liquidity to ensure it can meet its grant commitments. This policy is reviewed at least annually.

The economic environment experienced a number of challenges during the year most notably due to the impacts of the Covid-19 pandemic. This has adversely affected the value of the assets held and the income received by the charity in the form of the gift aid payment from the principal asset. This impact has been closely monitored, with regular updates sought from the CEO of the principal asset. A number of scenarios have been considered in respect of differing levels of income to determine the appropriate action to be taken.

CONCENTRATION RISK

The risk of detriment to the charity as a result of overexposure to the primary source of funding and capital.

WHY THEY ARE IMPORTANT

The charity continues to derive the majority of its income from its investment in Ecclesiastical. This results in a reliance on the ongoing performance of Ecclesiastical to enable the charity to continue to deliver its objectives. The income may be subject to volatility depending on the performance of Ecclesiastical.

HOW THEY ARE MANAGED

The charity formally sets out its expectations of Ecclesiastical. This is reviewed regularly and there is ongoing monitoring of the performance against these expectations.

The charity regularly reviews its strategy and diversification needs to ensure the level of this risk remains acceptable.

The long term strategy of the charity is to continue to grow the expendable endowment fund to provide greater diversification of the charity's assets to reduce the degree of concentration risk.

The impact of this risk has crystallised during 2020, due to the reduction in gift aid income from the principal asset. However, a small proportion of the expendable endowment fund has been drawn upon to maintain liquidity and re-build reserves.

REGULATORY RISK

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.

WHY THEY ARE IMPORTANT

As a charity, the activities of the Trust are subject to a wide range of legislation which must be complied with. Regulatory and legislative developments must be closely monitored on an ongoing basis and acted upon in a timely manner. There could be significant financial and reputational implications if relevant changes are not identified, assessed and complied with in a timely manner.

HOW THEY ARE MANAGED

The charity has a dedicated resource to provide regular updates on relevant legislative or regulatory items to the Board and there is a regular formal training programme for all trustees. External expertise, including through the Trust's solicitors, is also utilised where required.

The level of this risk has remained unchanged over the course of the year.

REPUTATIONAL RISK

The risk of damage to the reputation of the Trust in the eyes of its stakeholders and the broader community through the actions of any people associated with the Trust, its investments or from sectoral scandals resulting in a loss of confidence from the people and groups that the Trust is looking to assist.

WHY THEY ARE IMPORTANT

The reputation of the Trust is critical to enable it to continue to fulfil its stated objectives. Damage to its reputation may lead to a significantly reduced number of applications to the Trust for grants and limit the reach of the Trust and the effectiveness of its strategies.

HOW THEY ARE MANAGED

Reputational risk is continually monitored by the Trust and regular updates are provided to the Board through the reporting provided at its meetings.

The principal asset insures church and charitable organisations, including providing public liability insurance related to clergy abuse claims. The charity pays close attention to the work of the Independent Inquiry into Child Sexual Abuse (IICSA).

The charity has a dedicated Head of Communications and Marketing and communications protocols are in place to ensure that any potential issues are managed appropriately and proactively. Ongoing monitoring of media is conducted to identify any potential issues.

The overall level of this risk is broadly unchanged compared to last year. This is closely monitored due to the importance of the reputation of the Trust to its ongoing operation and to determine any reputational impacts arising from the ownership of Ecclesiastical Insurance Group.

STRATEGY RISK

This is the potential for failing to, 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 pages 6-10 of this report.

WHY THEY ARE IMPORTANT

The charity has a number of strategies which are considered to be appropriate to ensure the achievement of its aims and objectives. These strategies also address a number of the risks detailed within this section. The strategies ensure that the charity is best placed to achieve the stated objectives.

HOW THEY ARE MANAGED

The charity regularly reviews the effectiveness of the various strategies employed and whether any changes are required. Advice is also sought from external parties as part of this process.

An annual review of board composition, skills and processes is undertaken to ensure their ongoing appropriateness and to identify any areas for improvement.

The trustees reviewed the strategy in the light of the Covid-19 pandemic. This resulted in a number of pandemic related grants being made and the launch of the Hope Beyond Programme. This risk continues to be impacted by the ongoing pandemic and the potential for a reduction in income as detailed above under Investment risks.

OPERATIONAL RISKS

This is the risk of loss arising from inadequate or failed internal processes, people and systems, or from external events. This includes business continuity events, financial crime, information security breaches and third party failure which could result in a failure to meet the charity's objectives (full details of which are on pages 6-10 of this report).

WHY THEY ARE IMPORTANT

Operational risk is inherent in the activities of the Trust and can be managed but not fully eliminated. 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.

HOW THEY ARE MANAGED

The operational risks are managed through a robust control framework to ensure effective management. This includes ongoing training and induction processes for the charity's trustees and staff and also those who provide arm's length support services to the charity.

Business Continuity plans are in place and are subject to regular review.

The agreements in place with relevant third parties are regularly reviewed and updated to reflect the changing environment.

This risk has materially changed during 2020. Operational Resilience has been tested during the year through the successful move to a remote working environment with no detrimental impacts for beneficiaries.

SECTION 172 STATEMENT

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the Directors' statement required under section 414CZA, of the Companies Act 2006.

The Directors recognise that the long-term success of the Company is dependent on having regard to the interests of its stakeholders. As a registered charity, the Directors' responsibility also extends to ensuring that the affairs and objectives of the Company are managed in a way that enhances public trust and support. The Board has identified and documented its stakeholders in the Company's Governance Framework and Board Charter and its Strategy and Three Year Business Plans. Key stakeholders include its members, beneficiaries and other Christian funders, its trading subsidiaries (Ecclesiastical Insurance Group ("EIG") which in turn owns Ecclesiastical Insurance Office plc ("EIO")), staff (seconded from EIO), suppliers, wider community and environment, and Regulators.

The Board recognises the importance of engaging with stakeholders, understanding their views and interests in order to be successful over the long-term. Dialogue with stakeholders can help the Board to understand significant changes in the landscape, predict future developments and trends, and develop strategy that is aligned with stakeholder interests.

MEMBERS

Allchurches Trust Limited ("Allchurches Trust") is a private company limited by guarantee and has a maximum of 50 registered members. The interests of the Company and its members are aligned with the common purpose of carrying out the objects of the Company. This ensures that the views of beneficiaries and the wider Christian and charitable community are communicated to the Board as a whole and considered.

There are open channels of communication between the Company and its members. The Company holds an Annual General Meeting ("AGM"). In 2020, due to the COVID-19 pandemic and government guidance on social distancing and restrictions on public gatherings, the Company was unable to hold the Meeting in person. Members were invited to engage with the business of the Meeting and raise questions with the Company through alternative, electronic arrangements.

BENEFICIARIES

Allchurches Trust is a grant-giving charity and uses the income it receives from its subsidiary, EIG, to donate to eligible beneficiaries. Key beneficiaries include The Church of England; The Methodist Church; The Baptist Church; The Church of Ireland; The Episcopal Church in Scotland; The Church in Wales; as well as other faith, heritage, charitable and educational institutions. There are at least

two Directors appointed to the Board who are representative of the Company's beneficiary base. This ensures that the views of beneficiaries are communicated to the Board as a whole and considered. In addition, the Board's Methodist Grant-Giving Committee includes at least three members representative of the Company's Methodist beneficiary base, helping to ensure that the Methodist Grants programme provides the support needed for Methodist churches and ministries.

There is a Conflicts of Interest policy in place to manage any actual and perceived conflicts that might arise.

The Board regularly reviews its grant-giving policies and actively engages with its beneficiaries, both informally and formally, in order to understand the impact of its charitable activities and the interests of its beneficiaries.

A key strategic priority for the Company is to focus on a beneficiary centred approach that listens and responds to beneficiaries changing needs. The Board's Grants Committee, which has responsibility for overseeing and advising the Board on the Company's grant-giving strategy, assesses the impact of its grants programmes through beneficiary surveys, impact reporting and feedback. In 2020, in response to the challenges arising from the COVID-19 pandemic, the Grants Committee actively sought feedback from beneficiaries on emerging priorities and needs, and developed a new grants programmes, 'Hope Beyond', to provide specific support to beneficiaries impacted by the pandemic.

Other forms of engagement include regular meetings and communications with beneficiaries across a range of sectors; attendance at Christian and heritage forums and events; presentations at seminars; invitations to potential beneficiaries to attend Board meetings to discuss applications being made to the Trust; social media channels; publications/reports; and providing tools and guidance on the website, including a resource hub to assist charities in a variety of matters, etc.

ECCLESIASTICAL INSURANCE GROUP ("EIG")

The Company is the ultimate owner of EIG, with whom the Board maintains an open and constructive relationship. The Company has no direct employees but uses the services of EIO's employees under the terms of its Shared Services Agreement with EIO. There are at least two "Common Directors" who are on the Board of the Company and EIG. This enables the Board to receive regular updates and maintain oversight of its subsidiary. There is also regular engagement between the Board Chairman and the Chairman of EIG, and with the EIG Chief Executive Officer, who also provides updates to the Board at every Board meeting.

Protocols are in place for the exchange of information between the Company and EIG. A Conflict of Interest policy is also in place which sets out how actual and perceived conflicts of interests between the two companies are managed.

STAFF

The charity itself has no employees but uses staff employed by its subsidiary undertaking, EIO, to undertake its charitable activities. EIO uses a variety of methods to engage with its employees and these are described in its section 172 statement contained within the EIO plc annual report and accounts which are available from the registered office, as shown on page 129. In addition, for those staff seconded to the Company, they all have access and regular contact with the Chairman and the wider Board.

SUPPLIERS

The Company does not have a supply chain itself, but uses the services of EIO under the terms of its Shared Services Agreement. The Company recognises its responsibility and that of its subsidiary to ensure business activities are undertaken in accordance with regulatory requirements and best practice. The Board and its Audit and Risk Committee therefore receive regular updates on the performance of its subsidiary.

WIDER COMMUNITY AND ENVIRONMENT

The Board is focused on its long-term and strategic charitable giving. A key aim of its grant-giving is to assist areas in greatest need. During 2020, the Board responded to the Covid-19 pandemic through donating immediate emergency Covid-19 relief grants, as well as setting up a new 'Hope Beyond' thematic grants programme to help communities build resilience and adapt to the challenges presented by the pandemic crisis. This was provided alongside the Company's other thematic grants programme 'Growing Lives' (closed at the end of October 2020) which sought to support churches and community facilities for use by young people and children. The Methodist Grants programme seeks to support community engagement, accessibility, building development, and projects providing environmental benefit. The Heritage Grants programme, in partnership with other organisations, supports traditional craft and heritage skills.

REGULATORS

The Board recognises the importance of open and honest dialogue with Regulators. As a registered charity, Allchurches Trust is regulated by the Charity Commission. The Board receive regular updates on legal, regulatory and compliance matters.

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

Tim Carroll

Chairman

6 May 2021

TRUSTEES' REPORT

(Incorporating the directors' report for the year ended 31 December 2020)

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 2020. 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 2019).

GOVERNANCE

CORPORATE GOVERNANCE

The trustees are committed to applying the highest standards of corporate governance and believe that the affairs of the charity should be conducted in accordance with best practice. The charity has comprehensively reviewed its procedures in the light of the 2017 Charity Governance Code ('the Code') and has confirmed that it is compliant with the Code.

The charity is currently reviewing its procedures in the light of the refreshed Code published in December 2020, in particular the Integrity Principle and the Equality, Diversity and Inclusion Principle and aims to ensure it fully complies by the end of 2021.

In the last quarter of 2020 we engaged an independent firm of solicitors to conduct an external review of our Governance, including our relationship with the Trust's trading subsidiaries. The external review rated the Trust's governance as strong. Actions arising from the Governance Review will be implemented during 2021.

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 a 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 at least 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 a Finance and Investment Committee, an Audit and Risk Committee, a Nominations Committee, a Grants Committee and a Methodist Grant-Giving Committee.

The Finance and Investment Committee has three scheduled meetings a year and primarily oversees the charity's investment strategy, including the performance of its expendable endowment fund and the charity's financial affairs. Its members are Sir Laurie Magnus (Chair), Mr Michael Arlington, Ms Caroline Banzky, Mr Tim Carroll, Mr Stephen Hudson and Mr David Smart (since March 2021).

The Audit and Risk Committee 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. Its members are Mr Stephen Hudson (Chair), Mr Tim Carroll, Sir Stephen Lamport, and Mr Chris Moulder.

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. Its members are Mr Tim Carroll (Chair), The Very Revd Jane Hedges, and Sir Laurie Magnus.

The Grants Committee has five scheduled meetings a year. It is responsible for overseeing and advising the Board on the further development of the Trust's grant-giving strategy, processes and other arrangements, and advising and making recommendations to the Board on grant applications. Its members are Mr Michael Arlington (Chair), Mr Tim Carroll, Revd Paul Davis, and The Venerable Karen Lund.

The Methodist Grant-Giving Committee has three scheduled meetings per year. Its remit is to consider applications from and grants to Methodist beneficiaries. Its members are Revd Linda Barriball (Chair), Mr David Crompton, Revd Paul Davis and Mr Stephen Hudson.

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. No trustee sought independent professional advice in the current or prior year. Trustee remuneration and expenses are disclosed in notes 11 and 28 to the financial statements.

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 that the charity serves takes 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 129.

Sir Stephen Lamport was appointed as a director on 5 March 2020, and Revd Paul Davis on 29 March 2020.

Mr Michael Arlington, The Very Revd Jane Hedges, Ms Caroline Banzsky and The Venerable Karen Lund will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

During 2021, Mr David Smart was appointed to the Board and will seek election at the forthcoming AGM.

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.

BOARD DIVERSITY

The primary responsibility of the trustees is to conduct the affairs of the Trust in a manner which best enables the Trust to fulfil its charitable objectives. Appointments to the Board of the Trust are made which will best enable the trustees to discharge that responsibility.

The trustees recognise the benefits of having a diverse Board. They believe that recognising and encouraging diversity, including in respect of gender, is essential to strengthening the charity's ability to meet its objectives.

The Board has already taken steps over the last few years to increase the degree of diversity on the Board.

In the context of ensuring it meets its trustee responsibilities, the Board will take the opportunity, as and when appropriate, to further improve diversity in its broadest sense (including ethnicity, the possession of requisite skills, regional and industry experience, background, age, denominational membership, gender and other distinctions) as part of its board recruitment practice.

The Board set itself a target to meet the following objectives in terms of diversity by 2020:

- Meet the 2020 targets set out in the Hampton-Alexander Review, being 33% of women on boards;
- Include at least one trustee from an ethnic minority background as recommended by the Parker Review;
- Include at least two trustees who are from the northern province of the Church of England; and
- Include two trustees who are members of denominations other than the Church of England.

As at the date of this report, the Board has met all of these objectives. The Diversity Policy will be reviewed in 2021 taking into consideration the refreshed Charity Governance Code's Equality, Diversity and Inclusion Principle.

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 primarily 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 Grants Team, 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, Senior Independent Director and each of the Executive Directors of the main trading subsidiary, EIO plc.

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

BOARD EVALUATION

The trustees have agreed to undertake an external Board Evaluation at least every three years, the last being carried out in 2018. The next evaluation is due in 2021, though may be deferred to 2022 given the impact of Covid-19.

All trustees receive an annual individual 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 45 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. Details of remuneration received by trustees in their capacity as non-executive directors of subsidiary undertakings is disclosed in note 28.

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.

REMUNERATION POLICY

The day-to-day management of the charity is undertaken by its senior executive staff and the Company Secretary, who, with the trustees, are the charity's key management personnel.

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 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 129.

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.

During 2020, applications made through the Trust's Large Grants programme in respect of individual projects with a total value in excess of £1m were referred to the Board for consideration. These applications were subject to initial appraisal by grants officers and the Head of Grants and Relationships. Consideration of Small Grants programme applications relating to individual projects of up to £1m, and applications under the Roof Protection Scheme programme, were delegated by the Board to the Chair of the Grants Committee and a grants officer. All charitable giving made under this delegated authority was disclosed to the Board at its next meeting.

Responsibility for consideration of applications under the Growing Lives and Hope Beyond thematic grants programmes was delegated by the Board to the Grants Committee. All charitable giving made under this delegated authority will continue to be disclosed to the Board at its next meeting.

Consideration of applications under the Methodist Grants Programme, 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 Grant-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 hearts.

POLITICAL DONATIONS

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

CLIMATE CHANGE AND ENVIRONMENT

Information about the approach to climate change and the environment is provided on page 32.

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 25-28 together with a description of the principal risks and uncertainties faced by the charity on pages 33-36.

The charity has considerable financial resources. The unrestricted fund has cash at bank and in hand of £14.4m, cash deposits with original maturities of more than three months of £2.0m and no borrowings (2019: cash at bank and in hand of £26.1m, cash deposits with original maturities of more than three months of £2.0m and no borrowings). The expendable endowment fund has financial investments of £103.1m, 100% of which are liquid (2019: financial investments of £97.7m, 100% of which are liquid).

The Trust's subsidiary Group has considerable financial resources: financial investments of £846m, more than 90% of which are liquid (2019: £873m) and cash and cash equivalents of £130m (2019: £98m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. In February 2021, the subsidiary Group raised Euro 30 million of Tier 2 capital with the issue of 20-year subordinated bonds, callable after year 10. The subsidiary Group also has a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing.

Due to the level of uncertainty created by the global Covid-19 pandemic, the subsidiary Group considered its capital position, liquidity and the impact on performance. Its businesses have strong levels of cash and other liquid resources and has no concerns over the ability to meet cash commitments over its three year planning horizon. Its businesses also expect to continue to meet regulatory requirements.

Covid-19 has impacted how the subsidiary Group's businesses operate, with a significant proportion of employees working effectively in a remote environment. They have continued to support customers, work with key suppliers and perform other functions of the subsidiary Group. Whilst making some of these changes to the way the subsidiary Group and its businesses operate caused some level of disruption, the businesses are equipped to deliver services in this way and can

continue to do so over a prolonged period. Given the operations, robust capital strength, liquidity and in conjunction with forecast projections and stress testing, there is a reasonable expectation that the subsidiary Group has adequate resources and is well placed to manage its risks successfully and continue in operational existence for at least 12 months from the date of this report.

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 (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 Statement of Recommended Practice: Accounting and Reporting by Charities (2019);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, 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 are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of 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

In accordance with Section 418, directors' reports shall include a statement, in the case of each director in office at the date the directors' report is approved, that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) the trustee has taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

EQUALITY, DIVERSITY AND INCLUSION

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

Tim Carroll

Chairman

6 May 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ALLCHURCHES TRUST LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Allchurches Trust Limited's group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2020 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, and cash flows and of the group's and parent charitable company's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the consolidated and charity balance sheets as at 31 December 2020; the consolidated and charity statements of financial activities (including an income and expenditure account) and the consolidated and charity statement of cash flows statements for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remained independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent charitable company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and parent charitable company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report 2020 other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

STRATEGIC REPORT AND TRUSTEES' REPORT

In our opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Report, including the Strategic 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' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Trustees' Report. We have nothing to report in this respect.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

RESPONSIBILITIES OF THE TRUSTEES FOR THE FINANCIAL STATEMENTS

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and parent charity, we identified that the principal risks of non-compliance with laws and regulations related to both insurance and employer legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Charities Act 2011 and Regulation 15 of The Charities (Accounts and Reports) Regulations 2008). We evaluated the trustees' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined

that the principal risks were related to fraudulent transactions designed to overstate the financial performance and position of the charity. Audit procedures performed included:

- Reviewing Board minutes and holding discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Using computer based audit techniques to identify and test higher risk manual journals, in particular those having unusual account combinations;
- Reviewing the appropriateness of the assumptions used by the group and parent charity in estimating the value of the investments, investment property and unlisted equity;
- Reviewing the appropriateness of assumptions and methodology used in calculating the asbestos and Physical and Sexual Abuse "PSA" reserves and the completeness of reserves in respect to business interruption claims;
- Challenging the assumptions used by the charity and group when considering it's ability to continue as a going concern, with enhanced procedures considered for COVID-19; and
- Obtaining third party confirmations of all the group and parent charity's banking and financing arrangements

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

USE OF THIS REPORT

This report, including the opinions, has been prepared for and only for the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING***COMPANIES ACT 2006 EXCEPTION REPORTING***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

***Katharine Finn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
6 May 2021***

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

for the year ended 31 December 2020

	Notes	2020			2019		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income and endowments from:							
Donations	3	3,239	-	3,239	5,184	-	5,184
Investments							
<i>Gift aid from subsidiary</i>		-	-	-	30,000	-	30,000
<i>Dividend and interest income</i>	4	60	3,106	3,166	87	3,704	3,791
Total income		3,299	3,106	6,405	35,271	3,704	38,975
Expenditure on:							
Raising funds	5	-	(375)	(375)	-	(332)	(332)
Charitable activities							
<i>Charitable giving - grants</i>	6	(23,311)	-	(23,311)	(17,850)	-	(17,850)
<i>Other expenditure on charitable activities</i>	7	(994)	-	(994)	(759)	-	(759)
Total expenditure		(24,305)	(375)	(24,680)	(18,609)	(332)	(18,941)
Net (losses)/gains on investments	8	(43,928)	(458)	(44,386)	18,247	10,366	28,613
Taxation	9	-	(83)	(83)	-	(65)	(65)
Net (expenditure)/income in the year		(64,934)	2,190	(62,744)	34,909	13,673	48,582
Transfers between funds							
Gross transfers to the endowment fund	17	(5,200)	5,200	-	(13,500)	13,500	-
Gross transfers to the unrestricted fund	17	12,723	(12,723)	-	3,457	(3,457)	-
Net movement in funds		(57,411)	(5,333)	(62,744)	24,866	23,716	48,582
Total funds brought forward		509,367	109,422	618,789	484,501	85,706	570,207
Total funds carried forward		451,956	104,089	556,045	509,367	109,422	618,789

The accompanying notes on pages 57 to 71 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

at 31 December 2020

	Notes	2020			2019
		Unrestricted funds	Endowment funds	Total funds	Total funds
		£000	£000	£000	£000
Fixed assets					
Investments	13	439,475	103,113	542,588	581,128
Total fixed assets		439,475	103,113	542,588	581,128
Current assets					
Debtors	14	15	300	315	315
Investments	13	2,000	-	2,000	2,024
Cash at bank and in hand	15	14,401	678	15,079	37,527
Total current assets		16,416	978	17,394	39,866
Liabilities					
Creditors: amounts falling due within one year	16	(2,641)	(2)	(2,643)	(1,541)
Net current assets		13,775	976	14,751	38,325
Total assets less current liabilities		453,250	104,089	557,339	619,453
Creditors: amounts falling due after one year	16	(1,294)	-	(1,294)	(664)
Total net assets		451,956	104,089	556,045	618,789
The funds of the charity:					
Unrestricted funds					
General funds	17	5,585	-	5,585	16,635
Designated funds	17	6,946	-	6,946	9,379
Revaluation reserve	17	439,425	-	439,425	483,353
		451,956	-	451,956	509,367
Restricted funds					
Endowment funds	17	-	104,089	104,089	109,422
Total funds		451,956	104,089	556,045	618,789

The analysis of the prior year comparatives by fund is included in the related notes on pages 68 to 70.

The financial statements of Allchurches Trust Limited, registration number 1043742, on pages 54 to 71 were approved and authorised for issue by the Board on 6 May 2021 and signed on its behalf by:

Tim Carroll
Chairman

Sir Laurie Magnus
Trustee

CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Notes	2020	2019
		£000	£000
Net (expenditure)/income for the reporting period		(62,744)	48,582
Adjustments for:			
Losses/(gains) on investments		44,386	(28,613)
Dividend and interest income from investments		(3,166)	(3,791)
Decrease in debtors		3	1
Increase/(decrease) in creditors		1,698	(722)
Taxation paid		83	65
Net cash (used in)/provided by operating activities		(19,740)	15,522
Cash flows from investing activities:			
Dividend and interest income from investments		3,134	3,701
Proceeds from the sale of investments		16,808	11,256
Purchase of investments		(22,630)	(15,318)
Net cash used in investing activities		(2,688)	(361)
Change in cash and cash equivalents in the reporting period		(22,428)	15,161
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		37,527	22,352
Change in cash and cash equivalents in the reporting period		(22,428)	15,161
Change in cash and cash equivalents due to exchange rate movements		(20)	14
Cash and cash equivalents at the end of the reporting period	15	15,079	37,527

NOTES TO THE CHARITY FINANCIAL STATEMENTS

1 Accounting policies for charity parent only

Allchurches Trust Limited is incorporated in England and Wales. It 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 25-28, together with a description of the principal risks and uncertainties faced by the charity on pages 33-36.

The charity has considerable financial resources: the unrestricted fund has cash at bank and in hand of £14.4m, cash deposits with original maturities of more than three months of £2.0m and no borrowings (2019: cash at bank and in hand of £26.1m, cash deposits with original maturities of more than three months of £2.0m and no borrowings). The expendable endowment fund has £103.1m of liquid financial investments (2019: £97.7m). The charity's subsidiaries have considerable financial resources which are sufficient to meet their own financial obligations as outlined in consideration of the going concern status of the group in the Trustees' Report. 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 at least 12 months from the date of this report. 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 general funds and designated funds. General funds are 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 pages 6-10. Designated funds are unrestricted funds that have been set aside by the trustees for a particular purpose, as set out in note 17. Endowment funds are restricted funds of expendable endowments that are retained to strengthen the charity's reserves. The Trust has the power to convert endowment funds to expendable income.

Income

Donations and gift aid

Donations and gift aid are 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

Dividend and interest income

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 consists of grants approved by the Board in the year, net of returned grant payments and grant offers withdrawn. Charitable giving is recognised once approved for payment by the Board. Returned grants are recognised when received. Withdrawn grants are recognised when the Board communicates the withdrawal of the grant offer. 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 expendable 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.

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

Taxation

Allchurches Trust Limited 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 expendable endowment fund is recognised when the dividend is received.

Transfers between funds

Transfers between the unrestricted fund and expendable 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 (losses)/gains on investments' in the charity statement of financial activities. The cumulative fair value gain is held in a revaluation reserve in the parent balance sheet.

Cash at bank and in hand

Cash at bank and in hand includes short term deposits at amortised cost, which are highly liquid investments with original maturities of three months or less. Cash at bank and in hand equates to cash and cash equivalents in the statement of cash flows.

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. There were no critical accounting judgements made in the current or prior year.

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 includes a dividend discount model and analysis of price to book ratios of comparable entities. 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 £439,475,000 (2019: £483,403,000).

3 Donations

During the year the charity received a donation of £3,000,000 (2019: £5,000,000) from Methodist Insurance PLC which was designated by the trustees.

The charity received £239,000 (2019: £184,000) 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

	2020			2019		
	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						
Equity securities						
- listed	-	2,569	2,569	-	3,065	3,065
Debt securities						
- listed	-	549	549	-	617	617
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	60	(12)	48	87	22	109
	60	3,106	3,166	87	3,704	3,791

5 Expenditure on raising funds

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

6 Charitable giving - grants

	Grants to institutions £000	Shared costs £000	Support costs £000	Total £000
2020				
National projects	2,743	17	116	2,876
England	17,308	190	117	17,615
Scotland	596	22	116	734
Wales	716	20	116	852
Ireland	1,902	36	116	2,054
Other	46	12	116	174
	23,311	297	697	24,305
2019				
National projects	1,035	13	82	1,130
England	14,970	190	84	15,244
Scotland	400	22	81	503
Wales	762	14	81	857
Ireland	595	21	81	697
Other	88	10	80	178
	17,850	270	489	18,609

The charity does not make grants to individuals.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

During the year the charity made the following material institutional grants, where material is defined as over £100,000 in aggregate:

	2020 £000
National projects	
Archbishops' Council, London	105
Betel UK, Birmingham	120
Christian Education t/a RE Today Services, Birmingham, West Midlands	280
Gregory Centre for Church Multiplication, London	350
Plunkett Foundation, Woodstock, Oxfordshire	203
Relational Hub, Littlehampton, West Sussex	120
Safe Families for Children, Nottingham	280
The Cinnamon Network, London	201
The Keswick Convention Trust, Cumbria	100
The Trussell Trust, Salisbury, Wiltshire	300
With Community, Luton, Bedfordshire	300
	2,359
England	
Diocese in Europe, London	250
FareShare, London	100
Just Finance Foundation, London	100
London Diocesan Fund, London	146
Methodist Connexion, London	1,400
Missional Youth Church Network (MYCN), York, North Yorkshire	200
The Diocese Of Bath And Wells	131
The Diocese of Birmingham	164
The Diocese of Blackburn	148
The Diocese of Bristol	106
The Diocese of Canterbury	125
The Diocese of Chelmsford	278
The Diocese of Chester	166
The Diocese of Chichester	172
The Diocese of Coventry	105
The Diocese of Derby	138
The Diocese of Durham	176
The Diocese of Ely	102
The Diocese of Exeter	169
The Diocese of Gloucester	104
The Diocese of Guildford	105
The Diocese of Leeds	302
The Diocese of Leicester	134
The Diocese of Lichfield	230
The Diocese of Lincoln	154
The Diocese of Liverpool	172
The Diocese of London	403
The Diocese of Manchester	227
The Diocese of Newcastle	121
The Diocese of Norwich	153
The Diocese of Oxford	245
The Diocese of Peterborough	118
Subtotal carried onto page 62	6,644

NOTES TO THE CHARITY FINANCIAL STATEMENTS

	2020
	£000
England (continued)	
Subtotal from page 61	6,644
The Diocese of Rochester	141
The Diocese of Salisbury	141
The Diocese of Sheffield	154
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	140
The Diocese of St Albans	168
The Diocese of St Edmundsbury And Ipswich	107
The Diocese of Truro	101
The Diocese of Winchester	132
The Diocese of Worcester	112
The Diocese of York	185
The Trussell Trust, Salisbury, Wiltshire	100
	<u>8,383</u>
Ireland	
Representative Church Body of the Church of Ireland/Church of Ireland, Dublin	300
	<u>300</u>
Wales	
The Representative Body of the Church in Wales	182
	<u>182</u>
Total material grants	<u>11,224</u>
Total of grants that are not individually material in aggregate:	
National projects	384
England	8,925
Scotland	596
Wales	534
Ireland	1,602
Other	46
	<u>12,087</u>
Total grants	<u>23,311</u>

Examples of grants paid are included in the Strategic Report. A full list of beneficiaries of charitable grants awarded in the year is available on the Trust's website.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

During the prior year the charity made the following material institutional grants, where material is defined as over £100,000 in aggregate:

	2019 £000
National projects	
The Archbishops' Council, London *	61
The Faraday Institute for Science and Religion, Cambridge	140
The London Institute for Contemporary Christianity	180
The Representative Body of the Church in Wales *	15
Transforming Lives for Good (TLG), Bradford, West Yorkshire	178
	<hr/> 574
England	
Bristol Diocesan Board of Finance	130
Emmanuel Church, Eastbourne, East Sussex	126
Exeter Cathedral	125
Fylde Coast YMCA, Lytham St Annes, Lancashire	100
Just Finance Foundation, London	250
Lincoln Cathedral	125
Methodist Connexion, London	910
The Archbishops' Council, London	172
The Diocese of Bath and Wells	135
The Diocese of Birmingham	150
The Diocese of Blackburn	174
The Diocese of Canterbury	123
The Diocese of Chelmsford	269
The Diocese of Chester	162
The Diocese of Chichester	171
The Diocese of Derby	139
The Diocese of Durham	181
The Diocese of Ely	102
The Diocese of Exeter	180
The Diocese of Gloucester	107
The Diocese of Guildford	104
The Diocese of Leeds	318
The Diocese of Leicester	132
The Diocese of Lichfield	231
The Diocese of Lincoln	200
The Diocese of Liverpool	164
The Diocese of London	422
The Diocese of Manchester	222
The Diocese of Newcastle	120
The Diocese of Norwich	165
The Diocese of Oxford	257
The Diocese of Peterborough	117
The Diocese of Rochester	139
The Diocese of Salisbury	152
The Diocese of Sheffield	148
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	136
The Diocese of St Albans	157
Subtotal carried onto page 64	<hr/> 7,273

*Grants to these beneficiaries are classified within different geographical regions but in aggregate exceed £100,000.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

	2019 £000
England (continued)	
Subtotal from page 63	7,273
The Diocese of St Edmundsbury and Ipswich	111
The Diocese of Winchester	128
The Diocese of Worcester	106
The Diocese of York	194
The John Wallis Church of England Academy, Ashford, Kent	107
York Minster	100
	<u>8,019</u>
Ireland	
Saint Patrick's Cathedral, Dublin	111
	<u>111</u>
Wales	
Bethel Community Church, Newport, South Wales	100
St Asaph Diocesan Board of Finance	100
The Representative Body of the Church in Wales	182
	<u>382</u>
Total material grants	<u>9,086</u>
Total of grants that are not individually material in aggregate:	
National projects	461
England	6,951
Scotland	400
Wales	380
Ireland	484
Other	88
	<u>8,764</u>
Total grants	<u>17,850</u>

NOTES TO THE CHARITY FINANCIAL STATEMENTS

7 Other expenditure on charitable activities

Other charitable expenditure in the current year of £994,000 relates to the shared costs and support costs incurred in the charity's grant making activities and can be analysed as follows:

	National projects	England	Scotland	Basis of allocation
2020	£000	£000	£000	
Shared costs	17	190	22	Time spent
Support costs:				
Governance costs	52	52	52	Equal allocation
Finance	9	9	9	Equal allocation
Information technology	6	6	6	Equal allocation
Buildings	10	10	10	Equal allocation
Corporate	5	5	5	Equal allocation
Other	34	35	34	Mixed allocation*
	116	117	116	
Other expenditure on charitable activities	133	307	138	
	Wales	Ireland	Other	Basis of allocation
2020	£000	£000	£000	
Shared costs	20	36	12	Time spent
Support costs:				
Governance costs	52	52	52	Equal allocation
Finance	9	9	9	Equal allocation
Information technology	6	6	6	Equal allocation
Buildings	10	10	10	Equal allocation
Corporate	5	5	5	Equal allocation
Other	34	34	34	Mixed allocation*
	116	116	116	
Other expenditure on charitable activities	136	152	128	

*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.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

Other charitable expenditure in the prior year of £759,000 relates to the shared costs and support costs incurred in the charity's grant making activities and can be analysed as follows:

	National projects £000	England £000	Scotland £000	Basis of allocation
2019				
Shared costs	13	190	22	Time spent
Support costs:				
Governance costs	30	30	29	Mixed allocation*
Finance	4	4	4	Equal allocation
Information technology	4	4	4	Equal allocation
Buildings	6	6	6	Equal allocation
Corporate	8	8	8	Equal allocation
Other	30	32	30	Mixed allocation*
	<u>82</u>	<u>84</u>	<u>81</u>	
Other expenditure on charitable activities	<u>95</u>	<u>274</u>	<u>103</u>	
	Wales £000	Ireland £000	Other £000	Basis of allocation
2019				
Shared costs	14	21	10	Time spent
Support costs:				
Governance costs	29	29	28	Mixed allocation*
Finance	4	4	4	Equal allocation
Information technology	4	4	4	Equal allocation
Buildings	6	6	6	Equal allocation
Corporate	8	8	8	Equal allocation
Other	30	30	30	Mixed allocation*
	<u>81</u>	<u>81</u>	<u>80</u>	
Other expenditure on charitable activities	<u>95</u>	<u>102</u>	<u>90</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 (losses)/gains on investments

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

The net (losses)/gains on investments in the expendable 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 is exempt from corporation tax. The £83,000 (2019: £65,000) 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 expendable endowment fund.

10 Employee information

The charity itself has no 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 eight (2019: six). All employees were employed in the United Kingdom in both the current and prior year.

	2020	2019
	£000	£000
Wages and salaries	372	296
Social security costs	43	31
Pension costs - defined contribution plans	30	22
Pension costs - defined benefit plans	-	6
	445	355

In the current year, one employee received employee benefits within the £60,001-£70,000 band, and one employee received employee benefits within the £70,001-£80,000 band. In the prior year no employees received employee benefits in excess of £60,000.

11 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Two trustees (2019: two 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 £3,000 (2019: £13,000) which were incurred by three trustees primarily in respect of travel and subsistence (2019: four trustees primarily in respect of travel and subsistence).

In addition, the charity paid direct expenses totalling £1,000 (2019: £2,000) which were incurred by seven trustees primarily in respect of travel and subsistence (2019: six trustees, primarily in respect of travel and subsistence).

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, pensions and social security costs, in the year was £206,000 (2019: £137,000). The key management of the charity can be found on page 45.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

13 Investments

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Financial assets at fair value						
Equity securities						
- listed	-	93,034	93,034	-	87,554	87,554
Debt securities						
- listed	-	10,079	10,079	-	10,171	10,171
Investment in subsidiary	439,475	-	439,475	483,403	-	483,403
Total non-current investments	439,475	103,113	542,588	483,403	97,725	581,128
Current financial assets at amortised cost						
Cash on deposit	2,000	-	2,000	2,024	-	2,024
Total investments	441,475	103,113	544,588	485,427	97,725	583,152

The value of the investment in subsidiary on a historical cost basis is £50,000 (2019: £50,000).

The charity's investment in subsidiary is classified as level 3 in the fair value hierarchy. The methodology for determining the fair value of the investment is disclosed in note 2. No investments in the expendable endowment fund were classified as level 3 in the current or prior year.

Details of the charity's investment policy can be found in the Strategic Report on pages 29-30.

Reconciliation of the movement in financial assets:

	Unrestricted funds		Endowment funds		Total funds	
	At amortised cost		At fair value		£000	
2020	At fair value £000	cost £000	At fair value £000	£000	£000	£000
Fair value at 1 January	483,403	2,024	97,725	583,152		
Additions at cost	-	2,000	20,630	22,630		
Sale proceeds	-	(2,024)	(14,784)	(16,808)		
Fair value losses	(43,928)	-	(458)	(44,386)		
Fair value at 31 December	439,475	2,000	103,113	544,588		
	Unrestricted funds		Endowment funds		Total funds	
2019	At amortised cost		At fair value		£000	
	At fair value £000	cost £000	At fair value £000	£000	£000	£000
Fair value at 1 January	465,156	2,008	83,313	550,477		
Additions at cost	-	2,024	13,294	15,318		
Sale proceeds	-	(2,008)	(9,248)	(11,256)		
Fair value gains	18,247	-	10,366	28,613		
Fair value at 31 December	483,403	2,024	97,725	583,152		

NOTES TO THE CHARITY FINANCIAL STATEMENTS

14 Debtors

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Prepayments and accrued income	15	300	315	24	291	315

15 Cash at bank and in hand

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Short term deposits	13,758	678	14,436	25,295	11,407	36,702
Cash at bank and in hand	643	-	643	825	-	825
	14,401	678	15,079	26,120	11,407	37,527

16 Creditors

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Amounts falling due within one year:						
Accruals for grants payable	2,562	-	2,562	1,469	-	1,469
Amounts due to related parties	3	-	3	2	-	2
Other creditors	76	2	78	69	1	70
	2,641	2	2,643	1,540	1	1,541
Amounts falling due after one year:						
Accruals for grants payable	1,294	-	1,294	664	-	664
	1,294	-	1,294	664	-	664

NOTES TO THE CHARITY FINANCIAL STATEMENTS

17 Summary of fund movements

	Unrestricted funds				Total £000
	General funds £000	Designated funds £000	Endowment funds £000	Revaluation reserve £000	
Fund balance at 1 January 2020	16,635	9,379	109,422	483,353	618,789
Income	299	3,000	3,106	-	6,405
Expenditure	(21,806)	(2,499)	(375)	-	(24,680)
Taxation	-	-	(83)	-	(83)
Fair value losses on investments:					
Investment in subsidiary	-	-	-	(43,928)	(43,928)
Other investments at fair value	-	-	(458)	-	(458)
Gross transfers to endowment funds	(4,200)	(1,000)	5,200	-	-
Gross transfers to unrestricted funds	12,657	66	(12,723)	-	-
Gross transfers to general funds	2,000	(2,000)	-	-	-
Fund balance at 31 December 2020	5,585	6,946	104,089	439,425	556,045
Fund balance at 1 January 2019	19,395	-	85,706	465,106	570,207
Income	30,771	4,500	3,704	-	38,975
Expenditure	(18,609)	-	(332)	-	(18,941)
Taxation	-	-	(65)	-	(65)
Fair value gains on investments:					
Investment in subsidiary	-	-	-	18,247	18,247
Other investments at fair value	-	-	10,366	-	10,366
Gross transfers to endowment funds	(13,500)	-	13,500	-	-
Gross transfers to unrestricted funds	3,441	16	(3,457)	-	-
Gross transfers to designated funds	(4,863)	4,863	-	-	-
Fund balance at 31 December 2019	16,635	9,379	109,422	483,353	618,789

The general 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 pages 6-10.

The designated fund has been designated by the trustees for the furtherance of purposes or projects of or relating to the Methodist Church. The source of these funds is the donations that the charity receives from Methodist Insurance PLC (see note 3). During the current year, the trustees transferred £2,000,000 from the designated fund into the general unrestricted fund and £1,000,000 into the expendable endowment fund. £3,066,000 was designated in the year. During the prior year, the trustees designated £4,863,000 previously held in the general unrestricted fund.

The endowment fund is a restricted capital fund of expendable endowment that is retained to strengthen the charity's reserves and provide diversification of its assets. During the current year, £10,000,000 (2019: £nil) was transferred into the general unrestricted fund in order to maintain liquidity and re-build the Trust's reserves.

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

NOTES TO THE CHARITY FINANCIAL STATEMENTS

18 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. The full list of related undertakings is disclosed in note 45. Transactions between the charity and its trustees, who are related parties, are disclosed in note 11.

	2020	2019
	£000	£000
Gift aid received	-	30,000
Expenses recharged	551	408
Investment management fees paid	252	242
Amounts due to related parties	3	2

In addition, the charity received donated services from a trading subsidiary in the current and prior year. Further details are provided in note 3.

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

for the year ended 31 December 2020

	Notes	2020			2019		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income from:							
Donations		3,000	-	3,000	5,000	-	5,000
Other trading activities							
<i>Income arising from trading activities</i>	21	345,188	-	345,188	323,654	-	323,654
Investments							
<i>Dividend, interest and rental income</i>	22	30,991	3,106	34,097	35,316	3,704	39,020
Total income		379,179	3,106	382,285	363,970	3,704	367,674
Expenditure on:							
Raising funds		-	(375)	(375)	-	(332)	(332)
Charitable activities							
<i>Grants</i>		(23,311)	-	(23,311)	(17,850)	-	(17,850)
<i>Other expenditure on charitable activities</i>		(755)	-	(755)	(575)	-	(575)
Other							
<i>Charitable donations paid by trading subsidiaries</i>		(2,748)	-	(2,748)	(2,523)	-	(2,523)
<i>Expenditure arising from trading activities</i>		(357,796)	-	(357,796)	(326,113)	-	(326,113)
Total expenditure		(384,610)	(375)	(384,985)	(347,061)	(332)	(347,393)
Net (losses)/gains on investments	23	(35,639)	(458)	(36,097)	40,891	10,366	51,257
Taxation	24	432	(83)	349	(6,683)	(65)	(6,748)
		(40,638)	2,190	(38,448)	51,117	13,673	64,790
Net (expenditure)/income in the year	25						
<i>a. arising from the charity</i>		(21,006)	2,190	(18,816)	(13,338)	13,673	335
<i>b. arising from trading activities</i>		(19,632)	-	(19,632)	64,455	-	64,455
		(40,638)	2,190	(38,448)	51,117	13,673	64,790

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

for the year ended 31 December 2020

	Notes	2020			2019		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Transfer between funds							
Gross transfers to endowment funds		(5,200)	5,200	-	(13,500)	13,500	-
Gross transfers to unrestricted funds		12,723	(12,723)	-	3,457	(3,457)	-
Other recognised (losses)/gains							
Losses on revaluation of fixed assets		(65)	-	(65)	-	-	-
Actuarial losses on retirement benefits	40	(19,036)	-	(19,036)	(7,916)	-	(7,916)
Other gains/(losses)							
<i>Currency translation differences</i>	42	1,982	-	1,982	(1,371)	-	(1,371)
(Losses)/gains on net investment hedges	42	(2,339)	-	(2,339)	640	-	640
Tax attributable to other recognised (losses)/gains	24	4,188	-	4,188	1,330	-	1,330
Minority interests	43	(8,782)	-	(8,782)	(8,891)	-	(8,891)
Net movement in funds excluding minority interests		(57,167)	(5,333)	(62,500)	24,866	23,716	48,582
Total funds brought forward	41	509,367	109,422	618,789	484,501	85,706	570,207
Acquisition of minority interests	43	(244)	-	(244)	-	-	-
Total funds carried forward		451,956	104,089	556,045	509,367	109,422	618,789

The accompanying notes on pages 77 to 128 are an integral part of this consolidated statement of financial activities. All income relates to continuing operations.

CONSOLIDATED BALANCE SHEET

at 31 December 2020

	Notes	2020 Total funds £000	2019 Total funds £000
Fixed assets			
Intangible assets	31	38,367	28,000
Tangible assets	32	15,463	11,056
Investment property	33	142,142	148,146
Investments	34	948,868	970,485
Investment in associate	29	5,696	5,171
Total fixed assets		1,150,536	1,162,858
Current assets			
Debtors	36	637,231	539,186
Investments	34	2,000	2,024
Cash at bank and in hand	37	144,675	135,896
Total current assets		783,906	677,106
Liabilities			
Creditors: amounts falling due within one year	38	(140,453)	(125,101)
Net current assets		643,453	552,005
Total assets less current liabilities			
		1,793,989	1,714,863
Creditors: amounts falling due after one year	38	(2,244)	(1,653)
Provisions for liabilities	39	(1,111,182)	(988,860)
Net assets excluding retirement benefit obligations		680,563	724,350
Net pension (deficit)/asset	40	(16,173)	3,527
Other retirement benefit obligations	40	(6,530)	(5,998)
Total net assets including retirement benefit obligations		657,860	721,879
The funds of the charity:			
Unrestricted funds			
General funds	41	5,585	16,635
Designated funds	41	6,946	9,379
Revaluation reserve	41	624	640
Non-charitable trading reserves	41	420,632	464,452
Translation and hedging reserve	42	18,169	18,261
		451,956	509,367
Restricted funds			
Endowment funds	41	104,089	109,422
Total funds (excluding minority interests)		556,045	618,789
Minority interests	43	101,815	103,090
Total funds		657,860	721,879

The consolidated financial statements of Allchurches Trust Limited, registration number 1043742, on pages 72 to 128 were approved and authorised for issue by the Board on 6 May 2021 and signed on its behalf by:

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	2020	2019
	£000	£000
Net (expenditure)/income for the reporting period	(38,448)	64,790
Adjustments for:		
Depreciation of property, plant and equipment	2,613	2,734
Loss on disposal of property, plant and equipment	3	172
Revaluation of property, plant and equipment	(10)	-
Amortisation and impairment of intangible assets	6,847	6,308
Share of profit of associate	(601)	(59)
Tax (income)/expense	(349)	6,748
Losses/(gains) on financial investments and investment property	20,209	(63,690)
Dividend and interest income from investments	(25,524)	(30,312)
Finance costs	34	100
Increase in debtors	(86,802)	(70,340)
Increase in creditors	11,739	15,916
Increase in provisions	117,346	74,285
Adjustment for pension funding	1,127	929
Increase/(decrease) in retirement benefit obligation	69	(53)
Proceeds from the sale of investment property by trading subsidiaries	1,020	327
Proceeds from the sale of financial investments by trading subsidiaries	151,155	148,127
Purchase of investment property by trading subsidiaries	-	(190)
Purchase of financial investments by trading subsidiaries	(133,678)	(163,002)
Dividends received by trading subsidiaries	6,305	10,296
Interest received by trading subsidiaries	15,061	15,909
Interest paid by trading subsidiaries	(34)	(100)
Tax paid by trading subsidiaries	(3,819)	(8,820)
Net cash provided by operating activities	44,263	10,075
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,891)	(4,678)
Proceeds from the sale of property, plant and equipment	1	-
Purchases of intangible assets	(15,646)	(9,619)
Purchase of investments	(22,630)	(15,318)
Proceeds from the sale of investments	16,808	11,256
Acquisition of business, net of cash acquired	(822)	(5,252)
Acquisition of interests in subsidiaries, net of cash acquired	(1,519)	(1,360)
Dividend and interest income from parent charity investments	3,134	3,701
Net cash used in investing activities	(27,565)	(21,270)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2020

	2020	2019
	£000	£000
Cash flows from financing activities:		
Payment of finance lease liabilities	(241)	(300)
Dividends paid to non-controlling interests of subsidiaries	(8,782)	(8,891)
Net cash used in financing activities	(9,023)	(9,191)
Change in cash and cash equivalents in the reporting period	7,675	(20,386)
Analysis of changes in net debt		
Cash and cash equivalents at the beginning of the reporting period	135,896	156,469
Change in cash and cash equivalents in the reporting period	7,675	(20,386)
Change in cash and cash equivalents due to exchange rate movements	1,104	(187)
Cash and cash equivalents at the end of the reporting period	144,675	135,896

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 financial statements.

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) (effective 1 January 2019). 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 47 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.

As stated in the Trustees' Report, the directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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

Subsidiaries

Subsidiaries are those entities over which the charity, directly or indirectly, has control. 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 statement of cash flows from the date of acquisition or up to the date of disposal. All inter-company transactions, balances and cash flows 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Minority interests are measured at a proportionate share of the identifiable net assets of the acquiree. 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.

Associates

Associate are those entities over which the group has significant influence and are neither subsidiaries nor interests in joint ventures. The assets, liabilities and results of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise the group's share of the net income/(expenditure) and other recognised gains/(losses) of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate, the group discontinues recognising its share of further losses. Additional losses are recognised by a provision only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Foreign currency translation

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 ("pipeline premiums") 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. 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.

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 4 of the EIG plc annual report and accounts which can be obtained from the registered office, as shown on page 129.

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.

Fee and commission income

Fee and commission income consists primarily of reinsurance commissions and reinsurance profit commissions from the trading subsidiaries' insurance business. It also includes income from the trading subsidiaries' insurance broking activities, investment fund management fees, distribution fees from mutual funds and commission revenue from the sale of mutual fund shares. As with general insurance premiums, reinsurance commissions are accounted for in the period in which the risk commences. Those proportions of reinsurance commissions written in a year which relate to periods of risk extending beyond the end of the year, are carried forward as deferred income. Reinsurance profit commissions are recognised at the point in time when the amount of commission can be accurately estimated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Income generated from trading subsidiaries' insurance broking activities is recognised at the inception date of the insurance cover. An estimate is made for the amount of fees and commission that may be clawed back as a result of policy cancellations or amendments. Where commission or fees are received in advance of the inception date of cover, deferred income is recognised.

Fees charged for investment management services are recognised as revenue when the services are 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.

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 technical 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 an uncertainty 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) Liability adequacy

At each reporting date, the trading subsidiaries review their unexpired risks and carry out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts. Unexpired risks are assessed separately for each class of business.

Surpluses and deficits are offset where business classes are considered to be managed together and a provision is held for any net deficit.

Long-term business provisions

Under current requirements, long-term insurance contract liabilities arising from funeral plans, where the trading subsidiaries' 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 their Chief Actuary.

Long-term insurance contract liabilities arising from funeral plans, where the trading subsidiaries' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reinsurance

General insurance 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 reinsurance 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. The proportion of premiums ceded in a year which relates to periods of risk extending beyond the current year is carried forward as unearned. The group does not reinsure its life business.

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 the settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

Long-term business

A trading subsidiary is the named beneficiary on a number of life assurance products sold by independent, third party, life insurance companies. The trading subsidiary 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 trading subsidiary recognises in respect of the related funeral plan.

Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, being the excess of the cost over 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 ten 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. Goodwill is tested annually for impairment and is carried at cost less accumulated amortisation less accumulated impairment losses. The amortisation and impairment charge for the period is included in the statement of financial activities within expenditure arising from trading activities.

Computer software

Computer software is carried at historical cost less accumulated amortisation and impairment, and amortised over a useful life of between three and ten years, using the straight-line method. The amortisation and impairment charge for the period is included in the statement of financial activities within expenditure arising from trading subsidiaries.

Other intangible assets

Other intangible assets consist of acquired brand, customer and distribution relationships, and are carried at cost at acquisition less accumulated amortisation and impairment after acquisition. Amortisation is on a straight-line basis over the weighted average estimated useful life of the intangible assets acquired. The amortisation and impairment charge 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 issued by the International Accounting Standards Board (IASB).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. To the extent to which they are effective, changes to the fair value of hedging instruments are included in the other recognised gains/(losses) in the statement of financial activities. All other changes in fair value are recognised 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).

Investments

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

Financial 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.

Derivative financial instruments and hedging

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.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities in 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 in the balance sheet within cash at bank and in hand.

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.

(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. Loans are recognised when cash is advanced to borrowers. To the extent that a loan is uncollectable, it is written off as impaired. Subsequent recoveries are credited to net income/(expenditure).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iii) Financial assets at fair value through other recognised gains/(losses)

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) and accumulated in 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.

Income from investments

Investment income consists of dividends, interest and rents receivable for the year. Dividends on equity securities are recognised on the ex-dividend date. Interest and rental income 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 unrealised gains or losses on investments disposed of in the accounting period.

The impact of discount rate changes on insurance contract liabilities is also included within net gains/(losses) on investments in order to match with the corresponding movements in assets backing the liabilities.

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.

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

Taxation 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, after any adjustment in respect of prior periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

Investment property

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

Tangible assets

Owner-occupied properties are 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 and impairment. Depreciation is calculated 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, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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. 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 plan surplus, where recoverable, or deficit appears as an asset or obligation in the balance sheet. Any asset resulting from this calculation is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future employer contributions to the plan. Independent actuarial valuations are carried out at the end of each reporting period.

Current and past service costs, gains and losses on curtailments and settlements and net interest expense or income (calculated by applying a discount rate to the net defined benefit liability or asset) are recognised through net income/(expenditure). Actuarial gains and losses are recognised in full in the period in which they occur in the statement of financial activities within other recognised gains/(losses).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Interest expense (calculated by applying a discount rate to the net obligations) is recognised through net income/(expenditure). 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 recognised on a straight-line basis over the period of the lease.

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. Assets held under finance leases are not significant to these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. 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. During 2020, the Covid-19 pandemic developed rapidly with far-reaching impacts across the global economy and the insurance industry. The trading subsidiaries considered the effects of Covid-19 and actions taken by governments in its estimates and judgements.

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) Future benefit payments arising from long-term insurance contracts
- (c) Pensions and other post-employment benefits
- (d) Goodwill impairment and the carrying value of goodwill
- (e) Unlisted equity securities
- (f) Recognition of long-term insurance contracts

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 the annual report and accounts of EIG plc, which are available from the registered office on page 129.

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 45. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities on page 72.

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

(a) An analysis of the trading subsidiaries' turnover by geographical location of office is set out below:

	2020	2019
	£000	£000
United Kingdom and Ireland	357,824	340,240
Australia	80,178	68,857
Canada	75,953	64,457
	513,955	473,554
Reconciliation of turnover to income from trading subsidiaries:		
Turnover	513,955	473,554
Outward reinsurance premium	(202,674)	(184,788)
Net change in provision for unearned premium	(16,562)	(15,080)
Other fee and commission income not included in turnover	49,868	49,909
Share of profit of associate	601	59
Income arising from trading activities	345,188	323,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2020 £000	2019 £000
General insurance business	437,287	393,965
Long-term insurance business	29,612	31,889
Investment management	12,142	12,557
Broking and advisory	34,914	35,143
	513,955	473,554

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

	2020 £000	2019 £000
Single premiums	29,604	31,879
Regular premiums	8	10
	29,612	31,889

(d) Results of trading subsidiaries engaged in insurance business*

	2020			2019	
	Ecclesiastical Insurance Office plc £000	Ansvar Insurance Limited £000	Ecclesiastical Life Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	357,787	80,178	12	437,977	393,952
Dividend and interest income	25,892	2,271	2,605	30,768	48,075
Other income	(98,632)	(41,777)	-	(140,409)	(118,056)
Total income	285,047	40,672	2,617	328,336	323,971
Net incurred claims	(112,903)	(16,941)	1,333	(128,511)	(105,008)
Charitable donations	(2,506)	(135)	-	(2,641)	(2,372)
Other expenditure	(156,210)	(22,133)	(513)	(178,856)	(171,117)
Total expenditure	(271,619)	(39,209)	820	(310,008)	(278,497)
Net (losses)/gains on investments	(33,711)	(588)	(2,941)	(37,240)	40,946
Taxation	1,022	(279)	(70)	673	(5,380)
Gift aid paid to parent charity	-	-	-	-	(30,000)
Other comprehensive (expense)/income and changes in equity	(23,961)	2,344	-	(21,617)	(28,772)
(Loss)/profit retained and transferred to reserves	(43,222)	2,940	426	(39,856)	22,268
Balance sheet					
Total assets	1,225,800	262,151	127,827	1,615,778	1,516,045
Equity	481,727	54,519	49,512	585,758	614,080
Liabilities	744,073	207,632	78,315	1,030,020	901,965
Total liabilities	1,225,800	262,151	127,827	1,615,778	1,516,045

These results have been included in the consolidated statement of financial activities on page 72 after consolidation adjustments.

*These are the results of the trading subsidiaries under UKGAAP, the accounting basis used to prepare the consolidated financial statements of the Trust. The majority of the trading subsidiaries prepare their financial statements under IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2020				Total £000	2019
	Ecclesiastical Planning Services Limited £000	EdenTree Investment Management Limited £000	South Essex Insurance Brokers Limited £000	Lycetts Holdings Limited £000		Total £000
Profit and loss account						
Turnover	3,945	14,559	10,650	22,704	51,858	51,796
Dividend and interest income	1	(25)	801	62	839	885
Total income	3,946	14,534	11,451	22,766	52,697	52,681
Charitable donations	-	(30)	(77)	-	(107)	(151)
Other expenditure	(5,951)	(15,535)	(8,965)	(21,738)	(52,189)	(50,650)
Total expenditure	(5,951)	(15,565)	(9,042)	(21,738)	(52,296)	(50,801)
Taxation	54	76	(28)	(241)	(139)	(852)
Other comprehensive expense and changes in equity	-	-	(1,000)	(1,366)	(2,366)	(2,516)
(Loss)/profit retained and transferred to reserves	(1,951)	(955)	1,381	(579)	(2,104)	(1,488)
Balance sheet						
Total assets	269,061	19,982	19,843	24,380	333,266	314,363
Equity	1,619	8,343	13,738	5,215	28,915	26,520
Liabilities	267,442	11,639	6,105	19,165	304,351	287,843
Total liabilities	269,061	19,982	19,843	24,380	333,266	314,363

These results have been included in the consolidated statement of financial activities on page 72 after consolidation adjustments.

*These are the results of the trading subsidiaries under UKGAAP, the accounting basis used to prepare the consolidated financial statements of the Trust. The majority of the trading subsidiaries prepare their financial statements under IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 Dividend, interest and rental income

	2020			2019		
	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	6,256	2,569	8,825	7,658	3,065	10,723
- unlisted	-	-	-	2,612	-	2,612
Debt securities						
- government bonds	811	-	811	945	-	945
- listed	11,820	549	12,369	13,275	617	13,892
Income from financial assets at amortised cost						
a. cash at bank and in hand and cash deposits net of exchange gains and losses	739	(12)	727	782	22	804
b. other income received	2,427	-	2,427	1,405	-	1,405
Other income						
c. rental income	8,938	-	8,938	8,639	-	8,639
	30,991	3,106	34,097	35,316	3,704	39,020

23 Net (losses)/gains on investments

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Net (losses)/gains on investments	(14,767)	(458)	(15,225)	57,224	10,366	67,590
Net losses on investment property	(4,984)	-	(4,984)	(3,900)	-	(3,900)
Net gains on property, plant and equipment	10	-	10	-	-	-
Impact of discount rate change on insurance contract liabilities	(15,898)	-	(15,898)	(12,433)	-	(12,433)
	(35,639)	(458)	(36,097)	40,891	10,366	51,257

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 Taxation

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

	2020	2019
	£000	£000
Current tax on net (expenditure)/income for the year		
UK corporation tax	2,261	953
Double tax relief	-	(6)
	2,261	947
Foreign tax	(946)	-
Adjustments in respect of prior years		
UK corporation tax	(370)	851
Foreign tax	-	-
	(370)	851
Total current tax	945	1,798
Deferred tax		
Origination and reversal of timing differences	(5,613)	4,950
Effect of change in tax rate on opening liability	4,319	-
Adjustment in respect of prior years	-	-
Total deferred tax	(1,294)	4,950
Total tax on net (expenditure)/income for the year	(349)	6,748

The 2020 Budget Resolution not to reduce the corporation tax rate to 17% from 1 April 2020 was passed on 17 March 2020 and as such the main rate of tax remained at 19%. Deferred tax has been provided at an average rate of 18.8% (2019: 17.5%).

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

	2020	2019
	£000	£000
Net (expenditure)/income before tax	(38,797)	71,538
Tax calculated at the UK standard rate of tax of 19% (2019: 19%)	(7,371)	13,592
<i>Factors affecting (credit)/charge for the year:</i>		
Expenses not deductible for tax purposes	1,110	1,642
Non-taxable income	(1,983)	(3,823)
Long-term insurance and other tax paid at non-standard rates	4,205	(5,081)
Utilisation of tax losses for which no deferred tax asset has been recognised	(259)	(433)
Impact of reduction in deferred tax rate	4,319	-
Adjustments to tax (credit)/charge in respect of prior periods	(370)	851
Total tax (credit)/expense	(349)	6,748

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2020	2019
	£000	£000
Current tax charged on:		
Fair value movements on hedge derivatives	(328)	129
Deferred tax (credited)/charged on:		
Fair value movements on owner-occupied property	(49)	-
Actuarial movements on retirement benefit plans	(3,874)	(1,349)
Fair value movements on hedge derivatives	63	(110)
Total tax credited to other recognised (losses)/gains	(4,188)	(1,330)

25 Net (expenditure)/income in the year

	2020		2019	
	Unrestricted	Endowment	Unrestricted	Endowment
	funds	funds	funds	funds
	£000	£000	£000	£000
Net (expenditure)/income for the year has been arrived at after (crediting)/charging				
Net foreign exchange (gains)/losses	(529)	18	(24)	(22)
Depreciation of tangible fixed assets	2,613	-	2,734	-
Amortisation of goodwill	2,609	-	2,482	-
Impairment of goodwill	1,496	-	1,474	-
Amortisation of intangible assets	2,742	-	2,352	-
Operating lease rentals	4,759	-	3,558	-
Fair value losses/(gains) on investments designated at fair value through profit and loss	14,767	458	(57,224)	(10,366)
Fair value losses on investment property	4,984	-	3,900	-
The amortisation and impairment of goodwill is included in 'expenditure arising from trading activities' in the consolidated statement of financial activities.				

26 Auditor's remuneration

	2020	2019
	£000	£000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	45	10
Fees payable to the charity's auditor and its associates for other services:		
- The audit of the charity's subsidiaries	948	895
Total audit fees	993	905
- Audit-related assurance services	264	276
Total non-audit fees	264	276
Fees payable to the charity's auditor in respect of associated pension schemes		
- The audit of associated pension schemes	-	17
Total auditor's remuneration	1,257	1,198

Amounts disclosed are net of services taxes, where applicable. Included within audit fees of the charity for the year ended 31 December 2020 is £16,000 relating to the Deloitte LLP audit for the year ended 31 December 2019. Audit fees of the charity's subsidiaries include £42,000 relating to the Deloitte LLP audit for the year ended 31 December 2019 and £5,000 to Deloitte LLP in relation to auditor transition.

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:

	2020	Restated*
	No.	2019
		No.
United Kingdom and Ireland	1,265	1,256
Australia	102	97
Canada	81	84
	1,448	1,437

* 2019 has been restated to include 23 full-time equivalent employees within United Kingdom and Ireland which were previously omitted.

	2020	2019
	£000	£000
Wages and salaries	85,537	86,685
Social security costs	8,191	8,356
Pension costs - defined contribution plans	6,724	5,577
Pension costs - defined benefit plans	1,427	2,233
Other post-employment benefits	112	154
	101,991	103,005
Capitalised staff costs	(1,652)	(1,090)
	100,339	101,915

The above figures do not include termination benefits of £506,000 (2019: £359,000).

Due to the high number of qualified and skilled staff the Statement of Recommended 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 Key management remuneration

Two (2019: two) trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. Details of the emoluments received are as follows:

	2020	2019
	£000	£000
Tim Carroll*	-	63
Chris Moulder	75	65
Sir Stephen Lamport	43	-
Total emoluments paid to trustees in their capacity as non-executive directors of subsidiary undertakings	118	128

Tim Carroll retired as a non-executive director of a subsidiary undertaking on 31 December 2019.

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 37 of the EIG plc annual report and accounts which are available from the registered office, as shown on page 129.

29 Investment in associate

On 30 September 2019, EIG plc acquired 20% of the issued ordinary share capital of Lloyd & Whyte Group Limited, an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. A reconciliation of the movement in the group's investment in associate is as follows:

	Share of net assets	Goodwill	Total
	£000	£000	£000
At 1 January 2020	542	4,629	5,171
Share of net income/(expenditure) for the period	601	-	601
Dividends received	(76)	-	(76)
At 31 December 2020	1,067	4,629	5,696

At the year end date the group's interest in Lloyd & Whyte Group Limited is as follows:

	2020
	£000
Group's 20% share of:	
Revenue	3,459
Assets	8,326
Liabilities	(7,703)
Share of net assets	623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 Acquisitions

On 30 September 2020, SEIB Insurance Brokers Limited, a subsidiary of the group, acquired WRS Insurance Brokers Limited (WRS).

On 4 October 2019, Lycetts Holdings Limited, a subsidiary of the group, acquired the entire ordinary share capital of Robertson-McIsaac Limited to expand its broker business.

The amounts recognised in respect of the identifiable assets acquired in the current and prior year acquisitions are set out in the table below.

	2020	2019
	£000	£000
Assets and liabilities acquired		
Intangible assets	406	-
Property, plant and equipment	7	3
Financial assets	416	567
Financial liabilities	(167)	(70)
Total identifiable assets	662	500
Goodwill	918	1,529
Total consideration	1,580	2,029
Satisfied by:		
Cash	1,162	1,817
Contingent consideration arrangement	418	-
Deferred consideration arrangement	-	212
	1,580	2,029
Cash flow analysis		
Cash consideration	1,162	1,817
Less cash balances acquired	(371)	(456)
	791	1,361

The goodwill of £918,000 arising from the acquisitions consists of intangible assets not qualifying for separate recognition, such as synergies and new business opportunities. None of the goodwill is expected to be deductible for tax purposes.

The contingent consideration arrangement requires a cash payment to be made on 1 October 2021. The amount paid is determined by an income target in the 'earn-out' period which ends on 30 September 2021. The maximum and minimum payments expected are £436,000 and £400,000 respectively (2019: £32,000 and £23,000).

WRS has contributed £206,989 of revenue and £80,565 to the trading subsidiaries net (expenditure)/income between the date of acquisition and the balance sheet date.

No material acquisition related costs were incurred in relation to the transaction.

The acquisitions in the prior year contributed £115,000 revenue and £11,000 to the trading subsidiaries' net (expenditure)/income in the prior year. The deferred consideration arrangement made in 2019 requires a cash payment to be made on 30 August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 Intangible assets

	Goodwill	Computer	Other	
	£000	software	intangible	
		£000	assets	Total
			£000	£000
Cost				
At 1 January 2020	51,062	33,799	19,251	104,112
Additions	918	15,451	611	16,980
Disposals	-	(542)	-	(542)
Exchange movements	-	201	-	201
At 31 December 2020	51,980	48,909	19,862	120,751
Amortisation				
At 1 January 2020	42,952	19,137	14,023	76,112
Provided in the year	2,609	1,306	1,436	5,351
Impairment losses in the year	1,496	-	-	1,496
Disposals	-	(542)	-	(542)
Exchange movements	-	(35)	2	(33)
At 31 December 2020	47,057	19,866	15,461	82,384
Net book value				
At 1 January 2020	8,110	14,662	5,228	28,000
At 31 December 2020	4,923	29,043	4,401	38,367

The intangible assets of the group relate to the trading subsidiaries. The parent charity has no intangible assets.

Goodwill arose on the acquisition of subsidiary undertakings and on the acquisition of business. £1,225,000 of the goodwill balance (2019: £3,219,000) relates to the acquisition of Lycetts Holdings Limited during 2011. £1,464,000 of the goodwill balance (2019: £1,903,000) relates to the acquisition of Lansdown Insurance Brokers Limited during 2014. £1,337,000 of the goodwill balance (2019: £1,490,000) relates to the acquisition of Robertson-McIsaac Limited in 2019.

Goodwill of £1,496,000 relating to the acquisition of assets of Funeral Planning Services Limited by Ecclesiastical Planning Services Limited during 2017 has been fully impaired in the year.

Other intangible assets consist of acquired brand, customer and distribution relationships, which have an overall remaining useful life of 2 years on a weighted average basis.

£1,982,000 (2019: £2,982,000) 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 two years. £1,339,000 (2019: £1,562,000) of the other intangible assets balance in the current year relates to the acquisition of the assets of Funeral Planning Services Limited and has a remaining useful life of six years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 Tangible assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost or valuation					
At 1 January 2020	2,995	11,786	2,144	10,540	27,465
Additions	-	1,114	377	5,784	7,275
Disposals	-	(300)	(535)	(10)	(845)
Revaluation	(55)	-	-	-	(55)
Exchange movements	-	23	-	(3)	20
At 31 December 2020	2,940	12,623	1,986	16,311	33,860
Depreciation					
At 1 January 2020	-	8,482	1,050	6,877	16,409
Charge for the year	-	1,601	248	764	2,613
Disposals	-	(300)	(342)	(6)	(648)
Exchange movements	-	18	-	5	23
At 31 December 2020	-	9,801	956	7,640	18,397
Net book value					
At 1 January 2020	2,995	3,304	1,094	3,663	11,056
At 31 December 2020	2,940	2,822	1,030	8,671	15,463

The tangible assets of the group relate to the trading subsidiaries. The parent charity has no tangible assets.

All properties were last revalued at 31 December 2020. Valuations were carried out by Cluttons LLP, an independent professional firm of chartered surveyors, who have recent experience in the location and type of properties. Valuations were carried out in accordance with The RICS Global Valuation Standards dated 31 January 2020.

The value of land and buildings on a historical cost basis is £3,098,000 (2019: £3,098,000).

Included within net book value of motor vehicles is £992,000 (2019: £1,027,000) in respect of assets held under finance leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 Investment property

	2020	2019
	£000	£000
Fair value at 1 January	148,146	152,182
Additions - subsequent expenditure	-	191
Disposals	(1,020)	(327)
Fair value losses	(4,984)	(3,900)
Fair value at 31 December	142,142	148,146

The investment property of the group relates to the trading subsidiaries. The parent charity has no investment property.

The trading subsidiaries' investment properties were last revalued at 31 December 2020 by Cluttons LLP, an independent professional firm of chartered surveyors who have recent experience in the location and type of properties. Valuations were carried out in accordance with The RICS Global Valuation Standards dated 31 January 2020. There has been no change in valuation technique during the year.

The value of the investment property on a historical cost basis is £139,339,000 (2019: £139,511,000).

Included within investment property are long leasehold properties with a net book value at 31 December 2020 of £19,661,000 (2019: £21,147,000).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 Investments

	2020	2019
	£000	£000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	355,632	377,309
- unlisted	69,285	77,404
Debt securities		
- government bonds	160,380	154,244
- listed	344,811	348,172
- unlisted	552	270
Derivative financial instruments:		
- forwards	672	1,499
- options	1,407	1,562
	932,739	960,460
Financial assets at fair value through other recognised gains/(losses)		
Derivative financial instruments:		
- forwards	401	509
	401	509
Financial assets at amortised cost		
Cash held on deposit	-	4,974
Other loans	15,728	4,542
	15,728	9,516
Total non-current investments	948,868	970,485
Current asset investments at amortised cost		
Cash held on deposit	2,000	2,024
Total investments	950,868	972,509

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of the movement in financial assets:

	Unrestricted funds			Endowment funds	Total funds
	At fair value through profit or loss £000	At fair value through other gains/(losses) £000	At amortised cost £000	At fair value through profit or loss £000	£000
2020					
Fair value at 1 January	862,735	509	11,540	97,725	972,509
Additions at cost	121,550	-	14,128	20,630	156,308
Disposal proceeds	(146,224)	986	(7,055)	(14,784)	(167,077)
Fair value losses	(14,767)	(1,094)	-	(458)	(16,319)
Redemption and repayments	-	-	(885)	-	(885)
Exchange losses	6,332	-	-	-	6,332
Fair value at 31 December	829,626	401	17,728	103,113	950,868
2019					
Fair value at 1 January	795,634	737	11,938	83,313	891,622
Additions at cost	153,161	-	11,865	13,294	178,320
Disposal proceeds	(137,003)	(868)	(11,981)	(9,248)	(159,100)
Fair value gains	54,918	640	-	10,366	65,924
Redemptions and repayments	-	-	(282)	-	(282)
Exchange losses	(3,975)	-	-	-	(3,975)
Fair value at 31 December	862,735	509	11,540	97,725	972,509

Fair value (losses)/gains through profit or loss in the unrestricted fund exclude £1,244,000 fair value losses (2019: £2,306,000 fair value gains) on derivatives classified as financial liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 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.

A trading subsidiary has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A loss of £2,339,000 (2019: gain of £640,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 42. The trading subsidiary has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

Group	2020			2019	
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000
Non-hedge derivatives					
Equity/Index contracts					
Options	40,597	1,407	-	58,588	1,562
Foreign exchange contracts					
Forwards (Euro)	96,000	672	-	116,603	1,499
Hedge derivatives					
Foreign exchange contracts					
Forwards (Australian dollar)	75,000	-	1,244	45,411	250
Forwards (Canadian dollar)	52,000	401	-	30,456	259
	263,597	2,480	1,244	251,058	3,570

Included within Equity/Index contracts are options with a contract/notional value of £nil (2019: £17,997,000), and fair value asset of £nil (2019: £734,000), which expire in greater than one year. All other derivatives in the current and prior period expire within one year.

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 34) and derivative fair value liabilities are recognised within creditors (note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 Debtors

	2020	2019
	£000	£000
(a) Amounts falling due within one year		
Trade debtors	125,229	107,104
Other debtors	28,577	29,759
Amounts due from related parties	21	87
Reinsurers' share of technical provisions	159,274	129,995
Accrued rent and interest	4,611	4,833
Deferred acquisition costs	41,989	38,199
Current tax recoverable	8,843	4,218
Other prepayments and deferred income	6,603	5,348
	375,147	319,543
(b) Amounts falling due after one year		
Trade debtors	2,000	2,000
Other debtors	1,516	1,543
Reinsurers' share of technical provisions	255,973	212,849
Deferred tax assets	2,502	3,184
Other prepayments and deferred income	93	67
	262,084	219,643
Total debtors	637,231	539,186

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 47 VII.

A reconciliation of the movement in deferred acquisition costs is presented in note 47 VI.

(c) Overdue and impaired trade debtors

There has been no significant change in the recoverability of the trading subsidiaries' 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 trading subsidiaries' allowance for doubtful debts includes a provision of £723,000 (2019: £145,000) 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 trade debtors is £16,772,000 (2019: £11,557,000) overdue but not impaired. Of this balance, £14,165,000 (2019: £9,808,000) is not more than three months overdue at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 Cash at bank and in hand

	2020			2019		
	Unrestricted funds £000	Endowment funds £000	Total £000	Unrestricted funds £000	Endowment funds £000	Total £000
Short term deposits	39,718	678	40,396	53,088	11,407	64,495
Cash at bank and in hand	104,279	-	104,279	71,401	-	71,401
	143,997	678	144,675	124,489	11,407	135,896

Included within short term deposits of the trading subsidiary are cash deposits of £1,960,000 (2019: £1,007,000) 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 £4,131,000 (2019: £3,821,000) pledged as collateral by way of cash calls from reinsurers, and £14,919,000 (2019: £17,276,000) of restricted cash held on an agency basis.

38 Creditors

	2020 £000	2019 £000
(a) Amounts falling due within one year		
Trade creditors	42,245	28,867
Other creditors	39,306	40,999
Derivative liabilities	1,244	-
Corporation tax	1,329	123
Accruals and deferred income	56,329	55,112
	140,453	125,101
(b) Amounts falling due after one year		
Other creditors	950	989
Accruals and deferred income	1,294	664
	2,244	1,653

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

39 Provisions for liabilities

	2020	2019
	£000	£000
Provisions for liabilities	5,348	5,063
Deferred tax liabilities	30,615	36,532
Technical provisions	791,792	684,765
Long-term business technical provisions	283,427	262,500
	<u>1,111,182</u>	<u>988,860</u>

All provisions relate to the trading subsidiaries.

Technical provisions and long-term business technical provisions arise on the general insurance and long-term business of the trading subsidiaries. Further details of these provisions are provided in note 47 parts VII to IX.

(a) Provisions for liabilities

	Regulatory and legal provisions £000	Contingent consideration £000	Other provisions £000	Total £000
At 1 January 2020	2,565	23	2,475	5,063
Acquisition	-	418	-	418
Additional provisions	5,644	-	173	5,817
Used during year	(5,859)	(22)	(54)	(5,935)
Not utilised	(21)	-	-	(21)
Exchange differences	-	-	6	6
At 31 December 2020	<u>2,329</u>	<u>419</u>	<u>2,600</u>	<u>5,348</u>
Current	2,329	419	1,629	4,377
Non-current	-	-	971	971

Regulatory provisions

The trading subsidiaries operate in the financial services industry and are 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 trading subsidiaries of their share of the total potential levies.

In addition, from time to time the trading subsidiaries receive complaints from customers and, while the majority relate to cases where there has been no customer detriment, the trustees recognise that the trading subsidiaries have provided, and continue to provide, advice and services across a wide spectrum of regulated activities. The trustees therefore consider it 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 that may be upheld.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contingent consideration

The provision for contingent consideration relates to the acquisition of certain assets of Funeral Planning Services Limited that completed in 2017 and the acquisition of certain assets of WRS Insurance Brokers Limited as disclosed in note 30.

Other provisions

The provision for other costs relates to costs in respect of dilapidations and the amount needed to cover the future costs to administer the claims on the pre-paid funeral plans were the trading subsidiaries to cease to write new funeral plan business.

(b) Deferred tax

	2020	2019
	£000	£000
At 1 January	33,348	29,766
(Credited)/charged to net (expenditure)/income	(5,613)	4,950
Charged to net (expenditure)/income - resulting from reduction in tax rate	4,319	-
Credited to other recognised (losses)/gains	(3,627)	(1,459)
Credited to other recognised (losses)/gains - resulting from reduction in tax rate	(233)	-
Exchange differences	(81)	91
At 31 December	28,113	33,348

	2020	2019
	£000	£000
Deferred tax assets included in debtors	2,502	3,184
Deferred tax liabilities included in provisions for liabilities	(30,615)	(36,532)
Net provision for deferred tax	(28,113)	(33,348)
Deferred tax is provided as follows:		
Unrealised investment gains	(32,335)	(34,972)
Claims equalisation provision	(789)	(1,434)
Retirement benefit obligations	4,308	438
Depreciation in excess of capital allowances	(241)	562
Other timing differences	944	2,058
Net provision for deferred tax	(28,113)	(33,348)

The group expects a net deferred tax liability of £2.6m (2019: £2.2m, net deferred tax liability) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 Retirement benefit obligations

(a) Defined contribution pension plans

The trading subsidiaries operate a number of defined contribution pension plans, for which contributions are disclosed in note 27.

(b) Defined benefit pension plans

The trading subsidiaries' main defined benefit plan is operated by EIO plc for UK employees, which includes two discrete sections, the EIO Section and the Ansvar Section. The plan closed to new entrants on 5 April 2006. The terms of the plan for future service changed in August 2011 from a non-contributory final salary scheme to a contributory scheme in which benefits are based on career average revalued earnings. The scheme closed to future accrual on 30 June 2019. Active members in employment at this date retained certain enhanced benefits after the plan closed to future accrual, including benefits in relation to death in service and ill health retirement. They will also retain the link to final salary whilst they remain employed by EIO. From 1 July 2019, active members in employment joined one of the trading subsidiaries' defined contribution plans. With effect from 1 January 2021, the two discrete sections of the scheme have been combined. This has no impact on the financial statements.

The assets of the main defined benefit plan are held separately from those of the trading subsidiary 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 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 Trustee, having considered the advice of the actuary and having consulted with the employer. The most recent triennial valuation was at 31 December 2019. As the scheme is closed to future accrual, no contribution is expected to be paid by EIO plc in 2021.

Actuarial valuations of the trading subsidiaries' main defined benefit plan were reviewed and updated by an actuary at 31 December 2020 for FRS 102 purposes. EIO plc has an unconditional right to a refund of surplus in the Ansvar Section of the Fund, which has also been recognised in full in accordance with FRS 102. The EIO Section was in a deficit position on an FRS 102 basis at the year end.

In addition to the trading subsidiaries' main defined benefit plan, Lycett, Browne-Swinburne & Douglass Limited (LBSD), also operates a defined benefit plan. The plan was closed to new members subsequent to the 1 January 2011 renewal. The most recent triennial valuation was at 1 January 2018. The contribution expected to be paid by the trading subsidiary into the plan during the next financial year is £0.3m (2019: £0.3m).

In the current year, actuarial losses arising from changes in financial assumptions of £56.2m (2019: actuarial losses of £61.9m) have been recognised in the statement of financial activities. These losses resulted from a 0.6% decrease in the discount rate assumption for both defined benefit plans, combined with inflationary increases arising from a reduction in the gap between RPI and CPI following the announcement of the outcome of the UK Government's consultation on the future measure of RPI.

Actuarial gains of £5.9m have been recognised in the current year (2019: £13.6m) as a result of changes in demographic assumptions. This is mainly due to reviewing and updating the assumptions for the trading subsidiaries' main defined benefit plan, informed by the 2019 triennial valuation process. Updating for actual member experience since the previous triennial valuation of the trading subsidiaries' main plan and other financial assumption experience resulted in a gain of £15.0m in the current year (2019: £0.1m experience loss).

In the current year, the High Court issued a ruling relating to Guaranteed Minimum Pensions (GMP) equalisation for historic transfer values. The ruling, and the previous High Court ruling on GMP equalisation in 2018, relates to the Lloyds Bank pension scheme, and has implications for the EIO Section of the trading subsidiaries' main defined benefit plan. The impact of the ruling in the current year is estimated at £32,000 and is presented as a past service cost in the statement of financial activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Trustees of the trading subsidiaries' main defined benefit plan set the investment objectives and strategy for the Fund based on independent advice and in consultation with the employer. Key factors addressed in setting strategy include the Fund's liability profile, funding level and strength of employer covenant. Their key objectives are to ensure the Fund can meet members' guaranteed benefits as they fall due, reduce the risk of assets failing to meet its liabilities over the long term and manage the volatility of returns and overall funding level.

A blend of diversified growth assets (equities and property) and protection assets (bonds, gilts and cash) are deployed to balance the level of risk to that required to provide, with confidence, a sufficient return and liquidity to continue to meet members' obligations as they fall due. The trustees of the plan have identified the key risks faced by the Fund in meeting this objective to be equity price risk, falls in bond yields and rising inflation.

Assets in the trading subsidiaries' main defined benefit plan include an LDI ('Liability Driven Investments') portfolio, structured to increase in value with decreases in interest rates and grow in line with inflation expectations. This is estimated currently to hedge 60% of the interest rate and 40% of the inflation rate risk of the guaranteed benefits of the Fund. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has reduced, but not eliminated, volatility in the funding position.

The Trustees of the trading subsidiaries' main defined benefit plan monitor investment performance and strategy over time to ensure the structure adopted continues to meet their objectives and to highlight opportunities to reduce investment risk and volatility where practical and affordable. Their aim is to establish a Long Term Funding Target in line with guidance from the Pensions Regulator. The Trustees of the plan intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer.

	2020	2019
	£000	£000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(422,778)	(388,115)
Fair value of plan assets	406,605	391,642
	(16,173)	3,527
Restrictions on asset recognised	-	-
Net (deficit)/asset in the balance sheet	(16,173)	3,527
The following is the analysis of the net pension asset for financial reporting purposes:		
Net pension asset	1,053	8,505
Net pension liability	(17,226)	(4,978)
	(16,173)	3,527

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2020	2019
	£000	£000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	841	2,383
Administration cost	620	493
Interest income on plan assets	(7,351)	(9,377)
Interest cost on scheme liabilities	7,285	9,023
Past service cost	32	-
Total, included in expenditure arising from trading activities*	1,427	2,522

The amounts recognised in actuarial gains on retirement benefits are as follows:

Return on plan assets, excluding interest income	16,618	40,740
Experience gains/(losses) on liabilities	15,033	(91)
Gains from changes in demographic assumptions	5,948	13,569
Losses from changes in financial assumptions	(56,172)	(61,896)
	(18,573)	(7,678)

* Charge to net (expenditure)/income includes £nil (2019: £289,000) in respect of member salary sacrifice contributions.

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

	2020	2019
	£000	£000
Plan assets		
At 1 January	391,642	352,415
Interest income	7,351	9,377
Return on plan assets, excluding interest income	16,618	40,740
Pension benefits paid and payable	(9,299)	(12,484)
Contributions paid	300	1,593
Employee contributions	56	61
Administrative expenses	(63)	(60)
At 31 December	406,605	391,642
Defined benefit obligation		
At 1 January	388,115	340,281
Current service cost	841	2,383
Administration cost	557	433
Past service cost	32	-
Interest cost	7,285	9,023
Pension benefits paid and payable	(9,299)	(12,484)
Employee contributions	56	61
Experience losses on liabilities	(15,033)	91
Gains from changes in demographic assumptions	(5,948)	(13,569)
Losses from changes in financial assumptions	56,172	61,896
At 31 December	422,778	388,115

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2020	2019
	%	%
Discount rate	1.30	1.90
Inflation (RPI)	2.90	2.99
Inflation (CPI)	2.50	2.30
Future salary increases	4.41	4.22
Future increase in pensions in deferment	3.38	2.37
Future average pension increases (RPI)	2.80	2.80
Future average pension increases (CPI)	1.70	1.50

	2020	2019
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	22.8	22.4
Female	24.1	23.9
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	23.9	24.0
Female	25.6	25.7

	2020	2019
	£000	£000
Plan assets are as follows:		
Cash and other*	39,462	24,221
Equity instruments		
UK quoted	86,031	97,063
UK unquoted	552	270
Overseas quoted	84,571	81,667
	171,154	179,000
Liability driven investments	57,519	41,781
Debt instruments		
UK public sector quoted - fixed interest	243	2,411
UK non-public sector quoted - fixed interest	69,356	72,306
UK quoted - index-linked	24,383	24,232
	93,982	98,949
Derivative financial instruments	885	2,396
Property	41,873	43,659
Other	1,730	1,636
	406,605	391,642

*Cash and other includes accrued income, prepayments and other debtors and creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The actual return on pension plan assets was a gain of £23,969,000 (2019: gain of £50,117,000).

The underlying assets of the liability driven investments are primarily UK government bonds and interest rate repurchase agreements at various rates and terms.

The fair value of unquoted securities is measured using inputs for the asset that are not based on observable market data. For the trading subsidiaries' main plan, the fair value is estimated and approved by the Trustee based on the advice of investment managers. Property is valued annually by independent qualified surveyors using standard industry methodology to determine a fair market value. All other investments either have a quoted price in active markets or are valued based on observable market data.

(c) 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:

	2020	2019
	£000	£000
Present value of unfunded obligations and net obligations in the balance sheet	6,530	5,998
Movements in the net obligations recognised in the balance sheet are as follows:		
At 1 January	5,998	5,813
Total expense charged to net (expenditure)/income	112	154
Net actuarial losses during the year, recognised in other comprehensive income	463	238
Benefits paid	(43)	(207)
At 31 December	6,530	5,998
The amounts recognised through net (expenditure)/income are as follows:		
Interest cost	112	154
Total, included in employee benefits expense	112	154

The weighted average duration of the net obligations at the end of the reporting period is 13.1 years (2019: 13.3 years).

An actuarial loss of £513,000 has been recognised in the current year due to the 0.6% fall in discount rate. This has been partially offset by an actuarial gain of £88,000 arising from a fall in medical cost inflation. A small actuarial loss has been recognised due to changes in mortality assumptions. Benefits paid in the year fell due to the suspension of routine treatment as private facilities supported the NHS during the Covid-19 pandemic.

The principal actuarial assumptions were as follows:	2020	2019
	%	%
Discount rate	1.3	1.9
Medical cost inflation	6.9	7.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Summary of reserve movements

	Unrestricted funds			Revaluation reserve £000	Non-charitable trading reserve £000	Translation and hedging reserve £000	Total £000
	General fund £000	Designated fund £000	Endowment fund £000				
Fund balance at 1 January 2020	16,635	9,379	109,422	640	464,452	18,261	618,789
Income	299	3,000	3,106	-	375,880	-	382,285
Expenditure	(21,806)	(2,499)	(375)	-	(360,305)	-	(384,985)
Fair value losses on investments	-	-	(458)	-	(35,639)	-	(36,097)
Taxation	-	-	(83)	-	432	-	349
Net reserve transfers	10,457	(2,934)	(7,523)	-	-	-	-
Losses on revaluation of fixed assets	-	-	-	(65)	-	-	(65)
Currency translation differences	-	-	-	-	-	1,982	1,982
Losses on net investment hedges	-	-	-	-	-	(2,339)	(2,339)
Actuarial losses on retirement benefit obligations	-	-	-	-	(19,036)	-	(19,036)
Tax attributable to other recognised (losses)/gains	-	-	-	49	3,874	265	4,188
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Acquisition of minority interests	-	-	-	-	(244)	-	(244)
Fund balance at 31 December 2020	5,585	6,946	104,089	624	420,632	18,169	556,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Unrestricted funds		Endowment fund	Revaluation reserve	Non-charitable trading reserve	Translation and hedging reserve	Total
	General fund	Designated fund					
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 1 January 2019	19,395	-	85,706	640	445,455	19,011	570,207
Income	771	4,500	3,704	-	358,699	-	367,674
Gift aid paid to charity parent	30,000	-	-	-	(30,000)	-	-
Expenditure	(18,609)	-	(332)	-	(328,452)	-	(347,393)
Fair value gains on investments	-	-	10,366	-	40,891	-	51,257
Taxation	-	-	(65)	-	(6,683)	-	(6,748)
Net reserve transfers	(14,922)	4,879	10,043	-	-	-	-
Currency translation differences	-	-	-	-	-	(1,371)	(1,371)
Gains on net investment hedges	-	-	-	-	-	640	640
Actuarial losses on retirement benefit obligations	-	-	-	-	(7,916)	-	(7,916)
Tax attributable to other recognised (losses)/gains	-	-	-	-	1,349	(19)	1,330
Minority interests	-	-	-	-	(8,891)	-	(8,891)
Fund balance at 31 December 2019	16,635	9,379	109,422	640	464,452	18,261	618,789

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The general 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 pages 6-10.

The designated fund has been designated by the trustees for the furtherance of purposes or projects of or relating to the Methodist Church. The source of these funds is the donations that the charity receives from Methodist Insurance PLC (see note 3). During the current year, the trustees transferred £2,000,000 from the designated fund into the general unrestricted fund and £1,000,000 into the expendable endowment fund. £3,066,000 was designated in the year. During the prior year, the trustees designated £4,863,000 previously held in the general unrestricted fund.

The endowment fund is a restricted capital fund of expendable endowment that is retained to strengthen the charity's reserves and provide diversification of its assets. During the current year, £10,000,000 (2019: £nil) was transferred into the general unrestricted fund in order to maintain liquidity and re-build the Trust's reserves.

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

42 Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2020	13,509	4,752	18,261
Gains on currency translation differences	1,982	-	1,982
Losses on net investment hedges	-	(2,339)	(2,339)
Attributable tax	-	265	265
At 31 December 2020	15,491	2,678	18,169

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

43 Minority interests

Minority interests comprise 95.6% (2019: 96.8%) of the 106,450,000 (2019: 106,450,000) 8.625% Non-cumulative Irredeemable Preference shares (NcIPs) in Ecclesiastical Insurance Office plc.

During 2020, the charity's direct subsidiary, EIG plc, acquired NcIPs with a nominal value of £1,275,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44 Financial commitments

Capital commitments

At the year end, the group had no capital commitments relating to computer software (2019: £2,559,000) and £2,506,000 capital commitments relating to office equipment (2019: £nil) . The charity had no capital commitments in the current and prior year.

Operating lease commitments

Amounts receivable

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

	2020	2019
	£000	£000
Within 1 year	8,162	8,234
Between 1 & 5 years	25,894	27,121
After 5 years	22,163	29,065
	56,219	64,420

Amounts payable

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

	2020	2019
	£000	£000
Within 1 year	5,197	4,831
Between 1 & 5 years	15,410	16,945
After 5 years	20,141	20,570
	40,748	42,346
Operating lease rentals charged to net (expenditure)/income in the period	4,759	3,558
Total future minimum sublease payments expected to be received under non-cancellable subleases	243	383

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Related undertakings

The charity's interest in related undertakings at 31 December 2020 is as follows:

Company	Company Registration Number	Share Capital	Holding of shares by		Subsidiary Activity
			Charity	Subsidiary	
Subsidiary undertakings					
Incorporated in the United Kingdom					
Benefact Management Services Limited * ^	1811698	Ordinary	-	100%	Dormant company
Ecclesiastical Insurance Group plc *	1718196	Ordinary	100%	-	Investment holding company
Ecclesiastical Insurance Office plc *	24869	Ordinary	-	100%	Insurance
		Preference	-	3.2%	
Ecclesiastical Life Limited *	0243111	Ordinary	-	100%	Life insurance
Ecclesiastical Financial Advisory Services Limited *	2046087	Ordinary	-	100%	Independent financial advisory
Ecclesiastical Planning Services Limited *	02644860	Ordinary	-	100%	Funeral plan administration
Ecclesiastical Underwriting Management Limited *	02368571	Ordinary	-	100%	Insurance management services
EdenTree Asset Management Limited *	11923964	Ordinary	-	100%	Investment management
EdenTree Investment Management Limited *	2519319	Ordinary	-	100%	Investment management
E.I.O. Trustees Limited * ^	0941199	Ordinary	-	100%	Trustee company
Ecclesiastical Group Healthcare Trustees Limited *	10988127	Ordinary	-	100%	Trustee company
Farmers & Mercantile Insurance Brokers Limited **	03142714	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
Lycetts Risk Management Services Limited ** ^ ^	10906990	Ordinary	-	100%	Risk management services
Robertson-McIsaac Limited** ^ ^	03544899	Ordinary	-	100%	Insurance agents and brokers
SEIB Insurance Brokers Limited *	06317314	Ordinary	-	100%	Insurance agents and brokers
South Essex Insurance Holdings Limited *	06317313	Ordinary	-	100%	Investment holding company
WRS Insurance Brokers Limited *	0878984	Ordinary	-	100%	Dormant company
Incorporated in Australia					
Ansvar Insurance Limited ***	007216506	Ordinary	-	100%	Insurance
Ansvar Risk Management Services Pty Limited ***	623695054	Ordinary	-	100%	Risk management services
Ansvar Insurance Services Pty Limited *** †	162612286	Ordinary	-	100%	Dormant company
Associated undertakings					
Incorporated in the United Kingdom					
Lloyd & Whyte Group Limited****	01143899	Ordinary	-	20%	Insurance agents and brokers
* Registered office: Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, 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: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA					
^ Exempt from audit under s480 of the Companies Act 2006					
^ ^ Exempt from audit under s479 of the Companies Act 2006					
† Exempt from audit					
The holding in Lloyd & White Group 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 129.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Related party transactions

Other related parties of the group include associated undertakings and the group's pension plans.

	2020	2019
	£000	£000
Income from transactions with other related parties	2,623	1,219
Expenditure arising from transactions with other related parties	11,879	5,692
Amounts owed by other related parties	21	87
Amounts due to other related parties	-	-

Transactions with other related parties in the current year consists of investment management fee income, interest income and loans to related parties.

47 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. Where a look-through valuation approach is applied, underlying net asset values are sourced from the investee, translated into the group's functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

There have been no transfers between investment categories in the current year.

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 2020				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	262,014	185	69,684	331,883
Debt securities	493,600	1,512	552	495,664
Derivatives	-	2,079	-	2,079
	755,614	3,776	70,236	829,626
Financial assets at fair value through other recognised (losses)/gains				
Derivatives	-	401	-	401
	-	401	-	401
Total financial assets at fair value	755,614	4,177	70,236	830,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Analysis of fair value measurement bases	Fair value measurement at the end of the reporting period based on			Total £000
	Level 1	Level 2	Level 3	
	£000	£000	£000	
At 31 December 2019				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	289,164	190	77,803	367,157
Debt securities	490,912	1,200	404	492,516
Derivatives	-	3,061	-	3,061
	<u>780,076</u>	<u>4,451</u>	<u>78,207</u>	<u>862,734</u>
Financial assets at fair value through other recognised (losses)/gains				
Derivatives	-	509	-	509
	<u>-</u>	<u>509</u>	<u>-</u>	<u>509</u>
Total financial assets at fair value through profit or loss	<u>780,076</u>	<u>4,960</u>	<u>78,207</u>	<u>863,243</u>

The derivative liabilities of the trading subsidiaries in the prior year were measured at fair value through the statement of financial activities and categorised as level 2 (see note 35).

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 subsidiaries' 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 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 illiquidity discount and credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£7m (2019: +/-£9m).

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 (expenditure)/income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

II. Financial risk and capital management

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

There has been no change from the prior period in the nature of the financial risks to which the trading subsidiaries are exposed. Despite the conclusion of Brexit and the US election at the end of 2020 and Covid-19 vaccine programmes, uncertainty remains in relation to the economic risks to which the trading subsidiaries are exposed, including equity price volatility, 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 markets borrowers. Areas where the trading subsidiaries are exposed to credit risk are:

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

The trading subsidiaries are exposed to minimal credit risk in relation to all other financial assets.

The carrying amount of financial and reinsurance assets represents the trading subsidiaries' maximum exposure to credit risk. The trading subsidiaries structure the levels of credit risk they accept by placing limits on their exposure to a single counterparty. Limits on the level of credit risk are regularly reviewed. Where available the trading subsidiaries also manage their exposure to credit risk in relation to credit risk ratings. Investment grade financial assets are classified within the range of AAA to BBB ratings, where AAA is the highest possible rating. Financial assets which fall outside this range are classified as sub-investment grade. 'Not rated' assets capture assets not rated by external agencies.

The trading subsidiaries' cash balances are regularly reviewed to identify the quality of the counterparty bank and to monitor and limit concentrations of risk.

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. Trading subsidiaries' investments in unlisted securities represent less than 1% of this category in the current and prior year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A detailed breakdown of the trading subsidiaries' current debt securities, reinsurance debtors and cash credit exposure based on Standard & Poor's or equivalent rating from a similar agency is presented below.

	At 31 December 2020			At 31 December 2019		
	Debt	Reinsurance	Cash*	Debt	Reinsurance	Cash*
	securities	debtors		securities	debtors	
	£000	£000	£000	£000	£000	£000
AAA	128,037	-	-	113,359	-	-
AA	130,285	1,986	36,319	138,341	1,286	19,759
A	125,745	8,564	18,358	132,419	8,856	18,438
BBB	94,100	3	74,844	89,563	3	65,070
Below BBB	8,997	-	-	9,537	-	-
Not rated	8,500	452	75	9,297	1,032	76
	495,664	11,005	129,596	492,516	11,177	103,343

*Cash includes amounts held on deposit classified within financial investments and disclosed in note 35. Cash balances which are not rated include cash amounts in hand.

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 by geographical region and counterparty of aged or outstanding balances. The trading subsidiaries have no material concentration of credit risk in respect of amounts due from insurance intermediaries and policyholders.

Purchase of a whole-of-life assurance policy does not discharge the trading subsidiaries' 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 subsidiaries remain liable for the funeral fee payable to the funeral director. The trading subsidiaries purchase 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.

(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.

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	
At 31 December 2020				
Gross long-term business provision	21,911	74,600	186,916	283,427
Ceded long-term business provision	(16,808)	(56,555)	(133,207)	(206,570)
Net long-term business provision	5,103	18,045	53,709	76,857
At 31 December 2019				
Gross long-term business provision	20,430	69,404	172,666	262,500
Ceded long-term business provision	(14,913)	(50,181)	(118,194)	(183,288)
Net long-term business provision	5,517	19,223	54,472	79,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Market risk

The trading subsidiaries are exposed to market risk (comprising interest rate, currency and equity price risk). The sensitivity of net (expenditure)/income and reserves to movements in market risk variables, each considered in isolation and before the mitigating effect of derivatives, is shown in the table below. This table does not include the impact of variables on retirement benefit schemes.

Variable	Change in variable	Potential increase/ (decrease) in net (expenditure)/income		Potential changes in funds	
		2020 £000	2019 £000	2020 £000	2019 £000
Interest rate risk	-100 basis points	(21,437)	(5,796)	(70)	(25)
	+100 basis points	18,299	3,488	44	37
Currency risk	-10%	(1,389)	7,401	9,715	7,628
	+10%	1,137	(6,055)	(7,948)	(6,241)
Equity price risk	+/- 10%	26,883	29,740	-	-

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 (expenditure)/income 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 trading subsidiaries' 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 trading subsidiary cash flows and asset and liability values. The fair value of the trading subsidiaries' investment portfolio of fixed income securities reduces as market interest rates rise as does the present value of discounted insurance liabilities, and vice versa.

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

For funeral plans sold by the trading subsidiaries, where the trading subsidiaries also provide 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 trading subsidiaries. Therefore, the interest rate risk on the invested assets supporting these liabilities is borne by the trading subsidiaries. This risk is 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 trading subsidiaries monitor their exposure by comparing projected cash flows for these assets and liabilities and making appropriate adjustments to its investment portfolio.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ii) Currency risk

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

The trading subsidiaries' 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.

The trading subsidiaries have designated certain derivatives as a hedge of their 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 35.

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

	2020		2019
	£000		£000
Aus \$	57,351	Euro	76,391
Euro	33,873	Aus \$	41,970
Can \$	17,561	Can \$	33,724
USD \$	1,774	USD \$	1,282
HKD \$	171	HKD \$	176

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. The trading subsidiaries enter 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 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iii) Equity price risk

Equity price risk exists because of financial investments held by the trading subsidiaries which are stated at fair value through profit and loss. The trading subsidiaries mitigate 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 trading subsidiaries are exposed is as follows:

	2020		2019
	£000		£000
UK	262,710	UK	289,815
Europe	68,988	Europe	77,152
Hong Kong	185	Hong Kong	190
Total	<u>331,883</u>	Total	<u>367,157</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 both 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). The PRA expects a firm, at all times, to hold Solvency II Own Funds in excess of its calculated Solvency Capital Requirement (SCR). Both quarterly and annual quantitative returns are submitted to the PRA, in addition to an annual narrative report, the Solvency and Financial Condition Report (SFCR) which is published on Ecclesiastical's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

The EIG figures in the table below are unaudited and based on the latest information provided to management. The prior year figures in the table below are the final audited figures as disclosed in EIG's SFCRs, available on the Ecclesiastical's website. These differ from the figures reported last year as they were estimated based on information available to management at the time the accounts were signed.

EIG's Solvency II Own Funds will be subject to a separate independent audit, as part of the trading subsidiaries' process for Solvency II reporting to the PRA. The SCR is not subject to audit as it is calculated using an internal model which has been approved for use by the PRA. EIG plc expects to meet the PRA's revised deadline for submission to the PRA of 20 May 2021, and its SFCR will be made available on its website shortly after.

	2020	2019
	(unaudited)	(unaudited*)
	£000	£000
Solvency II Own Funds	479,474	534,651
Solvency Capital Requirement	(280,403)	(282,823)
Own Funds in excess of Solvency Capital Requirement	<u>199,071</u>	<u>251,828</u>
Solvency II Capital Cover	171%	189%

*Unaudited with the exception of the Group's Solvency II own funds

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

III. Insurance risk

Through the general insurance and long-term insurance operations of the trading subsidiaries, the group is exposed to a number of insurance risks. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. 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 trading subsidiaries to underwriting and pricing risk (the risk of failing to ensure disciplined risk selection and obtain the appropriate premium), claims reserving risk (the risk of actual claims payments exceeding the amount being held in technical provisions) 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 129.

(i) Risk mitigation

Statistics demonstrate that the larger and more diversified the portfolio of insurance contracts, the smaller the relative variability in the expected outcome will be. The trading subsidiaries' 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 programme of reinsurance supported by proactive claims handling.

(ii) Concentrations of risk

Below is a table summarising written premiums for the financial year, before and after reinsurance, by territory and by class of business:

Group		General insurance				Long-term insurance	Total
		Property	Liability	Miscellaneous financial loss	Other	Funeral plans	
Territory		£000	£000	£000	£000	£000	£000
2020							
United Kingdom and Ireland	Gross	203,921	57,634	16,273	3,328	29,612	310,768
	Net	107,458	55,095	9,080	716	12	172,361
Australia	Gross	48,665	29,279	1,332	902	-	80,178
	Net	7,299	24,840	1,283	171	-	33,593
Canada	Gross	51,920	24,033	-	-	-	75,953
	Net	35,846	22,425	-	-	-	58,271
Total	Gross	304,506	110,946	17,605	4,230	29,612	466,899
	Net	150,603	102,360	10,363	887	12	264,225
2019							
United Kingdom and Ireland	Gross	185,567	56,323	15,534	3,227	31,889	292,540
	Net	100,233	53,773	9,147	622	(13)	163,762
Australia	Gross	42,331	24,412	1,245	869	-	68,857
	Net	5,083	21,053	1,198	170	-	27,504
Canada	Gross	44,079	20,378	-	-	-	64,457
	Net	30,902	18,898	-	-	-	49,800
Total	Gross	271,977	101,113	16,779	4,096	31,889	425,854
	Net	136,218	93,724	10,345	792	(13)	241,066

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IV. Net insurance premium income

	General insurance £000	Long-term insurance £000	Total £000
For the year ended 31 December 2020			
Gross written premiums	437,287	29,612	466,899
Outward reinsurance premiums	(173,074)	(29,600)	(202,674)
Net written premiums	264,213	12	264,225
Change in the gross provision for unearned premiums	(24,984)	-	(24,984)
Change in the provision for unearned premiums, reinsurers' share	8,422	-	8,422
Change in the net provision for unearned premiums	(16,562)	-	(16,562)
Earned premiums, net of reinsurance	247,651	12	247,663
For the year ended 31 December 2019			
Gross written premiums	393,965	31,889	425,854
Outward reinsurance premiums	(152,886)	(31,902)	(184,788)
Net written premiums	241,079	(13)	241,066
Change in the gross provision for unearned premiums	(23,829)	-	(23,829)
Change in the provision for unearned premiums, reinsurers' share	8,749	-	8,749
Change in the net provision for unearned premiums	(15,080)	-	(15,080)
Earned premiums, net of reinsurance	225,999	(13)	225,986

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

	2020 £000	2019 £000
Fees paid	2,144	1,893
Commission paid	67,387	61,303
Change in deferred acquisition costs	(3,352)	(4,553)
Other acquisition costs	20,066	15,145
Fees, commissions and other acquisition costs	86,245	73,788

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

	2020 £000	2019 £000
At 1 January	38,199	33,907
Increase in the period	41,582	38,529
Release in the period	(38,230)	(33,976)
Exchange differences	438	(261)
At 31 December	<u>41,989</u>	<u>38,199</u>
All balances are current.		

Deferred acquisition costs are included in debtors in the balance sheet (note 36).

VII. General insurance liabilities and reinsurance assets

	2020 £000	2019 £000
Gross		
Claims outstanding	560,992	481,669
Unearned premiums	230,800	203,096
Total gross insurance liabilities	<u>791,792</u>	<u>684,765</u>
Recoverable from reinsurers		
Claims outstanding	129,284	89,982
Unearned premiums	79,393	69,574
Total reinsurers' share of insurance liabilities	<u>208,677</u>	<u>159,556</u>
Net		
Claims outstanding	431,708	391,687
Unearned premiums	151,407	133,522
Total net insurance liabilities	<u>583,115</u>	<u>525,209</u>
Gross insurance liabilities		
Current	407,097	349,461
Non-current	384,695	335,304
Reinsurance assets		
Current	142,466	115,082
Non-current	66,211	44,474

Gross insurance liabilities, also referred to as technical provisions are included in provisions for liabilities (note 39). Reinsurers' share of insurance liabilities is included in debtors (note 36).

(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. For smaller portfolios, where these methods cannot be applied, provisions are calculated at a level intended to provide an equivalent probability of sufficiency.

(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

Estimate of net ultimate claims

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	75,302	88,247	76,729	59,633	42,739	47,402	45,920	44,053	44,230	45,459	
One year later	72,336	79,272	66,475	47,690	40,397	41,631	41,706	37,456	39,842		
Two years later	68,057	73,735	60,075	47,428	37,740	37,740	37,797	32,867			
Three years later	66,822	69,837	55,710	41,494	32,297	36,337	34,818				
Four years later	60,314	65,872	51,482	35,164	28,506	35,217					
Five years later	59,521	60,800	49,196	33,233	27,418						
Six years later	57,641	59,338	47,518	33,309							
Seven years later	57,591	59,061	47,443								
Eight years later	57,439	60,056									
Nine years later	58,462										
Current estimate of ultimate claims	58,462	60,056	47,443	33,309	27,418	35,217	34,818	32,867	39,842	45,459	414,891
Cumulative payments to date	(51,448)	(53,318)	(39,244)	(24,373)	(17,590)	(19,482)	(13,547)	(9,262)	(5,333)	(1,406)	(235,003)
Outstanding liability	7,014	6,738	8,199	8,936	9,828	15,735	21,271	23,605	34,509	44,053	179,888
Effect of discounting											(6,824)
Present value											173,064
Discounted liability in respect of earlier years											142,764
Total discounted net liability (for liability classes) included in provisions in the balance sheet											315,828

VIII. Long-term business provision and reinsurance assets

	2020	2019
	£000	£000
Gross long-term business provision	283,427	262,500
Ceded long-term business provision	206,570	183,288
Net long-term business provision	76,857	79,212
Gross long-term business provision		
Current	21,911	20,430
Non-current	261,516	242,070
Reinsurance assets		
Current	16,808	14,913
Non-current	189,762	168,375

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Assumptions

Where the trading subsidiaries' 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 group's estimate of the surrender value of the with-profits life assurance policy.

Where the trading subsidiaries' liability under the funeral plan is linked to inflation, the most significant assumptions in determining long-term business provisions 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

Numbers of policies in force and both projected and actual expenses have been considered when setting the base renewal expense level. The unit renewal expense assumption for this business is £2.50 per annum (2019: £2.50 per annum). Additionally, now the in-force policy volumes are expected to fall, much of the expenses of the long-term insurance business have been reserved for in a separate exercise. A reserve for these expenses is held at £5.8m (2019: £5.7m).

Expense inflation is set with reference to the index-linked UK government bond rates of return, and published figures for earnings inflation, and is assumed to be 4.07% per annum (2019: 4.08%).

(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 £5.0m (2019: £2.5m increase).

The assumed future expenses of running the business have been revised based on expenses that are expected to be incurred by the long-term insurance business. The effect on the long-term business provision of the changes to renewal expense assumptions was a £0.7m increase (2019: £0.4m increase).

There has been no change in the mortality assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 business provision is shown in the following table. No account has been taken of any correlation between the assumptions.

Variable	Change in assumption	Potential increase/ (decrease) in net income/ (expenditure)	
		2020 £000	2019 £000
Deterioration in annuitant mortality	+10%	1,300	1,000
Improvement in annuitant mortality	-10%	(1,600)	(1,100)
Increase in fixed interest/cash yields	+1% pa	200	500
Decrease in fixed interest/cash yields	-1% pa	(700)	(600)
Worsening of base renewal expense level	+10%	(200)	(700)
Improvement in base renewal expense level	-10%	300	600
Increase in expense inflation	+1% pa	(600)	(900)
Decrease in expense inflation	-1% pa	500	700

IX. Movements in insurance liabilities and reinsurance assets

	Group £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2020	481,669	(89,982)	391,687
Cash (paid)/received for claims settled in the year	(164,510)	59,024	(105,486)
Change in liabilities/reinsurance assets	235,937	(95,479)	140,458
Exchange differences	7,896	(2,847)	5,049
At 31 December 2020	560,992	(129,284)	431,708
Provision for unearned premiums			
At 1 January 2020	203,096	(69,574)	133,522
Increase in the period	228,361	(78,170)	150,191
Release in the period	(203,377)	69,748	(133,629)
Exchange differences	2,720	(1,397)	1,323
At 31 December 2020	230,800	(79,393)	151,407
Long-term business provision			
At 1 January 2020	262,500	(183,288)	79,212
Effect of new business in the year	24,033	(29,582)	(5,549)
Effect of claims during the year	(18,195)	17,118	(1,077)
Changes in assumptions	8,149	(3,866)	4,283
Other movements	6,940	(6,952)	(12)
At 31 December 2020	283,427	(206,570)	76,857

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Group £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2019	457,319	(78,731)	378,588
Cash (paid)/received for claims settled in the year	(139,221)	40,808	(98,413)
Change in liabilities/reinsurance assets	168,030	(53,399)	114,631
Exchange differences	(4,459)	1,340	(3,119)
At 31 December 2019	<u>481,669</u>	<u>(89,982)</u>	<u>391,687</u>
Provision for unearned premiums			
At 1 January 2019	180,766	(61,615)	119,151
Increase in the period	204,691	(70,165)	134,526
Release in the period	(180,862)	61,416	(119,446)
Exchange differences	(1,499)	790	(709)
At 31 December 2019	<u>203,096</u>	<u>(69,574)</u>	<u>133,522</u>
Long-term business provision			
At 1 January 2019	239,440	(157,476)	81,964
Effect of new business in the year	31,896	(31,896)	-
Effect of claims during the year	(19,473)	13,740	(5,733)
Changes in assumptions	4,816	(1,969)	2,847
Other movements	5,821	(5,687)	134
At 31 December 2019	<u>262,500</u>	<u>(183,288)</u>	<u>79,212</u>

48 Subsequent events

In February 2021, EIO plc raised EUR 30m in nominal amount of Tier 2 Capital by way of a privately-placed issue of 20-year subordinated bonds, callable after year ten. The rate of interest until the call date is fixed at 6.3144%.

Reference and administrative details

Board of trustees	Tim Carroll BA, MBA, FCII <i>Chairman</i> Michael Arlington BSc (Hon), FRAGS Caroline Banzky BA, FCA Revd Paul Davis BA The Very Revd Jane Hedges BA Stephen C. Hudson BA (Hons), FCA Sir Stephen Lamport, GCVO DL The Venerable Karen Lund BA (Hons) Sir Laurie Magnus Bt Chris Moulder MA, FCA David Smart MA
Company Secretary	Mrs Rachael J. Hall FCIS
Registered and Head Office	Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester GL3 4AW
Company Registration Number	1043742
Charity Registration Number	263960
Auditor	PricewaterhouseCoopers LLP 2 Glass Wharf, Bristol, Avon, BS2 0FR
Bankers	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH
Solicitors	Farrer & Co, 66 Lincoln's Inn Fields, London WC2A 3LH
Investment Managers	EdenTree Investment Management Limited, 24 Monument Street, London EC3R 8AJ Rathbones Investment Management Limited, 8 Finsbury Circus, London EC2M 7AZ