

BENEFACT TRUST LIMITED

England & Wales · Charity number 263960

Details

Other names	ALLCHURCHES TRUST LIMITED
Status	Registered
Legal form	Charitable company
Company number	01043742
Registered	1972-05-03
Register	View on the Charity Commission register

Contact

Address	Benefact House 2000 Pioneer Avenue Gloucester Business Park Brockworth Gloucester GL3 4AW
Phone	01452 873189
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Website	https://benefacttrust.co.uk/

Activities

Objects: 1. TO PROMOTE THE CHRISTIAN RELIGION. 2. TO CONTRIBUTE TO THE FUNDS OF ANY CHARITABLE INSTITUTIONS ASSOCIATIONS FUNDS OR OBJECTS AND TO CARRY OUT ANY CHARITABLE PURPOSE.

Activities: The objects of ATL are to promote the Christian Religion, to contribute to the funds of any charitable institutions, associations, funds or objects and to carry out any charitable purpose.

Classification

- **How:** Makes Grants To Organisations
- **What:** General Charitable Purposes, Education/training, Disability, Religious Activities, Environment/conservation/heritage, Economic/community Development/employment
- **Who:** Children/young People, Elderly/old People, People With Disabilities, Other Charities Or Voluntary Bodies

Geography

- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£48,900,216	£27,498,510	£145,151,385	0
2023-12-31	£21,738,735	£25,333,388	£123,793,361	0
2022-12-31	£470,841,000	£446,821,000	£746,834,000	0
2021-12-31	£425,717,000	£442,236,000	£760,064,000	0
2020-12-31	£6,322,000	£24,680,000	£556,045,000	0

Trustees

Name	Role	Appointed
David Charles Henderson	Chair	2026-01-01
Caroline Coombs		2024-05-02
DAVID SCOTT PATERSON		2022-10-06
Denise Cockrem		2014-10-01
Ian Moore		2023-06-22
John Nicholas Sykes		2023-06-22
Patrick Rudden		2023-06-22
Rev Paul Harold DAVIS		2020-03-29
Sarah Romilly Denner-Brown		2025-03-04
Sir Stephen Mark Jeffery Lamport		2026-01-01

Linked charities

- EXPENDABLE ENDOWMENT TRUST (263960-1)

BENEFACT TRUST LIMITED

England & Wales - Charity number 263960

Accounts



BENEFACT
TRUST

2024 Annual Report & Accounts

Transforming lives and
communities, a record year
of support



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Explanation of terms

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

Benefact Trust, the Trust or the Charity	Benefact Trust Limited
BG plc	Benefact Group plc, the direct subsidiary of Benefact Trust Limited
Benefact Group	Benefact Group plc and all its direct and indirectly owned subsidiaries
Benefact Trust group of companies	Benefact Trust Limited and all its direct and indirectly owned subsidiaries
EIO plc	Ecclesiastical Insurance Office public limited company, a direct subsidiary of Benefact Group plc
EEF	Expendable Endowment Fund (registered charity number 263960-1), a charitable trust linked to the Trust for registration and accounting purposes



About us

Benefact Trust Limited (the Trust) was established in 1972 in England and Wales as a company limited by guarantee and is a registered charity. The Trust is one of the UK's largest grant-making charities.

The Trust 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. We work with applicants at an early stage, providing funding and practical advice that can help applicants unlock additional project funding. During 2024, we strengthened our commitment to addressing emerging social need through increased investment in our Community Impact Grants. We also provided strategic level support to denominations helping their churches to achieve net zero, whilst continuing to support charities providing front-line crisis intervention.

Benefact Trust is the owner of Benefact Group plc (BG plc) which in turn owns Ecclesiastical Insurance Office public limited company (EIO plc), Benefact Broking & Advisory Holdings Limited and EdenTree Holdings Limited. The Trust receives the majority of its income from the companies it owns; it does not fundraise. The Trust 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, the Board aims to have 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 48 to the financial statements.

We seek to celebrate and share the successes of beneficiaries and to recognise and support their challenges. In doing so, we seek the views of our large beneficiary network in shaping our grant-giving programmes, so that we can realise our vision of a society in which everyone can flourish, inspired by Christian values and fulfil our mission to empower Christian organisations to support communities and drive positive social change.

The Trust is the sole trustee of the Expendable Endowment Fund (EEF). Its charitable purposes are to advance the exclusively charitable purposes of the Trust (i.e. the advancement of the Christian religion, and to contribute to charitable institutions, associations, funds or objects, and to carry out any charitable purposes) for the public benefit. The EEF's primary activity in the advancement of its objects is grant-giving.

Welcome from the Chair and Trust Director



We are both humbled and deeply grateful for the incredible work of our beneficiaries and to everyone who supported the Trust in 2024.

Challenging times

Throughout the year, we heard from charities, churches and communities about the challenges they are facing - increased demands on services, uncertainty over future funding, a shortage of volunteers and growing social need. At times the news felt overwhelming, but the beneficiaries of our grants are determined to make a difference - they live and breathe all that is good in society.

A record year

In what was another year of growth, the Trust awarded a record £25.5m in grants, the highest level of giving since the Trust was founded in 1972. Funding was, as always, by way of donations from Benefact Group's available profits and made possible by the collective efforts of Benefact Group's 2,000 colleagues across the UK, Ireland, Australia and Canada. In 2024, a record donation of £33.0m was made by Benefact Group to the Trust (of which £8m was in respect of 2023's performance). The Trust also received a £2.8m donation from Methodist Insurance PLC which will support the Methodist Grants programme.

During the year, 1,423 grants were awarded and over 5 million people are expected to be reached, helping some of the most vulnerable communities in our society, including; survivors of human trafficking, people experiencing homelessness, those facing poverty, children living with disabilities, and families in crisis.

Additionally, our grants helped churches to conserve their buildings, supported charities and churches to make their spaces more accessible for the wider community, and funded students in the UK and Ireland to learn specialist heritage skills; not only to conserve historic churches but to help secure the future of the heritage sector.

The Trust also continued its support overseas awarding £2.1m in Ireland, and through its devolved grant-making arrangements in Canada and Australia, C\$1.4m and AUD0.3m were awarded respectively.

Excellent performance

The performance of Benefact Group - now operating in three distinct divisions, Specialist Insurance, Asset Management and Broking & Advisory - reflects not only its financial success but also its profitable growth ambitions and the depth of its charitable commitment - a testament to our shared dedication to supporting communities in need.

Benefact Group, the third largest UK corporate donor over a decade¹, reported a profit before tax in the year of £77.6m². The Specialist Insurance division delivered a profitable result with strong underwriting and investment performance. The results of the Broking & Advisory division were boosted by Lloyd & Whyte Group Limited's disposal of its financial planning arm. However, ongoing challenges in the asset management market resulted in a loss in the Asset Management division as funds under management fell.

Expendable Endowment Fund

The Trust was grateful to receive donations totalling £9.9m from the Expendable Endowment Fund (EEF) to support its grant-making activities. The EEF is a linked charity, of which Benefact Trust is the sole trustee, and once again delivered a strong investment performance, ending the year at £119.2m.

Inspirational beneficiaries

During a visit to Cardiff in February, Helen, our Trust Director, had the pleasure of visiting Glenwood Church. With our

¹ Directory of Social Change UK Guide to Company Giving 2017-2026.

² This is the profit before tax reported under International Financial Reporting Standards (IFRS), which is the accounting basis used to prepare the Benefact Group plc's financial statements. This result may differ when consolidated into the Trust's consolidated financial statements, which are prepared under UK Generally Accepted Accounting Practice (UKGAAP).



support, the church had built an extension creating a community hub and wellbeing centre. The building was alive with activity. A group of knitters sat around tables, an open cafe provided refreshments, and a new wellbeing centre provided support to those in need. This project has created a true community hub and helped regenerate a disadvantaged area.

Later in the year, we visited beneficiaries in Edinburgh. This included the Scottish Episcopal Church, Church of Scotland and the Bethany Christian Trust, a charity seeking to end homelessness in Scotland.

In October, we had the pleasure of visiting Dublin and our Ecclesiastical Insurance Ireland colleagues. Here we also visited AIDS Care Education and Training Ireland (a charity helping to remove the stigma around AIDS as well as providing practical support), the stunning St Patrick's Cathedral, and Crosscare (a charity supporting young people, refugees and people experiencing homelessness).

As we reached the end of 2024, Benefact Trust hit an impressive milestone. Our total giving in Ireland, since the Trust was founded, exceeded £10.0m. This is something we hope to build on in the years ahead.

Further afield, Tim, our Chair, visited Ecclesiastical Canada's Vancouver office, taking the opportunity to visit local charities such as Sanctuary Mental Health Ministries and Boys and Girls Clubs. Tim also travelled to Australia to visit Ansvar Insurance colleagues in Sydney and in rapidly-growing Melbourne, where he also witnessed the incredible work being done by the Melbourne Anglican Foundation, supported by AUD0.4m in grants, awarded by the Trust since 2018.

Whether we're helping to preserve a listed church or expand a social outreach programme, we are privileged to play a role in supporting this essential work.

Strategic grants

2024 also saw the launch of the Trust's new Strategic Partnership Grants programme, a closed programme enabling the trustees to proactively identify strategic funding opportunities to facilitate greater social change and impact. The first grant of £1.5m was awarded to the Church of England to support its plan to assist 60 'demonstrator' churches to achieve net zero, with the knowledge gained being shared across all denominations. This is one of the largest grants ever awarded by the Trust, emphasising our commitment to tackling climate change. A further grant of £0.5m was awarded to the Scottish Episcopal Church for its sustainability work and we stand ready to provide support to other denominations across the UK and Ireland to support their net zero plans.

Shining a light

Despite evidence suggesting that churches provide £55 billion of social value to the UK every year, this impact is not widely recognised and appreciated. Through the Trust's 'Beyond Funding' podcast series, eight new episodes were produced helping to shine a light on a range of social issues including fundraising, food poverty, global homelessness, mental health, and disability inclusion. These podcasts not only raise the profile of our beneficiaries, but they provide valuable insight into some of the issues our grants seek to address.

Trustee developments

In 2024, we were delighted to welcome new trustees, Caroline Coombs, who brings decades of global leadership experience, and Denise Cockrem, a chartered accountant and former Group CFO and Executive Director for Benefact Group. The Trust was also pleased to welcome The Revd Canon Sarah Brown, Dean of Hereford, who joined the Board in March 2025. We look forward to working with them all in 2025.



Plans for the future

As we look to the year ahead, we will introduce a new grant management system, review our impact reporting, and undertake a comprehensive beneficiary survey which will inform our next strategic grants review. This is an opportunity to ensure that our grant-making continues to address and support the most pressing and emerging needs of our beneficiaries and the communities they serve. We also seek to increase the value of our grant-making in 2025, particularly seeking new funding opportunities in Wales and the Republic of Ireland.

Benefact Trust's role in supporting Christian charities to address social need remains as important as ever and our purpose is clear.

We want to make a positive difference to more people's lives - empowering the most vulnerable and giving people, communities and places a renewed opportunity to flourish.

Thank you

Finally, we would like to add our heartfelt thanks to everyone who makes the work of the Trust possible. Benefact Group colleagues, the Trust team, our dedicated and skilled trustees, and of course our incredible beneficiaries. It truly is a team effort, for which we remain grateful.

Tim Carroll
Benefact Trust Chair
1 May 2025

Helen Gray
Benefact Trust Director
1 May 2025



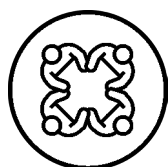
Strategic Report

Our vision, mission and values

Our Board of trustees sets the strategic direction of Benefact Trust, ensuring our strategy aligns closely with the Trust's overarching goals and that we prioritise actions which enhance public trust. In our planning processes, we consider the Charity Commission's guidance on public benefit, including the comprehensive framework outlined in Public Benefit: Running a Charity (PB2).

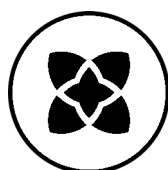
Recognising the importance of good governance, we have worked hard to make sure it is at the heart of our operations. This ensures that the Trust operates with efficiency, effectiveness, and sustainability, in compliance with the Charity Governance Code.

The Trust's vision, mission, and values continue to serve as guiding principles, driving our efforts to fulfil our charitable objectives. Our vision, mission and values are as follows:



Vision:

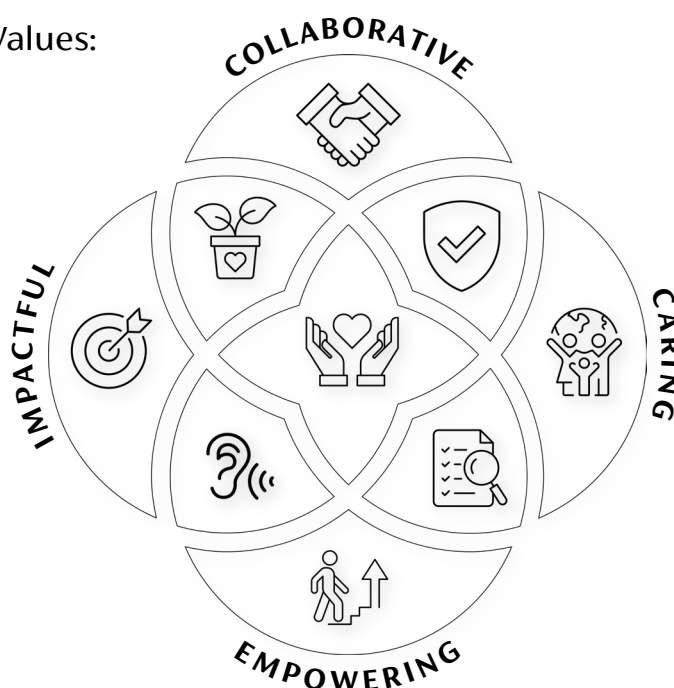
A society in which everyone can flourish, inspired by Christian values.



Mission:

Funding and empowering Christian organisations and charities to support communities and drive positive social change.

Values:





Our strategy 2024 – 2026

In 2023, Benefact Trust conducted a comprehensive strategic review to shape its 2024-2026 Strategy and Business Plan. This plan was reviewed and updated in November 2024 to incorporate recent developments and areas of focus for 2025.

The strategy for 2024 to 2026 focuses on growth in grant-making and impact. The key strategic priorities reflect a beneficiary-centred approach that listens and responds to the changing needs of the voluntary sector, our charity partners and most importantly their beneficiaries. It remains important that we help to build resilience in the Christian charitable sector as the current social and economic challenges are complex and will continue to adversely impact many charities for years to come.

The strategy reflects our primary aim of empowering Christian organisations to have a positive and transformative impact on lives and communities. Our grant-giving programmes evolved in 2023 reflecting the changing needs of our charity partners and their beneficiaries. Another strategic review of the Trust's grant programmes will be undertaken in 2025/26.

The strategy is underpinned by five strategic goals and the outcomes to be delivered at the end of the planning period (31 December 2026) are shown on the following pages:

Strategic goal	Key outcomes we aim to deliver by 2026
 Growth in grant-making	- Annual grant-making will increase year on year, for three consecutive years, reflecting growing demand for support. This will include a new 'strategic partnership' grant programme enabling the Trust to increase its impact in key social areas. - The Trust will continue to respond proactively to crises both at home and abroad with a focus on providing humanitarian aid to vulnerable communities in crisis through the Trust's Crisis Response programme. - The Trust will have undertaken a strategic review of its grant-making programmes, informed by impact data and beneficiary feedback, to coincide with the next chapter of the Trust's strategic plan (2027-2030).
 Demonstrating and enabling greater impact	- Impact reporting and frameworks will continue to be embedded across all grant programmes. This will be aided by the implementation of a new grant management system in 2025. - 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. This will include the publication of externally facing impact reports. - 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 positive and transformative impact on communities.



Our strategy 2024 – 2026

Strategic goal	Key outcomes we aim to deliver by 2026
 Raising the profile and awareness of Benefact Trust	• Key relationships with senior Christian faith leaders of all major denominations and charity leaders will continue to be developed. This will ensure the Trust's grant-making continues to respond to the needs of its beneficiaries. The Trust will also receive a proportionate spread of applications from England, Scotland, Wales and Ireland. • Partnership funding will have been explored and opportunities harnessed to work with other funders to amplify the Trust's impact. The Trust will have built its reputation as a trusted, modern funder at the forefront of supporting Christian places of worship and charities. • An ambassadorial network will be established helping to increase awareness of the Trust's purpose and mission to the wider Christian sector.
 Building operational resilience	• A strong governance framework will continue to be embedded, meeting the required standards for charities with a connected non-charitable subsidiary and continuing to comply with the revised Charity Governance Code. • The Trust will continue to have strong oversight of its subsidiary and will support its continued development as a successful financial services group. • A new grant management system will be embedded, enhancing the beneficiary experience, reducing risk, improving access to grant management data and increasing efficiencies within the Trust team.
 Appraisal of investments	• The Trust will have undertaken an informed and objective review of the adequacy of the rate of return achieved/ targeted from the Benefact Group when weighed against the risk. • The legal and governance arrangements for the EEF, a linked charity will have been strengthened. • A review of the appropriateness of social investment will have been undertaken.



Our plans for 2025

In 2025, the key initiatives that will be prioritised are:

Strategic goal	Strategic initiatives
 Growth in grant-making	• Expand the Trust's Strategic Partnership Grants programme to address strategic priority areas. • Increase funding per Christian capita in countries receiving a below average allocation. • Undertake a strategic grants review in 2025/26 informed by the results of a beneficiary survey.
 Demonstrating and enabling greater impact	• Work in conjunction with a charity impact consultant to further develop an impact framework and reporting methodology in preparation for the publication of an external impact report in 2026.
 Raising the profile and awareness of Benefact Trust	• Grow the Trust's social media presence (including the creation of a new Trust Instagram account). • Enhance the Trust's online presence through the development and launch of a new website and Search Engine Optimisation (SEO) strategy and framework. • Build the Trust's external profile by exploring proactive and reactive PR in conjunction with social media. • Continue to grow Christian sector networks. • Continue to work closely with Benefact Group to build joint brand reach and profile.
 Building operational resilience	• Maintain good governance, financial planning and risk management. • Undertake an external Governance Review of the Trust. • Launch a new grant management system (GMS) to support the delivery of a £27.0m grant budget. • Undertake an Internal Audit of grant-making processes following the implementation of the new GMS. • Undertake an external evaluation of Board effectiveness.
 Appraisal of investments	• The Corporate Trustee of the EEF will consider further the opportunities presented by impact investing. • Undertake an informed and objective review by a financial services industry valuation expert of the Benefact Group of businesses including an assessment of the adequacy of the rate of return achieved/targeted and the suitability of the investment when weighed against the risk.



Our achievements in 2024

We made significant progress in meeting the objectives we had set for 2024:

Growing grant-making	
Deliver new strategic partnership fund	A new, closed, Strategic Partnership Grants programme was launched to enable trustees to proactively seek opportunities to deliver strategic impact through grant-making, enhancing the impact achieved through the Trust's open programmes. In 2024, the Trust focussed on net zero resulting in an award of £1.5m in support of the Church of England's Demonstrator Churches project and a grant of £0.5m in support of the Scottish Episcopal Church's net zero work. In both cases best practice and learning will be shared with representatives of other churches and heritage buildings amplifying the impact of both grants.
Conduct beneficiary survey	In April 2024, a survey was issued to almost 1,000 grant recipients. A feedback rate of over 30% was achieved providing valuable feedback regarding the Trust's application process. Feedback was positive with areas for improvement reflected in the development of a new grant management system (GMS).
Demonstrating and enabling greater impact	
Consolidate impact measurement progress made in 2023	Following the appointment of the Trust's first Grant and Impact Officer in May 2023, work was undertaken to develop the Trust's approach to impact data analysis. This has resulted in the development of an internal impact report. While the Trust intends to develop this further for an external audience, this work has been in abeyance, to ensure resource could be directed at the new GMS project.
Raising the profile and awareness of Benefact Trust	
Strengthen brand position	In 2024, eight podcasts were released in the Trust's 'Beyond Funding' series which launched in 2023. This series of podcasts has attracted over 3,300 views helping to position the Trust as a thought leader by drawing on the expertise of its beneficiaries. The Trust's social media following grew, with the greatest follower growth coming from LinkedIn. The Trust's email subscriber database increased by 30.2%.
Build and develop ambassador network	An ambassador network comprising of beneficiaries, colleagues and trustees has been established. Collectively, ambassadors have attended events, taken part in podcasts and engaged in social media and marketing content produced by the Trust helping to extend its reach.
Develop Christian sector networks	During 2024, members of the Trust team visited Cardiff, Edinburgh, Glasgow, Belfast and Dublin helping to strengthen relationship with faith leaders and organisations. The team also attended key events providing in person advice and guidance. The Trust continues to play an active role as a member of the Christian Funders' Forum forging opportunities for collaborative funding.



Build brand reach and profile across Benefact Group	The Trust welcomed the opportunity to develop further relationships with Benefact Group and its strategic business units. This culminated in presentations at the annual Benefact Group Leadership Conference and attendance at Benefact Group team meetings and divisional conferences. Shared media content was also developed.
Building operational resilience	
Develop and consolidate the Trust team	There were no staff resignations during the year and two appointments were made. The team welcomed a Grants Operations Assistant and a Graphic and Multimedia Designer. Both appointments have helped to build capacity and broaden the skills of the team.
Maintain good governance	The Trust continued to adhere to all guidance and regulation regarding charity governance. Additionally, a benchmarking exercise was undertaken to enable the trustees to evaluate levels of resource and operating expenditure in relation to the scale of the Trust's grant-making. This research concluded that the Trust is run efficiently without excessive costs being incurred thereby maximising funding available for grant-making. A review of the Trust's policies was also undertaken (except for the Privacy Policy which will be reviewed in 2025).
Implement a new Grant Management System (GMS)	Significant progress was made to deliver a new GMS, with 90% of configuration and testing completed. Although the system did not go live in 2024, it is expected to go live in mid 2025 to allow additional time to develop automated grant payment processes. The new GMS is expected to create greater operational efficiency enabling the team to manage and process an increasing volume of applications.
Appraisal of investments	
Review the target rate of the return for the Benefact Group for the next five years	An independent review of the target rate of return for the Benefact Group for the next five years was undertaken. The results were agreed by the trustees and shared with the Benefact Group.
Establish the EEF as a linked charity	The Trust has taken proactive steps to strengthen the governance arrangements relating to the EEF.
Evaluate the potential to make social investments	In October 2024, the trustees considered the opportunities presented through impact investing. This will be considered further in 2025 as a potential opportunity to extend the impact of the Trust in line with the social issues addressed through its grant-making.



Our grant-giving

The Trust's principal source of income derives from its ownership of Benefact Group. As insurance is a risk business, the trustees recognise that the donations the Trust receives may fluctuate. The EEF holds significant assets to advance its charitable purposes which are, in summary, to advance the exclusively charitable purposes of the Trust for the public benefit. The Trust received donations totalling £33.0m from the Benefact Group during the year, of which £8.0m was in respect of 2023 performance. Our financial support to churches and other charitable institutions increased to £25.5m (2023: £23.8m) reflecting strong demand for beneficiary support.

The Trust aims to help those in areas of greatest 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 and charities who deliver that help. When awarding grants, we take consideration of the level of deprivation where the project is being delivered and uplift the grant accordingly.

Our focus and impact

Challenges faced by our beneficiaries

Our beneficiaries continued to face a range of challenges in 2024. While many of these issues were a continuation of those experienced in 2023 (high demand for services, increasing overheads and challenges around volunteer recruitment), 2024 saw an increasingly challenging landscape with beneficiaries reporting that fundraising was tougher than it has ever been. Several trusts and foundations closed or paused their giving, struggling local authorities reduced their charitable support and private donors felt the impact of the ongoing increased cost of living.

Christian places of worship also

experienced a range of challenges: fostering and growing congregations, maintaining historic buildings, embracing the green agenda – all while facing financial pressure.

Our focus

Despite these challenges, our commitment to supporting social needs and the beneficiaries we work with remained unwavering. Awarding over £10.5m through Community Impact Grants this year, we strengthened our commitment to addressing emerging social need and, together with our other grant programmes, enabled the Trust to award 1,423 grants totalling £25.5m overall. We also piloted a new Strategic Partnership Grants programme which has provided support at a strategic level to address issues of key significance for the Christian church and charity sectors, including net zero.

Strategic partnerships:

Recognising the importance of the net zero agenda – and the high costs involved in improving the energy efficiency of church buildings – the main focus of our new Strategic Partnership Grants programme in 2024 was supporting churches to achieve net zero. With this aim, we awarded £1.5m to the Church of England and £0.5m to the Scottish Episcopal Church, both to provide grants for 'Demonstrator Churches' that will provide examples to educate and inspire others. We also awarded one year of support to the Cathedrals' Workshop Fellowship for a strategic programme of heritage skills training across its network of cathedrals in England.

Social challenges:

Reflecting the increasing challenges facing today's communities, the most common aim shared by our Community Impact Grants in 2024 remained addressing social challenges facing communities.



2024 saw an increase in the number of applications aiming to improve the mental health and wellbeing of communities. Alongside these, many of our grants went to organisations supporting marginalised and vulnerable populations, addressing the effects of poverty and improving the lives of children and young people. This was through the provision of a wide range of vital services, such as housing, youth clubs, mentoring, financial advice, food banks and community cafes. We funded services provided directly by Christian charities as well as funding churches to expand their facilities so that more people can access support and services.

Growing congregations and communities:

There was a significant increase this year in the number of applications aiming to grow congregations and Christian communities, indicating that churches are working hard to counteract declining membership and attendance. Our grants funded a range of activities seeking to engage new audiences and develop faith, such as youth work and the development of new worshipping communities.

Building improvement support:

Our commitment to community projects and heritage preservation was evident through Building Improvement Grants, with over 750 grants awarded to keep church buildings in good repair, preserve heritage features, enhance accessibility, and improve operational sustainability.

Crisis response support:

Responding quickly to humanitarian crises, our Crisis Response Grants provided £750,000 to strategic initiatives, including £408,000 to Médecins Sans Frontières and Christian Aid for their work in Gaza and Lebanon and £150,000 to World Vision to help alleviate suffering in Sudan. We also contributed £142,000 to the joint efforts of the Canadian Red Cross and Anglican and Catholic Dioceses of Jasper in response to the devastating wildfires in Jasper, Canada.

Our devolved grant-giving:

Our international impact was extended through our devolved grant-giving with grants awarded by Ecclesiastical Canada and Ansvar Australia totalling C\$1.4m and AUD0.3m respectively. These grants supported environmental conservation, food security, and welfare initiatives, reaching vulnerable youth and families.

Impact in numbers: key statistics from 2024

A total of £25.5m in grants awarded (a 7% increase on 2023) signifies our commitment to meeting growing demand for our funding.

£10.6m was awarded for Community Impact (an increase of 24% on 2023), including over 350 grants addressing social issues, including mental health, marginalised and vulnerable populations and children and young people's needs.

Nearly £2.0m in strategic net zero funding demonstrates our commitment to supporting churches in their collaborative efforts to respond to the climate crisis.

Building Improvement Grants allocated nearly £3.0m through more than 750 grants providing essential support to protect and enhance churches and Christian charity buildings, ensuring their continued use and the safeguarding of their heritage.

Donations received from Methodist Insurance PLC enabled the Trust's Methodist Grant-Giving Committee to award over £2.2m in grants for projects taking place in 21 Methodist districts.

As we reflect on 2024, it is evident that our strategic focus and grant programmes have not only helped to address the evolving needs of our beneficiaries but have also made a tangible and impactful difference in the lives of individuals and communities.



Our grants programmes

Our **Community Impact Grants** programme focuses on wider community support, addressing social challenges and supporting Christian communities to flourish.

Building Improvements Grants ensures the continued use of churches and Christian charity buildings, supporting outcomes that enhance experience, efficiency, accessibility, sustainability, and heritage preservation.

The **Methodist Grants** programme enriches the Methodist Church's mission and ministry. It encourages growth, engagement, accessibility, environmental benefit and prioritises repair and maintenance projects crucial for ongoing mission and ministry.

Our new **Strategic Partnership Grants** initiative addresses issues of key significance for the Christian church and charity sectors. Key priorities for 2024 included net zero and heritage skills.

Heritage Skills for Christian Buildings provides funding for apprenticeships and other training to pass down knowledge essential for the conservation of historic Christian buildings.

The **Crisis Response Grants** programme provides support for people during times of crisis, anywhere in the world. Collaborating with aid organisations and other charities, funds have been donated to alleviate suffering in Gaza and Sudan this year.

Recurrent Grants awards annual grants to dioceses and cathedrals.

In 2024, these programmes reflected our commitment to positive change, growth, and adaptability. Each grant is a testament to our vision of a better future where vulnerable communities are empowered, heritage is preserved, and Christian organisations thrive.

Total grants awarded by programme

Community Impact Grants	£10.6m
Building Improvement Grants	£3.0m
Strategic Partnership Grants	£2.5m
Methodist Grants	£2.2m
Heritage Skills for Christian Buildings Grants	£0.1m
Crisis Response Grants	£0.8m
Recurrent Grants	£6.3m
Other Grants	£0.1m
Total*	£25.5m

*The total does not sum due to rounding of individual grant programmes to the nearest £0.1m.

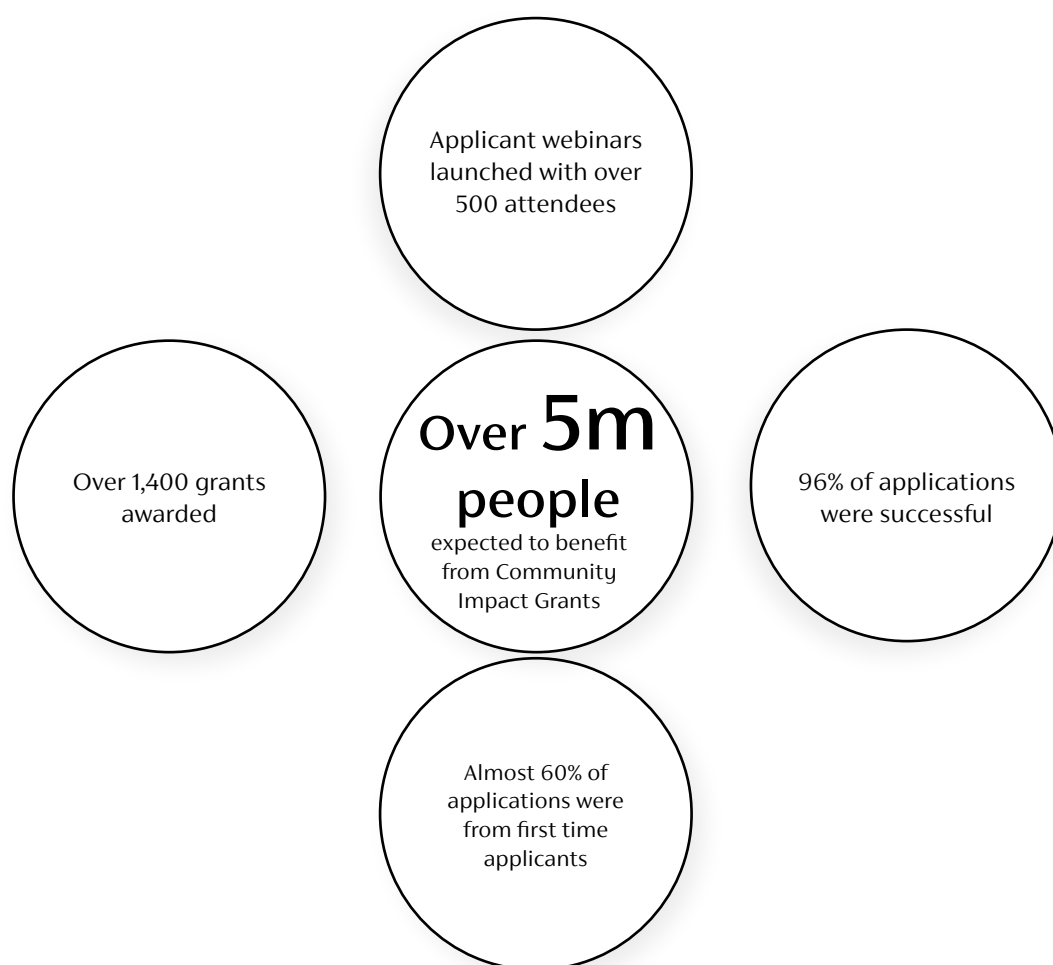


2024 grants impact summary

Our Impact

Benefact Trust's mission is to empower Christian organisations supporting communities of all faiths and none, to drive positive social change.

We gave over **£25 million**



£2.3 million in deprivation uplifts

Supporting deprived communities



Helping those most in need is at the heart of our grant-giving. The Trust therefore aims to ensure that its funds go to areas where they are needed most. In 2024, an additional £2.3m was awarded to local projects being delivered in deprived areas* in the UK and Ireland, resulting in larger grants. By value, nearly 40% of our funding for local projects went to the 20% most deprived areas.

*The Trust uses the Index of Multiple Deprivation scores for the UK and the Pobal HP Deprivation Index for Ireland to support its decision to award a deprivation uplift.



Impact of our giving

Stories that highlight the human impact of the projects the Trust has supported and the remarkable work of our beneficiaries.

Community Impact Grant

Housing Justice - £52,000

Supporting refugees and asylum seekers facing homelessness.

Community Impact Grant

Llandrindod Foodbank - £33,000

Addressing food poverty through a purpose built foodbank and advice centre in rural Mid-Wales.

Community Impact Grant

Revitalise Trust - £100,000

Providing holistic support through Love Your Neighbour hubs for people who are marginalised, vulnerable or in crisis.

Community Impact Grant

The Source Young People's Charity - £53,000

Helping to prevent mental health issues in young people through early intervention.



Building Improvement Grant

**Carrubbers Christian Centre -
£38,000**

Upgrading the church to provide fully accessible, flexible space and improve energy efficiency.

Building Improvement Grant

**The Cathedral Church of St
Peter in Exeter - £57,000**

Improvements to the Cathedral including accessible toilets, energy efficiency measures and roof repair.

Methodist Grant

**Trinity St Andrew's, Skipton -
£52,000**

Developing a welcoming and inclusive church and community hub.

Methodist Grant

**Dundrum Methodist Church -
£100,000**

Replacing an asbestos roof and creating accessible facilities.



Strategic Partnership Grant

**The General Synod of the
Scottish Episcopal Church
(SEC) - £490,000**

Helping SEC fund demonstrator churches to achieve net zero across each of the unique Dioceses of Scotland.

Strategic Partnership Grant

**Archbishop's Council (Church
of England) - £1,500,000**

Helping the Church of England to achieve net zero by supporting 60 churches to achieve net zero and act as 'Demonstrator Churches'.



Measuring the success of our grants programmes

We measure the success of our grants programmes using impact surveys which are completed by beneficiaries in the year that they concluded the work for which their grant was awarded (or annually in the case of multi-year grants). The table below provides an overview of 2024 impact survey results, indicating that all programme level KPIs were achieved in 2024. The overall survey response rate in 2024 was 71%.

1. Grant-giving

KPI	Target	Result
% of grant applications up to £10k processed within 2 months	At least 90%	95%
% of grant applications over £10k and up to £150k processed within 4 months	At least 90%	97%
% of grant applications over £150k processed within 6 months	At least 90%	100%
% of applications received in the year that were successful	At least 85%	96%
% of beneficiaries reporting that they find the current programmes suitable for their organisation	At least 75% of respondents	95%
% of beneficiaries reporting that their experience working with the Benefact Trust team was good or excellent	At least 80% of respondents	98%

2. Grant programmes

Grant programme	KPI	Target	Result
Community Impact Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Growing congregations and Christian communities • Helped address social challenges • Enabled wider community use of church buildings • Empowering Christian education	At least 80% of respondents	87%



Grant programme	KPI	Target	Result
Building Improvement Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • More accessible / improved user experience • Better equipped to meet operational requirements • Heritage has been preserved or promoted • Building is protected and remains in good condition • More energy efficient or environmentally sustainable	At least 80% of respondents	99%
Methodist Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • More accessible / improved user experience • Better equipped to meet operational requirements • Heritage has been preserved or promoted • Building is protected and remains in good condition • More efficient or environmentally sustainable	At least 80% of respondents	100%
General Grants*	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Enabled church growth (numerically or spiritually) • Helped address social challenges • Enabled continued use or wider community use of church facilities • Protected or promoted heritage	At least 80% of respondents	97%

*Although no grants were awarded under General Grants in 2024, it has been included as projects funded under this programme completed during 2024.



2024 grant-giving data

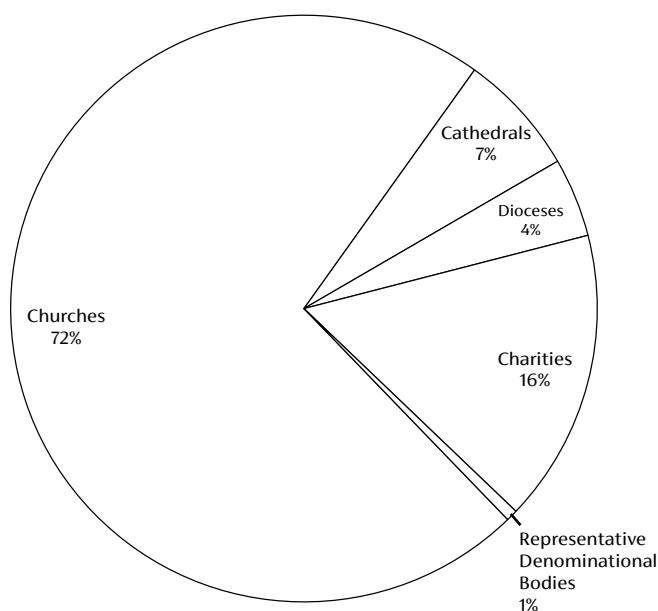
The distribution of grants by organisation type, denomination and geographical location, which are shown in the following charts, is largely determined by the Trust's objects and the pattern of applications received by the Trust.

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. The trustees recognise that assessing trends in grant-making data can be difficult when so much of that data is externally driven.

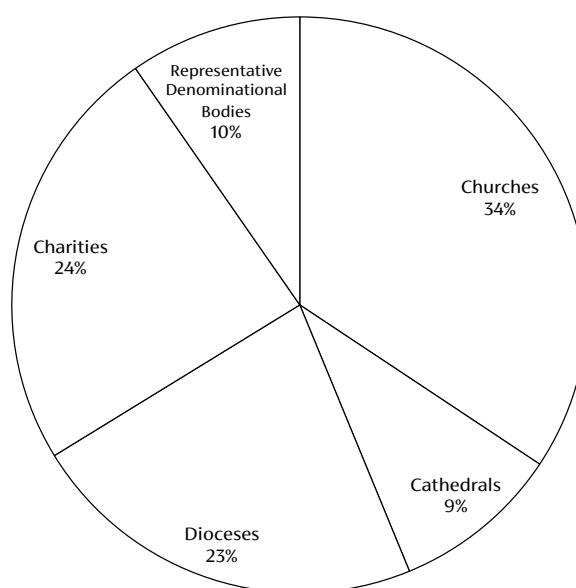
Churches received the largest proportion of funding this year (34%), followed by charities (24%). Churches also received the largest number of individual grants (72%). These statistics reflect the fact that churches and Christian charities are the main beneficiaries of the Trust's two main programmes – Building Improvement and Community Impact Grants. Cathedrals, dioceses and representative denominational bodies received the remainder of funding.

The Church of England received the highest percentage of funding this year (61%). This reflects the much higher number of parishes and church buildings than any other denomination across the UK and Ireland. Many of the applications received are not just about maintaining church buildings but also involve adapting them for community use or services, thus helping those communities to develop and thrive. The Methodist Church received 14% of funding, reflecting the grants given under the Methodist Grants programme and through our open programmes. The remainder of funding this year was awarded to a wide range of other Christian denominations as the Trust has continued its efforts to grow its denominational network and encourage applications from all regions and countries across the UK and Ireland.

Number of Grants Given by Organisation Type

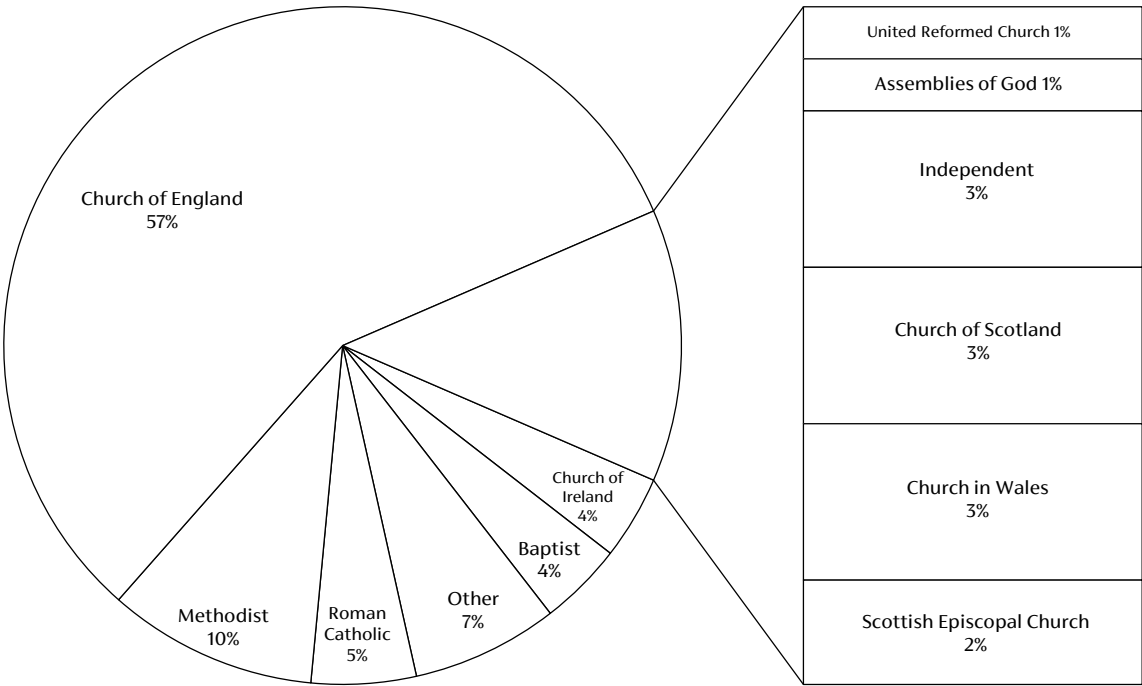


Value of Grants Given by Organisation Type

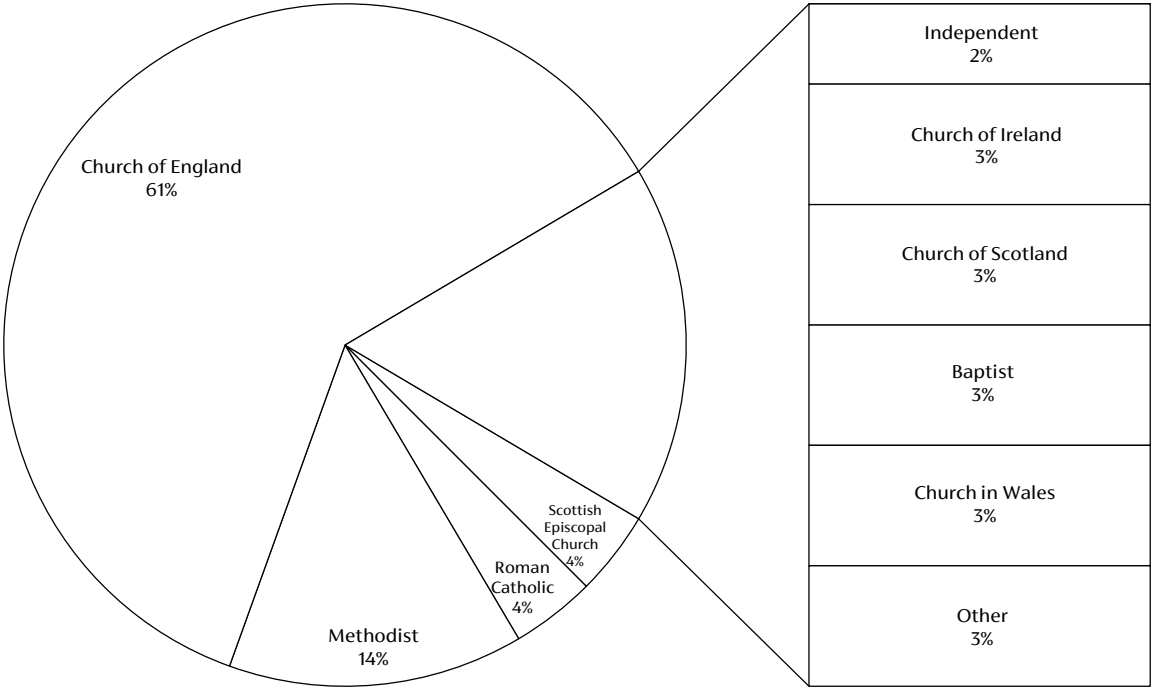




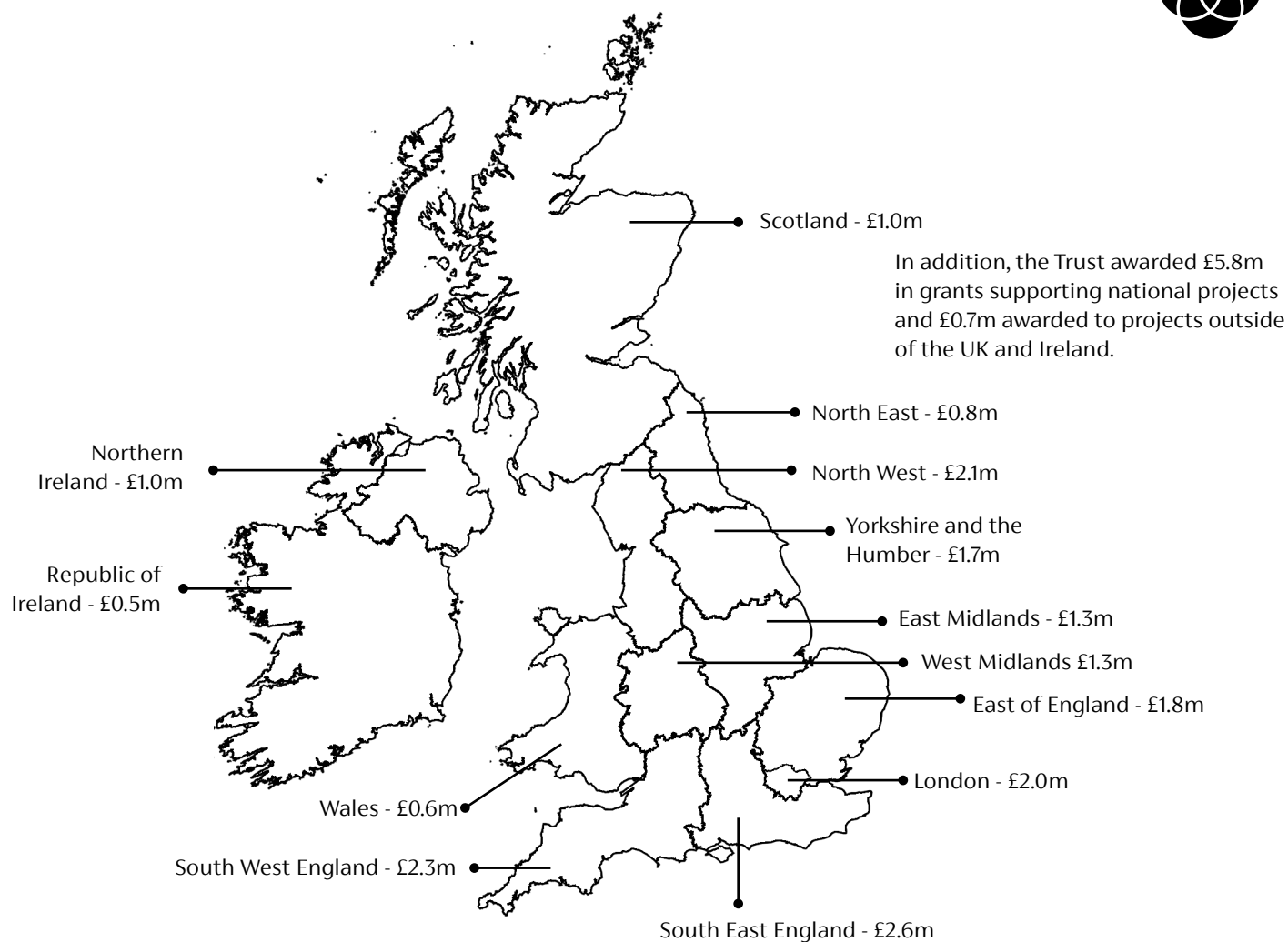
Number of Grants Given By Denomination



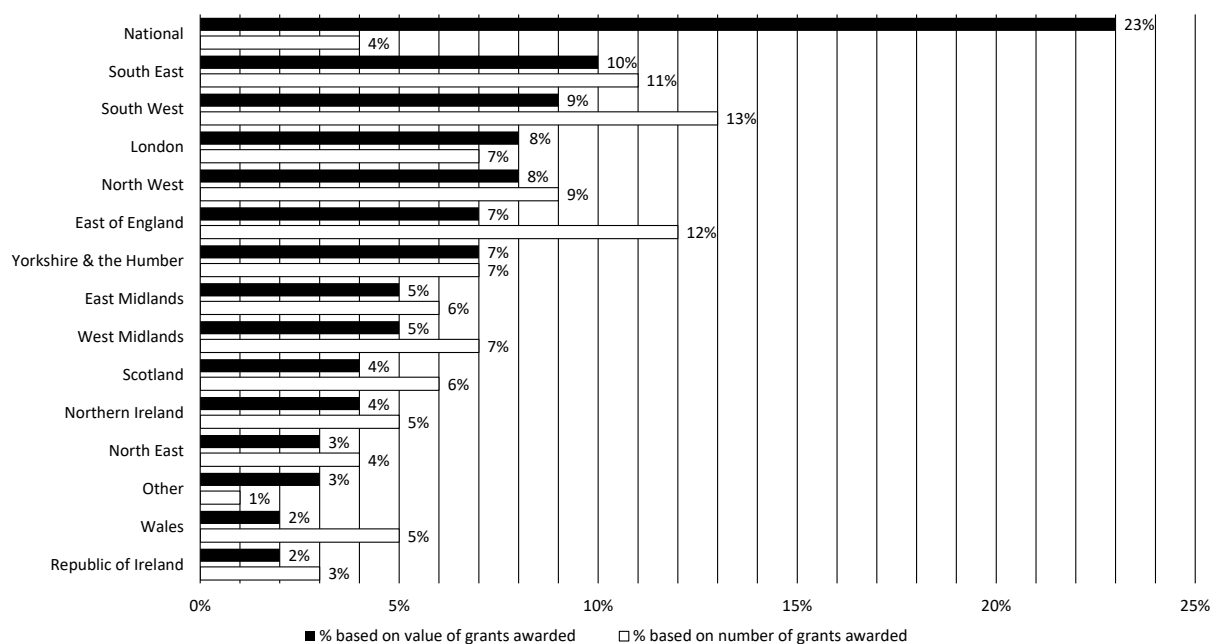
Value of Grants Given By Denomination



Value of Grants Awarded by Location of Beneficiary Project



Grant-Giving by Geographical Spread of Project Supported





Financial review

Parent charity

The charity statement of financial activities is shown on page 59.

Our total net income in the year was £21.4m (2023: net expenditure £0.4m).

	2024			2023		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Total income	36,410	2,586	38,996	14,064	3,719	17,783
Total expenditure	(27,072)	(427)	(27,499)	(24,986)	(347)	(25,333)
Net gains on investments	-	10,001	10,001	-	7,258	7,258
Taxation	-	(141)	(141)	-	(133)	(133)
Net income/(expenditure) in the year	9,338	12,019	21,357	(10,922)	10,497	(425)
Transfers between funds						
Gross transfers to the unrestricted fund	9,904	(9,904)	-	3,956	(3,956)	-
Net movement in funds	19,242	2,115	21,357	(6,966)	6,541	(425)

The unrestricted fund reported net income of £9.3m in the year (2023: £10.9m net expenditure), primarily due to a £22.3m increase in income received. Net charitable giving increased to £25.4m (2023: £23.4m).

Strong performance in global equity markets positively impacted the performance of the EEF, which reported net gains on investments of £10.0m (2023: net gains of £7.3m), contributing to net income in the year of £12.0m (2023: £10.5m net income). During the year, the EEF donated £9.9m (2023: £4.0m) to the unrestricted fund to support its charitable activities.

Income

Total income received in 2024 increased to £39.0m (2023: £17.8m), primarily due to donations totalling £33.0m (2023: £13.0m) from Benefact Group (of which £8.0m was in respect of its 2023 performance) and £2.8m (2023: £0.5m) from Methodist Insurance PLC.

Expenditure

Net charitable giving of £25.4m (2023: £23.4m) includes £10.6m awarded through our Community Impact Grants programme, £6.3m through our Recurrent Grants programmes, £3.0m through our Building Improvement Grants programme, and £2.5m through our Strategic Partnership Grants programme.



Due to our investment in a new grants management system and expansion of the Trust team to support the growth of our grant-making activities, operating expenses, excluding the costs of raising funds, increased to £1.7m (2023: £1.5m). We aim to keep operating expenses below 7.5% of total charitable giving and have achieved this as follows:

Target	2024	2023	2022
< 7.5%	6.7%	6.6%	5.9%

Funds

Total funds at 31 December 2024 increased to £145.1m (2023: £123.8m) consisting of £25.9m in the unrestricted fund (2023: £6.7m) and £119.2m (2023: £117.1m) in the EEF.

The Trust continues to have adequate available resources to continue its charitable activities. The going concern statement for the Trust is included in the Trustees' Report.

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 donations that we receive from our main 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 charitable giving risk, the management of which is outlined in the Principal Risks and Uncertainties section of this report.

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 2024 were £11.5m.

At 31 December 2024, the Trust held reserves of £33.4m, including £19.8m of donation income that was received in December. The majority of the Trust's charitable giving is paid in the second half of the year, due to the timing of Recurrent Grant payments to dioceses and cathedrals. The excess reserves held at the 2024 year-end will support the Trust's charitable giving in the second half of 2025, and the trustees therefore do not intend to take action to reduce the level of reserves held at this time.



Trading subsidiaries

The consolidated statement of financial activities is shown on page 73.

Net income

The principal activities of the Trust'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 UK and overseas. A list of these undertakings is given in note 48 to the financial statements.

The trading subsidiaries reported net income of £60.2m³ (2023: net income of £27.2m³), driven by substantial fair value gains on investments, reflecting better market conditions in 2024, and the strong performance of the insurance division.

The general insurance business reported profit before tax of £47.6m³, a 95.9% increase on the prior year (2023: £24.3m³ profit). Performance benefitted from benign weather conditions and a more stable claims environment. New business wins and rate strengthening contributed to a 4.1% increase in gross written premiums. The trading subsidiaries life business reported a loss before tax of £1.6m³ (2023: £0.5m³ profit).

The Broking and Advisory division reported a loss before tax of £6.6m³, excluding £5.2m profit arising from L&W's disposal of its financial planning arm (2023: £2.5m³ loss, excluding a £1.1m loss on disposal of L&W as an associate). Performance of the division continues to be impacted by the amortisation of goodwill following a number of acquisitions during 2023 and 2024.

The trading subsidiaries' Asset Management division reported a loss before tax of £4.9m³ (2023: £6.5m³ loss) driven by a reduction in assets under management. Market conditions were challenging as investor preference turned to passive funds.

Details of the key performance indicators for Benefact Group 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 151, and are provided to members of the Trust.

During the year, the trading subsidiaries directly distributed £3.7m (2023: £3.1m) for charitable purposes.

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

³ This 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. The majority of the trading subsidiaries prepare their own financial statements under International Financial Reporting Standards (IFRS).



Consolidated funds

The consolidated balance sheet is shown on page 75. At the year-end date, total net assets of the Benefact Trust group of companies including minority interests were £801.4m (2023: £771.0m).

The net assets of the Benefact Trust group of companies includes a recognisable net pension asset of £17.6m (2023: £19.8m). The Trust's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to future accrual. The unrestricted surplus in the schemes increased by £19.5m in the year driven by a reduction in scheme liabilities arising from a 0.97% increase in the discount rate, partially offset by the return on plan assets and the unwinding of the discount on scheme liabilities. However, the recognisable surplus in the schemes decreased due to the increase in the discount rate. Further details relating to the trading subsidiaries' defined benefit pension schemes are included in note 41 to the consolidated financial statements.

Factors affecting future financial position and performance

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

The Benefact Trust group of companies is exposed to volatility in financial markets either directly through the EEF or indirectly through its trading subsidiaries. Given ongoing geopolitical tensions and global uncertainty, including that arising from recently announced trade tariffs, market volatility is expected to continue. Changes from the new US administration in trade and tariff policies are not expected to directly impact the businesses of the Benefact Trust group of companies. These policy changes however may have implications for inflation and interest rate decisions.

Notwithstanding this, moderate growth and reducing inflation seem likely to improve market conditions over time. In this context, the Benefact Trust group of companies is committed to sustainable growth, supported by the inherent resilience of its businesses and well-established strategies in place.

More details of the principal risks and uncertainties to which the Trust is exposed, and how it manages them are included in the Principal Risks and Uncertainties section of this report.



Investments

Benefact Trust is the ultimate parent undertaking of Benefact Group, and full details of the Trust's investments in related undertakings are disclosed in note 48. The Trust's principal source of income is the donations it receives from EIO plc. The Board regularly discusses the rate of return it expects on its investment with the Benefact Group and monitors performance over rolling 5, 7 and 10-year periods. The expected rate of return was reviewed during 2024 and new targets set.

The EEF, which is linked for registration and accounting purposes to the Trust, was established to assist in diversifying the Trust's asset base and to reduce the concentration risk arising from its ownership of a financial services group. Recognising that the EEF is a separate charity, the Trust (as the EEF's sole trustee) decided to establish a separate EEF Investment Committee. The new Committee was established in December 2024 and will be chaired by Nick Sykes. The Trust will continue to have its own Finance and Investment Committee which will focus on financial matters and the Trust's investment in the Benefact Group. The amendment to the remit of the existing Finance & Investment Committee was agreed by the Board in December 2024 and the re-focused Committee will be chaired by Patrick Rudden.

Gradually building the size of the EEF has enabled the Trust (as the EEF's sole trustee) to grow a separate, more stable, income stream, for the benefit of the EEF's (and the Trust's) beneficiaries. In 2023, the Trust (as the EEF's sole trustee) considered the long-term strategy for the appropriate size of the EEF, balancing reserving and diversification requirements, with the needs of beneficiaries to receive income. It was determined that the target size of the EEF would be calculated based on an amount of £25m plus three years of forecast grant-making.

The EEF is invested through two investment fund managers: EdenTree Asset Management Limited (EdenTree) and Rathbones Investment Management Limited (Rathbones), who operate under the same investment policy. The performance of the investment managers is assessed against a benchmark over 1, 3, 5 and 10-year periods, dependent on the duration of their appointment. During the year, Owl Private Office Holdings Limited provided expert investment advice to the Trust (in the Trust's capacity as sole trustee of the EEF).

Owl Private Office Holdings Limited has been the Investment Advisor to the EEF since 2020 and their performance has been exemplary during this period. Following a tender exercise, Lane, Clark and Peacock LLP have been appointed Investment Advisor with effect from 7 February 2025. The Board thanks Owl Private Office Holdings Limited and, in particular, Andrew Wimble for the excellent support given to the EEF.

Investment policy

The principal investment objective of the EEF is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile. In 2023, the Corporate Trustee of the EEF undertook a major review of its Investment Policy, as a result of which it was agreed that both investment managers would be given identical global equity investment mandates. In addition, it was agreed that the EEF would invest in EdenTree's Short-Dated Bond Fund to improve the liquidity of the portfolio. During 2024, the global equity portfolios became fully established. In addition, an annual review of the Investment Policy was undertaken which resulted in minor changes only.



The EEF continues to adopt a screened approach to responsible and sustainable investment across three disciplines:

- Absence of Harm:
 - ◊ The ‘absence of harm’ screen excludes companies whose activities may be inconsistent with the wider values of the Trust or its beneficiaries. This means that the EEF will not invest in companies that are wholly or mainly involved in the manufacture or production of:
 - alcohol,
 - gambling,
 - pornographic and violent material,
 - strategic weapons (including indiscriminate weaponry),
 - tobacco, and
 - fossil fuel exploration and production and thermal coal.
 - ◊ ‘Wholly or mainly’ is taken to mean no more than 5% in the manufacture, production, distribution or sale. The only exception will be in the case of indiscriminate weaponry where a ‘nil exposure’ approach is taken. A proprietary Oppressive Regimes screen will also be applied in respect of identifying country human rights risk.
- Environment, Social and Governance (“ESG”):
 - ◊ An ESG portfolio risk overlay approach will be applied that considers how companies manage environment, social and governance (ESG) risk in the areas of business ethics, community, corporate governance, employment and labour, environment and climate change and human rights. This will ensure that companies manage and oversee their responsibilities and impacts, and in some circumstances can act as a brake on investment if they appear not to meet the desired standards.
- Positive Impact:
 - ◊ A discretionary thematic strand will be applied that seeks to have a positive impact. The EEF will look positively on investment in the areas of education, health and wellbeing, social infrastructure and sustainable solutions where there is also a compelling investment case.

Via its fund managers, the EEF seeks to exhibit high standards of stewardship and to engage proactively on ESG issues including climate change, human and labour rights (including Modern Slavery), business ethics and corporate governance.



Investment performance

The value of the EEF increased to £119.2m (2023: £117.1m) at 31 December 2024. The EEF generated £2.6m (2023: £3.7m) of dividend and interest income in the year and made donations totalling £9.9m (2023: £4.0m) to the Trust, to support its charitable giving.

Throughout 2024, investment markets were marked by a mix of cautious optimism and significant uncertainties. Central banks around the world maintained high interest rates in an effort to combat persistent inflation, which led to increased volatility within equity markets, lower bond prices and higher borrowing costs. Geopolitical tensions remained a key focus, with ongoing conflicts in Ukraine, strained relations between the US and China, and disruptions in the Middle East further contributing to market uncertainty. Despite these challenges, global equity markets performed strongly, primarily driven by the US and a few technology companies known as the 'magnificent seven'. Consequently, the EEF recognised net investment gains of £10.0m (2023: £7.3m net investment gains).

At the year end, the portfolio managed by EdenTree stood at £82.9m (2023: £81.0m), of which £52.7m (2023: £49.6m) was in a discretionary portfolio and £30.2m (2023: £31.4m) in EdenTree's open-ended investment company (OEIC) funds. During the year, the EdenTree discretionary portfolio delivered a return of +14.0% versus the composite benchmark's return of +19.8%. Over the longer-term the discretionary portfolio managed by EdenTree has underperformed its benchmark over 3, 5 and 10 years.

The discretionary portfolio managed by Rathbones stood at £36.3m (2023: £36.1m) at the year end. It delivered a positive return of +11.5% over the year, which was 8.3% behind the composite benchmark. The portfolio's performance suffered due to the difficult market conditions. The Rathbones portfolio has underperformed the benchmark over 3 years and also marginally underperformed over 5 years. As Rathbones commenced managing the EEF investments in 2018, benchmarking of its performance over 10 years is not applicable.



Climate change and environment

The table below provides details of the carbon footprint of the combined direct operations of the Trust and the companies that it owns. This information is presented in line with the Streamlined Energy and Carbon Reporting (SECR) requirements:

This table does not include the emissions relating to the Benefact Trust group of companies investment portfolio or its insurance underwriting activity.

Emissions source	2024				2023			
	UK tCO ₂ e	Non-UK tCO ₂ e	Total tCO ₂ e	Scope 1 & 2 tCO ₂ /employee	UK tCO ₂ e	Non-UK tCO ₂ e	Total tCO ₂ e	Scope 1 & 2 tCO ₂ /employee
Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company vehicles	116	15	131		142	7	149	
Scope 2: electricity and cooling in premises (location based) ¹	591	149	740		696	84	780	
Scope 2: electricity and cooling in premises (market based) ²	109	146	255		97	75	172	
Scope 3: business travel ³ , waste, water use	538	269	807		439	568	1,007	
Total CO ₂ e (market-based electricity)	763	430	1,193	0.51*	678	650	1,328	0.56*

tCO₂e is tonnes of CO₂ and equivalent gases.

¹The average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data)

²Emissions based on how an organisation buys its energy

³Air, rail, bus, taxi, ferry, car rental and vehicles owned and driven by an employee, driven for business purposes (grey fleet)

* Scopes 1,2 (market based) and scope 3

In 2024, total energy use is 4,570,001 kWh of which 3,841,221 kWh is UK and 728,780 kWh is non-UK based. In 2023, total energy use was 4,153,785 kWh of which 3,962,931 kWh is UK and 190,853 kWh is non-UK based. Scope 3 emissions reported as part of SECR mostly comprise business travel. A data discrepancy in 2023 contributed to an overstatement in reported emissions.

The Benefact Trust group of companies offsets its Scope 1 and 2 emissions through highly assured charitable projects to achieve 'net negative' for its direct impact.

Footprint methodology

The Benefact Trust group of companies has reported 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 1 September 2023 to 31 August 2024. The emissions reporting boundary is defined as all entities and facilities either owned by or under



operational control of the Benefact Group of companies, that is, emissions relating to our premises and associated travel by staff in the UK, Ireland, Australia, and Canada.

The reporting comprises:

- Scope 1: emissions from fluorinated gas losses, oil and gas used to heat our offices, and fuel used in company vehicles.
- Scope 2: emissions from electricity, cooling, heat and steam used in our offices.
- Scope 3: emissions from business travel, waste and water use in our offices.

Calculating emissions from electricity scope 2 emissions is done in two ways:

- **Location based reporting** calculates emissions based on the average emission intensity of the local power grid, regardless of what electricity contracts are in place.
- **Market based reporting** reflects emissions from the specific electricity contract(s) purchased.

Location based electricity use shows emissions from physical consumption while market-based reporting reflects decisions made to purchase electricity on a zero-carbon tariff.

The above emissions are displayed in tonnes of carbon dioxide and equivalent gases (tCO₂e), have all been calculated using UK Government Greenhouse Gas reporting emission factors 2024 (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-1 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.



Non-financial and sustainability information statement

The non-financial and sustainability reporting requirements relating to climate disclosures contained in section 414CB of the Companies Act 2006 are addressed below.

The Trust's Audit & Risk Committee (ARC) periodically reviews the risks to which it is exposed by way of a risk register that details the most material risks to the Trust, including climate risk. This is scored using a matrix that considers both materiality and probability of the risk occurring. The risk register has been developed by key management within the Trust and is discussed a minimum of twice a year at the ARC.

Benefact Trust is exposed to climate risk through investments held by the EEF, through the impact on its beneficiaries and through its ownership of Benefact Group, further details of each can be found below.

Risk / Opportunity	How this risk is managed	Timeline
Investments held in the EEF Exposes the Trust to transition risk within its investments.	The EEF has a screened approach to responsible and sustainable investment: investment in fossil fuels is excluded; and Environment, Social and Governance (ESG) portfolio risk overlay is applied; and investments that seek to have a positive impact are looked upon favourably. Further details of the EEF's investment policy can be found in the Investments section of the Strategic Report.	Timeline and impact dependent on speed and materiality of policy decisions, and wider market movements.
Impacts to beneficiaries Climate change may present different opportunities for the Trust to support beneficiaries going forward, including disaster relief / support following extreme weather as well as proactive or preventative measures. The needs of beneficiaries may change over time due to climate change, and the Trust may see a change in the profile of either the beneficiaries requesting support, or the nature of the grants requested.	The Trust's charitable giving strategy, which is incorporated into its Strategy and Business Plan 2024-2026, recognises the wide range of challenges facing its beneficiaries, including those arising from climate risk, and seeks to increase the Trust's impact in these areas. The Trust is aware of the possibility of beneficiary needs changing over time, whether this is through climate change, world events or societal change. A number of net zero projects have been supported during the year through the Trust's Strategic Partnership Grants programme, including a £1.5m grant to the Church of England and a £0.5m grant to the Scottish Episcopal Church.	Opportunities to support funding for preventative or proactive climate measures available in the short to medium term. In the medium to longer term these opportunities may move to support crisis relief/other adaptive measures.



Risk / Opportunity	How this risk is managed	Timeline
Ownership of the Benefact Group Through its ownership of Benefact Group, the Trust is exposed to physical risk primarily through Benefact Groups' insurance businesses, transition risks primarily through Benefact Groups' investments held and liability risks if Benefact Group fails in its obligations under climate. The Trust's carbon footprint includes that of the Benefact Group. Donations to the Trust from Benefact Group could also be impacted if any material climate risks aren't managed appropriately.	Benefact Group plc's Board has overarching responsibility for overseeing Benefact Group's response to climate change. A programme of activity is run to understand, manage and monitor Benefact Group's exposure to climate risk, including qualitative and quantitative assessments. Scenario analysis is used as a key tool for assessing and understanding climate risk. The primary climate risks to Benefact Group include physical risk through its insurance businesses and transition risk through its investments. Benefact Group operates internationally and is therefore impacted by a range of physical and transitional risks that may occur over different time periods. Benefact Group has committed to net zero targets over the short and long term. A wide range of metrics and targets are used across its climate programme including investment fund alignment with a 1.5-degree pathway, an underwriting footprint calculated to the Partnership on Carbon Accounting Financials methodology, the amount of giving to climate charities and carbon intensity per employee. Benefact Group assesses its performance against voluntary ClimateWise reporting which is aligned to Taskforce on Climate-related Financial Disclosures (TCFD) reporting and independently audited. The annual carbon footprint of the Benefact Trust group of companies is disclosed on page 33. More detailed information on Benefact Group's approach to environmental matters is included in a separate TCFD report available on Benefact Group plc's (BG plc) website.	Various timelines and impacts depending on territory. Acute, event-driven physical risks can occur over all time horizons, and chronic physical risks are typically longer-term. Transition risk is expected in the short to medium term. Liability risk has a short term timeline.

The Trust does not have a suite of Key Performance Indicators specifically in relation to measuring climate change, but this is monitored through investment performance monitoring and grants monitoring. Benefact Group has its own strategic goals and metrics that it reports on, which can be found in its TCFD report which is available on BG plc's website.

The Trust does not consider that the risks associated with climate change provides a threat to its ability to operate or continue to make grants.



Principal risks and uncertainties

The major risks to which the Trust is exposed are reviewed by the Board with the aid of external advisers. The Board can choose whether to accept a particular risk, manage it or to mitigate against it. It is recognised that it is not possible or cost-effective to mitigate all risks fully and therefore some risks are accepted. The direct and indirect risks associated with the current cost-of-living crisis continues to be considered by the trustees, as the impacts continue to affect the social and economic environment. 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 in place to manage the risks.

Charitable Giving Risk

The risk of detriment to the Trust due to overexposure to one source of funding and capital, alongside the underperformance of the investments of the Trust or performance of the Benefact Group, which could adversely impact its ability to undertake charitable giving.

How they are managed

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

The Finance and Investment Committee and the newly formed EEF Investment Committee are responsible for setting investment criteria and overseeing and reviewing the performance of the investment portfolios respectively.

A formal policy between the Trust and the Benefact Group specifies how the level of income donated via Gift Aid is determined and this is subject to regular review. Regular reporting is received from the Trust's principal asset, the Benefact Group, on its performance and through the trustees who act as 'common directors' with Benefact Group plc and its subsidiaries.

Limits have been established for the permitted range of investments held within the EEF to ensure a diversified portfolio with an acceptable risk profile. The EEF has two investment fund managers, EdenTree and Rathbones, to enable further diversification. During the year, independent investment advice was provided to the Trust (as sole trustee of the EEF) by Owl Private Office Holdings Limited, who provided twice-yearly investment monitoring reports to the Trust (acting in its capacity as sole trustee of the EEF). These appointments are regularly reviewed. Following a tender exercise, Lane, Clark and Peacock LLP have been appointed as investment advisor to the Trust (as sole trustee of the EEF) with effect from 7 February 2025.

The Trust's reserves policy, which can be found under the Finance Review section of this report, details the Trust's policy to maintain liquidity to ensure it can meet its grant commitments. This policy is reviewed at least annually. The Trust regularly reviews its strategy and diversification needs to ensure the level of this risk remains acceptable.

As the sole corporate trustee of the EEF, the Trust has determined that the target size of the EEF would be calculated based on an amount of £25.0m plus three years' of forecast grant-making. The EEF will continue to provide diversification of the Trust's assets to reduce the degree of concentration risk.

With the continuing economic challenges and volatility in the Investment Markets during the year, the risk continues to be very closely monitored, however it remains very remote. Regular updates were sought from the CEO of the principal asset and updates on investment performance from the Investment Advisor. A number of scenarios continue to be considered in respect of differing levels of income, to determine the appropriate action to be taken to ensure longevity of future charitable giving.



Regulatory Risk

The risk of public censure or regulatory intervention, as a consequence of failing to comply with relevant legislation, regulation and policies, ultimately leading to loss of public trust in the Trust.

How they are managed

The Trust 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 seeks to assist.

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 Trust has developed a Reputational Management Strategy to protect its reputation.

The Trust has a dedicated Head of Communications and Marketing and a Senior Content Marketing Specialist, 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 level of residual risk remains stable, with the trustees continuing to monitor any indirect reputational impacts from the ownership of the trading subsidiary, as well as any direct impacts from the Trust itself.



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 Trust's objectives, which are detailed under the 'Our Strategy 2024-2026' section in this report.

How they are managed

The Trust has a three-year Strategy and Business Plan, details of which can be found under the 'Our Strategy 2024-2026' section of this report. The trustees regularly review the effectiveness of the various strategic initiatives employed, and annually reviews its Strategy plan. 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.

During 2023, the trustees set a new three year strategy 2024-2026 for the Trust. This risk continues to be monitored closely in light of the economic challenges and the potential challenges on income as detailed above under the Charitable Giving Risk.

Operational Risk

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 Trust's objectives, full details of which can be found under the 'Our Strategy 2024-2026' section of this report.

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 trustees and staff and as well as those who provide arm's length support services to the Trust.

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.

There have been no significant changes to this risk over the course of the year.



Section 172 statement

This statement provides an overview of how the trustees have fulfilled their duties to promote the success of Benefact Trust Limited and had regard to the matters set out in Section 172(1) of the Companies Act 2006, which is detailed below:

- (1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-**
- (a) the likely consequences of any decision in the long term,**
 - (b) the interests of the company's employees,**
 - (c) the need to foster the company's business relationships with suppliers, customers and others,**
 - (d) the impact of the company's operations on the community and the environment,**
 - (e) the desirability of the company maintaining a reputation for high standards of business conduct, and**
 - (f) the need to act fairly as between members of the company.**

Our stakeholders

We have identified and regularly review our stakeholders, as documented in the Trust's Governance Framework and Board Charter and our Strategy and Three-Year Business Plan. These stakeholders are at the core of the trustees' decision making.

Key stakeholders are our members, beneficiaries and other Christian partners, the Benefact Group, our employee staff (seconded from EIO plc), suppliers, the wider community and environment, and the Trust and Benefact Group's Regulators. Examples of the way the trustees have engaged with some of these stakeholder groups throughout the year are set out below.

Our approach to the long-term success of the company

We recognise that the long-term success of the Trust, and our ability to continue to help people, charities, and good causes, is dependent upon having regard to the interests of our stakeholders and ensuring that good governance is at the heart of the Trust's activities.

As the Trust receives its donated income from the Benefact Group, and receives grants from the EEF, trustees' decision making takes into account any potential impact on the Trust's sustainability and its ability to continue to carry out its charitable objects for the public benefit.

The trustees reviewed the Trust's grant-giving in 2024 to ensure its grants are directed effectively to support the Christian community and beneficiaries.

Crisis response

In 2024, Benefact Trust awarded eight grants to the value of just under £750,000 towards a number of crisis response initiatives including (i) two donations of £150,000 each to Christian Aid and Médecins Sans Frontières (MSF) running emergency appeals



in response to the conflict in Gaza, (ii) a further donation of £108,000 to MSF for its relief work in Gaza and Lebanon (iii) a donation of £150,000 to World Vision to support humanitarian aid relief in Sudan, (iv) a donation of £50,000 to Citizens Advice in support of its UK emergency support helpline and (v) donations totalling £142,000 in support of the Jasper wildfires relief efforts in Canada. The Crisis Response programme is a closed programme where the Trust provides strategic grants to organisations providing direct relief to people in crisis situations in the UK, Ireland or overseas.

Cathedrals' Workshop Fellowship (CWF)

The CWF was founded in 2006, and offers apprentice stonemasons, carpenter/joiners, plumbers and electricians a recognised career path and a route to higher level qualifications. In September 2024, the trustees agreed to form a longer-term strategic partnership with CWF, supporting trainees for the period 2025-2029. In December 2024, an initial donation of £509,000 was awarded to fund the first year (2025) of the CWF Benefact Trust Heritage Skills Programme.

Church of England (CofE) Net Zero Carbon Church Demonstrator Project

The CofE's Demonstrator Churches project is part of the CofE's ambitious Net Zero Carbon Programme which aims to equip, resource and support all parts of the CofE to reduce carbon emissions from the energy used in its buildings, schools and through work-related transport by 2030. The project plans to support 30 churches per year to achieve net zero carbon or close to net zero carbon. The selected Demonstrator Churches will be required to meet certain criteria, as defined by the CofE, and will be spread geographically across England. In December 2023, the trustees agreed to form a longer-term strategic partnership with the CofE, supporting its Net Zero Carbon Church Demonstrator project and subsequently approved a proposal to provide funding in support of 30 Demonstrator Churches in 2024 and 2025 to the total value of £1.5m.

Scottish Episcopal Church Net Zero Early Adopters Awards Programme

The Scottish Episcopal Church (SEC) Net Zero Early Adopters Awards Programme aims to support churches across the SEC to achieve net zero and create a network of exemplary churches to inspire others across denominations. In December 2024, the trustees awarded £0.5m (over two years) to the SEC's Net Zero Early Adopters Awards Programme.

Further detail on the Trust's grant-giving, strategy and investments can be found in the Strategic Report on page 8.

For more detail on the Company's strategic objectives and how the Board operates please refer to the Strategic Report, on page 8, and Trustees' Report, on page 46.



Principal decisions

The trustees have the necessary skills and experience required to identify the impacts of their decisions on the Trust’s stakeholders, and where relevant, the likely consequences of those decisions in the long term.

In line with the Miscellaneous Reporting Regulations 2018, and in accordance with the approach taken during the financial year under review, having considered the Trust’s principal risks and uncertainties as detailed in the Strategic Report, the Trust made the following principal decision during the year ended 31 December 2024:

Crisis Response Grants programme

The Trust’s Crisis Response Programme was established in 2021 and aims to provide support for people during times of crisis, either in the UK, Ireland or overseas. Funding is provided in response to a range of different types of crisis situations, and efforts focus on providing vital assistance to improve outcomes for people (e.g. by safeguarding human life, alleviating suffering, maintaining adequate living conditions or guaranteeing access to basic services and supplies).

In January 2024, following recommendation from the Grants Committee, the trustees reviewed and approved the Crisis Response Grants programme scoping document. The Board considered the programme’s aims, beneficiary eligibility, award related specifics, the communication and marketing strategy, administration, reporting on impact assessments and measures of success. The Board challenged and scrutinised the scoping document to satisfy themselves that it was deliverable and robust.

Our strategy in action

The table below is a summary of key decisions and actions that have been taken during the year in respect of strategic and company performance and how they have had regard to the interests of, and impact on, stakeholders.

Our key stakeholders	Methods of engagement and outcomes
Members	
The Trust was registered as a company limited by guarantee and, in accordance with its articles of association, can have a maximum of 50 registered members. The interests of the Trust and its members are aligned with the common purpose of carrying out the objects of the Trust. This ensures that the views of beneficiaries and the wider Christian and charitable community are communicated to, and considered by, the Board as a whole.	There are open channels of communication between the Company and its members. The Company holds an annual general meeting (AGM). In 2024, the Trust was able to hold the AGM in person (with the option of joining remotely) and Members were invited to engage with the business of the AGM and raise questions. The Trust provides members with the option to receive an annual newsletter setting out the Trust’s grant-giving and developments.



Beneficiaries and other Christian partners

The Board's composition includes at least two trustees who are representative of the Trust's beneficiary base. This helps to ensure that the views of beneficiaries are communicated to, and considered by, the trustees. In addition, the Trust's Methodist Grant-Giving Committee includes at least three members with an understanding of the Methodist Church, helping to ensure that the Methodist Grants programme provides the support needed for Methodist churches and ministries.

We actively engaged with our beneficiaries and stakeholders to inform the development of our grant-making strategy. We also engaged in, and became more active members of, the Christian Funders' Forum by hosting and participating in their meetings, helping us to understand the challenges and opportunities across the sector.

During 2024, we worked closely with known charity partners to respond to and support the most vulnerable in our communities.

The Benefact Group

As the ultimate owner of the Benefact Group, trustees maintain an open and constructive relationship with the trading subsidiaries. The Trust aims to have at least two common directors who are on the Board of the Trust and Benefact Group. This enables the trustees to receive regular updates from, and maintain oversight of, the Trust's subsidiaries. There is also regular engagement between the Chair of the Trust Board and the Chair of BG plc (who also serves as Chair of EIO plc), as well as with BG plc's Group Chief Executive Officer (Group CEO) (who also serves as EIO plc's CEO) who provides an update to the trustees at every Board meeting.

The Benefact Group CEO presents a report at every Board meeting, providing trustees with a high-level overview of the financials, and a general update of any key developments, from across the Benefact Group. In addition, throughout the year presentations were given by other Benefact Group executives to help trustees better understand strategic initiatives implemented throughout the Benefact Group.

The trustees were invited to attend the Benefact Group's leadership conference in June 2024, which enabled them to maintain their oversight of the Trust's subsidiaries.

Employees

The Charity does not have any employees. Instead, all staff who undertake work on the Trust's behalf are employed by EIO plc. The Section 172 Statement for EIO plc explains EIO's policy and strategy in relation to its employees. Nevertheless, the Board understands that individuals who work on behalf of the Trust are its most valuable assets, given their specialist knowledge and propensity to go above and beyond.

The Board receives regular updates from individuals on a range of matters. In addition, the Trust Director provides a quarterly resource update to the Board.



Suppliers	
The Trust does not have a supply chain itself but uses the services of EIO plc under the terms of its Shared Services Agreement. The Charity recognises its responsibility, as well as that of its subsidiary, to ensure business activities are undertaken in accordance with regulatory requirements and best practice. For further information on the Trust's recognition of its responsibility towards its supply chain, please see its Modern Slavery Act Statement available on its website.	The Board and the Finance and Investment Committee received regular updates on the performance of its subsidiary throughout the year.
Community and environment	
As detailed in the Strategic Report, directors are focused on long term and strategic charitable giving.	The Trust launched its Community Impact Grants programme in 2023 which aims to fund work that will have a positive and transformative impact on lives and communities, with particular focus on: • growing church congregations and communities; • addressing social challenges facing communities; and • improvement of church buildings to enable wider community use. The Trust also launched the Building Improvement Grants programme in 2023, providing essential support to protect and enhance church and Christian charity buildings and to support energy efficiency/ renewable energy measures. The Trust, (as the EEF's sole trustee), reviewed the EEF's investment assets, which included looking at the ESG policy and impact investment, amongst other things. Recommendations from this review in relation to these matters will continue in 2025.



Regulators	
We recognise the importance of open and honest dialogue with regulators and are committed to complying with applicable legislation and regulation. As a registered charity, the Trust is regulated by the Charity Commission. Trustees receive regular reports on evolving legal, regulatory and compliance matters at each board meeting, incorporating a detailed impact and progress assessment.	The Trust (via the Finance and Investment Committee) considered the Charity Commission’s guidance regarding investing charity money. A gap analysis was undertaken to ensure that the Trust was in line with the Commission’s expectations and the outcome demonstrated compliance with the new guidance.

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

Tim Carroll
Chair

1 May 2025



Trustees' Report

(incorporating the Directors' Report for the year ended 31 December 2024)

The trustees, who are the directors of the charitable company for Companies Act 2006 purposes, are pleased to present their annual report and review together with the audited financial statements of the Charity and the Benefact Trust group of companies for the year ended 31 December 2024. 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 Trust's 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).

As permitted by Section 414 C (11) of the Companies Act 2006, some matters required to be included in the Trustees' report have instead been included in the Strategic Report. These disclosures are incorporated by reference in this Trustees' Report. The Strategic Report can be found on pages 8 to 45.

Governance

Corporate governance

We are committed to applying the highest standards of corporate governance and believe that the affairs of the Trust should be conducted in accordance with best practice. We comprehensively review our governance practices and procedures in the light of the Charity Governance Code (the Code), which was most recently refreshed in December 2020. We confirm that the Trust is compliant with the Code.

Governing document

Benefact Trust was incorporated (as Allchurches Trust Limited) 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, Benefact Trust in a general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of Benefact Trust 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 AGM (including on the election, re-election and removal of trustees and on any changes to the Charity's articles of association) and thereby influence 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 Benefact Trust 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 achieve agreed charitable objectives. Its work includes setting the strategic direction of the Trust, developing its objectives and policies, reviewing the performance of trading subsidiaries and delivering the outcomes for which the Trust 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. In addition, the EEF has recently established an Investment Committee.

The Finance and Investment Committee has three scheduled meetings a year and primarily oversees the Trust's financial affairs and its investment strategy in the Benefact Group. Its members are Patrick Rudden (Chair), Francois Boisseau, and Nick Sykes. Caroline Banszky retired as a member of the Committee on 26 April 2024. Tim Carroll stepped down as Chair and member of the Committee on 31 December 2024.

The Audit and Risk Committee has four scheduled meetings a year. It is responsible for the appropriateness of the Trust's financial reporting, the rigour of the external audit processes and the effectiveness of the risk management framework. Its members are Ian Moore (Chair), David Paterson and Denise Cockrem. Sir Stephen Lamport retired from the Committee on 5 March 2024 and Tim Carroll retired as a member of the Committee on 31 December 2024.

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; the professional development of all the existing trustees; and considering succession planning and the membership needs of the Trust. Its members are Tim Carroll (Chair), David Paterson and Revd Paul Davis.

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 Revd Paul Davis (Chair), Tim Carroll, David Paterson and Caroline Coombs. The Venerable Karen Lund retired as a member of the Committee on 5 March 2024.

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 David Crompton (Chair), Louise Wilkins, Caroline Coombs and Revd Ian Rutherford. Revd Linda Barriball resigned from the Committee on 20 June 2024.

The EEF is governed by the Board of the Corporate Trustee and meets regularly throughout the year. The EEF Board established an Investment Committee in December 2024. It will have three scheduled meetings a year and primarily oversees the EEF's investment strategy and performance. Its members are Nick Sykes (Chair), Francois Boisseau and Patrick Rudden.



The day-to-day management of the Trust is undertaken by the Trust Director, Company Secretary and senior executive staff.

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 27 and 10 to the financial statements.

Appointments to the Board

We aim to have a diverse group of trustees, with a balance of necessary skills and experience, who are broadly representative of the communities the Trust serves. Dialogue with stakeholders that Benefact Trust serves takes place in identifying potential candidates for the Board. The Board will advertise and engage external search consultants (where appropriate), as per its Board Equality, Diversity and Inclusion Policy.

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 AGM 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 at the date of this report are stated on page 151.

Francois Boisseau and Ian Moore will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. Sir Stephen Lamport, and The Venerable Karen Lund resigned from the Board on 5 March 2024 and Caroline Banszky resigned from the Board on 26 April 2024.

Caroline Coombs was appointed to the Board on 2 May 2024. Denise Cockrem was appointed to the Board on 1 October 2024 and will seek election at the forthcoming AGM. Revd Canon Sarah Brown was appointed to the Board on 4 March 2025 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 Equality, Diversity and Inclusion

The primary responsibility of the trustees is to conduct the affairs of Benefact 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.

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

When considering our approach and commitment to the principles of equality, diversity and inclusion, we have agreed the following commonly used definitions:

- Equality means ensuring every individual has equal opportunities; equality means treating people in ways that make sure they are not unfairly prevented from accessing resources and opportunities nor that others have an unfair advantage.
- Diversity means having differences within an organisation or setting.
- Inclusion means being proactive to make sure people of different backgrounds, experiences and identities feel welcomed, respected and fully able to participate.

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

The Board has set the following objectives:

- Continue to achieve at least 33% female trustees on the Board;
- Ensure that the Board composition comprises at least one trustee from United Kingdom Minority Ethnic (UKME);
- Ensure that the Board broadly reflects the wider Christian family;
- Ensure that the recruitment process reflects the Board's commitment to its equality, diversity and inclusion policy, and takes account of the Charity Governance Code's Principle 6 (Equality, Diversity and Inclusion);
- Engage solely with executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and practice.

Following retirements in Spring 2024, the Board faced diversity challenges on female and UKME representation. Caroline Coombs was appointed in May 2024 and Denise Cockrem was appointed in October 2024. In addition, Revd Canon Sarah Brown was appointed in March 2025. The Board recognised that it slightly fell short of its 33% target for female representation and does not meet its target for UKME representation. Both of these targets are being actively addressed. The Board is satisfied that its composition reflects the wider Christian family. The Trust engages agencies, whom have signed up to the voluntary Code of Conduct, to assist with trustee and executive recruitment searches where it is appropriate to do so. The Board, via its Nominations Committee, reviews its objectives yearly.



Trustees' induction and training

On acceptance of a position on the Board, all trustees receive a comprehensive welcome pack, which includes their appointment letter and terms. All trustees are required to undertake a formal and comprehensive induction to the Trust and its trading subsidiaries upon joining the Board.

The induction is a two-stage process and is primarily undertaken by the Secretariat. 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 Chair, Senior Independent Director and each of the Executive Directors of Benefact Group 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 most recent carried out during 2022/23.

The main findings arising from the evaluation related to improvements to impact assessments for grant-making; reviewing the ESG strategy; developing an overarching risk appetite statement aligned to the Trust's strategy; enhancing the assessment of skills for trustees and staff and building skill gaps and training into succession plans; and a continued focus on improving diversity.

In response to the findings, the Trust actively targeted impact reporting as a strategic initiative during 2024 which will continue during 2025. The overarching risk appetite statement has been developed and approved by the Board and an enhanced skills assessment has been agreed and used to assess the skill gaps of the Board. A succession plan for staff has also been reviewed by the Nominations Committee. The Board will continue to focus on Board diversity.

All trustees receive an annual individual review with the Chair. The Chair is appraised by the Board, in his absence, led by the Senior Independent Trustee.

Related parties

Related parties of the Trust include its subsidiary undertakings. A full list of the Trust's related undertakings is disclosed in note 48 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 Trust 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 receive any remuneration or other benefit from their work with the Trust. Details of remuneration received by trustees in their capacity as directors of subsidiary undertakings is disclosed in note 27.

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 of association. 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 Trust is undertaken by the Trust Director, Company Secretary and senior executive staff, who, with the trustees, are the Trust's key management personnel.

Remuneration of key management personnel is disclosed in note 11 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 10 to the financial statements.

Benefact Trust itself has no employees, but uses staff employed by a subsidiary company to undertake its charitable activities. These employee costs are recharged to the Trust. The remuneration policy for the Benefact Group can be found in the Group Remuneration Report of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 151.

Charitable giving policy

The Board regularly reviews its charitable giving policy to ensure it reflects the changing circumstances of the Trust, 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 in 'Our Policies' in the 'About Us' section of our website.

Delegated grant-making authority enables the Head of Grants to approve small grants with a value of up to £10,000, with larger grants of up to £150,000 being considered and approved by the Grants Committee. All grants in excess of £150,000 were referred to the Board for discussion and final approval. All grant payments were checked and signed off by the Trust Director (or the Company Secretary in her absence) prior to funds being released.

Consideration of applications under the Methodist Grants Programme, which seeks 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 Benefact Trust have an organised programme of direct community investment independent of the Trust, which is managed centrally by Benefact Group's Impact 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: (i) supporting projects and partnerships important to customers and communities; and (ii) 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 Trust'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 in the Strategic Report.

Going concern

A review of the financial position and performance of the Trust and its trading subsidiaries has been outlined in the Strategic Report together with a description of the principal risks and uncertainties faced by the Trust.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £33.4m and no borrowings (2023: cash at bank and in hand of £13.0m and no borrowings); and the EEF has financial investments of £118.6m, 100% of which are liquid (2023: financial investments of £114.0m, 100% of which are liquid). Charitable giving is the charity's largest expense and grants are awarded at the discretion of the trustees.

The Trust's subsidiary group has considerable financial resources: financial investments, excluding funeral plan investments, of £997.0m, 77% of which are liquid (2023: £955.1m, 81% of which are liquid) and cash and cash equivalents of £136.7m (2023: £166.8m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. The subsidiary group continues to have a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing.

Despite economic pressures and challenges, given the liquidity position of the Benefact Trust group of companies, and the capital strength of the Benefact Group, there is a reasonable expectation that the Benefact Trust group of companies 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.



Statement of Trustees' Responsibilities

The trustees (who are also directors of Benefact 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.

Auditors and the Disclosure of Information to the Auditors

In accordance with Section 418, trustees' 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 PricewaterhouseCoopers LLP be appointed as the independent auditors of the Trust will be put to the annual general meeting.

Equality, Diversity and Inclusion

Benefact Trust and its subsidiaries are committed to nurturing a culture and work environment in which all colleagues can fulfil their potential. Benefact Group's Equality and Diversity Standard and Guidance sets out expectations for an open and inclusive workplace. The care and wellbeing of all our colleagues is placed at the heart of our employment policies.

Throughout the employee lifecycle from recruitment onwards, the Benefact Trust group of companies carefully consider adjustments to processes and practices and look for solutions to remove barriers for those colleagues with disabilities.

When needed, we engage with third-party and Occupational Health specialists who provide us with expert advice and ensure we are offering the best support we can. Through our adjusted work approach we provide an environment in which colleagues with additional needs can fully participate in all opportunities provided by the Benefact Trust group of companies from continued employment to training, job moves and promotions. We offer a range of support for colleagues to help them maintain a healthy work and home life including: flexible working practices, virtual GP service, Employee Assistance Programme, Flu Vaccinations and Eye tests as well as a wide variety of flexible benefits such as dental care and critical illness insurance.

Further information on diversity and inclusion can be found in the Responsible Business Report of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 151.

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

Tim Carroll
Chair

1 May 2025



Independent Auditors' Report to the Members of Benefact Trust Limited

Report on the Audit of the Financial Statements

Opinion

In our opinion, Benefact 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 2024 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, 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, including 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 and Accounts (the "Annual Report"), which comprise: the consolidated and charity balance sheets as at 31 December 2024; the consolidated statement of financial activities (incorporating a consolidated income and expenditure account) and the charity statement of financial activities (incorporating an income and expenditure account) and the consolidated and charity statements of cash flows for the year then ended; and the notes to the financial statements, which include a description 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 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 charity'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 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.

With respect to the Strategic Report and Trustees' Report, we also considered whether the disclosures required by the UK Companies Act 2006 and Charities Act 2011 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 Strategic Report and the Trustees' Report for the period ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 did not identify any material misstatements in the Strategic Report and the Trustees' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements 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 or the 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 its industry/environment, we identified that the principal risks of non-compliance with laws and regulations related to breaches in UK regulation, such as those governed by the Charities Act 2011, Prudential Regulation Authority and the Financial Conduct Authority, 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 Companies Act 2006. We evaluated management's 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 posting of inappropriate journal entries to manipulate the financial statements, as well as management bias in accounting estimates, in particular the valuation of specific general insurance contract liabilities including Physical and Sexual Abuse ("PSA") reserves. Audit procedures performed by the engagement team included:

- Enquiries of compliance, risk, internal audit and the Group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Read key correspondence with the regulators, including Charity Commission for England and Wales, Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant minutes of meetings including those of the Group Board, Group Audit Committee and Group Risk Committee;
- Procedures related to the valuation of specific general insurance contract liabilities such as PSA reserves;
- Identifying and testing journal entries, including journal entries posted with unusual account combinations to income and expenditure accounts and other risk based target testing over journal entries which were identified as potentially being indicative of a fraudulent journal;
- Procedures to incorporate unpredictability around the nature, timing or extent of our testing; and



- Assessing financial statement disclosures, and testing to supporting documentation, for compliance with applicable laws and regulations.

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 FRC'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 parent charitable company'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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DChan

Daniel Chan (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

01 May 2025

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

for the year ended 31 December 2024



	Notes	2024			2023		
		Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
		funds	funds	funds	funds	funds	funds
		£000	£000	£000	£000	£000	£000
Income and endowments from:							
Donations	3	3,226	-	3,226	870	-	870
Investments							
<i>Donations from subsidiary undertaking</i>	4	33,000	-	33,000	13,000	-	13,000
<i>Dividend and interest income</i>	5	184	2,586	2,770	194	3,719	3,913
Total income		36,410	2,586	38,996	14,064	3,719	17,783
Expenditure on:							
Raising funds		-	(427)	(427)	-	(347)	(347)
Charitable activities							
<i>Charitable giving - grants</i>	6	(25,358)	-	(25,358)	(23,447)	-	(23,447)
<i>Other expenditure on charitable activities</i>	7	(1,714)	-	(1,714)	(1,539)	-	(1,539)
Total expenditure		(27,072)	(427)	(27,499)	(24,986)	(347)	(25,333)
Net gains on investments	12	-	10,001	10,001	-	7,258	7,258
Taxation	8	-	(141)	(141)	-	(133)	(133)
Net income/(expenditure) in the year		9,338	12,019	21,357	(10,922)	10,497	(425)
Transfers between funds							
Gross transfers to the unrestricted fund	16	9,904	(9,904)	-	3,956	(3,956)	-
Net movement in funds		19,242	2,115	21,357	(6,966)	6,541	(425)
Reconciliation of funds:							
Total funds brought forward		6,697	117,097	123,794	13,663	110,556	124,219
Total funds carried forward		25,939	119,212	145,151	6,697	117,097	123,794

The accompanying notes on pages 62 to 72 are an integral part of the charity's financial statements. 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 2024



	Notes	2024		2023
		Unrestricted funds	Endowment funds	Total funds
		£000	£000	£000
Fixed assets				
Investments	12	50	118,555	118,605
Total fixed assets		50	118,555	118,605
Current assets				
Debtors	13	20	109	129
Cash at bank and in hand	14	33,391	617	34,008
Total current assets		33,411	726	34,137
Liabilities				
Creditors: amounts falling due within one year	15	(5,847)	(69)	(5,916)
Net current assets		27,564	657	28,221
Total assets less current liabilities		27,614	119,212	146,826
Creditors: amounts falling due after one year	15	(1,675)	-	(1,675)
Total net assets		25,939	119,212	145,151
The funds of the charity:				
Unrestricted funds				
General funds	16	21,829	-	21,829
Designated funds	16	4,110	-	4,110
		25,939	-	25,939
Restricted funds				
Endowment funds	16	-	119,212	119,212
Total funds		25,939	119,212	145,151

The charity has no restricted income funds.

The accompanying notes on pages 62 to 72 are an integral part of the charity's financial statements.

The analysis of the prior year comparatives by fund is included in notes 12 to 16.

The financial statements of Benefact Trust Limited, registration number 1043742, on pages 59 to 72 were approved and authorised for issue by the Board on 1 May 2025 and signed on its behalf by:

Tim Carroll
Chairman

Revd Paul Davis
Trustee

CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2024



	Notes	2024 £000	2023 £000
Cash flows from operating activities:			
Net income/(expenditure) for the reporting period		21,357	(425)
Adjustments for:			
Gains on investments		(10,001)	(7,258)
Dividend and interest income from investments		(2,770)	(3,913)
Increase in debtors		(1)	(3)
Increase in creditors		1,216	384
Taxation paid		141	133
Net cash provided by/(used in) operating activities		9,942	(11,082)
Cash flows from investing activities:			
Dividend and interest income from investments		2,690	4,000
Proceeds from the sale of investments		22,190	79,229
Purchase of investments		(16,704)	(76,396)
Net cash provided by investing activities		8,176	6,833
Change in cash and cash equivalents in the reporting period		18,118	(4,249)
Cash and cash equivalents at the beginning of the reporting period		15,908	20,225
Change in cash and cash equivalents in the reporting period		18,118	(4,249)
Change in cash and cash equivalents due to exchange rate movements		(18)	(68)
Cash and cash equivalents at the end of the reporting period	14	34,008	15,908

As the charity had no borrowings in the current or prior year, the change in cash and cash equivalents is the only change in the charity's net debt in the reporting period.

The accompanying notes on pages 62 to 72 are an integral part of the charity's financial statements.



1 Accounting policies for charity parent only

Benefact Trust Limited is incorporated in England and Wales. It is a company limited by guarantee and a registered charity. The material 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 (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Financial Reporting Standard 102, issued March 2024 (FRS 102); and the Companies Act 2006 (the Act). The historical cost convention has been applied, as modified by the revaluation of certain financial assets measured at fair value through profit and loss.

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 Financial Review section of the Strategic Report, together with a description of the principal risks and uncertainties faced by the charity.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £33.4m and no borrowings (2023: £13.0m and no borrowings); and the Expendable Endowment Fund (EEF) has financial investments of £118.6m, 100% of which are liquid (2023: financial investments of £114.0m, 100% of which are liquid). Charitable giving is the charity's largest expense and grants are awarded at the discretion of the trustees. In addition, 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 Benefact Trust group of companies 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.

Changes in accounting policy

In March 2024, the Financial Reporting Council (FRC) introduced significant amendments to FRS 102 to improve the quality of financial reporting. These changes aim to better align FRS 102 with International Financial Reporting Standards (IFRS) in key areas, ensuring the provision of reliable and useful information. The amendments are designed to enhance comparability, minimise differences with IFRS, and ensure that entities account for transactions accurately and consistently.

These amendments are effective for accounting periods beginning on or after 1 January 2026. Early adoption is permitted, provided that all amendments are applied at the same time.

The charity has elected to early adopt the amendments for this financial year.

There are no changes to the charity's financial statements on transition.

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. Designated funds are unrestricted funds that have been set aside by the trustees for a particular purpose, as set out in note 16. The EEF is registered with the Charity Commission as a charitable trust linked to the Trust (charity registration number 263960-1) for registration and accounting purposes. The Trust, as the Sole Trustee of the EEF, has the power to convert endowment funds to expendable income. The Trust remains the reporting charity and produces only one set of accounts which includes the EEF.

Income

Donations

Donations 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 value to the charity of management and administration services provided by subsidiary undertakings to 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

1 Accounting policies for charity parent only (continued)



Income (continued)

Investment income - donations from subsidiary undertakings

Donations from subsidiary undertakings 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. The donations that the charity receives from its subsidiary undertakings are distributions from equity, and are recognised as investment income in the statement of financial activities.

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 irrecoverable withholding tax.

Expenditure

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

Raising funds

Raising funds comprises the investment management fees incurred by the EEF and are recognised as an expense in the period in which the services are received.

Charitable activities

Charitable giving

Charitable giving consists of grants approved in the year, net of returned grant payments and grant offers withdrawn. Charitable giving is recognised when the grant application is approved. Returned grants are recognised when received. Withdrawn grants are recognised when the withdrawal of the grant offer is communicated. Charitable giving which is contingent upon the satisfaction of certain conditions within the charity's control is not recognised until those conditions have been satisfied. Where conditions exist outside of the charity's control and the charity has no reasonable expectation that the condition will not be met, the charitable giving is recognised.

Other expenditure on charitable activities

Other expenditure on charitable activities includes shared costs (which contribute directly to more than one activity, such as expenses in respect of grant officers) and support costs (which are not attributable to a single activity, such as governance, finance and IT costs) including donated services. The bases for allocating costs to the specific activities are disclosed in note 7.

Net gains/(losses) on investments

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.

Taxation

Benefact Trust Limited and its linked charitable trust, the EEF, 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 EEF is recognised when the dividend is received.

Transfers between funds

Transfers between the funds are accounted for on an accruals basis and are recognised when the transfer is approved by the relevant Board.

NOTES TO THE CHARITY FINANCIAL STATEMENTS

1 Accounting policies for charity parent only (continued)



Financial instruments

The charity has elected to apply the recognition and measurement provisions of IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board as adopted by the UK.

(i) Classification and measurement

All financial assets are initially recognised at fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss (FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the charity's business model for managing the financial assets and the contractual terms of the cash flows.

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.

Debt instruments

All debt instruments held by the charity are measured at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the statement of financial activities.

Equity instruments

By default, the charity classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the statement of financial activities.

(ii) Impairment

The charity recognises a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The charity has elected to apply the simplified approach permitted by IFRS 9 and recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the charity's historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the charity recognises a lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the charity measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL. A lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. A 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to net income/(expenditure).

Impairment losses are presented within other expenditure on charitable activities in the statement of financial activities.

Investment in subsidiary undertakings

Investment in subsidiary undertakings are accounted for at historic cost less impairment.

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

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

3 Donations

During the year, the charity received a donation of £2.8m (2023: £0.5m) from Methodist Insurance PLC which was designated by the trustees.

The charity received £0.4m (2023: £0.4m) of donated services which the trustees have estimated as the value to the charity 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.

4 Donations from subsidiary undertakings

During the year, the charity received donations totalling £33.0m (2023: £13.0m) from EIO plc.

5 Dividend and interest income

	2024			2023		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	2,579	2,579	-	3,369	3,369
Debt securities						
- listed	-	-	-	-	384	384
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	184	7	191	194	(34)	160
	184	2,586	2,770	194	3,719	3,913



6 Charitable giving - grants

	Grants to institutions	Shared costs	Support costs	Total
2024	£000	£000	£000	£000
Community Impact Grants	10,575	257	151	10,983
Building Improvement Grants	2,970	108	151	3,229
Methodist Grants	2,237	63	151	2,451
Heritage Skills for Christian Buildings Grants	122	3	151	276
Crisis Response Grants	750	14	151	915
Recurrent Grants	6,278	37	151	6,466
Strategic Partnership Grants	2,499	18	151	2,668
Other Grants	93	6	151	250
Total grants awarded in the year	25,524	506	1,208	27,238
Return and withdrawal of grants awarded in prior years	(166)	-	-	(166)
Total grants net of returned and withdrawn grants	25,358	506	1,208	27,072
	Grants to institutions	Shared costs	Support costs	Total
2023 (Re-presented*)	£000	£000	£000	£000
Community Impact Grants	8,505	213	137	8,855
Building Improvement Grants	2,807	89	137	3,033
Methodist Grants	2,656	45	137	2,838
Heritage Skills for Christian Buildings Grants	275	9	137	421
Crisis Response Grants	850	18	137	1,005
Recurrent Grants	7,295	45	137	7,477
General Grants	1,064	22	137	1,223
Other Grants	307	2	137	446
Total grants awarded in the year	23,759	443	1,096	25,298
Return and withdrawal of grants awarded in prior years	(312)	-	-	(312)
Total grants net of returned and withdrawn grants	23,447	443	1,096	24,986

*Prior year comparatives for grants to institutions have been re-presented to separately disclose grants returned or withdrawn in the prior year.

A list of all grants awarded to institutions is published on Benefact Trust's website (www.benefacttrust.co.uk). The charity does not make grants to individuals. The five largest grants beneficiaries in the current year are as follows:

Beneficiary	Grant programme	Grants awarded £000
Archbishops' Council, Westminster, London	Strategic Partnership Grants	1,500
The Methodist Church in Great Britain, London	Methodist Grants	750
The Cathedrals' Workshop Fellowship, York, North Yorkshire	Strategic Partnership Grants	509
	Heritage Skills for Christian Buildings Grants	122
The General Synod of the Scottish Episcopal Church Nominees	Strategic Partnership Grants	490
	Recurrent Grants	14
The Diocese of London	Recurrent Grants	275



7 Other expenditure on charitable activities

Other charitable expenditure in the current year consists of £0.5m shared costs and £1.2m support costs incurred in the charity's grant making activities and can be analysed as follows:

	Community Impact Grants	Building Improvement Grants	Methodist Grants	Heritage Skills for Christian Buildings Grants	Basis of allocation
2024	£000	£000	£000	£000	
Shared costs	257	108	63	3	Mixed allocation*
Support costs:					
Governance costs	31	31	31	31	Equal allocation
Finance	12	12	12	12	Equal allocation
Information technology	13	13	13	13	Equal allocation
Buildings	8	8	8	8	Equal allocation
Corporate	18	18	18	18	Equal allocation
Other	69	69	69	69	Equal allocation
	151	151	151	151	
Other expenditure on charitable activities	408	259	214	154	

	Crisis Response Grants	Recurrent Grants	Strategic Partnership Grants	Other Grants	Basis of allocation
2024	£000	£000	£000	£000	
Shared costs	14	37	18	6	Mixed allocation*
Support costs:					
Governance costs	31	31	31	31	Equal allocation
Finance	12	12	12	12	Equal allocation
Information technology	13	13	13	13	Equal allocation
Buildings	8	8	8	8	Equal allocation
Corporate	18	18	18	18	Equal allocation
Other	69	69	69	69	Equal allocation
	151	151	151	151	
Other expenditure on charitable activities	165	188	169	157	

*Mixed allocation includes costs that are allocated either by time spent or are equally allocated across the grant programmes.

NOTES TO THE CHARITY FINANCIAL STATEMENTS



7 Other expenditure on charitable activities (continued)

Other charitable expenditure in the prior year consists of £0.4m shared costs and £1.1m support costs incurred in the charity's grant making activities and can be analysed as follows:

	Community Impact Grants £000	Building Improvement Grants £000	Methodist Grants £000	Heritage Skills for Christian Buildings Grants £000	Basis of allocation
2023					
Shared costs	213	89	45	9	Mixed allocation*
Support costs:					
Governance costs	37	37	37	37	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	9	9	9	9	Equal allocation
Buildings	11	11	11	11	Equal allocation
Corporate	10	10	10	10	Equal allocation
Other	66	66	66	66	Equal allocation
	137	137	137	137	
Other expenditure on charitable activities	350	226	182	146	

	Crisis Response Grants £000	Recurrent Grants £000	General Grants £000	Other Grants £000	Basis of allocation
2023					
Shared costs	18	45	22	2	Mixed allocation*
Support costs:					
Governance costs	37	37	37	37	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	9	9	9	9	Equal allocation
Buildings	11	11	11	11	Equal allocation
Corporate	10	10	10	10	Equal allocation
Other	66	66	66	66	Equal allocation
	137	137	137	137	
Other expenditure on charitable activities	155	182	159	139	

*Mixed allocation includes costs that are allocated either by time spent or are equally allocated across the grant programmes.



8 Taxation

Benefact Trust Limited and its linked charitable trust, the EEF, is a registered charity and is exempt from corporation tax. The £0.1m (2023: £0.1m) tax charge recognised in the statement of financial activities relates to irrecoverable withholding tax on dividends received from overseas equity investments held by the EEF.

9 Employee information

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

The average monthly number of full-time equivalent employees of the subsidiary company who carried out the charity's activities during the year was fourteen (2023: eleven). All employees were employed in the United Kingdom in both the current and prior year.

	2024 £000	2023 £000
Wages and salaries	792	661
Social security costs	89	73
Pension costs - defined contribution plans	76	58
	<u>957</u>	<u>792</u>

In the current year, two employees received recharged employee benefits within the £60,001-£70,000 band, one employee received recharged employee benefits within the £70,001-£80,000 band, two employees received recharged employee benefits within the £80,001-£90,000 band, one employee received recharged employee benefits within the £110,001-£120,000 band and one employee received recharged employee benefits within the £140,001-£150,000 band. In the prior year, two employees received recharged employee benefits within the £70,001-£80,000 band, two employees received recharged employee benefits within the £80,001-£90,000 band, and one employee received recharged employee benefits within the £90,001-£100,000 band.

10 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Four trustees (2023: three trustees), who during the year were also directors of subsidiary undertakings, received remuneration from those subsidiaries in respect of their services as directors of those subsidiaries. Details of the remuneration they received are disclosed in note 27 to the consolidated financial statements.

During the year the charity reimbursed expenses totalling £2,000 (2023: £5,000) which were incurred by four trustees primarily in respect of travel (2023: six trustees primarily in respect of travel).

In addition, the charity paid direct expenses totalling £12,000 (2023: £4,000) which were incurred by eight trustees primarily in respect of travel and subsistence (2023: five trustees, primarily in respect of travel, subsistence and training).

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

11 Key management remuneration

Key management remuneration of the charity, including employee benefits, pensions and social security costs, in the year was £0.4m (2023: £0.3m). Key management remuneration includes amounts recharged to the charity and services donated to the charity. Details of the key management of the charity can be found in the Trustees' Report.



12 Investments

	2024			2023		
	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	-	118,555	118,555	-	112,463	112,463
Debt securities						
- listed	-	-	-	-	1,577	1,577
Total investments at fair value	-	118,555	118,555	-	114,040	114,040
Financial assets at historic cost						
Investment in subsidiary	50	-	50	50	-	50
Total investments at historic cost	50	-	50	50	-	50
Total investments	50	118,555	118,605	50	114,040	114,090

The value of the investment in subsidiary on a historical cost basis is £50,000 (2023: £50,000). At the year end the subsidiary had consolidated net assets of £544.0m (2023: £532.0m).

No investments in the EEF were classified as level 3 in the current or prior year. Level 3 investments are those whose fair value is measured using inputs that are not based on observable market data.

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

Reconciliation of the movement in financial assets:

	Unrestricted funds	Endowment funds	Total funds
2024	At historic cost	At fair value	
	£000	£000	£000
At 1 January	50	114,040	114,090
Additions at cost	-	16,704	16,704
Sale proceeds	-	(22,190)	(22,190)
Net fair value gains	-	10,001	10,001
At 31 December	50	118,555	118,605
	Unrestricted funds	Endowment funds	Total funds
2023	At historic cost	At fair value	
	£000	£000	£000
At 1 January	50	109,615	109,665
Additions at cost	-	76,396	76,396
Sale proceeds	-	(79,229)	(79,229)
Net fair value gains	-	7,258	7,258
At 31 December	50	114,040	114,090



13 Debtors

	2024			2023		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Prepayments and accrued income	20	109	129	2	160	162
Other debtors	-	-	-	3	-	3
	20	109	129	5	160	165

No expected credit loss has been recognised in the current or prior year.

14 Cash at bank and in hand

	2024			2023		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Short term deposits	19,509	617	20,126	12,932	2,934	15,866
Cash at bank and in hand	13,882	-	13,882	42	-	42
	33,391	617	34,008	12,974	2,934	15,908

15 Creditors

	2024			2023		
	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	5,602	-	5,602	4,767	-	4,767
Amounts owed to related undertakings	6	66	72	2	-	2
Other creditors	239	3	242	156	37	193
	5,847	69	5,916	4,925	37	4,962
Amounts falling due after one year:						
Accruals for grants payable	1,675	-	1,675	1,407	-	1,407
	1,675	-	1,675	1,407	-	1,407



16 Summary of fund movements

	Unrestricted funds			Total £000
	General funds £000	Designated funds £000	Endowment funds £000	
Fund balance at 1 January 2024	4,519	2,178	117,097	123,794
Income	33,584	2,826	2,586	38,996
Expenditure	(24,906)	(2,166)	(427)	(27,499)
Taxation	-	-	(141)	(141)
Fair value gains on investments	-	-	10,001	10,001
Gross transfers to unrestricted funds	8,632	1,272	(9,904)	-
Fund balance at 31 December 2024	21,829	4,110	119,212	145,151
Fund balance at 1 January 2023	11,681	1,982	110,556	124,219
Income	13,521	543	3,719	17,783
Expenditure	(22,410)	(2,576)	(347)	(25,333)
Taxation	-	-	(133)	(133)
Fair value gains on investments	-	-	7,258	7,258
Gross transfers to unrestricted funds	3,727	229	(3,956)	-
Gross transfers to designated funds	(2,000)	2,000	-	-
Fund balance at 31 December 2023	4,519	2,178	117,097	123,794

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.

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 designated £4.1m (2023: £2.8m).

The endowment fund is a restricted capital fund of expendable endowment, the charitable purpose of which is to exclusively advance the charitable purposes of the Trust for the public benefit. During the year £9.9m (2023: £4.0m) was donated from the EEF to the unrestricted fund to support its charitable giving activities.

17 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. A full list of related undertakings is disclosed in note 48. Transactions between the charity and its trustees, who are related parties, are disclosed in note 10.

	2024	2023
	£000	£000
Donations received	33,000	13,000
Expenses recharged	(968)	(820)
Investment management fees paid	(263)	(177)
Amounts due to related parties	(72)	(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 2024



	Notes	2024			2023		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income from:							
Donations		2,800	-	2,800	500	-	500
Other trading activities							
Income arising from trading activities	20	797,820	-	797,820	705,425	-	705,425
Investments							
Dividend, interest and rental income	21	48,533	2,586	51,119	43,224	3,719	46,943
Total income		849,153	2,586	851,739	749,149	3,719	752,868
Expenditure on:							
Raising funds		-	(427)	(427)	-	(347)	(347)
Charitable activities							
Grants		(25,358)	-	(25,358)	(23,447)	-	(23,447)
Other expenditure on charitable activities		(1,287)	-	(1,287)	(1,169)	-	(1,169)
Other							
Charitable donations paid by trading subsidiaries		(3,702)	-	(3,702)	(3,137)	-	(3,137)
Expenditure arising from trading activities	20	(798,604)	-	(798,604)	(720,860)	-	(720,860)
Total expenditure		(828,951)	(427)	(829,378)	(748,613)	(347)	(748,960)
Net gains on investments	22	21,557	10,001	31,558	9,007	7,258	16,265
Profit on disposal of business	33	5,187	-	5,187	-	-	-
Loss on disposal of associate	34	-	-	-	(1,130)	-	(1,130)
Taxation	23	(10,314)	(141)	(10,455)	(5,106)	(133)	(5,239)
		36,632	12,019	48,651	3,307	10,497	13,804
Net income/(expenditure) in the year							
a. arising from the charity		(23,662)	12,019	(11,643)	(23,922)	10,497	(13,425)
b. arising from trading activities							
attributable to the parent		49,804	-	49,804	18,447	-	18,447
attributable to non-controlling interests		10,490	-	10,490	8,782	-	8,782
	24	36,632	12,019	48,651	3,307	10,497	13,804

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

for the year ended 31 December 2024



	Notes	2024			2023		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Transfer between funds							
Gross transfers to unrestricted funds	42	9,904	(9,904)	-	3,956	(3,956)	-
Other recognised (losses)/gains							
Gains on revaluation of fixed assets		-	-	-	850	-	850
Actuarial (losses)/gains on retirement benefits	41	(2,169)	-	(2,169)	4,535	-	4,535
Other losses							
<i>Currency translation differences</i>	43	(9,325)	-	(9,325)	(4,033)	-	(4,033)
Gains on net investment hedges	43	8,809	-	8,809	4,859	-	4,859
Tax attributable to other recognised gains/(losses)	23	(838)	-	(838)	(2,038)	-	(2,038)
Non-controlling interests	45	(10,490)	-	(10,490)	(8,782)	-	(8,782)
Net movement in funds excluding non-controlling interests		32,523	2,115	34,638	2,654	6,541	9,195
Reconciliation of funds:							
Total funds brought forward	42	538,377	117,097	655,474	535,245	110,556	645,801
Transition adjustment on adoption of IFRS 9		-	-	-	478	-	478
Transition adjustment on adoption of Periodic Review 2024 amendments to FRS 102	18	(1,755)	-	(1,755)	-	-	-
Total funds carried forward		569,145	119,212	688,357	538,377	117,097	655,474

The accompanying notes on pages 78 to 150 are an integral part of these consolidated financial statements.

Included within the prior year are the operations of Lloyd and Whyte Group Limited (L&W) for the six months from 30 June 2023. Further information on the acquisition can be found in note 35.

CONSOLIDATED BALANCE SHEET

at 31 December 2024



	Notes	2024 Total funds £000	Restated* 2023 Total funds £000
Fixed assets			
Intangible assets	28	138,267	127,525
Tangible assets	29	45,496	16,633
Investment property	30	128,563	130,813
Investments	31	1,563,250	1,526,932
Investment in associate	34	209	408
Total fixed assets		1,875,785	1,802,311
Current assets			
Debtors	36	309,350	293,117
Cash at bank and in hand	37	170,732	164,222
Total current assets		480,082	457,339
Liabilities			
Creditors: amounts falling due within one year	38	(130,460)	(98,280)
Net current assets		349,622	359,059
Total assets less current liabilities		2,225,407	2,161,370
Creditors: amounts falling due after one year	38	(2,165)	(2,479)
Provisions for liabilities	39	(1,409,915)	(1,377,072)
Subordinated liabilities	40	(25,112)	(25,853)
Net assets excluding retirement benefit obligations		788,215	755,966
Net pension asset	41	17,552	19,788
Other retirement benefit obligations	41	(4,332)	(4,801)
Total net assets including retirement benefit obligations		801,435	770,953
The funds of the charity:			
Unrestricted funds			
General funds	42	21,829	4,519
Designated funds	42	4,110	2,178
Revaluation reserve	42	-	856
Non-charitable trading reserves	42	525,453	511,174
Translation and hedging reserve	43	17,753	19,650
		569,145	538,377
Restricted funds			
Endowment funds	42	119,212	117,097
Total funds (excluding non-controlling interests)		688,357	655,474
Non-controlling interests	45	113,078	115,479
Total funds		801,435	770,953

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors, £18.5m decrease to cash at bank and in hand and £19.5m decrease to creditors, in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement.

The accompanying notes on pages 78 to 150 are an integral part of these consolidated financial statements.

The consolidated financial statements of Benefact Trust Limited registration number 1043742, on pages 73 to 150 were approved and authorised for issue by the Board on 1 May 2025 and signed on its behalf by:

Tim Carroll
Chairman

Revd Paul Davis
Trustee

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2024



		<i>Restated*</i>
	2024	2023
	£000	£000
Cash flows from operating activities:		
Net income for the reporting period	48,651	13,804
Adjustments for:		
Depreciation of property, plant and equipment	8,560	3,466
Revaluation of property, plant and equipment	-	(35)
Profit on disposal of property, plant and equipment	(68)	-
Amortisation and impairment of intangible assets	17,225	11,934
Movement in expected credit loss provision	(37)	183
Loss on disposal of intangible assets	-	165
Share of loss/(profit) of associate	200	(365)
Tax expense	10,455	5,239
Loss before tax on disposal of interest in associate	-	1,130
Profit before tax on disposal of business	(5,187)	-
Net gains on financial investments and investment property	(31,558)	(16,230)
Dividend and interest income from investments	(35,966)	(37,031)
Finance costs	3,948	2,311
(Increase)/decrease in debtors	(24,900)	21,748
Increase/(decrease) in creditors	5,577	(2,345)
Increase in provisions	32,992	10,340
Adjustment for pension funding	(428)	(35)
Increase/(decrease) in retirement benefit obligation	26	(39)
Proceeds from the sale of investment property by trading subsidiaries	5,080	3,382
Proceeds from the sale of financial investments by trading subsidiaries	162,075	183,876
Purchase of financial investments by trading subsidiaries	(172,177)	(212,218)
Dividends received by trading subsidiaries	13,110	13,068
Interest received by trading subsidiaries	18,864	20,944
Tax paid by trading subsidiaries	(10,308)	(4,780)
Cumulative translation differences recycled to statement of financial activities	505	1,027
Net cash provided by operating activities	46,639	19,539

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors, £18.5m decrease to cash at bank and in hand and £19.5m decrease to creditors, in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement.

The comparative financial statements have also been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance from the acquisition cash flows on acquisition of the Lloyd & Whyte Group Limited (L&W) in the prior year. This restatement includes £14.8m decrease to the cash flows from the acquisition of interest in subsidiary, net of cash acquired, and £14.8m increase to net increase/(decrease) in creditors.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2024



	Notes	2024 £000	Restated* 2023 £000
Cash flows from investing activities:			
Purchases of property, plant and equipment		(4,468)	(3,853)
Proceeds from the sale of property, plant and equipment		1,963	44
Purchases of intangible assets		(8,651)	(2,734)
Purchase of investments by parent charity		(16,704)	(76,396)
Proceeds from the sale of investments by parent charity		22,190	79,229
Acquisition of business, net of cash acquired		(1,536)	(1,115)
Acquisition of interest in subsidiary, net of cash acquired		(17,002)	5,636
Disposal of business, net of cash transferred		5,187	-
Dividend and interest income from parent charity investments		2,690	4,000
Net cash (used in)/provided by investing activities		(16,331)	4,811
Cash flows from financing activities:			
Interest paid by trading subsidiaries		(3,315)	(1,652)
Payment of lease liabilities		(3,019)	(210)
Payment of group tax in excess of standard rate		(3,837)	(60)
Proceeds from other borrowings		(48)	-
Dividends paid to non-controlling interests of subsidiaries		(10,074)	(8,782)
Net cash used in financing activities		(20,293)	(10,704)
Change in cash and cash equivalents in the reporting period		10,015	13,646
Cash and cash equivalents at the beginning of the reporting period		164,222	152,716
Change in cash and cash equivalents in the reporting period		10,015	13,646
Change in cash and cash equivalents due to exchange rate movements		(3,505)	(2,140)
Cash and cash equivalents at the end of the reporting period	37	170,732	164,222

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors, £18.5m decrease to cash at bank and in hand and £19.5m decrease to creditors, in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement.

The comparative financial statements have also been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance from the acquisition cash flows on acquisition of the Lloyd & Whyte Group Limited (L&W) in the prior year. This restatement includes £14.8m decrease to the cash flows from the acquisition of interest in subsidiary, net of cash acquired, and £14.8m increase to net increase/(decrease) in creditors.

The accompanying notes on pages 78 to 150 are an integral part of these consolidated financial statements.

An analysis of change in net debt can be found in note 44.



18 Accounting policies for consolidated financial statements

The material 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 here, 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*, issued March 2024; the Companies Act 2006 (the Act); and 'Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 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 50 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 Benefact Trust's subsidiaries 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 presentational currency.

Except for the changes explained below, the accounting policies detailed within this note have been applied consistently to all periods presented in these consolidated financial statements.

Changes in accounting policy

In March 2024, the Financial Reporting Council (FRC) introduced significant amendments to FRS 102 to improve the quality of financial reporting. These changes aim to better align FRS 102 with International Financial Reporting Standards (IFRS) in key areas, ensuring the provision of reliable and useful information. The amendments are designed to enhance comparability, minimise differences with IFRS, and ensure that entities account for transactions accurately and consistently.

These amendments are effective for accounting periods beginning on or after 1 January 2026. Early adoption is permitted, provided that all amendments are applied at the same time.

The Benefact Trust group of companies has elected to early adopt the amendments from 1 January 2024.

On 1 January 2024, a reduction of £1.8m in non-charitable trading reserves was recognised. This reduction included a £1.9m decrease related to leases and a £0.5m decrease due to the recognition of deferred income, offset with a £0.6m increase as a result of the impact of deferred tax. The material changes to the consolidated financial statements are as follows:

Revenue recognition

Section 23, Revenue from Contracts with Customers, has implemented a five-step model for revenue recognition. Under this model, revenue is allocated to the performance obligations within the contract and recognised as these obligations are fulfilled.

On transition, £0.5m of deferred income has been recognised within creditors in the consolidated balance sheet to reflect revenue that has been received ahead of the relevant performance obligation(s) being satisfied.

As permitted by FRS 102, the Benefact Trust group of companies has elected not to restate prior year comparatives, and instead the impact on transition has been recognised as a £0.5m reduction to non-charitable trading reserves at 1 January 2024. The resulting deferred tax impact led to an offsetting increase in non-charitable trading reserves of £0.1m. The amended revenue recognition model has only been applied to contracts that were not completed at 1 January 2024.

Leases

The amendments to Section 20 *Leases* removes the distinction between operating and finance leases for lessees. Consequently, leases are now recognised on the balance sheet as a right-of-use (RoU) asset with a corresponding lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Changes in accounting policy (continued)

Leases (continued)

Impact on the consolidated balance sheet:

When an entity has already determined the carrying amounts of lease liabilities and RoU assets under IFRS 16 *Leases* for inclusion in consolidated financial statements prepared in accordance with IFRS, FRS 102 permits the use of these values as a practical expedient on transition. As such, the Benefact Trust group of companies has elected to recognise the carrying amounts of the lease liabilities and RoU assets as calculated and recognised by its trading subsidiaries under IFRS 16 as at the date of transition.

On transition, leases previously classified as 'operating leases' were brought onto the balance sheet as follows:

- A lease liability measured at the net present value of:
 - fixed payments less any lease incentives receivable;
 - variable lease payments that are based on an index or rate;
 - amounts expected to be payable by the lessee under residual value guarantees;
 - the exercise price of an option if the lessee is reasonably certain to exercise that option; and
 - payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.
- RoU assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and comprises:
 - the amount of the initial measurement of lease liability;
 - any lease payment made at or before the commencement date, less any lease incentives received;
 - any initial direct costs; and
 - restoration costs.

In line with the requirements of FRS 102, prior year comparatives have not been restated. Instead, the cumulative impact on transition has been recognised as a £1.9m decrease in non-charitable trading reserves at 1 January 2024. The impact on individual lines in the balance sheet arising from changes in accounting for leases are as follows:

	At 31 December		At 1 January
	2023	Adjustment	2024
	£000	£000	£000
Tangible assets	16,633	27,886	44,519
Debtors	293,608	(852)	292,756
Creditors	(119,777)	(27,052)	(146,829)
Provisions for liabilities	(1,377,072)	(1,833)	(1,378,905)
Non-charitable trading reserves	511,174	(1,851)	509,323

For leases previously classified as finance leases under FRS 102, the Benefact Trust group of companies recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying value of the RoU asset and lease liability at the date of initial application.

Impact on the Statement of Financial Activities:

In the prior year, operating lease rentals were recognised within expenditure arising from trading activities in the statement of financial activities (SoFA). In the current year, depreciation of the RoU assets and interest on lease liabilities is recognised within expenditure arising from trading activities in the SoFA.

In the prior year, net income was determined after charging £4.2m related to leases previously categorised as operating leases, and after charging depreciation of £69,000 and interest of £43,000 on leases previously categorised as finance leases. In the current year, net income has been calculated after charging £4.7m of depreciation on right-of-use assets and £1.6m of interest on lease liabilities.

As permitted by the standard, the Benefact Trust group of companies has elected not to reassess whether a contract is, or contains, a lease at the date of initial application and will apply the amendments to all contracts treated as a lease immediately prior to adoption.

As comparative information has not been restated to reflect the adoption of the new accounting policies, prior year comparatives continue to be reported under FRS 102 as issued in January 2022. Accounting policies applied in the prior but not current year are identified within this note.

Other amendments made to FRS 102 had no material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the charity, directly or indirectly, has control, with control being achieved when the charity has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated statement of financial activities, and the consolidated statement of cash flows, up to the date of disposal. All inter-company transactions, balances and cash flows are eliminated.

The Benefact Trust group of companies 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. Non-controlling interests are measured at a proportionate share of the identifiable net assets of the acquiree. Goodwill is measured 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

Associates are those entities over which the Benefact Trust group of companies 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 Benefact Trust group of companies' share of the net income/(expenditure) and other recognised gains/(losses) of the associate. When the Benefact Trust group of companies' share of losses of an associate exceeds its interest in that associate, the Benefact Trust group of companies discontinues recognising its share of further losses. Additional losses are recognised by a provision only to the extent that the Benefact Trust group of companies has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Benefact Trust group of companies' presentational 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.

Income and expenditure arising from trading subsidiaries

Income and expenditure from insurance contracts

(i) Product classification

Contracts under which the trading subsidiaries accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the trading subsidiaries life business contracts written up to April 2013 are classified as insurance contracts. The book closed to new business in 2013 and reopened for business in 2021. Life business contracts written from August 2021 are classified as investment contracts.

Insurance contracts issued and reinsurance contracts held may be initiated by the trading subsidiaries, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' held include contracts issued, initiated, or acquired by the trading subsidiaries, unless otherwise stated.

(ii) Separating components

The trading subsidiaries assess their insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under FRS 102. After separating any distinct components, the trading subsidiaries apply IFRS 17 *Insurance contracts* which has been adopted within the requirements of FRS 103 *Insurance contracts* to all remaining components of the host insurance contract. The trading subsidiaries' insurance and reinsurance contracts do not include any components that require separation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Income and expenditure from insurance contracts (continued)

(iii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components) and legal entities within the Benefact Trust group of companies.

The trading subsidiaries' life insurance business comprises whole of life insurance contracts with similar risks which are managed together. These are aggregated into a single portfolio of insurance contracts.

Each annual cohort of business or portfolio recognised is further divided into groups based on the expected profitability, determined at initial recognition:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

Contracts are considered onerous if the fulfilment cashflows allocated to that group of contracts in total are a net outflow.

As the fair value approach has been applied on transition to the trading subsidiaries' life insurance business, the trading subsidiaries are not required to recognise separate annual cohorts for contracts issued more than one year apart.

(iv) Recognition and derecognition

An insurance contract issued by the trading subsidiaries is recognised from the earliest of:

- The date the trading subsidiary is exposed to risk;
- The date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when received from the policyholder; or
- The date when facts and circumstances indicate the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts. However, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future similar contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the initial contract is derecognised and a new contract is recognised based on the modified terms.

When a modification is not treated as a derecognition, the trading subsidiaries recognise amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage (LRC).

(v) Contract boundaries

The concept of contract boundary is used to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group.

(vi) Risk adjustment

The risk adjustment reflects the compensation required by the trading subsidiaries for bearing uncertainty about the cash flows that arise from non-financial risks. A combination of techniques are used to measure the risk adjustment, aligning to latest risk appetite approach. The risk adjustment, in relation to life insurance, is calculated at entity level.

Given that the trading subsidiaries' non-life and life insurance businesses are managed separately, subject to different risk profiles, and the compensation required for bearing the associated non-financial risks is measured using different risk time horizons, the overall confidence levels disclosed for the risk adjustment for these components may differ from each other.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



(vii) Insurance revenue

General Measurement Model

As the trading subsidiaries provide services under the group of insurance contracts, the LRC is reduced and insurance revenue is recognised. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the trading subsidiaries expect to be entitled to in exchange for those services. Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
 - Amounts related to the loss component;
 - Repayments of investment components;
 - Amounts of transaction-based taxes collected in a fiduciary capacity; and
 - Insurance acquisition expenses.
 - Changes in the risk adjustment for non-financial risk, excluding:
 - Changes included in insurance finance income or expenses;
 - Changes that relate to future coverage (which adjust the Contractual Service Margin (CSM));
 - Amounts allocated to the loss component; and
 - Amounts of the CSM recognised in profit or loss for the services provided in the period.
 - Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

Premium Allocation Approach

In addition to the above, under the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided. The trading subsidiaries allocate the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses. Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(viii) Insurance service expenses

Insurance service expenses incurred by the trading subsidiaries include fulfilment cash flows and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. Insurance service expenses are recognised within expenditure arising from trading activities in the consolidated statement of financial activities and are comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the liability for incurred claims (LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is done on a straight line basis and is reflected in insurance service expenses, included within expenditure arising from trading activities, in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, included within income arising from trading activities, as described above. Other expenses not meeting the above categories are included in expenditure arising from trading activities in the consolidated statement of financial activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



General insurance

(ix) Measurement model – Premium Allocation Approach (PAA)

The trading subsidiaries apply the PAA model when measuring the LRC of groups of insurance and reinsurance contracts when the following criteria are met at inception:

Insurance contracts:

- The coverage period of each contract in the group is one year or less; or
- Where the coverage period of a group of contracts is longer than one year, it is reasonably expected that the measurement of the LRC for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM).

Reinsurance contracts held:

- The coverage period of each contract in the group is one year or less; or
- The trading subsidiaries reasonably expect that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

The vast majority of the trading subsidiaries' general insurance business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financial effects are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible.

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date. For reinsurance contracts held, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to recoveries from future underlying insurance contracts that have not yet been issued by the trading subsidiaries, but are expected to be issued during the coverage period of the reinsurance contract held.

Subsequent recognition

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses; and
- Decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

For reinsurance contracts held, at each of the subsequent reporting dates, the trading subsidiaries apply the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts.

To identify onerous contracts, the PAA facts and circumstances test uses the latest signed-off Corporate Strategic Plan of the Benefact Group, identifying sets of contracts with a gross combined operating ratio (COR) > 100% (including risk adjustment), when aligned to the relevant period being tested. Where the trading subsidiaries recognise a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the trading subsidiaries establish a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the trading subsidiaries expect to recover from the group of reinsurance contracts held.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the trading subsidiaries recognise a loss within expenditure arising from trading activities in the consolidated statement of financial activities and increase the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. Measurement of the loss component arising from the identification of onerous contracts is based on the future expected profitability calculation attributed to the annual cohort(s) which are indicated to be loss making.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



(ix) Measurement model – Premium Allocation Approach (PAA) (continued)

Subsequent recognition (continued)

The trading subsidiaries recognise the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to claims incurred but not yet settled and attributable expenses.

Discount rates are applied to reflect the time value of money and characteristics of the liability cash flows and contracts (including liquidity).

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the consolidated statement of financial activities within expenditure arising from trading activities when it is a loss and within income arising from trading subsidiaries when it is a gain.

The loss arising from onerous contracts is recognised as part of the expenditure arising from trading activities in the consolidated statement of financial activities. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised within expenditure arising from trading activities in the consolidated statement of financial activities in line with the pattern of earned premium.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the LRC recognised within provisions for liabilities in the consolidated balance sheet. Insurance acquisition cash flows include direct costs and indirect costs. The PAA provides an option to expense insurance acquisition cash flows as incurred, however the Benefact Trust group of companies has chosen not to apply this option. Insurance acquisition cash flows are amortised over the coverage period of the group of insurance contracts to which they relate.

Under IFRS 17, insurance acquisition cash flows for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts are included in the measurement of insurance contracts issued.

Net income/expenses from reinsurance contracts

Net income earned or expenses incurred by the trading subsidiaries from reinsurance contracts represents the insurance service result for groups of reinsurance contracts held and comprises of the allocation of reinsurance premiums and other incurred directly attributable claims and expenses.

Reinsurance premiums and expenses are recognised using the principles used to determine insurance revenue and expenses. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the trading subsidiaries expect to pay in exchange for those services.

The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

Reinsurance cash flows that are contingent on claims on the underlying contracts are treated as part of the claims that are expected to be recovered under the reinsurance contract held.

Life insurance

(x) Measurement Model – General Measurement Model (GMM)

The GMM is the default method used to measure insurance contracts under IFRS 17.

Initial recognition

On initial recognition, the carrying amount of the LRC is measured as the sum of discounted probability-weighted fulfilment cash flows within the contract boundary, an explicit risk adjustment and a CSM, representing the unearned profit of the contract to be recognised as revenue over the coverage period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Life insurance (continued)

Initial recognition (continued)

If the portfolio of contracts is expected to be onerous at inception, the loss is recognised immediately within expenditure arising from trading activities in the consolidated statement of financial activities and the CSM is set to zero.

Subsequent measurement

The carrying amount of the LRC is updated at each reporting date to reflect the re-measurement of the fulfilment cash flows to reflect estimates based on current assumptions. The changes in fulfilment cash flows are reflected either in the insurance service result or by adjusting the CSM, depending upon their nature. If the fulfilment cash flows exceed the CSM, the portfolio of contracts becomes onerous, and the loss is recognised immediately within expenditure arising from trading activities in the consolidated statement of financial activities.

The LIC of a group of insurance contracts is recognised at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and attributable expenses.

Insurance acquisition cash flows

For life insurance contracts held by the trading subsidiaries, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. As with general insurance business, those attributable are included in the measurement of insurance contracts issued and reinsurance contracts held.

Non-insurance revenue and expenses

Fee and commission income

From 1 January 2024, the Benefact Trust group of companies has early adopted the amendments to FRS 102 issued in March 2024. The accounting policies for fees and commissions applied in the current year are as follows:

Income generated from the trading subsidiaries' insurance broking activities is recognised at the point at which the performance obligation is satisfied, being the inception date of the insurance cover, or, where this income is variable, the point at which it is reasonably certain that no significant reversal of the amount recognised would occur. An estimate is made for the amount of fees and commission that may be clawed back as a result of policy cancellations or amendments in relation to performance obligations satisfied in the year. This is deducted from fee and commission income and recognised in provisions. Where commission or fees are received in advance of the inception date of cover, deferred income is recognised. Receivables are recognised in other debtors on inception date of cover in respect of fees or commissions that the trading subsidiaries have an unconditional right to receive.

Initial adviser and initial management fees from the trading subsidiaries' advisory activities are recognised at a point in time. Administration fees are recognised over time as services are provided. On-going service fees and management charge rebates, which are variable based on the value of funds invested or value of assets under administration, are recognised over time as services are provided and once it is reasonably certain that no significant reversal of the amount recognised would occur.

Fees charged for investment management services are variable based on funds under management and are recognised over time as the services are provided, once it is reasonably certain that no significant reversal of the amount recognised would occur. Fees charged for investment management services for institutional and retail fund management are also recognised on this basis. 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.

The accounting policies for fee and commission income applied in the prior year are as follows:

Income generated from the 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. Receivables are recognised in trade debtors on inception date of cover in respect of fees or commissions that the trading subsidiaries have an unconditional right to receive.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



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 consolidated 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.

Insurance contract liabilities

Insurance contract liabilities are measured as the sum of the LIC and LRC. The LIC represents the obligation to pay valid claims for insured events that have occurred, which may also include events that have already occurred but have not been reported to the trading subsidiaries. The LRC represents the trading subsidiaries liability for insured events that have not yet occurred under the insurance contract under IFRS 17. Insurance revenue in each reporting period represents the change in the LRC that relates to services for which the trading subsidiaries expect to receive consideration.

Investment contract liabilities

For products that have no significant insurance risk and are therefore classified as investment contracts a liability measured at fair value is recognised. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Taxation

Taxation comprises current and deferred tax. Tax is included in calculating the net income/(expenditure) for the year except to the extent it relates to items recognised in other gains/(losses), in which case it is recognised in other gains/(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.

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.

In July 2023, the Financial Reporting Council issued Amendments to FRS 102 'International tax reform – Pillar Two model rules'. The amendments relate to the implementation of the Organisation for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) Pillar Two Model Rules. It is anticipated that the trading subsidiaries will be impacted by these rules from 2025. As required by the amendment, the trading subsidiaries have applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is capitalised in the balance sheet and amortised through the statement of financial activities over its estimated useful economic life, on a straight-line basis. Goodwill is tested annually for impairment and 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. Gains and losses on the disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill relating to the entity sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Intangible assets (continued)

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. Amortisation and impairment charges incurred for the period are 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. Amortisation and impairment charges incurred for the period are included in the statement of financial activities within expenditure arising from trading activities.

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 fair 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. Right-of-use assets are initially measured at cost and subsequently measured as cost less accumulated depreciation. All other items classified as tangible fixed assets are carried at historical cost less accumulated depreciation and impairment.

Land is not depreciated. No depreciation is provided on owner-occupied properties since such depreciation would be immaterial.

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
Fixtures, fittings and office equipment	3 - 10 years, or length of lease straight line
Right-of-use assets	The shorter of the lease term and useful life of the asset

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 at open market value. Where the Benefact Trust group of companies disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of financial activities within net gains/(losses) on investments.

Financial instruments

The Benefact Trust group of companies has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments, issued by the International Accounting Standards Board as adopted by the UK.

(i) Classification and measurement

All financial assets are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss (FVTPL)) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Financial instruments (continued)

(a) Debt instruments

There are three measurement categories into which the Benefact Trust group of companies classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income from these financial assets is included in dividend, interest and rental income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI, except where an election is made to classify as FVTPL. Movements in the carrying amount are taken through other gains/(losses) in the consolidated statement of financial activities, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in net income/(expenditure). When the financial asset is derecognised, the cumulative gain or loss previously recognised in other gains/(losses) is reclassified from reserves to net income/(expenditure) and recognised in net gains/(losses) on investments. Interest income from these financial assets is included in dividend, interest and rental income using the effective interest rate method.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. A gain or loss on a debt investment that is measured at FVTPL is recognised in the consolidated statement of financial activities and presented within net gains/(losses) on investments.

(b) Equity instruments

There are two measurement categories into which the Benefact Trust group of companies classifies its equity instruments:

- Fair value through profit or loss (FVTPL): By default, equity investments are classified and measured at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the consolidated statement of financial activities.
- Fair value through other comprehensive income (FVOCI): An irrevocable election can be made (on an instrument-by-instrument basis) on the date of acquisition to classify and measure equity instruments at FVOCI. Designation is not permitted if the equity instrument is held for trading. Where this election has been made, there is no subsequent reclassification of other recognised gains/(losses) following the derecognition of the investment. Dividends from such investments continue to be recognised within dividend, interest and rental income from investments when the right to receive payments is established.

(ii) Impairment

The Benefact Trust group of companies recognise a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or FVOCI. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The Benefact Trust group of companies elects to apply the simplified approach permitted by IFRS 9 and recognises a lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Benefact Trust group of companies historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the Benefact Trust group of companies recognises a lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Benefact Trust group of companies measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. A 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to net income/(expenditure).

Impairment losses are presented within expenditure arising from trading activities in the consolidated statement of financial activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



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. The trading subsidiaries hold client money in segregated accounts and does not include these funds as assets on its balance sheet. Client money is held in a fiduciary capacity and is not controlled by the trading subsidiaries, nor does it provide economic benefits to the trading subsidiaries.

Provisions and contingent liabilities

Provisions are recognised when the trading subsidiaries have a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the trading subsidiaries expect a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.

The trading subsidiaries recognise a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

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 consolidated 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.

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 at the end of each reporting period.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Use of Alternative Performance Measures (APM)

The trading subsidiaries use certain key performance indicators which provide useful information and aim to enhance understanding of their performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS 17. Note 51 provides details of how these key performance indicators reconcile to the results reported under IFRS 17.

Leases

Group as lessee

From 1 January 2024, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the lease asset is available for use by the trading subsidiaries. Each lease payment is deducted from the lease liability. Finance costs are charged to the statement of financial activities over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities are determined using the net present value of the payments over the lease term with the rate used to discount payments reflecting the rate implicit in the lease or, if it is not readily determinable, the lessees incremental borrowing rate, and include:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that are based on an index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of an option if the lessee is reasonably certain to exercise that option; and
- Payments and penalties from terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are initially measured at cost and subsequently measured as cost less accumulated depreciation and comprises:

- The amount of the initial measurement of lease liability;
- Any lease payment made at or before the commencement date, less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are presented within tangible assets in the balance sheet.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the statement of financial activities. Short-term leases are leases with a lease term of 12 months or less.

The accounting policies applied in the prior year are as follows:

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 Benefact Trust group of companies 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 Benefact Trust group of companies, 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.

Group as lessor

The Benefact Trust group of companies enters into lease agreements as a lessor with respect to some of its investment properties. The Benefact Trust group of companies also sublets property that they no longer occupy.

Leases for which the Benefact Trust group of companies is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 Accounting policies for consolidated financial statements (continued)



Leases (continued)

Group as lessor (continued)

When the Benefact Trust group of companies is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Benefact Trust group of companies' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Benefact Trust group of companies net investment outstanding in respect of the leases.

19 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. The trading subsidiaries' management have considered the current economic environment in their estimates and judgements.

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

- (a) The ultimate liability arising from claims incurred under general business insurance contracts
- (b) Future benefit payments arising from life insurance contracts
- (c) Pensions and other post-employment benefits
- (d) Goodwill impairment and the carrying value of goodwill
- (e) Unlisted equity securities
- (f) Significant insurance risk
- (g) Level of aggregation
- (h) Risk adjustment
- (i) Discount rates

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 Benefact Group plc, which are available from the registered office on page 151.



20 Trading activities

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

A full list of the charity's trading subsidiaries and associates is provided in note 48. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities.

The income arising from trading activities includes insurance revenue, as reconciled within note 50 (IV), and fee and commission income for asset management and broking and advisory services, which includes prepaid funeral plan distribution and administration.

The expenditure arising from trading activities includes insurance service expenses, as reconciled within note 50 (V), net expense from reinsurance contracts, and expenses for asset 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 life insurance businesses. Fee and commission income earned in relation to services provided by the trading subsidiaries to third parties is the measure of turnover for asset management and broking and advisory activities, which includes prepaid funeral plan distribution and administration. Further information on gross written premiums, which are an alternative performance measure, are detailed in note 51.

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

2024	Insurance gross written premiums		Asset Management	Broking and advisory	Total
	General business	Life business			
	£000	£000	£000	£000	£000
United Kingdom and Ireland	443,700	(149)	15,000	85,203	543,754
Australia	95,345	-	-	-	95,345
Canada	101,556	-	-	-	101,556
Trading subsidiaries' turnover	640,601	(149)	15,000	85,203	740,655
Reconciliation of turnover to income arising from trading subsidiaries:					
Turnover					740,655
Change in the gross unearned premium provision					(17,405)
Investment return					734
Recoveries of incurred claims and other insurance service expenses					69,529
Recoveries of losses on onerous contracts and reversal of those losses					(627)
Finance income from reinsurance contracts held					4,647
Share of profit on associate					(200)
Other income					487
Income arising from trading activities					797,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trading activities (continued)



(a) An analysis of the trading subsidiaries' turnover by geographical location of office (continued):

2023	Insurance gross written premiums				Total £000
	General business	Life business	Asset Management	Broking and advisory	
	£000	£000	£000	£000	
United Kingdom and Ireland	405,402	176	16,046	55,769	477,393
Australia	102,668	-	-	-	102,668
Canada	106,937	-	-	-	106,937
Trading subsidiaries' turnover	615,007	176	16,046	55,769	686,998
Reconciliation of turnover to income arising from trading subsidiaries:					
Turnover					686,998
Change in the gross unearned premium provision					(35,861)
Other adjustments to insurance revenue					(29)
Investment return					832
Recoveries of incurred claims and other insurance service expenses					46,024
Recoveries of losses on onerous contracts and reversal of those losses					(91)
Finance income from reinsurance contracts held					7,190
Share of profit on associate					365
Other charges					(3)
Income arising from trading activities					705,425

(b) Expenditure arising from trading subsidiaries

	2024 £000	2023 £000
Insurance service expenses	(450,446)	(400,103)
Allocation of reinsurance premiums	(150,849)	(148,093)
Finance expense from insurance contracts issued	(11,820)	(24,102)
Reinsurance administration costs	(2,643)	(5,013)
Other operating expenses	(178,903)	(141,241)
Other finance costs	(3,943)	(2,308)
	(798,604)	(720,860)

(c) Fee and commission income

During the year the trading subsidiaries recognised £100.7m of revenue from contracts with customers. Fee and commission income from contracts with customers was recognised as follows:

	Recognised at a point in time £000	Recognised over time £000	Total £000
For the year ended 31 December 2024			
General business	543	-	543
Investment management	205	14,795	15,000
Broking and advisory	81,804	3,399	85,203
	82,552	18,194	100,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trading activities (continued)



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

	2024			2023	
	Ecclesiastical Insurance Office plc £000	Ansvar Insurance Limited £000	Ecclesiastical Life Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	547,991	95,345	(271)	643,065	617,598
Dividend and interest income	42,359	4,568	4,007	50,934	44,390
Other income	33,832	40,754	6,349	80,935	32,845
Total income	624,182	140,667	10,085	774,934	694,833
Insurance service expenses	(386,592)	(87,283)	(5,033)	(478,908)	(415,128)
Charitable donations	(3,379)	(155)	-	(3,534)	(2,961)
Other expenditure	(177,214)	(52,869)	(1,045)	(231,128)	(244,798)
Total expenditure	(567,185)	(140,307)	(6,078)	(713,570)	(662,887)
Net gains/(losses) on investments	28,203	158	(2,288)	26,073	16,468
Taxation	(9,099)	(297)	(378)	(9,774)	(4,812)
Gift aid paid to parent charity	(33,000)	-	-	(33,000)	(13,000)
Other comprehensive expense and changes in equity	(42,192)	(2,456)	-	(44,648)	(10,090)
Profit/(loss) retained and transferred to reserves	909	(2,235)	1,341	15	20,512
Balance sheet					
Total assets	1,292,810	233,130	238,127	1,764,067	1,692,437
Equity	560,958	52,665	54,159	667,782	671,037
Liabilities	731,852	180,465	183,968	1,096,285	1,021,400
Total equity and liabilities	1,292,810	233,130	238,127	1,764,067	1,692,437

These results have been included in the consolidated statement of financial activities 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 Benefact Trust group of companies. The majority of the trading subsidiaries prepare their financial statements under IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trading activities (continued)



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

	2024			2023	
	Ecclesiastical Planning Services Limited £000	Lloyd & Whyte Group Limited £000	Lycetts Holdings Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	6,854	50,393	29,380	86,627	58,174
Dividend and interest income	241	4,983	404	5,628	2,776
Other income	(175)	-	-	(175)	(81)
Total income	6,920	55,376	29,784	92,080	60,869
Charitable donations	-	(68)	(11)	(79)	(176)
Other expenditure	(7,124)	(51,734)	(27,835)	(86,693)	(57,739)
Total expenditure	(7,124)	(51,802)	(27,846)	(86,772)	(57,915)
Taxation	(6)	(2,323)	(608)	(2,937)	(1,156)
Other comprehensive income/ (expense) and changes in equity	-	2,397	(403)	1,994	(2,626)
(Loss)/profit retained and transferred to reserves	(210)	3,648	927	4,365	(828)
Balance sheet					
Total assets	610,586	14,546	24,198	649,330	726,338
Equity	6,206	2,477	13,917	22,600	18,728
Liabilities	604,380	12,069	10,281	626,730	707,610
Total equity and liabilities	610,586	14,546	24,198	649,330	726,338

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

The prior year comparatives contain the results of L&W from 30 June 2023 when it became a subsidiary. Further information on the acquisition can be found in note 35.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 Trading activities (continued)



(f) Results of trading subsidiaries engaged in asset management*

	2024		2023	
	EdenTree Investment Management Limited £000	EdenTree Asset Management Limited £000	Total £000	Total £000
Profit and loss account				
Turnover	6,881	10,079	16,960	17,989
Dividend and interest income	68	(6)	62	30
Total income	6,949	10,073	17,022	18,019
Charitable donations	-	(58)	(58)	(55)
Other expenditure	(9,724)	(12,164)	(21,888)	(24,465)
Total expenditure	(9,724)	(12,222)	(21,946)	(24,520)
Taxation	153	507	660	205
Loss retained and transferred to reserves	(2,622)	(1,642)	(4,264)	(6,296)
Balance sheet				
Total assets	16,489	12,996	29,485	36,411
Equity	9,049	9,439	18,488	17,253
Liabilities	7,440	3,557	10,997	19,158
Total equity and liabilities	16,489	12,996	29,485	36,411

These results have been included in the consolidated statement of financial activities 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 Benefact Trust group of companies. The majority of the trading subsidiaries prepare their financial statements under IFRS.



21 Dividend, interest and rental income

	2024			2023		
	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	8,955	2,579	11,534	8,714	3,369	12,083
- unlisted	3,981	-	3,981	2,761	-	2,761
Debt securities						
- government bonds	6,642	-	6,642	3,811	-	3,811
- listed	9,307	-	9,307	11,131	384	11,515
Income from financial assets at amortised cost						
a. cash at bank and in hand and cash deposits net of exchange gains and losses	2	7	9	2,586	(34)	2,552
b. other income received	10,897	-	10,897	5,556	-	5,556
Other income						
c. rental income	8,749	-	8,749	8,665	-	8,665
	48,533	2,586	51,119	43,224	3,719	46,943

22 Net gains on investments

	2024			2023		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Net gains on investments	18,726	10,001	28,727	15,623	7,258	22,881
Net gains/(losses) on investment property	2,831	-	2,831	(6,616)	-	(6,616)
	21,557	10,001	31,558	9,007	7,258	16,265



23 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 on net income/(expenditure) for the year

	2024 £000	2023 £000
Current tax on net income/(expenditure) in the year		
UK corporation tax	2,645	1,058
Overseas tax	5,974	5,485
	8,619	6,543
Adjustments in respect of prior years		
UK corporation tax	187	(1,902)
Foreign tax	21	12
	208	(1,890)
Total current tax	8,827	4,653
Deferred tax		
Origination and reversal of timing differences	1,757	(690)
Impact of change in tax rate on opening liability	(1)	(103)
Adjustment in respect of prior years	(128)	1,379
Total deferred tax	1,628	586
Total tax on net income/(expenditure) for the year	10,455	5,239

Deferred tax has been provided at an average rate of 25% (2023: 25%).

Tax on the trading subsidiaries net income in the year before tax differs from the United Kingdom standard rate of corporation tax for the reasons set out in the following reconciliation:

	2024 £000	2023 £000
Net income before tax	59,106	19,043
Tax calculated at the UK standard rate of tax of 25.0% (2023: 23.5%)	14,777	4,475
<i>Factors affecting charge for the year:</i>		
Loss on reclassification of associate to subsidiary	-	266
Expenses not deductible for tax purposes	10,632	7,965
Non-taxable income	(7,977)	(5,658)
Tax relief for donations from EIO plc	(8,250)	(3,058)
Overseas taxes in excess of UK headline rate	656	653
Decrease in deferred tax asset not provided	(1)	(103)
Impact of differential between current and deferred tax rate	538	1,210
Adjustments to tax charge/(credit) in respect of prior periods	80	(511)
Total tax expense	10,455	5,239

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 Taxation (continued)



On 20 June 2023 the UK substantively enacted Pillar Two global minimum tax rules as part of the OECD work on Base Erosion and Profit Shifting (“BEPS”). The legislation took effect for financial years commencing on or after 1 January 2024. The Pillar Two rules are subject to a group revenue threshold of €750m being exceeded in two of the previous four years. Based on this threshold the Benefact Trust group of companies is likely to be subject to these rules for the first time in the year ended 31 December 2025.

Under the Pillar Two rules, a top up tax will arise where the effective tax rate of the Benefact Trust group of companies' operations in any individual jurisdiction, calculated using principles set out in the Pillar Two rules is less than 15%. Simplified transitional safe harbours apply for 2025 and 2026 based on Country-by Country reporting data.

The Benefact Trust group of companies has performed an initial assessment of its exposure to Pillar Two taxes. This assessment shows that in relation to safe harbour periods the Benefact Trust group of companies does not anticipate that any material top-up tax should arise. In relation to full rules applicable from 2027 onwards further work will be carried out to assess the impact.

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

	2024 £000	2023 £000
Current tax charged on:		
Fair value movements on hedge derivatives	276	350
Fair value gains on property	286	-
Deferred tax (credited)/charged on:		
Fair value movements on owner-occupied property	(286)	216
Actuarial movements on retirement benefit plans	(543)	1,134
Fair value movements on hedge derivatives	1,105	338
Total tax charged to other recognised gains/(losses)	838	2,038



24 Net income/(expenditure) in the year

	2024		2023	
	Unrestricted funds	Endowment funds	Unrestricted funds	Endowment funds
	£000	£000	£000	£000
Net income/(expenditure) in the year has been arrived at after (crediting)/charging:				
Net foreign exchange (gains)/losses	(807)	19	(863)	(67)
Depreciation of tangible fixed assets	8,560	-	3,466	-
Amortisation of goodwill	7,728	-	3,532	-
Impairment of intangibles	29	-	1,429	-
Amortisation of intangible assets	9,468	-	6,973	-
Operating lease rentals	-	-	5,820	-
Fair value gains on investments designated at fair value through profit and loss	(18,726)	(10,001)	(15,623)	(7,258)
Fair value (gains)/losses on investment property	(291)	-	6,651	-
The amortisation and impairment of goodwill is included in 'expenditure arising from trading activities' in the consolidated statement of financial activities.				

25 Auditors' remuneration

	2024	2023
	£000	£000
Fees payable to the charity's auditors for the audit of the charity's annual accounts	70	106
Fees payable to the charity's auditors and its associates for other services:		
- The audit of the charity's subsidiaries	1,760	2,810
Total audit fees	1,830	2,916
- Audit-related assurance services	425	529
- Other assurance services	-	76
Total non-audit fees	425	605
Total auditors' remuneration	2,255	3,521
Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work of the charity's subsidiaries.		
Audit fees of the charity and of the charity's subsidiaries for the year ended 31 December 2023 include amounts related to the implementation of IFRS 17 <i>Insurance Contracts</i> .		



26 Employee information

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

	2024	2023
	No.	No.
United Kingdom and Ireland	2,036	1,906
Australia	149	166
Canada	88	78
	2,273	2,150

	2024	2023
	£000	£000
Wages and salaries	154,270	126,627
Social security costs	15,329	11,911
Pension costs - defined contribution plans	12,020	10,271
Pension costs - defined benefit plans	398	867
Other post-employment benefits	209	230
	182,226	149,906
Capitalised staff costs	(1,207)	(37)
	181,019	149,869

The above figures do not include termination benefits of £1.6m (2023: £0.9m).

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

27 Key management remuneration

Four (2023: three) trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. One trustee received remuneration in their capacity as an executive and non-executive director of subsidiary undertakings. Details of the emoluments received are as follows:

	2024	2023
	£000	£000
Sir Stephen Lamport*	80	77
Francois Boisseau	79	78
David Paterson**	33	-
Denise Cockrem - Executive fees***	517	-
Denise Cockrem - Non-executive fees***	25	-
Total emoluments paid to trustees in their capacity as directors of subsidiary undertakings	734	155

*Sir Stephen Lamport resigned as trustee on 5 March 2024 but continues as a director of a subsidiary undertaking.

**David Paterson was appointed as a non-executive director of a subsidiary undertaking on 25 June 2024.

***Denise Cockrem was appointed as a trustee on 1 October 2024. During the current and prior year she received remuneration as an executive and non-executive director of subsidiary undertakings. Further details of the executive remuneration received by Denise Cockrem can be found in the Remuneration Report of the Benefact Group plc annual report and accounts, available from the registered office, as shown on page 151.

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



27 Key management remuneration (continued)

The key management remuneration of the charity is disclosed in note 11. The key management remuneration of the trading subsidiaries can be found in note 40 of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 151.

28 Intangible assets

	Goodwill £000	Computer software £000	Other intangible assets £000	Total £000
Cost				
At 1 January 2024	93,323	51,813	57,764	202,900
Additions	13,381	7,143	1,508	22,032
Acquisition	-	-	6,000	6,000
Exchange movements	-	(375)	(9)	(384)
At 31 December 2024	106,704	58,581	65,263	230,548
Accumulated amortisation				
At 1 January 2024	32,055	27,383	15,937	75,375
Provided in the year	7,728	3,518	5,950	17,196
Impairment losses in the year	-	29	-	29
Exchange movements	-	(310)	(9)	(319)
At 31 December 2024	39,783	30,620	21,878	92,281
Net book value				
At 31 December 2023	61,268	24,430	41,827	127,525
At 31 December 2024	66,921	27,961	43,385	138,267

The intangible assets of the Benefact Trust group of companies 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.

£7.6m of the goodwill balance in the current year (2023: £nil) relates to the acquisition of Access Underwriting Limited (Access) on 6 February 2024. Further information on the acquisition is disclosed within note 35.

£51.7m of the goodwill balance (2023: £57.8m) relates to the acquisition of L&W in 2023. £1.4m of the goodwill balance (2023: £1.7m) relates to the acquisition of G.D Anderson & Co in 2022. £1.6m of the goodwill balance (2023: £nil) relates to the acquisition of Boshers Ltd on 2 April 2024. £1.3m of the goodwill balance (2023: £nil) relates to the acquisition of the trade and assets of Martin-Readman & Partners on 1 January 2024. £0.9m of the goodwill balance (2023: £nil) relates to the acquisition of Clearbroking Ltd on 1 December 2024. £0.7m of the goodwill balance (2023: £nil) relates to the acquisition of Cheviot Insurance Services Ltd on 29 October 2024. £0.1m of the goodwill balance (2023: £nil) relates to the acquisition of the trade and assets of Salt Insurance Services Ltd on 2 February 2024. £0.7m of the goodwill balance (2023: £0.9m) relates to the acquisition of Robertson-McIsaac Limited in 2019. £0.5m of the goodwill balance (2023: £0.6m) relates to further acquisitions made by L&W in 2023. £0.4m (2023: £0.4m) of the goodwill balance relates to a book of business acquired by Lycetts in 2023.

Other intangible assets consist of brand, customer and distribution relationships acquired by the trading subsidiaries. £35.9m (2023: £40.3m) of the intangible assets relates to the acquisition of the assets of L&W. The acquired brand has a remaining useful life of eleven years. The acquired customer relationships has a remaining useful life of eight years. £0.4m (2023: £0.7m) of the other intangible assets balance relates to the acquisition of the assets of Funeral Planning Services Limited and has a remaining useful life of two years.

£5.4m (2023: £nil) of the other intangible assets relates to the acquisition of the assets of Access. The acquired brand has a remaining useful life of twelve years. The acquired customer relationships have a remaining useful life of eight years.



29 Tangible assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Office equipment £000	Right-of- use assets £000	Total £000
Cost or valuation						
At 31 December 2023	2,350	13,142	1,525	19,558	-	36,575
FRS 102 transition adjustment*	-	-	(1,324)	-	42,505	41,181
At 1 January 2024	2,350	13,142	201	19,558	42,505	77,756
Acquisitions	-	1	-	99	272	372
Additions	-	1,799	-	2,669	7,217	11,685
Disposals	(1,750)	(865)	(33)	(556)	(1,028)	(4,232)
Exchange movements	-	(121)	-	(276)	(454)	(851)
At 31 December 2024	600	13,956	168	21,494	48,512	84,730
Accumulated depreciation						
At 31 December 2023	-	10,841	595	8,506	-	19,942
FRS 102 transition adjustment*	-	-	(482)	-	13,777	13,295
At 1 January 2024	-	10,841	113	8,506	13,777	33,237
Charge for the year	-	1,696	22	2,182	4,660	8,560
Acquisitions	-	-	-	-	-	-
Disposals	-	(865)	(11)	(514)	(773)	(2,163)
Exchange movements	-	(95)	-	(114)	(191)	(400)
At 31 December 2024	-	11,577	124	10,060	17,473	39,234
Net book value						
At 31 December 2023	2,350	2,301	930	11,052	-	16,633
At 31 December 2024	600	2,379	44	11,434	31,039	45,496

*The Benefact Trust group of companies early adopted the Periodic Review 2024 amendments to FRS 102 from 1 January 2024 as detailed in note 18. On transition, assets previously accounted for as operating leases were capitalised as right-of-use assets, and motor vehicles previously held under finance leases were re-categorised as right-of-use assets.

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

Included within land and buildings at 31 December 2023 was a property held for sale with a value of £1.8m.

All properties, other than those held for sale, were last revalued at 31 December 2023. 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 2022.

The value of land and buildings on a historical cost basis is £0.9m (2023: £1.5m).



30 Investment Property

	2024	2023
	£000	£000
Fair value at 1 January	130,813	140,846
Disposals	(2,541)	(3,382)
Fair value gains/(losses)	291	(6,651)
Fair value at 31 December	128,563	130,813

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

The trading subsidiaries' investment properties were last revalued at 31 December 2024 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 2022. There has been no change in valuation technique during the year.

The value of the investment property on a historical cost basis is £129.5m (2023: £136.2m).

Included within investment property are long leasehold properties with a net book value of £16.4m (2023: £17.3m).

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 included in operating activities in the consolidated statement of cash flows.



31 Investments

	2024 £000	2023 £000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	366,055	362,726
- unlisted	99,747	90,190
Debt securities		
- government bonds	266,436	258,479
- listed	255,209	262,021
Structured notes	123,912	94,970
Investment contract assets	447,728	457,688
Derivative financial instruments:		
- forwards	4,149	824
	1,563,236	1,526,898
Financial assets at amortised cost		
Other loans	14	34
	14	34
Total investments	1,563,250	1,526,932

Reconciliation of the movement in financial assets:

	Unrestricted funds		Endowment funds	Total funds
	At fair value through profit or loss £000	At amortised cost £000	At fair value through profit or loss £000	£000
2024				
Fair value at 1 January	1,412,857	35	114,040	1,526,932
Additions at cost	172,177	-	16,704	188,881
Disposal proceeds	(156,423)	-	(22,190)	(178,613)
Fair value gains	37,580	-	10,001	47,581
Redemption and repayments	-	(21)	-	(21)
Exchange losses	(21,510)	-	-	(21,510)
Fair value at 31 December	1,444,681	14	118,555	1,563,250
2023				
Fair value at 1 January	1,370,475	79,424	109,615	1,559,514
Additions at cost	201,154	2,402	76,396	279,952
Disposal proceeds	(169,524)	-	(79,229)	(248,753)
Transfers	-	(81,584)	-	(81,584)
Fair value gains	21,721	-	7,258	28,979
Redemptions and repayments	-	(207)	-	(207)
Exchange losses	(10,969)	-	-	(10,969)
Fair value at 31 December	1,412,857	35	114,040	1,526,932

Fair value gains/(losses) through profit or loss in the unrestricted fund excludes £2.2m fair value gains (2023: £0.9m fair value gains) on derivatives classified as financial liabilities.



32 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 gain of £8.8m (2023: gain of £4.9m) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 43. The trading subsidiaries have formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

	2024			2023		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Foreign exchange contracts						
Forwards (Euro)	134,525	1,098	-	120,115	824	-
Forwards (US Dollar)	35,902	-	215	-	-	-
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	53,551	1,992	-	54,584	-	1,156
Forwards (Canadian dollar)	64,573	1,059	-	52,960	-	1,224
	288,551	4,149	215	227,659	824	2,380

All derivatives in the current and prior period expire within one year. All contracts designated as hedging instruments were fully effective in the current and prior 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 31) and derivative fair value liabilities are recognised within creditors (note 38).

33 Disposal of business

On 26 April 2024, L&W disposed of the financial planning arm of the financial services business, to Chase De Vere. A profit on disposal of £5.2m has been recognised in the consolidated statement of financial activities.



34 Investment in associate

On 20 September 2024 L&W acquired a further 10.0% of the issued ordinary share capital of Provenance IB Ltd, taking their total holding to 45.0% (2023: 35.0%). L&W also hold 20.0% of the ordinary issued capital of De Novo Risk Solutions Limited (2023: 20.0%). Provenance IB Ltd and De Novo Risk Solutions Limited are both unlisted companies incorporated in the United Kingdom. Investments in associates are accounted for using the equity method in these consolidated financial statements as set out in the accounting policies included within note 18. The carrying value of the investments in associate held by L&W at 31 December 2024 is £0.2m (2023: £0.4m).

On 30 June 2023, Benefact Group acquired an additional 10.1% of the issued ordinary share capital of its associate undertaking L&W, increasing its ownership to 50.1% and so obtaining control of the entity. See note 35 for further details of the business combination. The resulting treatment of derecognising the investment in associate is as follows:

	Share of net assets £000	Goodwill £000	Total £000
At 31 December 2022	3,010	9,601	12,611
Share of net income for the period to 30 June 2023	365	-	365
Dividends received	(900)	-	(900)
Fair value loss*	(1,130)	-	(1,130)
Derecognition on step acquisition	(1,345)	(9,601)	(10,946)
At 31 December 2023	-	-	-

At the year end date the Benefact Trust group of companies' interest in L&W was as follows:

	2023 £000
Benefact Trust group of companies' share of:	
Revenue	9,297
Assets	-
Liabilities	-
Share of net assets	-

*The remeasurement to fair value of Benefact Group's existing 40.0% interest in L&W resulted in a loss of £1.1m as below:

	2023 £000
Fair value of shares held at 30 June 2023	10,946
Carrying value of associate	(12,076)
	(1,130)



35 Acquisition of subsidiary

On 6 February 2024, the Benefact Group acquired 100% of the ordinary share capital of Access. Access is an unlisted company incorporated in the United Kingdom, whose primary activity is insurance brokerage services. The acquisition is part of the Benefact Group's strategy to double in size and continue to diversify.

The following summarises the consideration for Access and the amounts of the assets acquired and liabilities recognised at the acquisition date.

	2024 £000
Assets	
Intangible assets	6,000
Property, plant and equipment	372
Other assets	175
Cash	2,929
	<u>9,476</u>
Liabilities	
Borrowings	(411)
Deferred tax liabilities	(21)
Current tax liabilities	(175)
Other liabilities	(1,479)
	<u>(2,086)</u>
Total identifiable net assets	<u>7,390</u>
Cash	13,687
Contingent consideration arrangement	2,120
Total consideration	<u>15,807</u>
Fair value of identifiable net (assets)/liabilities	<u>(7,390)</u>
Goodwill	<u>8,417</u>
Cash flow analysis	
Cash consideration	13,687
Less cash balances acquired	(2,929)
	<u>10,758</u>

The goodwill of £8.4m comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

On 1 April 2024, L&W acquired 100% of the ordinary share capital of Boshers Ltd (Boshers). Boshers is an unlisted company incorporated in the United Kingdom, whose primary activity is insurance brokerage services. Goodwill of £1.7m was recognised on this acquisition.

On 29 October 2024, Lycett Browne Swinburne & Douglass Limited acquired 100% of the ordinary share capital of Cheviot Insurance Services Ltd (Cheviot). Cheviot is an unlisted company incorporated in the United Kingdom, whose primary activity is insurance brokerage services. Goodwill of £0.7m was recognised on this acquisition.

On 1 December 2024, L&W acquired 100% of the ordinary share capital of Clearbroking Ltd (Clearbroking). Clearbroking is an unlisted company incorporated in the United Kingdom, whose primary activity is insurance brokerage services. Goodwill of £0.9m was recognised on this acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 Acquisition of subsidiary (continued)



On 30 June 2023, the Benefact Group acquired a further 10.1% of the issued ordinary share capital of L&W, taking its shareholding to 50.1% granting it control. L&W is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. Prior to 30 June 2023, the Benefact Trust group of companies owned 40.0% of L&W shares and the investment was accounted for as an associate in accordance with FRS 102. The acquisition is part of the Benefact Group's strategy to double in size and continue to diversify.

The following summarises the consideration for L&W and the amounts of the assets acquired and liabilities recognised at the acquisition date:

	<i>Restated*</i>
	2023
	£000
Assets	
Intangible assets	42,800
Deferred tax assets	572
Property, plant and equipment	613
Investment in associate	288
Other assets	29,930
Cash	8,418
	<u>82,621</u>
Liabilities	
Provisions for other liabilities	(1,438)
Borrowings	(83,511)
Current tax liabilities	(2,607)
Deferred income	(1,288)
Other liabilities	(27,212)
	<u>(116,056)</u>
Total identifiable net liabilities	(33,435)
Cash	2,782
Fair value of pre-existing interest in L&W	10,946
Total consideration	13,728
Non controlling interest	13,665
Fair value of subsidiary	27,393
Fair value of identifiable net assets	33,435
Goodwill	60,828
Cash flow analysis	
Cash consideration	2,782
Less cash balances acquired	(8,418)
	<u>(5,636)</u>

*The comparative financial statements have also been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance from the acquisition cash flows on acquisition of the L&W in the prior year. This restatement includes £14.8m decrease to the cash flows from the acquisition of interest in subsidiary, net of cash acquired, and £14.8m increase to net increase/(decrease) in creditors.

The remeasurement to fair value of the Benefact Group's existing 40.0% interest in L&W resulted in a loss of £1.1m. This amount has been included within loss on disposal of associate within the consolidated statement of financial activities.

The goodwill recognised comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquisition of additional interest in L&W

On 28 June 2024, the Benefact Group acquired an additional 15.0% of the issued ordinary share capital of L&W, increasing its ownership to 65.07%. A cash consideration of £2.8m was paid to the non-controlling interest shareholders. The difference of £1.9m between the consideration and the carrying value of the interest acquired has been credited to non-charitable trading reserves.



36 Debtors

	2024 £000	Restated* 2023 £000
(a) Amounts falling due within one year		
Trade debtors	407	16,410
Other debtors	28,172	18,640
Amounts due from related parties	3,194	615
Reinsurers' contract assets	130,213	127,365
Accrued rent and interest	8,953	5,114
Current tax recoverable	3,154	6,045
Other prepayments and accrued income	11,473	12,296
	185,566	186,485
(b) Amounts falling due after one year		
Other debtors	4,081	3,221
Amounts due from related parties	921	-
Reinsurers' contract assets	109,240	92,743
Deferred tax assets	7,814	8,563
Other prepayments and accrued income	1,728	2,105
	123,784	106,632
Total debtors	309,350	293,117

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors (trade debtors), £18.5m decrease to cash at bank and in hand and £19.5m decrease to creditors, in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement. The comparative financial statements have also been restated to correct the classification of £11.1m debtors from accrued interest and rent to trade debtors in relation to the acquisition of L&W. The prior year comparative has also been restated to reclassify a £2.0m debtor balance from trade to other debtors.

Trade debtors are the debtors arising from the insurance broking activities of trading subsidiaries.

Included within other debtors is £0.9m (2023: £nil) classified as contract assets and £2.8m classified as receivables (2023: £nil).

(c) Expected credit losses

There has been no significant change in the recoverability of the trading subsidiaries' trade debtors, 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 have recognised an expected credit loss of £5,000 (2023: £2,000) in respect of financial assets.

37 Cash at bank and in hand

	2024			Restated* 2023		
	Unrestricted funds £000	Endowment funds £000	Total £000	Unrestricted funds £000	Endowment funds £000	Total £000
Short-term bank deposits	75,971	617	76,588	64,015	2,934	66,949
Cash at bank and in hand	94,144	-	94,144	97,273	-	97,273
	170,115	617	170,732	161,288	2,934	164,222

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors, £18.5m decrease to cash at bank and in hand and £19.5m decrease to creditors, in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



37 Cash at bank and in hand (continued)

Included within short-term bank deposits of the trading subsidiaries are cash deposits of £3.8m (2023: £3.8m) pledged as collateral by way of cash margins on open derivative contracts to cover derivative liabilities. Included within cash at bank and in hand of the trading subsidiaries are amounts of £0.9m (2023: £0.9m) held in accordance with the third country branch requirements of the European Union.

Included within cash at bank and in hand of the trading subsidiaries are cash deposits of £9.2m (2023: £12.6m) pledged as collateral by way of cash calls from reinsurers.

38 Creditors

	2024	Restated* 2023
	£000	£000
(a) Amounts falling due within one year		
Other creditors	69,696	41,031
Derivative liabilities	215	2,380
Corporation tax	908	4,761
Accruals and deferred income	59,641	50,108
	130,460	98,280
(b) Amounts falling due after one year		
Other creditors	490	1,072
Accruals and deferred income	1,675	1,407
	2,165	2,479

*The comparative financial statements have been restated to consistently apply the Benefact Trust group of companies accounting policy to remove client money and the corresponding creditor balance on its balance sheet. This restatement includes £0.5m decrease to debtors, £18.5m decrease to cash at bank and in hand and £19.5m decrease to other liabilities (other creditors), in relation to certain broker businesses which were incorrectly included within the balance sheet in the prior period. There is no impact on net assets from this restatement.

Deferred income arises from the operations of the trading subsidiaries. Included within accruals and deferred income falling due within one year is £2.7m (2023: £nil) classified as contracts liabilities.

39 Provisions for liabilities

	Notes	2024	2023
		£000	£000
Provisions for liabilities		9,707	6,404
Deferred tax liabilities		42,299	41,359
Technical provisions	50	730,212	725,813
Life business technical provisions		385	385
Investment contract liabilities		627,312	603,111
		1,409,915	1,377,072

All provisions relate to the trading subsidiaries. Technical provisions and life business technical provisions arise on the general insurance and life insurance business of the trading subsidiaries. Further details of these provisions are provided in note 50 (VI).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Provisions for liabilities (continued)



(a) Provisions for liabilities

	Regulatory and legal provisions £000	Other provisions £000	Contingent consideration £000	Total £000
At 31 December 2023	2,398	2,834	1,172	6,404
FRS 102 transition adjustment*	-	1,833	-	1,833
At 1 January 2024	2,398	4,667	1,172	8,237
Additional provisions	3,741	-	2,346	6,087
Used during year	(3,441)	(141)	(524)	(4,106)
Not utilised	(498)	(3)	-	(501)
Exchange differences	-	(10)	-	(10)
At 31 December 2024	2,200	4,513	2,994	9,707
Current	2,200	1,864	-	4,064
Non-current	-	2,649	2,994	5,643

*The Benefact Trust group of companies early adopted the Periodic Review 2024 amendments to FRS 102 from 1 January 2024 as disclosed in note 18.

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 may be subject to complaints and threatened or actual legal proceedings. Whilst 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 believe it is prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Benefact Trust group of companies 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 the trading subsidiaries may uphold.

The Benefact Trust group of companies does not include disclosures in relation to contingent liabilities associated with cases where the likelihood of any payment is remote. The Benefact Trust group of companies also does not disclose an estimate of the potential financial impact or effect of contingent liabilities where it is not currently practicable to do so. The Benefact Trust group of companies is committed to promptly report incidents or cases to the relevant regulator or authority in certain circumstances.

Other provisions

The provision for other costs relates to costs in respect of dilapidations. Dilapidations provisions are based on the Benefact Trust group of companies' best estimate of future expense required to restore a leased property to its original state on completion of the lease.

Contingent consideration

The provision for contingent consideration relates to the provision held within L&W, recognised on acquisition and the provision recognised within Benefact Broking & Advisory Holdings, in relation to the acquisition of Access in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 Provisions for liabilities (continued)



(b) Deferred tax

	2024	2023
	£000	£000
At 31 December	32,796	30,820
FRS 102 amendments adjustment	(604)	-
At 1 January	32,192	30,820
Charged to net income/(expenditure)	1,629	689
Credited to net income/(expenditure) - resulting from reduction in tax rate	(1)	(103)
Charged to other recognised gains/(losses)	276	1,580
Charged to other recognised gains - resulting from reduction in tax rate	-	108
Transfer on acquisition of subsidiary	20	(572)
Exchange differences	369	274
At 31 December	34,485	32,796

	2024	2023
	£000	£000
Deferred tax assets included in debtors	7,814	8,563
Deferred tax liabilities included in provisions for liabilities	(42,299)	(41,359)
Net provision for deferred tax	(34,485)	(32,796)
Deferred tax is provided as follows:		
Unrealised investment gains	(35,568)	(33,908)
Retirement benefit obligations	(3,305)	(3,747)
Depreciation in excess of capital allowances	(3,275)	(2,083)
Other timing differences	7,663	6,942
Net provision for deferred tax	(34,485)	(32,796)

Included in the above are unused tax losses of £9.3m (2023: £10.1m) arising from life business, which are available for offset against future tax profits and can be carried forward indefinitely.

The Benefact Trust group of companies expects a net deferred tax liability of £2.6m (2023: £4.2m net deferred tax liability) to reverse within 12 months of the year end date. The reversal is expected to arise from the sale of investments, claiming of capital allowances, settlement of overseas claims costs, and other temporary timing differences.

(c) Investment contract liabilities

	2024	2023
	£000	£000
Investment contract liabilities	627,312	603,111
	627,312	603,111

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and are therefore classified as current. These liabilities are matched with highly liquid investments.



40 Subordinated liabilities

	2024	2023
	£000	£000
6.3144% EUR 30m subordinated debt	25,112	25,853
	<u>25,112</u>	<u>25,853</u>

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds by a trading subsidiary, maturing in February 2041 and callable after February 2031. Subordinated debt is stated at amortised cost.

41 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 26.

(b) Defined benefit pension plans

The trading subsidiaries' main defined benefit plan is operated by EIO plc for UK employees. 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 also retain the link to final salary whilst they remain employed by EIO plc. From 1 July 2019, active members in employment joined one of the trading subsidiaries' defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

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 2022. No contribution is expected to be paid by EIO plc in 2025.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2024 for FRS 102 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available as a reduction in future contributions in accordance with FRS 102. This has resulted in the recognisable surplus being restricted by £70.7m. EIO plc has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with FRS 102.

On 25 July 2024, the Court of Appeal's judgement in the case of Virgin Media v NTL Trustees was released. A legal review of the deeds of the EIO plc defined benefit scheme was instructed by the trustee of the pension scheme. This review has been completed, no allowance has been made and there is no impact on the year end valuation of the scheme.

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, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the trading subsidiaries' defined contribution plans. The most recent triennial valuation was at 1 January 2024. The contribution expected to be paid by LBSD into the plan during the next financial year is £nil (2023: £0.5m).

The actuarial valuation for the LBSD plan was reviewed and updated by an actuary at 31 December 2024. As LBSD does not have an unconditional right to a refund of the surplus in the scheme the recognisable surplus has been restricted by £2.6m in accordance with FRS 102.

As the LBSD plan was contracted-in to the State Pension scheme, it is not impacted by the ruling in the Virgin Media v NTL Trustees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Retirement benefit obligations (continued)



In the current year, actuarial gains arising from changes in financial assumptions of £28.1m (2023: actuarial losses of £8.2m) have been recognised in the statement of financial activities. This has mainly resulted from a 0.97% change in the discount rate, partially offset by a loss due to an increase in inflation. In the prior year, these losses resulted from a 0.27% decrease in the discount rate assumption, partially offset by inflation linked pension increases.

Experience losses of £0.2m have been recognised in the current year (2023: losses of £2.5m). In the current year, this is predominantly due to actual inflation exceeding the inflation assumptions. In the prior year, the experience loss was the result of updating for actual member experience in the trading subsidiaries' main defined benefit plan and from actual inflation exceeding the inflation assumptions. A review and update to certain demographic assumptions resulted in an actuarial gain of £0.5m (2023: £5.7m actuarial gain) being recognised in the current year.

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 comprising equities, listed infrastructure 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 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.

A liability driven investment (LDI) allocation is maintained as a risk management tool to preserve some future protection for the Fund against falling yields and rising inflation. Exposure of the Fund's assets to interest rates and inflation counter-balances exposure of the Fund's liabilities to these factors and has suppressed, but not eliminated, volatility in the funding position.

The Trustees of the trading subsidiaries' main defined benefit plan regularly monitor investment performance and strategy 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 achieve a long-term funding target in line with guidance from the Pensions Regulator. The Trustees intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer. During 2024 the investment strategy has continued to evolve, to align more closely to the liability profile and improve interest rate and inflation matching.

The Trustees of the trading subsidiaries' main defined benefit plan adopt a Responsible and Sustainable Investment Policy in relation to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

	2024 £000	2023 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(217,099)	(244,844)
Fair value of plan assets	307,955	316,165
	90,856	71,321
Restrictions on asset recognised	(73,304)	(51,533)
Net asset in the balance sheet	17,552	19,788
The following is the analysis of the net pension asset for financial reporting purposes:		
Net pension asset	17,552	19,788
	17,552	19,788

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Retirement benefit obligations (continued)



	2024 £000	2023 £000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	255	257
Administration cost	755	949
Interest income on plan assets	(13,989)	(14,593)
Interest expense on scheme liabilities	10,794	11,128
Effect of interest on asset ceiling	2,319	2,752
Past service cost	79	167
Total, included in expenditure arising from trading activities	213	660
The amounts recognised in actuarial gains/(losses) on retirement benefits are as follows:		
Return on plan assets, excluding interest income	(11,612)	621
Experience losses on liabilities	(211)	(2,546)
Gains from changes in demographic assumptions	536	5,654
Gains/(losses) from changes in financial assumptions	28,075	(8,240)
Change in asset restriction	(19,452)	8,926
	(2,664)	4,415

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

	2024 £000	2023 £000
Plan assets		
At 1 January	316,165	311,236
Interest income	13,989	14,593
Return on plan assets, excluding interest income	(11,612)	621
Pension benefits paid and payable	(10,473)	(10,031)
Contributions paid	641	695
Administrative expenses	(755)	(949)
At 31 December	307,955	316,165
Defined benefit obligation		
At 1 January	244,844	238,191
Current service cost	255	257
Past service cost	79	167
Interest cost	10,794	11,128
Pension benefits paid and payable	(10,473)	(10,031)
Experience losses on liabilities	211	2,546
Gains from changes in demographic assumptions	(536)	(5,654)
(Gains)/losses from changes in financial assumptions	(28,075)	8,240
At 31 December	217,099	244,844
Asset ceiling		
At 1 January	51,533	57,707
Effect of interest on the asset ceiling	2,319	2,752
Change in asset ceiling	19,452	(8,926)
At 31 December	73,304	51,533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Retirement benefit obligations (continued)



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

	2024	2023
	%	%
Discount rate	5.47	4.50
Inflation (RPI)	3.25	3.13
Inflation (CPI)	2.80	2.64
Future salary increases	3.99	3.85
Future increase in pensions in deferment	3.25	3.27
Future average pension increases (RPI)	3.08	3.00
Future average pension increases (CPI)	2.10	2.07

	2024	2023
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	22.2	22.2
Female	23.8	23.7
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	23.0	23.0
Female	24.8	24.7

	2024	2023
	£000	£000
Plan assets are as follows:		
Cash and other*	7,336	13,623
Equity instruments		
UK quoted	19,796	44,333
Overseas quoted	28,063	53,531
	47,859	97,864
Liability driven investments - unquoted	86,329	54,095
Debt instruments		
UK public sector quoted - fixed interest	13,833	9,768
UK public sector quoted - index linked	2,002	-
UK non-public sector quoted - fixed interest	90,361	81,223
UK quoted - index-linked	18,638	20,559
Overseas quoted	3,171	-
	128,005	111,550
Derivative financial instruments - unquoted	(592)	(144)
Property	37,897	37,932
Other	1,121	1,245
	307,955	316,165

*Includes accrued income, prepayments and other debtors and creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41 Retirement benefit obligations (continued)



The actual return on pension plan assets was a gain of £2.4m (2023: gain of £15.2m).

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. 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:

	2024	2023
	£000	£000
Present value of unfunded obligations and net obligations in the balance sheet	4,332	4,801
Movements in the net obligations recognised in the balance sheet are as follows:		
At 1 January	4,801	4,960
Total expense charged to net income	209	230
Net actuarial gains, recognised in other recognised gains/(losses)	(495)	(120)
Benefits paid	(183)	(269)
At 31 December	4,332	4,801
The amounts recognised through net income/(expenditure) are as follows:		
Interest cost	209	230
Total, included in employee benefits expense	209	230

The weighted average duration of the net obligations at the end of the reporting period is 9.0 years (2023: 10.0 years).

The actuarial gain recognised in the current year has been driven by a £0.5m actuarial gain due to the increase in discount rate. This has been partially offset by an actuarial loss of £0.1m arising from a 0.12% increase in the medical cost inflation assumption. In the prior year, an actuarial loss of £0.2m was recognised as a result of a decrease in the discount rate. This was offset by an actuarial gain of £0.2m arising from changes in mortality assumptions, and a £0.1m gain due to changes in inflation.

The principal actuarial assumptions were as follows:	2024	2023
	%	%
Discount rate	5.47	4.50
Medical cost inflation	7.26	7.14



42 Summary of reserve movements

	Unrestricted funds		Endowment	Revaluation	Non-charitable	Translation	Total
	General	Designated	fund	reserve	trading reserve	and hedging	
	fund	fund	fund	reserve	trading reserve	reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 31 December 2023	4,519	2,178	117,097	856	511,174	19,650	655,474
FRS 102 transition adjustment	-	-	-	-	(1,755)	-	(1,755)
Fund balance at 1 January 2024	4,519	2,178	117,097	856	509,419	19,650	653,719
Income	584	2,826	2,586	-	845,743	-	851,739
Gift aid paid to charity parent	33,000	-	-	-	(33,000)	-	-
Expenditure	(24,906)	(2,166)	(427)	-	(801,879)	-	(829,378)
Fair value gains on investments	-	-	10,001	-	21,557	-	31,558
Taxation	-	-	(141)	-	(10,314)	-	(10,455)
Net reserve transfers	8,632	1,272	(9,904)	(856)	856	-	-
Currency translation differences	-	-	-	-	-	(9,325)	(9,325)
Gains on net investment hedges	-	-	-	-	-	8,809	8,809
Actuarial losses on retirement benefit obligations	-	-	-	-	(2,169)	-	(2,169)
Profit on disposal of business	-	-	-	-	5,187	-	5,187
Tax attributable to other recognised (losses)/gains	-	-	-	-	543	(1,381)	(838)
Non-controlling interests	-	-	-	-	(10,490)	-	(10,490)
Fund balance at 31 December 2024	21,829	4,110	119,212	-	525,453	17,753	688,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



42 Summary of reserve movements (continued)

	Unrestricted funds					Translation and hedging	
	General fund	Designated fund	Endowment fund	Revaluation reserve	Non-charitable trading reserve	reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 31 December 2022	11,681	1,982	110,556	222	501,849	19,511	645,801
IFRS 9 transition	-	-	-	-	478	-	478
Fund balance at 1 January 2023	11,681	1,982	110,556	222	502,327	19,511	646,279
Income	521	543	3,719	-	748,085	-	752,868
Gift aid paid to charity parent	13,000	-	-	-	(13,000)	-	-
Expenditure	(22,410)	(2,576)	(347)	-	(723,627)	-	(748,960)
Fair value gains on investments	-	-	7,258	-	9,007	-	16,265
Loss on disposal of associate	-	-	-	-	(1,130)	-	(1,130)
Taxation	-	-	(133)	-	(5,106)	-	(5,239)
Net reserve transfers	1,727	2,229	(3,956)	-	-	-	-
Currency translation differences	-	-	-	-	-	(4,033)	(4,033)
Gains on net investment hedges	-	-	-	-	-	4,859	4,859
Actuarial gains on retirement benefit obligations	-	-	-	-	4,535	-	4,535
Fair value gains on property	-	-	-	850	-	-	850
Tax attributable to other recognised gains/ (losses)	-	-	-	(216)	(1,135)	(687)	(2,038)
Non-controlling interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2023	4,519	2,178	117,097	856	511,174	19,650	655,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42 Summary of reserve movements (continued)



See note 16 for further information on the general unrestricted, designated and endowment funds.

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

Non-charitable trading reserves are funds accumulated by the trading subsidiaries of the Benefact Trust group of companies.

See note 43 for further information on the translation and hedging reserve.

43 Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2024	14,761	4,889	19,650
Losses on currency translation differences	(9,325)	-	(9,325)
Gains on net investment hedges	-	8,809	8,809
Attributable tax	-	(1,381)	(1,381)
At 31 December 2024	5,436	12,317	17,753
At 1 January 2023	18,794	717	19,511
Losses on currency translation differences	(4,033)	-	(4,033)
Gains on net investment hedges	-	4,859	4,859
Attributable tax	-	(687)	(687)
At 31 December 2023	14,761	4,889	19,650

The translation reserve arises on consolidation of the Benefact Trust group of companies' 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.

44 Analysis of changes in net debt

	At 1 January 2024 £000	Cashflows £000	Acquisition of subsidiary £000	New leases £000	Foreign exchange movements £000	Other non-cash changes £000	At 31 December 2024 £000
Cash and cash equivalents	164,222	10,015	-	-	(3,505)	-	170,732
Loans falling due after more than one year	(25,853)	(18,140)	(122)	-	1,219	17,711	(25,185)
Finance lease obligations	(29,017)	3,019	(290)	(7,217)	358	174	(32,973)
Total	109,352	(5,106)	(412)	(7,217)	(1,928)	17,885	112,574

45 Non-controlling interests

Non-controlling interests comprise 95.6% (2023: 95.6%) of the 106,450,000 (2023: 106,450,000) 8.625% Non-cumulative Irredeemable Preference shares (NCIPs) in EIO plc and the L&W non-controlling interest as summarised below:

	L&W £000	NCIPs £000	Total £000
At 1 January 2024	13,664	101,815	115,479
Purchase of non-controlling interest	(4,763)	-	(4,763)
Subsidiary profit attributable to non-controlling interest	2,362	-	2,362
At 31 December 2024	11,263	101,815	113,078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45 Non-controlling interests (continued)



	L&W £000	NCIPs £000	Total £000
At 1 January 2023	-	101,815	101,815
Purchase of non-controlling interest	13,664	-	13,664
At 31 December 2023	13,664	101,815	115,479

On 30 June 2023 Benefact Group acquired a further 10.1% of the issued share capital of L&W, taking its shareholding to 50.1%. As a result £13.7m minority interest was recognised. Further details are disclosed in note 35.

On 28 June 2024, Benefact Group acquired an additional 15.0% of the issued ordinary share capital of L&W, increasing its ownership to 65.07%. Further details are disclosed in note 35.

46 Leases

Trading subsidiaries as lessee

The trading subsidiaries have lease contracts for various items of property, motor vehicles and other equipment used in their operations. Leases of property generally have terms of up to 15 years, while motor vehicles and other equipment generally have lease terms between 2 and 6 years. Lease terms are negotiated on an individual basis and contain different terms and conditions, but do not impose any covenants other than security interests. The trading subsidiaries' obligations under their leases are secured by the lessor's title to the leased assets, and leased assets may not be used as security for borrowing purposes.

Set out below are the carrying amounts of right of-use assets recognised and the movements during the period:

	Land and buildings £000	Motor vehicles £000	Other equipment £000	Total £000
Cost				
At 31 December 2023	-	1,324	-	1,324
FRS 102 transition adjustment*	39,860	-	1,321	41,181
At 1 January 2024	39,860	1,324	1,321	42,505
Acquisition	275	97	-	372
Additions	6,965	93	160	7,218
Disposals	(512)	(363)	(153)	(1,028)
Exchange differences	(454)	-	-	(454)
At 31 December 2024	46,134	1,151	1,328	48,613
Depreciation				
At 31 December 2023	-	482	-	482
FRS 102 transition adjustment*	12,744	-	551	13,295
At 1 January 2024	12,744	482	551	13,777
Charge for the period	4,213	209	238	4,660
Acquisition	58	42	-	100
Disposals	(466)	(184)	(122)	(772)
Exchange differences	(191)	-	-	(191)
At 31 December 2024	16,358	549	667	17,574
Net book value at 31 December 2024	29,776	602	661	31,039
Net book value at 31 December 2023	-	842	-	842

*The Benefact Trust group of companies early adopted the Periodic Review 2024 amendments to FRS 102 from 1 January 2024 as disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46 Leases (continued)



Set out below are the carrying amounts of lease obligations:

	2024 £000	2023 £000
Current	3,172	-
Non-Current	29,800	-
	<u>32,972</u>	<u>-</u>

Net income/(expenditure) for the year has been arrived at after charging the following amounts in respect of lease contracts:

	2024 £000	2023 £000
Depreciation expense of right-of-use assets	4,660	-
Interest expense on lease liabilities	1,573	-
Expenses relating to short-term leases	-	-
Expenses relating to low value leases	57	-
	<u>6,290</u>	<u>-</u>

The trading subsidiaries had total cash outflows for leases, including interest paid, of £4.6m (2023: £nil). The future cash outflows relating to leases that have not yet commenced are disclosed in note 47.

The trading subsidiaries have several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the trading subsidiaries business needs.

Trading subsidiaries as lessor

The trading subsidiaries have entered into operating leases on its investment property portfolio. These leases have terms of up to 50 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income on these properties recognised by the trading subsidiaries during the year are disclosed within note 21.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2024 £000	2023 £000
Within 1 year	7,601	8,261
Between 1 & 5 years	19,084	21,519
After 5 years	9,936	13,397
	<u>36,621</u>	<u>43,177</u>

47 Financial commitments

Capital commitments

At the year end, the Benefact Trust group of companies had capital commitments of £0.4m (2023: £2.4m) relating to development costs. The charity had no capital commitments in the current and prior year.

The trading subsidiaries have lease contracts for right-of-use assets that had not commenced at 31 December 2024. These leases will commence in 2025. Leases for motor vehicles have a term of 4 years with expected cash outflow of £11,000 per annum.



48 Related undertakings

The charity's interest in related undertakings at 31 December 2024 is as follows:

Company	Company Registration Number	Share Capital	2024		2023		Activity
			Holding of Charity	Subsidiary	Holding of Charity	Subsidiary	
Subsidiary undertakings							
Incorporated in the United Kingdom							
Access Underwriting Limited ¹⁵	03880990	Ordinary	-	100%	-	-	Insurance agents - and brokers
Benefact Broking & Advisory Holdings Limited ¹⁵	14493617	Ordinary	-	100%	-	100%	Investment holding company
Benefact Group plc ¹	1718196	Ordinary	100%	-	100%	-	Investment - holding company
Benefact Management Services Limited ¹⁴	1811698	Ordinary	-	100%	-	100%	Dormant company
Boshers Ltd ³⁵	02946794	Ordinary	-	65.07%	-	-	Insurance agents - and brokers
Cheviot Insurance Services Ltd ¹⁵	09303679	Ordinary	-	100%	-	-	Insurance agents - and brokers
Clearbroking Ltd ³⁵	08024522	Ordinary	-	65.07%	-	-	Insurance agents - and brokers
Cleddau Holdings Limited ³⁵	06537988	Ordinary	-	65.07%	-	50.09%	Investment holding company
Cleddau Insurance Services Limited ³⁵	06542667	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Davies Craddock (Holdings) Limited ⁷	06523912	Ordinary	-	-	-	50.09%	Investment holding company
Davies Craddock Limited ⁷	06403519	Ordinary	-	-	-	50.09%	Insurance
Direct Corporate Risks Limited ⁷	12939587	Ordinary	-	-	-	50.09%	Insurance
Ecclesiastical Financial Advisory Services Limited ¹⁵	2046087	Ordinary	-	100%	-	100.00%	Independent financial advisory
Ecclesiastical Group Healthcare Trustees Limited ¹⁵	10988127	Ordinary	-	100%	-	100%	Trustee company
Ecclesiastical Insurance Office public limited company ¹	24869	Ordinary Preference	- -	100% 4.35%	-	100% 4.35%	Insurance
Ecclesiastical Life Limited ¹	0243111	Ordinary	-	100%	-	100%	Life insurance
Ecclesiastical Planning Services Limited ¹	02644860	Ordinary	-	100%	-	100%	Funeral plan administration
Ecclesiastical Underwriting Management Limited ¹⁵	02368571	Ordinary	-	100%	-	100%	Trustee company

The financial statements of EIO plc and Benefact 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 151.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Related undertakings (continued)



The charity's interest in related undertakings at 31 December 2024 is as follows:

Company	Company Registration Number	Share Capital	2024		2023		Activity
			Holding of Charity	Subsidiary	Holding of Charity	Subsidiary	
Subsidiary undertakings							
Incorporated in the United Kingdom							
EdenTree Asset Management Limited ¹	11923964	Ordinary	-	100%	-	100%	Investment management
EdenTree Holdings Limited ¹⁵	14496067	Ordinary	-	100%	-	100%	Investment holding company
EdenTree Investment Management Limited ¹	2519319	Ordinary	-	100%	-	100%	Investment management
E.I.O. Trustees Limited ¹⁴	0941199	Ordinary	-	100%	-	100%	Trustee company
G.D. Anderson & Co Limited ¹⁵	00776446	Ordinary	-	100%	-	100%	Insurance agents and brokers
Grout Insurance Brokers Limited ¹⁵	05127052	Ordinary	-	100%	-	-	Insurance agents and brokers
Insurance Broking Finance Limited ⁷	04981657	Ordinary	-	-	-	50.09%	Insurance agents and brokers
Lycett, Browne-Swinburne & Douglass Limited ¹	00706042	Ordinary	-	100%	-	100%	Insurance agents and brokers
Lycetts Financial Services Limited ¹	02057974	Ordinary	-	100%	-	100%	Independent financial advisory
Lycetts Holdings Limited ¹⁵	05866203	Ordinary	-	100%	-	100%	Investment holding company
Lycetts Risk Management Services Limited ¹⁵	10906990	Ordinary	-	100%	-	100%	Risk management services
Lloyd & Whyte Community Broking Limited ³⁵	04640518	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Lloyd & Whyte (Financial Services) Limited ³⁵	02092560	Ordinary	-	65.07%	-	50.09%	Financial intermediary
Lloyd & Whyte Group Limited ³	01143899	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Lloyd & Whyte Limited ³⁵	03686765	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Membership Plans Limited ³⁵	06322047	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Mi Speciality Limited ³	07313009	Ordinary	-	65.07%	-	50.09%	Insurance
Naturesave Policies Limited ³⁵	02797137	Ordinary	-	65.07%	-	50.09%	Insurance

The financial statements of EIO plc and Benefact 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 151.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48 Related undertakings (continued)



The charity's interest in related undertakings at 31 December 2024 is as follows:

Company	Company Registration Number	Share Capital	2024 Holding of shares by		2023 Holding of shares by		Activity
			Charity	Subsidiary	Charity	Subsidiary	
Subsidiary undertakings							
Playle-Russell (Special Risks) Limited ⁷	03779860	Ordinary	-	-	-	50.09%	Insurance
Robertson-McIsaac Limited ¹ ⁵	03544899	Ordinary	-	100%	-	100%	Insurance agents and brokers
SEIB Insurance Brokers Limited ¹⁵	06317314	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
South Essex Insurance Holdings Limited ⁷	06317313	Ordinary	-	-	-	50.09%	Investment holding company
Specialist Broking Retail Limited ³⁵	10301653	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Stride Limited ³⁵	01122247	Ordinary	-	65.07%	-	50.09%	Insurance agents and broker
The Medical Insurance Advisory Bureau Limited ³⁵	07217140	Ordinary	-	65.07%	-	50.09%	Insurance agents and brokers
Incorporated in Australia							
Ansvar Insurance Limited ²	007216506	Ordinary	-	100%	-	100%	Insurance
Ansvar Insurance Services Pty Limited ²⁶	162612286	Ordinary	-	100%	-	100%	Dormant company
Ansvar Risk Management Services Limited ²	623695054	Ordinary	-	-	-	100%	Dormant company
Associated undertakings							
Incorporated in the United Kingdom							
De Novo Risk Solutions Limited ³⁵	10246240	Ordinary	-	20%	-	20%	Insurance agents and brokers
Provenance IB Ltd ^{35 8}	11131702	Ordinary	-	45%	-	35%	Insurance agents and broker
Virtuso Ins Group Ltd ^{35 8}	11131702	Ordinary	-	45%	-	35%	Insurance agents and broker
¹ Registered office: Benefact House, 2000 Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom							
² Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia							
³ Registered office: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA							
⁴ Exempt from audit under s480 of the Companies Act 2006							
⁵ Exempt from audit under s479A of the Companies Act 2006							
⁶ Exempt from audit							
⁷ Entity dissolved on 24 December 2024							
⁸ Lloyd and Whyte Group Limited, a subsidiary of Benefact Group Plc, acquired a further 10% holding in Provenance IB Ltd on 20 September 2024, taking their total holding to 45%. Provenance IB Ltd holds 100% of the Ordinary Share Capital of Virtuso Ins Group Ltd.							
On 26 February 2025, Access acquired the entire issued share capital of M Ladbrook Limited.							



49 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in the analysis below.

Other related parties of the Benefact Trust group of companies include the trading subsidiaries' pension schemes. Prior year also includes transactions with associated undertakings.

	2024	2023
	£000	£000
Income from transactions with other related parties	649	750
Expenditure arising from transactions with other related parties	(506)	(1,362)
Amounts owed by other related parties	4,115	615
Amounts due to other related parties	-	-

50 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 values 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 values 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 Benefact Trust group of companies' functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. During the year there was a transfer from level 1 to level 2 due to a change in observable inputs.

Analysis of fair value measurement bases	Fair value measurement at the end of the reporting period based on			Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
At 31 December 2024				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	247,342	-	99,747	347,089
Debt securities	521,008	637	-	521,645
Structured notes	-	123,912	-	123,912
Funeral plan investments	-	447,728	-	447,728
Derivatives	-	4,149	-	4,149
Total financial assets at fair value through profit or loss	768,350	576,426	99,747	1,444,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



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 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	250,106	-	90,191	340,297
Debt securities	516,844	2,079	(1)	518,922
Structured notes	-	94,970	-	94,970
Funeral plan investments	-	457,685	-	457,685
Derivatives	-	824	-	824
Total financial assets at fair value through profit or loss	766,950	555,558	90,190	1,412,698

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.

Structured notes (level 2)

These financial assets are not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

Funeral plan investments (level 2)

The trading subsidiaries hold investments in respect of funeral plan policies which are predominantly invested in individual whole-of-life insurance policies. These are valued using valuations provided by the insurance policy provider.

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, normalised for performance measures where appropriate, 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. The sensitivity of the valuation to reasonable changes in the unobservable inputs is as follows:

	Change in variable	Potential increase/ (decrease) in valuation	
		2024	Restated* 2023
Increase in price-to-tangible book ratio	+10%	9,884	8,948
Decrease in price-to-tangible book ratio	-10%	(9,884)	(8,948)
Increase in illiquidity discount	+5%	(5,814)	(5,264)
Decrease in illiquidity discount	-5%	5,814	5,264

*The prior year comparatives have been restated to reflect the entire holding of the Benefact Group.



II. Financial risk and capital management

The principal financial risks to which the Benefact Trust group of companies is exposed arise from the financial assets, financial liabilities, reinsurance assets and insurance liabilities of the trading subsidiaries. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, equity price risk and currency risk.

There has been no change from the prior period in the nature of the financial risks to which the trading subsidiaries are exposed. The continued conflict in Ukraine and the Middle East, broader geopolitical tensions including the recent uncertainty in trade tariffs, mean there is continued uncertainty in relation to the economic risks to which the trading subsidiaries are exposed. The management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) 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 Benefact Trust group of companies' assets, subordinated debt which has a fixed interest until 2030, and from insurance liabilities discounted 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 the trading subsidiaries' life insurance business, consisting of policies to support funeral planning products, 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 (for example 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 their investment portfolio.

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

(b) 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 ratings agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



(b) Credit risk (continued)

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 0% of this category in the current year and 1% in the 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.

The following table provides information regarding the credit risk exposure of the trading subsidiaries' financial assets with external credit ratings from Standard & Poors or an equivalent rating from a similar agency.

	At 31 December 2024			Restated* At 31 December 2023		
	Debt securities	Reinsurance debtors	Cash**	Debt securities	Reinsurance debtors	Cash**
	£000	£000	£000	£000	£000	£000
AAA	216,002	-	-	207,068	-	-
AA	149,341	11,087	67,039	152,744	5,902	83,331
A	87,153	13,242	69,670	88,810	17,435	26,253
BBB	52,830	-	-	52,646	-	38,724
Below BBB	5,430	-	10	8,567	-	-
Not rated	10,889	3,058	5	9,087	3,500	9
	521,645	27,387	136,724	518,922	26,837	148,317

*The comparative financial statements have been restated to apply the Benefact Trust group of companies accounting policy to remove client money on its balance sheet.

**Cash includes amounts held on deposit classified within financial investments and disclosed within note 31. Cash balances which are not rated relate to cash amounts in hand.

The trading subsidiaries' credit risk policy details 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. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. 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.

	2024	2023
	£000	£000
Insurance Debtors		
Current	115,847	134,790
0-30 days	18,459	17,262
30-90 days	19,157	6,629
More than 90 days	15,826	10,068
	169,289	168,749

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



(b) Credit risk (continued)

	2024	2023
	£000	£000
Reinsurance Debtors		
Current	19,107	20,845
0-30 days	1,560	1,271
30-90 days	1,439	1,637
More than 90 days	5,281	3,084
	<u>27,387</u>	<u>26,837</u>

Amounts arising from expected credit losses on financial assets are as follows:

	2024	2023
	£000	£000
Balance at 1 January	2	1,027
Movement in the year	3	(1,025)
Balance at 31 December	<u>5</u>	<u>2</u>

(c) Equity price risk

The trading subsidiaries are exposed to equity price risk 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:

	2024	2023
	£000	£000
UK	232,802	UK 237,043
Europe	98,839	Europe 89,483
US	15,448	US 13,771
Total	<u>347,089</u>	Total <u>340,297</u>

(d) Currency risk

The trading subsidiaries operate internationally and their main exposure to foreign exchange risk is noted below. The foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, 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 trading subsidiaries' foreign operations create two sources of foreign currency risk:

- the operating results of the foreign branches and subsidiaries in the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



(d) Currency risk (continued)

The forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 32. 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 largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2024		2023
	£000		£000
Can \$	81,992	Can \$	67,554
Euro	70,724	Aus \$	61,822
Aus \$	57,248	Euro	52,558
USD \$	13,691	USD \$	11,652
HKD \$	36	HKD \$	185

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 32.

(e) 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 Benefact Trust group of companies.

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

	Maturing:			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
At 31 December 2024				
Life business provision	44	139	202	385
At 31 December 2023				
Life business provision	40	126	219	385

(f) Market risk sensitivity analysis

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

Variable	Change in variable	Potential increase/(decrease) increase in net income/(expenditure)		Potential increase/ (decrease) in funds	
		2024 £000	2023 £000	2024 £000	2023 £000
Interest rate risk	-100 basis points	4,012	814	(129)	(4)
	+100 basis points	(3,594)	906	109	3
Currency risk	-10%	5,398	4,065	17,649	16,070
	+10%	(4,417)	(3,326)	(14,440)	(13,148)
Equity price risk	+/- 10%	26,032	25,522	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



(f) Market risk sensitivity analysis (continued)

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

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

(g) Capital management

The Benefact Trust group of companies' 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 Benefact Trust group of companies' 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). 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 Benefact Group's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

Benefact Group's Solvency II Own Funds and Solvency Capital Requirement will be subject to a separate independent audit, as part of the process for Solvency II reporting to the PRA. Benefact Group expects to meet the PRA's deadline for submission to the PRA of 27 May 2025, and its SFCR will be made available on its website shortly after.

	2024	2023
	£000	£000
Solvency II Own Funds (unaudited)	618,675	597,763
Solvency Capital Requirement	257,574	265,475
Coverage Ratio	240%	225%

III. Insurance risk

Through the general insurance and life insurance operations of the trading subsidiaries, the Benefact Trust group of companies is exposed to a number of 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 to 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).

(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. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimal to the trading subsidiaries' needs. The optimum reinsurance structure provides the trading subsidiaries with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



(i) Risk mitigation (continued)

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the trading subsidiaries utilise the full range of proprietary catastrophe models and continue to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the trading subsidiaries' risk appetite.

(ii) Concentrations of risk

The core business of the trading subsidiaries is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The whole-of-life insurance policies support funeral planning products.

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and class of business which is an indication of the concentration of risk accepted by the trading subsidiaries in the year. Further details on gross and net written premiums, which is an alternative performance measure, are detailed in note 51.

Territory		General insurance				Life insurance	Total £000
		Property £000	Liability £000	Miscellaneous financial loss		Whole-of-life £000	
				£000	Other £000		
2024							
United Kingdom and Ireland	Gross	325,781	85,970	27,352	4,597	(149)	443,551
	Net	162,268	82,332	13,413	391	(149)	258,255
Australia	Gross	53,643	40,212	1,320	170	-	95,345
	Net	11,757	34,328	1,297	30	-	47,412
Canada	Gross	71,070	30,486	-	-	-	101,556
	Net	46,570	27,021	-	-	-	73,591
Total	Gross	450,494	156,668	28,672	4,767	(149)	640,452
	Net	220,595	143,681	14,710	421	(149)	379,258
2023							
United Kingdom and Ireland	Gross	297,481	79,966	24,668	3,287	176	405,578
	Net	137,933	75,916	11,816	64	176	225,905
Australia	Gross	57,703	43,194	1,337	434	-	102,668
	Net	9,182	37,275	1,313	82	-	47,852
Canada	Gross	73,958	32,979	-	-	-	106,937
	Net	48,247	29,512	-	-	-	77,759
Total	Gross	429,142	156,139	26,005	3,721	176	615,183
	Net	195,362	142,703	13,129	146	176	351,516

More detailed information relating to the insurance risk arising from the trading subsidiaries can be found in note 3 of Benefact Group plc's annual report and accounts, which is available from the registered office on page 151.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



IV. Insurance revenue

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2024			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	(877)	(877)
Change in the risk adjustment for non-financial risk for the risk expired after loss component	-	16	16
CSM recognised in net income/(expenditure) for the services provided	-	712	712
	-	(149)	(149)
Contracts measured under PAA	623,875	-	623,875
Total insurance revenue	623,875	(149)	623,726
For the year ended 31 December 2023			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	(590)	(590)
Change in the risk adjustment for non-financial risk for the risk expired after loss component	-	20	20
CSM recognised in net income/(expenditure) for the services provided	-	717	717
	-	147	147
Contracts measured under PAA	579,975	-	579,975
Total insurance revenue	579,975	147	580,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



V. Insurance services expenses

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2024			
Incurred claims and benefits excluding investment components	304,128	-	304,128
Insurance acquisition cash flows amortisation	128,387	-	128,387
Changes that relate to past service	18,707	-	18,707
Losses on onerous contracts and reversal of those losses	(784)	-	(784)
Changes that relate to current service	-	8	8
Total insurance service expenses	450,438	8	450,446
For the year ended 31 December 2023			
Incurred claims and benefits excluding investment components	308,069	-	308,069
Insurance acquisition cash flows amortisation	116,289	-	116,289
Changes that relate to past service	(24,547)	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	155
Changes that relate to current service	-	137	137
Total insurance service expenses	399,966	137	400,103

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets

	2024	Restated*
	£000	£000
Gross		
General Insurance contract liabilities for incurred claims	635,317	634,819
General Insurance contract liabilities for remaining coverage	94,895	90,994
Life insurance contract liabilities for remaining coverage	385	385
Total gross insurance contract liabilities	730,597	726,198
Reinsurance assets		
Reinsurance contract assets for incurred claims	205,518	198,768
Reinsurance contract assets for remaining coverage	33,935	21,340
Total reinsurers' share of insurance liabilities	239,453	220,108
Net		
General insurance contract liabilities for incurred claims	429,799	436,051
General insurance contract assets for remaining coverage	60,960	69,654
Life insurance contract liabilities for remaining coverage	385	385
Total net insurance liabilities	491,144	506,090
Gross insurance liabilities		
Current	280,279	306,411
Non-current	450,318	419,787
Reinsurance assets		
Current	130,213	127,365
Non-current	109,240	92,743

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		Total
	General liabilities for remaining coverage	General liabilities for incurred claims	Life liabilities for remaining coverage	General assets for remaining coverage	General assets for incurred claims	
	£000	£000	£000	£000	£000	£000
At 1 January 2023	93,140	636,638	456	(14,155)	(225,969)	490,110
Insurance revenue	(579,975)	-	(147)	-	-	(580,122)
Incurred claims and other insurance service expenses	-	308,069	-	-	-	308,069
Changes that relate to current service	-	-	137	-	-	137
Changes that relate to past service	-	(24,547)	-	-	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	-	-	-	155
Insurance acquisition cash flows amortisation	116,289	-	-	-	-	116,289
Insurance service expenses	116,444	283,522	137	-	-	400,103
Insurance service result before reinsurance contracts held	(463,531)	283,522	(10)	-	-	(180,019)
Allocation of reinsurance premiums	-	-	-	148,094	-	148,094
Recoveries of incurred claims and other insurance service expenses	-	-	-	5,013	(77,048)	(72,035)
Changes that relate to past service	-	-	-	-	31,024	31,024
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	91	-	91
Net expense/(income) from reinsurance contracts	-	-	-	153,198	(46,024)	107,174
Finance income from insurance contracts issued	-	24,102	-	-	-	24,102
Finance income from reinsurance contracts held	-	-	-	-	(7,190)	(7,190)
Net insurance financial result	-	24,102	-	-	(7,190)	16,912
Total amounts recognised in statement of financial activities	(463,531)	307,624	(10)	153,198	(53,214)	(55,933)
Exchange differences	(1,661)	(13,309)	-	929	5,220	(8,821)
Premiums received	596,793	-	-	-	-	596,793
Insurance acquisition cash flows	(133,747)	-	-	-	-	(133,747)
Claims and other directly attributable expenses paid	-	(296,134)	(61)	-	-	(296,195)
Premiums paid	-	-	-	(161,312)	-	(161,312)
Amounts received	-	-	-	-	75,195	75,195
Total cash flows	463,046	(296,134)	(61)	(161,312)	75,195	80,734
At 31 December 2023	90,994	634,819	385	(21,340)	(198,768)	506,090

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amount recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance assets for incurred claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		Total £000
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	Life liabilities for remaining coverage £000	General assets for remaining coverage £000	General assets for incurred claims £000	
At 1 January 2024	90,994	634,819	385	(21,340)	(198,768)	506,090
Insurance revenue	(623,875)	-	149	-	-	(623,726)
Incurred claims and other insurance service expenses	-	304,128	-	-	-	304,128
Changes that relate to current service	-	-	8	-	-	8
Changes that relate to past service	-	18,707	-	-	-	18,707
Losses on onerous contracts and reversal of those losses	(784)	-	-	-	-	(784)
Insurance acquisition cash flows amortisation	128,387	-	-	-	-	128,387
Insurance service expenses	127,603	322,835	8	-	-	450,446
Insurance service result before reinsurance contracts held	(496,272)	322,835	157	-	-	(173,280)
Allocation of reinsurance premiums	-	-	-	150,849	-	150,849
Recoveries of incurred claims and other insurance service expenses	-	-	-	2,643	(92,137)	(89,494)
Changes that relate to past service	-	-	-	-	22,608	22,608
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	627	-	627
Net expense/(income) from reinsurance contracts	-	-	-	154,119	(69,529)	84,590
Finance expense from insurance contracts issued	-	11,828	(8)	-	-	11,820
Finance income from reinsurance contracts held	-	-	-	-	(4,647)	(4,647)
Net insurance financial result	-	11,828	(8)	-	(4,647)	7,173
Total amounts recognised in statement of financial activities	(496,272)	334,663	149	154,119	(74,176)	(81,517)
Exchange differences	(2,386)	(20,357)	-	2,066	5,692	(14,985)
Premiums received	624,768	-	-	-	-	624,768
Insurance acquisition cash flows	(122,209)	-	-	-	-	(122,209)
Claims and other directly attributable expenses paid	-	(313,808)	(149)	-	-	(313,957)
Premiums paid	-	-	-	(168,780)	-	(168,780)
Amounts received	-	-	-	-	61,734	61,734
Total cash flows	502,559	(313,808)	(149)	(168,780)	61,734	81,556
At 31 December 2024	94,895	635,317	385	(33,935)	(205,518)	491,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(a) General business insurance contracts

(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued

	PAA		GMM	
	Excluding loss component £000	Loss component £000	Liability for remaining coverage £000	Total £000
At 1 January 2023	89,773	2,667	700	93,140
Insurance revenue	(579,975)	-	-	(579,975)
Losses on onerous contracts and reversal of those losses	-	155	-	155
Insurance acquisition cash flows amortisation	116,289	-	-	116,289
Insurance service expenses	116,289	155	-	116,444
Total amounts recognised in statement of financial activities	(463,686)	155	-	(463,531)
Exchange differences	(1,531)	(130)	-	(1,661)
Premiums received	596,793	-	-	596,793
Insurance acquisition cash flows	(133,747)	-	-	(133,747)
Total cash flows	463,046	-	-	463,046
At 31 December 2023	87,602	2,692	700	90,994
Insurance revenue	(623,875)	-	-	(623,875)
Losses on onerous contracts and reversal of those losses	-	(784)	-	(784)
Insurance acquisition cash flows amortisation	128,387	-	-	128,387
Insurance service expenses	128,387	(784)	-	127,603
Total amounts recognised in statement of financial activities	(495,488)	(784)	-	(496,272)
Exchange differences	(2,214)	(172)	-	(2,386)
Premiums received	624,768	-	-	624,768
Insurance acquisition cash flows	(122,209)	-	-	(122,209)
Total cash flows	502,559	-	-	502,559
At 31 December 2024	92,459	1,736	700	94,895

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(ii) Reconciliation of the liability for incurred claims

Insurance contracts issued

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Total £000
At 1 January 2023	548,505	88,133	636,638
Incurred claims and other insurance service expenses	293,527	14,542	308,069
Changes that relate to past service	(3,659)	(20,888)	(24,547)
Insurance service expenses	289,868	(6,346)	283,522
Insurance service result before reinsurance contracts held	289,868	(6,346)	283,522
Finance expense from insurance contracts issued	24,102	-	24,102
Net insurance financial result	24,102	-	24,102
Total amounts recognised in statement of financial activities	313,970	(6,346)	307,624
Exchange differences	(11,362)	(1,947)	(13,309)
Claims and other directly attributable expenses paid	(296,134)	-	(296,134)
Total cash flows	(296,134)	-	(296,134)
At 31 December 2023	554,979	79,840	634,819
Incurred claims and other insurance service expenses	291,510	12,618	304,128
Changes that relate to past service	31,155	(12,448)	18,707
Insurance service expenses	322,665	170	322,835
Insurance service result before reinsurance contracts held	322,665	170	322,835
Finance expense from insurance contracts issued	11,828	-	11,828
Net insurance financial result	11,828	-	11,828
Total amounts recognised in statement of financial activities	334,493	170	334,663
Exchange differences	(17,740)	(2,617)	(20,357)
Claims and other directly attributable expenses paid	(313,808)	-	(313,808)
Total cash flows	(313,808)	-	(313,808)
At 31 December 2024	557,924	77,393	635,317

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(iii) Reconciliation of the asset for remaining coverage

Reinsurance contracts held

	Excluding loss recovery component £000	Loss recovery component £000	Total £000
At 1 January 2023 (Restated*)	11,794	2,361	14,155
Allocation of reinsurance premiums	(148,094)	-	(148,094)
Recoveries of incurred claims and other insurance service expenses	(5,013)	-	(5,013)
Recoveries of losses on onerous contracts and reversal of those losses	-	(91)	(91)
Net expense from reinsurance contracts	(153,107)	(91)	(153,198)
Total amounts recognised in statement of financial activities	(153,107)	(91)	(153,198)
Exchange differences	(812)	(117)	(929)
Premiums paid	161,312	-	161,312
Total cash flows	161,312	-	161,312
At 31 December 2023 (Restated*)	19,187	2,153	21,340
Allocation of reinsurance premiums	(150,849)	-	(150,849)
Recoveries of incurred claims and other insurance service expenses	(2,643)	-	(2,643)
Recoveries of losses on onerous contracts and reversal of those losses	-	(627)	(627)
Net expense from reinsurance contracts	(153,492)	(627)	(154,119)
Total amounts recognised in statement of financial activities	(153,492)	(627)	(154,119)
Exchange differences	(1,928)	(138)	(2,066)
Premiums paid	168,780	-	168,780
Total cash flows	168,780	-	168,780
At 31 December 2024	32,547	1,388	33,935

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(iv) Reconciliation of the asset for incurred claims

Reinsurance contracts held

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Total £000
At 1 January 2023 (Restated*)	200,215	25,754	225,969
Recoveries of incurred claims and other insurance service expenses	71,621	5,427	77,048
Changes that relate to past service	(19,275)	(11,749)	(31,024)
Net income/(expense) from reinsurance contracts	52,346	(6,322)	46,024
Finance income from reinsurance contracts held	7,190	-	7,190
Net insurance financial result	7,190	-	7,190
Total amounts recognised in statement of financial activities	59,536	(6,322)	53,214
Exchange differences	(4,385)	(835)	(5,220)
Amounts received	(75,195)	-	(75,195)
Total cash flows	(75,195)	-	(75,195)
At 31 December 2023 (Restated*)	180,171	18,597	198,768
Recoveries of incurred claims and other insurance service expenses	87,772	4,365	92,137
Changes that relate to past service	(10,802)	(11,806)	(22,608)
Net income/(expense) from reinsurance contracts	76,970	(7,441)	69,529
Finance income from reinsurance contracts held	4,647	-	4,647
Net insurance financial result	4,647	-	4,647
Total amounts recognised in statement of financial activities	81,617	(7,441)	74,176
Exchange differences	(5,167)	(525)	(5,692)
Amounts received	(61,734)	-	(61,734)
Total cash flows	(61,734)	-	(61,734)
At 31 December 2024	194,887	10,631	205,518

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

(v) Reserving methodology

Reserving for non-life 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.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(v) Reserving methodology (continued)

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

(vi) Risk Adjustment for non-financial risk

The Risk Adjustment for non-financial risk is the compensation the trading subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as they fulfil insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The trading subsidiaries' risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2023: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgments on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

(vii) Calculation of provisions for latent claims

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

(viii) Discounting

General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

Geographical territory	Discount rate	
	2024	2023
UK and Ireland	4.6% to 6.2%	4.0% to 5.3%
Canada	3.0% to 4.9%	3.5% to 4.7%
Australia	4.5%	3.9%

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities.

The impact of discount rate changes on reinsurance contracts held is presented within income arising from trading activities in the consolidated statement of financial activities. The impact of discount rate changes on insurance contracts issued is presented within expenditure arising from trading activities in the consolidated statement of financial activities.

(ix) Assumptions

The trading subsidiaries follow a process of reviewing their reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(x) Changes in assumptions

There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.

(xi) Sensitivity of results

The sensitivity of net income/(expenditure) before tax to reasonably possible final settlement assumptions used to calculate the general insurance outstanding claims provision is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	Potential (decrease)/ increase in the result			
		2024		Restated* 2023	
		Gross £000	Net £000	Gross £000	Net £000
Deterioration in loss ratio	+1%	(6,232)	(3,634)	(5,791)	(3,301)
Improvement in loss ratio	-1%	6,232	3,634	5,791	3,301
Increase in net liability for incurred claims excluding risk adjustment	+10%	(55,792)	(36,304)	(55,498)	(39,365)
Decrease in net liability for incurred claims excluding risk adjustment	-10%	55,792	36,304	55,498	39,365
Increase in risk adjustment**	+1%	(6,781)	(4,674)	(6,590)	(4,842)
Decrease in risk adjustment**	-1%	6,781	4,674	6,590	4,842

*The comparative financial statements have been restated to reflect the correct current year presentation of reinsurance contract assets between general reinsurance contract assets for incurred claims and general reinsurance contract assets for remaining coverage. Amounts recoverable from reinsurers in respect of claims previously included in general reinsurance contract assets for remaining coverage have been re-presented in general reinsurance contract assets for incurred claims.

** Calculated on undiscounted present value of future cash flows

At 31 December 2024, it is estimated that a fall of 1% in the discount rates used would increase the trading subsidiaries net outstanding claims liabilities and decrease profit before tax and equity by £13.6m (2023: £14.3m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(xii) Claims development table

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

Estimate of net ultimate claims											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,599	52,252	51,781	
One year later	40,397	41,631	41,706	37,456	39,842	37,509	47,102	45,575	50,629		
Two years later	37,740	37,740	37,797	32,867	37,243	36,193	45,079	45,547			
Three years later	32,297	36,337	34,818	31,647	39,164	37,579	46,666				
Four years later	28,506	35,217	36,431	32,884	39,248	35,694					
Five years later	27,418	32,993	36,550	31,722	35,836						
Six years later	30,544	33,896	38,618	30,442							
Seven years later	30,296	34,297	37,595								
Eight years later	29,231	33,022									
Nine years later	29,003										
Current estimate of ultimate claims	29,003	33,022	37,595	30,442	35,836	35,694	46,666	45,547	50,629	51,781	396,215
Cumulative payments to date	(23,004)	(25,562)	(26,487)	(19,348)	(24,880)	(17,392)	(15,225)	(9,192)	(5,651)	(1,549)	(168,290)
Outstanding liability	5,999	7,460	11,108	11,094	10,956	18,302	31,441	36,355	44,978	50,232	227,925
Effect of discounting											(40,898)
Present value											187,027
Discounted liability in respect of earlier years											141,365
Total discounted net liability for liability classes											328,392
Total discounted net liability for non-liability classes, expenses and reinsurance debtors											125,912
Total discounted net liability included in provisions in the balance sheet											454,304

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(b) Life business insurance provision

(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Contractual service margin £000	Total £000
At 1 January 2023	410	2	44	456
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	20	-	20
Experience adjustments	(30)	-	-	(30)
	(30)	20	-	(10)
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Insurance service result	(30)	20	-	(10)
Finance income from insurance contracts issued	-	-	-	-
Net insurance financial result	-	-	-	-
Total amounts recognised in statement of financial activities	(30)	20	-	(10)
Claims and other directly attributable expenses paid	(43)	(20)	2	(61)
Total cash flows	(43)	(20)	2	(61)
At 31 December 2023	337	2	46	385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

(b) Life business insurance provision

(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Contractual service margin £000	Total £000
At 1 January 2024	337	2	46	385
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	-	-	-
Experience adjustments	157	-	-	157
	157	-	-	157
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Insurance service result	157	-	-	157
Finance income from insurance contracts issued	(8)	-	-	(8)
Net insurance financial result	(8)	-	-	(8)
Total amounts recognised in statement of financial activities	149	-	-	149
Claims and other directly attributable expenses paid	(154)	1	4	(149)
Total cash flows	(154)	1	4	(149)
At 31 December 2024	332	3	50	385

(ii) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2024 and 2023 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Discounting

The nominal discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

	2024	2023
Non-Profit Life Business	3.7% to 6.0%	3.2% to 5.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



VI. Insurance liabilities and reinsurance assets (continued)

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 in-force business is £18.29 per annum (2023: £14.27 per annum).

Expense and benefit inflation curves are set with reference to GBP inflation swaps of various terms, and using linear interpolation between available swap terms.

Tax

It has been assumed that current tax legislation and rates enacted at 1 January 2025 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(iii) 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 decreased by £2.8m (2023: £0.6m 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 insurance liabilities of the changes to renewal expense assumptions (described above) was a £0.4m increase (2023: £0.5m decrease).

(iv) Sensitivity analysis

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

Variable	Change in variable	Potential (decrease)/increase in the result	
		2024 £000	2023 £000
Deterioration in mortality	+10%	(857)	(820)
Improvement in mortality	-10%	1,002	960
Increase in fixed interest/cash yields	+1% pa	(624)	(340)
Decrease in fixed interest/cash yields	-1% pa	771	360
Worsening of base renewal expense level	+10%	30	20
Improvement in base renewal expense level	-10%	(30)	(20)
Increase in expense inflation	+1% pa	68	50
Decrease in expense inflation	-1% pa	(54)	(40)

(v) Maturity analysis

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
At 31 December 2024				
CSM release after accretion	6	18	26	50
At 31 December 2023				
CSM release after accretion	4	13	29	46

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

50 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)



51 Reconciliation of Alternative Performance Measures

The Benefact Trust group of companies use gross and net written premiums in addition to the figures prepared in accordance with UKGAAP when presenting the performance of its insurance subsidiary, EIO plc. These measures are commonly used within the insurance industry and we believe it provides useful information and enhances the understanding of the insurance result.

Gross written premium refers to the total premiums written and invoiced by the trading subsidiaries during the reporting period before deducting any outwards reinsurance premiums or adjustments for unearned premiums. It reflects the total premium income generated by the trading subsidiaries underwriting activities.

Users of the accounts should be aware that similarly titled Alternative Performance Measures (APM) reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

The tables below provide a reconciliation of the gross written premiums to insurance revenue:

		2024 £000	2023 £000
General Insurance			
Gross written premiums		640,601	615,007
Change in the gross unearned premium provision		(17,406)	(35,861)
Insurance revenue		623,195	579,146
Net written premiums		379,407	351,340
Outward reinsurance premiums written		261,193	263,667
Change in the gross unearned premium provision		(17,405)	(35,861)
Insurance revenue		623,195	579,146

		2024			
		Insurance		Investment return*	Other income and charges
		General	Life		
		£000	£000	£000	£000
Insurance revenue	50	623,195	(149)	734	(54)
		623,726			
		2023			
		Insurance		Investment return*	Other income and charges
		General	Life		
		£000	£000	£000	£000
Insurance revenue	50	579,146	147	832	(3)
		580,122			

*Instalment handling charges



Reference and administrative details

Board of trustees	Timothy Carroll, BA, MBA, FCII Francois Boisseau, Msc, FCA The Revd Canon Sarah Brown, BA Denise Cockrem, MA, FCA Caroline Coombs, BA, MBA Revd Paul Davis, BA Ian Moore, MA, PhD David Paterson, BA Patrick Rudden, MA John Nicholas Sykes, MA (Hons), MBA, FCA	<i>Chair</i>
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	
Independent Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH	
Bankers	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH	
Legal advisors	Farrer & Co, 66 Lincoln's Inn Fields, London WC2A 3LH Veale Wasbrough Vizards LLP Narrow Quay House, Narrow Quay Bristol BS1 4QA	
Investment Managers	EdenTree Asset Management Limited, 24 Monument Street, London, EC3R 8AJ Rathbones Investment Management Limited, 8 Finsbury Circus, London, EC2M 7A2	



BENEFACT TRUST

Company registration number 1043742

Charity registration number 263960

BENEFACT TRUST LIMITED

England & Wales - Charity number 263960

Accounts



BENEFACT
TRUST

2023

Annual Report & Accounts

Responding to evolving needs,
transforming lives and communities



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Explanation of Terms

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

Benefact Trust, the Trust or the Charity	Benefact Trust Limited
BG plc	Benefact Group plc, the direct subsidiary of Benefact Trust Limited
Benefact Group	Benefact Group plc and all its direct and indirectly owned subsidiaries
Benefact Trust group of companies	Benefact Trust Limited and all its direct and indirectly owned subsidiaries
EIO plc	Ecclesiastical Insurance Office plc, a direct subsidiary of Benefact Group plc, and the principal operating subsidiary
EEF	Expendable Endowment Fund (registered charity number 263960-1), a charitable trust linked to the Trust for registration and accounting purposes



About us

Benefact Trust Limited (the Trust) was established in 1972 in England and Wales as a company limited by guarantee and is a registered charity. The Trust is one of the UK's largest grant-making charities.

The Trust 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. During 2023, the Trust's grant programmes were evolved to help meet the wider scope of need and demand faced by beneficiaries and communities. In addition, the Trust continued to support charities and organisations providing effective front-line crisis intervention.

Benefact Trust is the owner of Benefact Group plc (BG plc) which in turn owns Ecclesiastical Insurance Office plc (EIO plc) and other subsidiaries. The Trust receives the majority of its income from the companies it owns; it does not fundraise. The Trust 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, the Board aims to have 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.

We seek to celebrate and share the successes of beneficiaries and to recognise and support their challenges. In doing so, we seek the views of our large beneficiary network in shaping our grant-giving programmes, so that we can realise our vision to be one of the UK's most impactful Christian grant-making charities and fulfil our mission to help Christian organisations have a positive and transformative impact on the lives and communities they support.

The Trust is the sole trustee of the Expendable Endowment Fund (EEF). Its charitable purposes are to advance the exclusively charitable purposes of the Trust (i.e the advancement of the Christian Religion, and to contribute to charitable institutions, associations, funds or objects, and to carry out any charitable purposes) for the public benefit. The EEF's primary activity in the advancement of its objects is grant-giving.

The Trust also receives donations from Methodist Insurance PLC, which are designated to support grants to the Methodist Connexion, Methodist districts and circuits and to individual Methodist Churches. Applications for these grants are considered by the Trust's Methodist Grant Giving Committee.



A Message from our Chair

Over the last year, we have been on a transformative journey. An increase in beneficiary need in a very difficult economic and geo-political environment, drove us to evolve our strategic funding approach to address escalating community and social challenges, as well as urgent humanitarian crises. Over 1,400 grants were awarded amounting to £23.4m. These grants were funded partly by donations received in the year totalling £13m from the profits of the Benefact Group and made possible by the collective efforts of our 2,000 or so Benefact Group colleagues across the UK, Ireland, Australia and Canada. The Trust also received a £0.5m donation from Methodist Insurance PLC which will support our Methodist Grants programme. On behalf of the Trust's many beneficiaries, may I offer a sincere "thank you" to each and every one of you.

A Year of Profitable Performance

The performance of Benefact Group - now operating in three distinct divisions, Insurance, Asset Management, and Broking & Advisory - reflects not only its financial success but also its profitable growth ambitions and the depth of its charitable commitment, a testament to our shared dedication to supporting communities in need. The Benefact Group reported a profit before tax in the year of £34.4m*, benefiting from an improvement in investment markets during the latter part of the year. An additional donation of £8m in respect of Benefact Group's 2023 performance will be paid to the Trust in due course.

Managing the Expendable Endowment Fund

In the past year, the Expendable Endowment Fund (EEF), a linked charity, of which Benefact Trust is the sole trustee,

delivered strong investment results on a portfolio valued at some £117.1m at the end of the year. The Trustee of the EEF reorganised the investment portfolio, switching £25m from debt instruments into a short-dated bond fund, to enable greater flexibility in responding to changing funding needs. The balance of the portfolio is mainly invested in global equities and open-ended investment company funds. The EEF released £4.0m in income to the Trust to augment its funds available for grant making. The Trustee of the EEF also reviewed the overall size of the EEF portfolio, recognising that it should continue to represent an appropriate buffer to cover any grant funding gaps in years when the Benefact Group's donation to the Trust falls short of expectations. When the EEF portfolio's valuation exceeds the appropriate buffer, the Trust will consider asking the Trustee of the EEF to make a grant to the Trust from the surplus, for the benefit of the EEF's (and the Trust's) beneficiaries.

Ambition, growth, and future funding

Looking ahead, Benefact Group's ambitious target, to double in size profit-wise, is a trajectory that holds immense promise for our future funding capabilities. As the Asset Management and Broking & Advisory divisions grow, we anticipate that their contribution, alongside that of the Insurance division, will create a more stable and enduring support structure for the Trust.

The Trust continues to support beneficiaries overseas, directly awarding grants totalling £1.8m (2022: £1.2m) in Ireland. Through its devolved grant giving arrangements in Canada and Australia, CAD \$0.8m (2022: CAD \$0.75m) and AUD \$0.1m (2022: AUD \$0.25m) were awarded respectively.



Through its Methodist Grants programme, the Trust awarded grants totalling £2.5m (2022: £2.6m) to support the mission and ministry of the Methodist Church in Britain and Ireland.

“Our collective efforts are creating a remarkable journey, helping individuals and communities to flourish”

Personal reflections

Having personally engaged with beneficiaries, I have gained invaluable insights into the changing needs of the people we support. The stories shared and challenges faced highlight the importance of our work. It is this understanding that drives our collective determination to make a meaningful difference and you will find the Trust’s updated strategy for the 2024-2026 period on pages 9 and 10.

I want to express sincere gratitude to our departing trustees, Caroline Banszky, The Very Revd Jane Hedges, Stephen Hudson, Sir Stephen Lamport, The Venerable Karen Lund, Chris Moulder and David Smart, for their invaluable contributions while extending a warm welcome to our new trustees - Ian Moore, Patrick Rudden and Nick Sykes.

In closing, I extend heartfelt recognition to the unwavering commitment of the board and the Trust’s team members and Benefact Group colleagues, whose dedication has been the bedrock of our charitable impact. Together, we have navigated challenges, celebrated triumphs and laid the groundwork for a brighter future where our collective efforts continue to transform lives and communities.

My thanks to Helen Gray, our Trust Director since May of 2023, and her small but high-performing Grant-making and Marketing & Communications teams. Helen has proved an accomplished ambassador for the Trust and a capable leader, motivating team members and empowering them in their respective roles. Their contributions have truly made a difference.

Tim Carroll
Benefact Trust Chair

2 May 2024



Strategic Highlights from our Trust Director

Navigating change with purpose

As we reflect on 2023, a year marked by evolving challenges, I am privileged to share insights gained since joining the Trust in May 2023 and through beneficiary visits.

I had the honour of meeting Maksym Dotsenko, the President of the Ukrainian Red Cross Society, during his visit to London. His firsthand accounts shed light on the grim reality of living in a war zone, amidst the deepening conflict in Ukraine.

Closer to home, my visits with staff at Depaul Ireland, a charity supporting homeless individuals in their journey toward independent living, and the team at Good Faith Partnership, driving the Warm Welcome Campaign to address the cost-of-living crisis, reinforced the impact of our grant-making. It became clear that our support often provides a lifeline for those in dire need.

It is also evident that social need is becoming increasingly complex. Mental health, homelessness, poverty, loneliness and isolation, and climate change have risen to the forefront, each demanding more support and strategic intervention. This has been reflected in a significant increase in demand for funding and it is a poignant reminder of the urgency in our mission to support vulnerable communities.

Amidst these challenges, I am heartened by the spirit of collaboration within the sector. The Christian Funders' Forum, where over 40 grant funders unite to address diverse social needs both overseas and at home, exemplifies the power of collective giving. Notably, initiatives like the 2023 Big Give campaign demonstrated how collaboration amplifies our capacity to make a meaningful impact. Several members,

including Benefact Trust, also supported the Warm Welcome Campaign, ensuring thousands of people experiencing poverty across the UK had access to warm, safe spaces over the winter months.

“Our grants are more than funds; they’re stories of lives changed and communities united. In the face of challenges, together, we make a meaningful difference.”

In 2022, the Trust laid the groundwork for growth, building a robust foundation for the journey ahead. Our strategic approach in 2023 embraced growth while remaining attuned to the evolving needs of our beneficiaries. The launch of two new grant programmes (Community Impact and Building Improvement programmes) was instrumental in addressing these needs with agility and adaptability. Looking forward, the Trust will embark on a new strategic chapter, as we continue to transform lives and communities by increasing our grant-making and delivering even greater impact.

I would like to extend my deepest gratitude to the Trust team, our beneficiaries and colleagues who have risen to the challenge and made this all possible.

I would also like to extend my sincere appreciation to the Board of Trustees for their warm welcome. Their invaluable guidance and steadfast support have been crucial to our success.

Helen Gray
Benefact Trust Director

2 May 2024



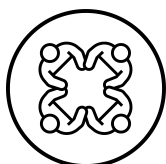
Strategic Report

Our Vision, Mission and Values

Our Board of Trustees sets the strategic direction of Benefact Trust, ensuring our strategy aligns closely with the Trust's overarching goals and that we prioritise actions which enhance public trust. In our planning processes, we consider the Charity Commission's guidance on public benefit, including the comprehensive framework outlined in Public Benefit: Running a Charity (PB2).

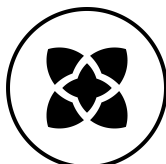
Recognising the importance of good governance, we have worked hard to make sure it is at the heart of our operations. This ensures that the Trust operates with efficiency, effectiveness, and sustainability, in compliance with the Charity Governance Code.

During 2023, the Trust updated its vision, mission, and values, aligning them with its current position and future aspirations. Moving forward, our vision, mission, and values serve as guiding principles, driving our efforts to fulfil our charitable objectives and make a positive impact in the community. Our vision, mission and values are as follows:



Vision:

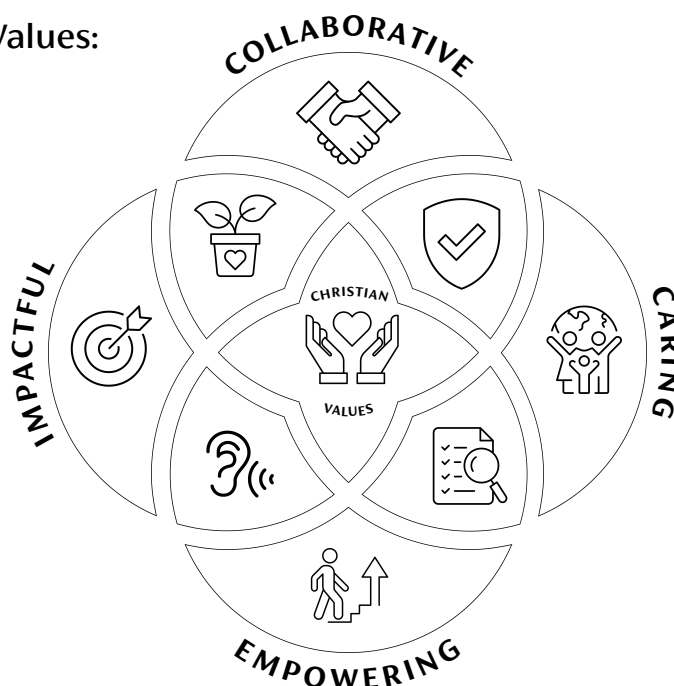
A society in which everyone can flourish, inspired by Christian values.



Mission:

Funding and empowering Christian organisations and charities to support communities and drive positive social change.

Values:





Our Strategy 2024 – 2026

In 2023, Benefact Trust conducted a comprehensive strategic review to shape its 2024-2026 Strategy and Business Plan.

The new strategy for 2024-2026 focuses on growth in grant-making and impact. The key strategic priorities reflect a beneficiary centred approach that listens and responds to the changing needs of the voluntary sector, our charity partners and most importantly their beneficiaries. It remains important that we help to build resilience in the Christian charitable sector as the current social and economic challenges are complex and will continue to adversely impact many charities for years to come.

The strategy reflects our primary aim of empowering Christian organisations to have a positive and transformative impact on lives and communities. Our grant-giving programmes evolved in 2023 reflecting the changing needs of our charity partners and their beneficiaries. Another strategic review of the Trust's grant programmes will be undertaken in 2025/26.

The strategy is underpinned by five strategic goals and the outcomes to be delivered at the end of the planning period (31 December 2026) are shown on the following pages:

Strategic goal	Key outcomes we aim to deliver by 2026
 Growth in grant making	• Annual grant-making will increase year on year, for three consecutive years, reflecting growing demand for support. This will include a new 'strategic partnership' grant programme enabling the Trust to increase its impact in key social areas. • The Trust will continue to respond proactively to crises both at home and abroad with a focus on providing humanitarian aid to vulnerable communities in crisis through the Trust's Crisis Response programme. • The Trust will have undertaken a strategic review of its grant-making programmes, informed by impact data and beneficiary feedback, to coincide with the next chapter of the Trust's strategic plan (2027-2030).
 Demonstrating and enabling greater impact	• Impact reporting and frameworks will continue to be embedded across all grant programmes. This will be aided by the implementation of a new grant management system in 2024. • 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. This will include the publication of externally facing impact reports. • 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 positive and transformative impact on communities.



Our Strategy 2024 – 2026

Strategic goal	Key outcomes we aim to deliver by 2026
 Raising the profile and awareness of Benefact Trust	• Key relationships with senior Christian faith leaders of all major denominations and charity leaders will continue to be developed. This will ensure the Trust's grant-making continues to respond to the needs of its beneficiaries. The Trust will also receive a proportionate spread of applications from England, Scotland, Wales and Ireland. • Partnership funding will have been explored and opportunities harnessed to work with other funders to amplify the Trust's impact. The Trust will have built its reputation as a trusted, modern funder at the forefront of supporting Christian places of worship and charities. • An ambassadorial network will be established helping to increase awareness of the Trust's purpose and mission to the wider Christian sector.
 Building operational resilience	• A strong governance framework will continue to be embedded, meeting the required standards for charities with a connected non-charitable subsidiary and continuing to comply with the revised Charity Governance Code. • The Trust will continue to have strong oversight of its subsidiary and will support its continued development as a successful financial services group. • A new grant management system will be embedded, enhancing the beneficiary experience, reducing risk, improving access to grant management data and increasing efficiencies within the Trust team.
 Appraisal of investments	• The Trust will have undertaken an informed and objective review of the adequacy of the rate of return achieved/ targeted from the Benefact Group when weighed against the risk. • The legal and governance arrangements for the EEF, a linked charity will have been strengthened. • A review of the appropriateness of social investment will have been undertaken.



Our Plans for 2024

In 2024, the key initiatives that will be prioritised are:

Strategic goal	Strategic initiatives
 Growth in grant making	• Deliver a new £2m strategic partnership fund to proactively address key social issues. • Gather beneficiary feedback to support the development of the new Grants Management System (GMS) and to better understand beneficiary needs.
 Demonstrating and enabling greater impact	• Steps in the Trust's impact measurement and reporting are contingent on the implementation of the new GMS. In 2024 the Trust will therefore consolidate impact measurement progress made in 2023.
 Raising the profile and awareness of Benefact Trust	• Position the Trust as an impactful, progressive and a trusted charity through the publication of selected thought leadership articles to support our beneficiaries. • Build the Benefact Trust brand reach, engagement, and profile through a network of expert ambassadors. • Grow and establish strong, positive relationships with key faith leaders and charitable organisations to ensure the Trust's grant-making has a transformative impact on communities. • Explore and maximise joint funding opportunities to increase the impact of the Trust's grant-making. • Build brand reach and profile to reflect the Trust's scale of giving and impact, to extend reach and engagement with beneficiaries and audiences.
 Building operational resilience	• Invest in the development of the Trust's staff and trustees to best support the Trust's work, the delivery of its strategic goals and to respond to emerging opportunities. • Implement a new grant management system to create team efficiencies, enhance impact reporting, and improve the beneficiary experience.
 Appraisal of investments	• Undertake an informed and objective review of the adequacy of the return received/targeted from the Benefact Group of businesses when weighed against the risk. • Strengthen the legal and governance arrangements of the EEF, a linked charity.



Our Achievements in 2023

We made significant progress in meeting the objectives we had set for 2023:

Providing solid foundations	
Strengthen operational resilience	The trustees undertook to review the operational resilience of the Trust. As part of this activity, the internal processes have been reviewed and a number of recommendations were made to strengthen the Business Continuity Plans regarding systems, people and premises. This includes an agreement with Benefact Group to provide support, if required, for any urgent payment processes the Trust may require, in the event of a significant issue. These recommendations are currently being implemented. In addition, key staff dependencies were identified and reviewed by the Nominations Committee.
Review of the Trust's Advisors	Service and fees by the Trust's legal advisers were reviewed and the value for money assessed. The governance arrangements relating to the Expendable Endowment Fund ('EEF'), a separate charitable trust linked to the Trust for registration and accounting purposes, were strengthened. A review of the external Investment Adviser is currently being undertaken and should be completed by mid-2024.
Review rate of return on investment	Due to the volatility of investment markets during 2023, this objective was postponed until early 2024. The review is underway and will be completed by mid-2024.
Enabling greater impact	
Embedding impact	Impact plans were developed for both the Building Improvement and Community Impact grant programmes. The annual internal impact report was enhanced to illustrate the impact of our giving in greater depth.
Grant review implementation	A strategic review of the Trust's grant programmes was undertaken in 2022 resulting in the launch of the Building Improvement and Community Impact grant programmes in February 2023. Both programmes attracted high quality applications reflecting a broad range of projects and social need.
Adding value	
Deepen and share expertise	The Trust's first thought leadership podcast on 'How to secure funding' was recorded in August 2023. A thought leadership article, entitled 'The funding landscape for churches and charities' followed generating good media coverage. This demonstrated the value of thought leadership as part of the Trust's profile-raising strategy.



Building strategic partnerships	
Denominational network building	The Trust team maintained and developed regular contact with key faith leaders across denominations to build the Trust's denominational network. This work is ongoing and will help to strengthen the Trust's profile and identify potential strategic funding opportunities.
Growing our Christian sector network and insight and explore joint Christian funder campaigns	Through active engagement in the Christian Funders' Forum (a forum of over 40 Christian funders and charities) the Trust has contributed to several joint funding initiatives helping to amplify the impact of its grant-making. This has included the Christmas Big Give's Together Fund and two jointly funded projects in Scotland. The Trust will continue to seek further opportunities to work collaboratively.
Investing in our future	
People development	During the year, the trustees reviewed their succession plans and implemented a new skills audit. Development opportunities for trustees were considered by the Nominations Committee and a training plan identified and implemented. A succession plan for staff was also considered by the Nominations Committee. Across the staff team, personal development plans have been updated and specific training opportunities identified and delivered e.g. media training. The team continues to access mandatory training including regular safeguarding training resulting in a high performing team.
Grants management system upgrade	A review of the Trust's grant management systems resulted in the identification of and recommendation to transition to a new system in 2024. The new grant management system will enable the team to work more efficiently, access timely grant management information and better record impact and evaluation data. It is recognised that the successful delivery of this project in 2024 will have far reaching benefits for both beneficiaries and the Trust team.
Growing reputation	
Building brand reach	A strategic marketing communications plan was implemented to extend reach and engagement across all marketing channels. This reflected the Trust's wider scope and impact. Social media audiences grew, email response rates increased, and engagement increased consistently. Podcasts also helped generate new and wider reaching press coverage.
Building our ambassador networks	A plan to identify and engage ambassadors was developed. Ambassadors will help to shine a light on key social issues and highlight how the Church and charity sectors respond.



Our Grant-Giving

The Trust's principal source of income derives from its ownership of Benefact Group. As insurance is a risk business, the trustees recognise that the donations that the Trust receives may fluctuate. The EEF holds significant assets to advance its charitable purposes which are, in summary, to advance the exclusively charitable purposes of the Trust for the public benefit. The Trust received donations totalling £13.0m from the Benefact Group during the year. Our financial support to churches and other charitable institutions increased to £23.4m (2022: £22.8m) reflecting strong demand for beneficiary support.

The Trust aims to help those in areas of greatest 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 grant programmes factoring deprivation into the grant calculation.

Our focus and impact

Challenges faced by our beneficiaries

Our beneficiaries continued to face a range of challenges in 2023. Double digit inflation, high energy costs, an inability to retain and attract volunteers, cuts in local authority spend and growing rates of poverty all impacted our beneficiaries. Christian places of worship also experienced a range of challenges: fostering and growing congregations, maintaining historic buildings, embracing the green agenda – all while

facing increasing costs and income pressures.

Our focus

Despite these challenges, our commitment to supporting social needs and the beneficiaries we work with remained unwavering. We adapted and expanded our focus in our grant funding approach with the launch of our Community Impact Grants to address emerging social need and, together with our other grant programmes, enabled the Trust to award 1,418 grants totalling £23.4m overall. Key areas of support emerged for the Trust such as:

Social challenges:

Reflecting the increasing challenges facing today's communities, the most common aim shared by 95% of our Community Impact Grants in 2023 was addressing social challenges facing communities.

Responding to the enduring effects of the pandemic and the subsequent cost-of-living crisis, many of these grants went to organisations addressing the **effects of poverty** and supporting **marginalised and vulnerable populations**. This was through the provision of a wide range



of vital services, such as housing, community centres, financial advice, food banks, community cafes and baby banks.

Another key area of focus for these grants was improving the **mental health and wellbeing** of communities through activities such as counselling and therapy and mental health training for clergy and volunteers.

Reflecting the increasing challenges faced by **children and young people**, many of our Community Impact Grants also focused on improving the lives of young people through activities such as youth work and mentoring and funding family support workers.

Building improvement support:

Our commitment to community projects and heritage preservation was evident through Building Improvement Grants, with nearly 650 grants awarded to keep church buildings in good repair, preserve heritage features, enhance accessibility, and improve operational sustainability. Energy efficiency was a key focus within these grants in 2023, with 40% of projects receiving funding to implement energy efficiency measures, such as heating upgrades and solar panels.

Crisis response support:

Responding quickly to humanitarian crises, our Crisis Response Grants provided £850,000 to strategic initiatives, including £250,000 to provide relief for victims of the

Turkey-Syria Earthquake and £100,000 to provide aid following the flooding in Libya. We also awarded £225,000 in response to the cost-of-living crisis and continued the Trust's support for those affected by the conflict in Ukraine with further grants totalling £275,000.

International giving:

Our international impact extended through grants awarded by Ecclesiastical Canada and Ansvar Australia, totalling CAD \$800,000 and AUD \$125,000, respectively. These grants supported environmental conservation, food security, and welfare initiatives, reaching vulnerable youth and families.

Impact in numbers: key statistics from 2023

A 44% increase in the number of grants awarded from 2022 to 2023 signifies the growing demand for our support and the reach of our new programmes.

£8.5 million was awarded for Community Impact, including over 300 grants addressing social issues, including mental health, marginalised and vulnerable populations and children and young people's needs.

Building Improvement Grants allocated over £2.8 million through nearly 650 grants providing essential support to protect and enhance churches and Christian charity buildings, ensuring their continued use and the safeguarding of their heritage.

Methodist Insurance PLC donated £0.5 million which enabled the Trust's Methodist Grant Giving Committee to award over £2.5 million in grants, supporting 21 Methodist districts.

As we reflect on 2023, it is evident that our strategic focus and innovative grant programmes have not only met the evolving needs of our beneficiaries but have also made a tangible and impactful difference in the lives of individuals and communities.



Our Grants Programmes

Our **Community Impact Grants programme** focuses on wider community support, addressing social challenges and supporting Christian communities to flourish.

The **Building Improvement Grants programme** ensures the continued use of churches and Christian charity buildings, supporting outcomes that enhance experience, efficiency, accessibility, sustainability, and heritage preservation.

The **Methodist Grants programme** enriches the Methodist Church's mission and ministry. Encouraging growth, engagement, accessibility and prioritises repair and maintenance projects crucial for ongoing mission and ministry.

Our **Heritage Skills for Christian Buildings Grants programme** supports apprenticeships, scholarships, and training to pass down knowledge essential for the conservation of historic Christian buildings.

The **Crisis Response Grants programme** stands ready to address evolving needs during humanitarian crises. A closed programme, collaborating with partners, it provides relief and supports initiatives such as the Warm Welcome Campaign during the cost-of-living crisis.

Recurrent Grants (closed programme) awards annual grants to dioceses and cathedrals.

In 2023, these programmes reflected our commitment to positive change, growth, and adaptability. Each grant is a testament to our vision of a better future where vulnerable communities are empowered, heritage is preserved, and Christian organisations thrive.

Total grants awarded by programme

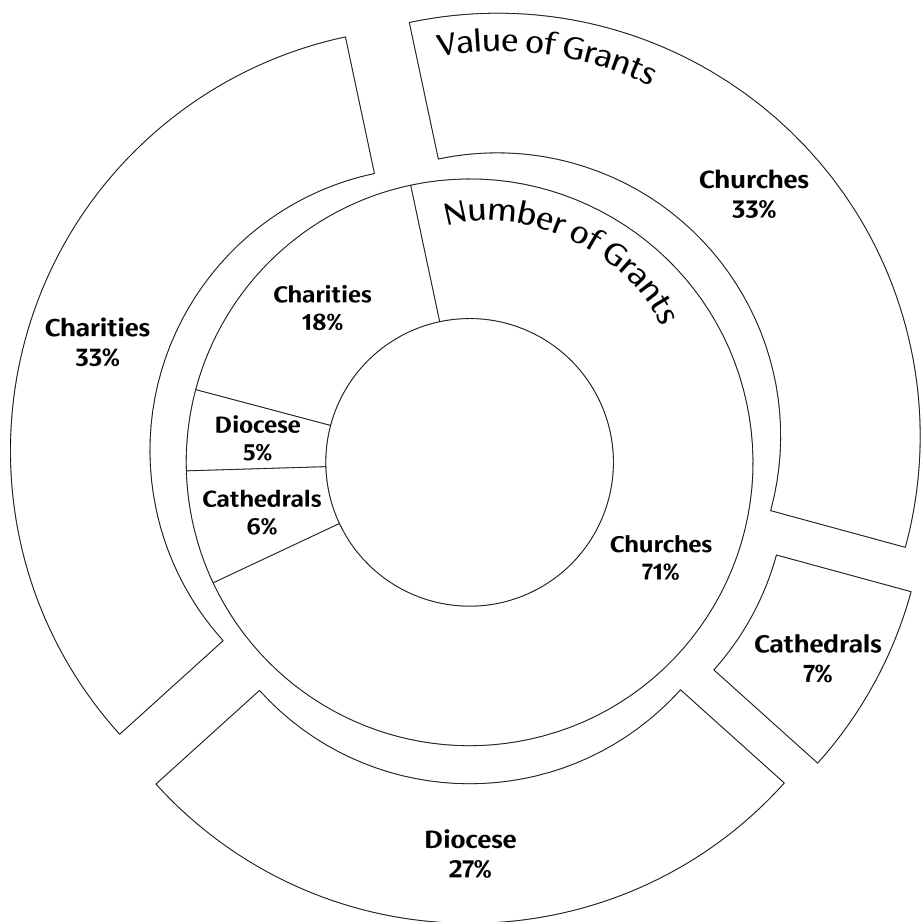
Community Impact Grants	£8.5m
Building Improvement Grants	£2.8m
Methodist Grants	£2.5m
Heritage Skills for Christian Buildings Grants	£0.3m
Crisis Response Grants	£0.9m
Recurrent Grants	£7.3m
General Grants *	£0.9m
Other Grants **	£0.2m
Total	£23.4m

* The General Grants programme, running at the start of the year, was subsequently superseded by the Community Impact and Building Improvement grants programmes.

**Other Grants includes one-off grants, net of returned unspent grants on closed programmes

Our Grant-Giving at a glance

Number and Value of Grants Awarded



£173.9m donated in grants over the past 10 years

Over 1,400 grants, totalling £23.4m were awarded in 2023. This represents an increase of 2.7% compared with 2022 and an increase of 21.3% compared with 2021 in the total value of grants awarded.

All key performance indicators relating to grant processing were met or exceeded in 2023. Details of the Trust's KPIs can be found on page 21.





Impact of our Giving

Stories that highlight the human impact of the projects the Trust has supported and the remarkable work of our beneficiaries.

Community Impact Grant

Azalea - £48,500

Supporting and empowering women surviving sex trafficking.

Community Impact Grant

Hope Housing - £35,700

Helping people transition from homelessness to safe and stable accommodation.

Community Impact Grant

Community Chaplaincy Association - £180,000

Expanding the network of Community Chaplaincies, which seeks to build a community in which ex-prisoners can make a new start and contribute to a healthier society for all.

Community Impact Grant

West London Mission - £54,000

Accessible, low-cost mental health counselling for people living on low incomes in London.



Building Improvement Grant

**Harbour Church Portsmouth -
£14,300**

Refurbishing and modernising the church to ensure it is a warm and welcoming place for all.

Building Improvement Grant

**Shankill Parish Lurgan AKA
'The Big Church' - £22,850**

Safeguarding the largest church in Ireland so it can continue to be a safe place to build faith and community.

Building Improvement Grant

C3 Trust UK - £7,200

A church run community centre in a hugely disadvantaged area of Sheffield, making their building more accessible and functional for their community.

Methodist Grant

**Stockbridge Christian Centre -
£52,000**

Turning a 1960s built church into a multi-functional and accessible space for the whole community.



**Heritage Skills for Christian
Buildings Grants**

**The Cathedrals' Workshop
Fellowship - £69,550**

Providing workplace learning for apprentice cathedral stonemasons, ensuring the preservation of this vital heritage skill.

Methodist Grant

**Bugle Methodist Church, St
Austell, Cornwall - £60,000**

Supporting the refurbishment of the Sunday School building to provide a modern, welcoming, and eco-friendly community space.

Crisis Response Grant

**Warm Welcome Campaign -
£125,000**

Funding churches across the UK to open warm spaces. Over 550,000 people used warm spaces last winter. Warm spaces provided not only food and warmth but also a community of support.

Crisis Response Grant

British Red Cross - £150,000

Providing home-based care services in all regions of Ukraine, including rural and remote areas, to support those affected by the conflict, and to educate and train members of the public in home-based care to improve the availability of support networks.



Measuring the success of our Grants Programmes

We measure the success of our grants programmes using impact surveys which are completed by beneficiaries in the year that they concluded the work for which their grant was awarded (or annually in the case of multi-year grants). The table below provides an overview of 2023 impact survey results, indicating that all programme level KPIs were achieved. The overall survey response rate in 2023 was 74%.

1. Grant-giving

KPI	Target	Result
% of grant applications up to £10k processed within 2 months	At least 90%	96.3%
% of grant applications over £10k and up to £150k processed within 4 months	At least 90%	99.5%
% of grant applications over £150k processed within 6 months	At least 90%	100%
% of applications received in the year that were successful	At least 85%	95%
% of beneficiaries reporting that they find the current programmes suitable for their organisation	At least 75% of respondents	93%
% of beneficiaries reporting that their experience working with the Benefact Trust team was good or excellent	At least 80% of respondents	98%

2. Grant programmes

Grant programme	KPI	Target	Result
Community Impact Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Growing congregations and Christian communities • Helped address social challenges • Enabled wider community use of church buildings • Empowering Christian education	At least 80% of respondents	95%

Grant programme	KPI	Target	Result
Building Improvement Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • More accessible / improved user experience • Better equipped to meet operational requirements • Heritage has been preserved or promoted • Building is protected and remains in good condition • More energy efficient or environmentally sustainable	At least 82% of respondents	99%
Methodist Grants	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • More accessible / improved user experience • Better equipped to meet operational requirements • Heritage has been preserved or promoted • Building is protected and remains in good condition • More energy efficient or environmentally sustainable	At least 80% of respondents	96%
General Grants*	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Enabled church growth (numerically or spiritually) • Helped address social challenges • Enabled continued use or wider community use of church facilities • Protected or promoted heritage	At least 80% of respondents	96%

*The General Grants programme closed for applications in February 2023 with the introduction of the Community Impact and Building Improvement grants programmes.

Grant programme	KPI	Target	Result
Transformational*	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Organisational reach has been extended to a greater number of people and/or over a wider geographical area • There has been significant progress in realising organisational vision and/or strategic aims • There has been a step-change or growth for the organisation • There has been benefit beyond the immediate organisation (such as for partner organisations or the wider community).	At least 80% of respondents	100%
Brighter Lives*	% of respondents reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Supporting existing/emerging specialist services for those struggling with mental health issues • Train/equip/resource churches/charities in mental health awareness/first aid, groups and services • Provide personal mental health and wellbeing support for clergy and other church leaders/workers	At least 80% of respondents	97%

*Although no grants were awarded under these programmes in 2023, they have been included as projects funded under these programmes completed during 2023



2023 Grant-Giving data

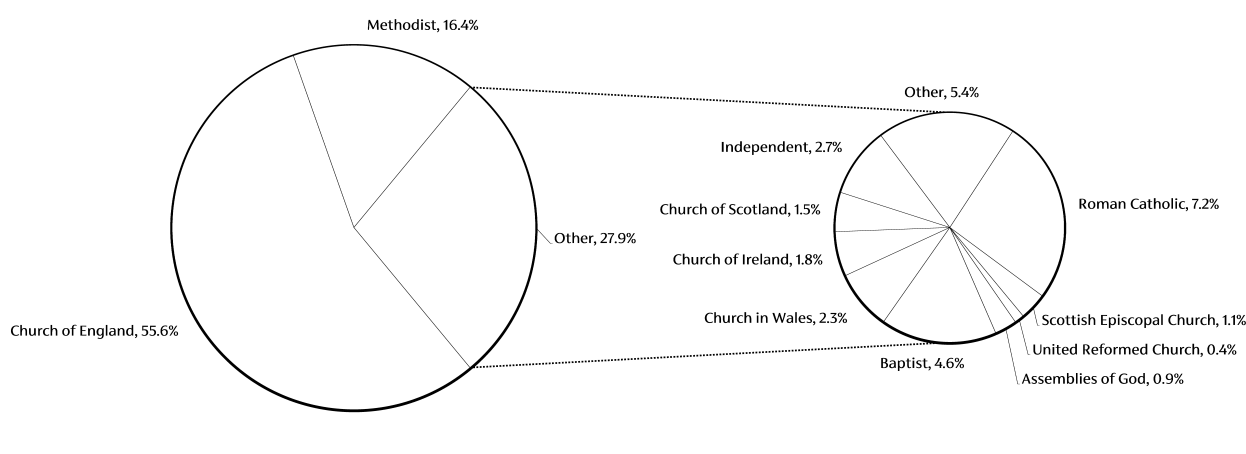
The geographical, denominational, and charitable spread of grants made, which are shown in the following tables and on page 17, are largely determined by the Trust's objects and the pattern of applications received by the Trust.

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. The trustees recognise that 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 also involve 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 and refugees, 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 raising awareness of the charity's grant-giving and building strategic relationships.

Value of Grant-Giving by Denomination

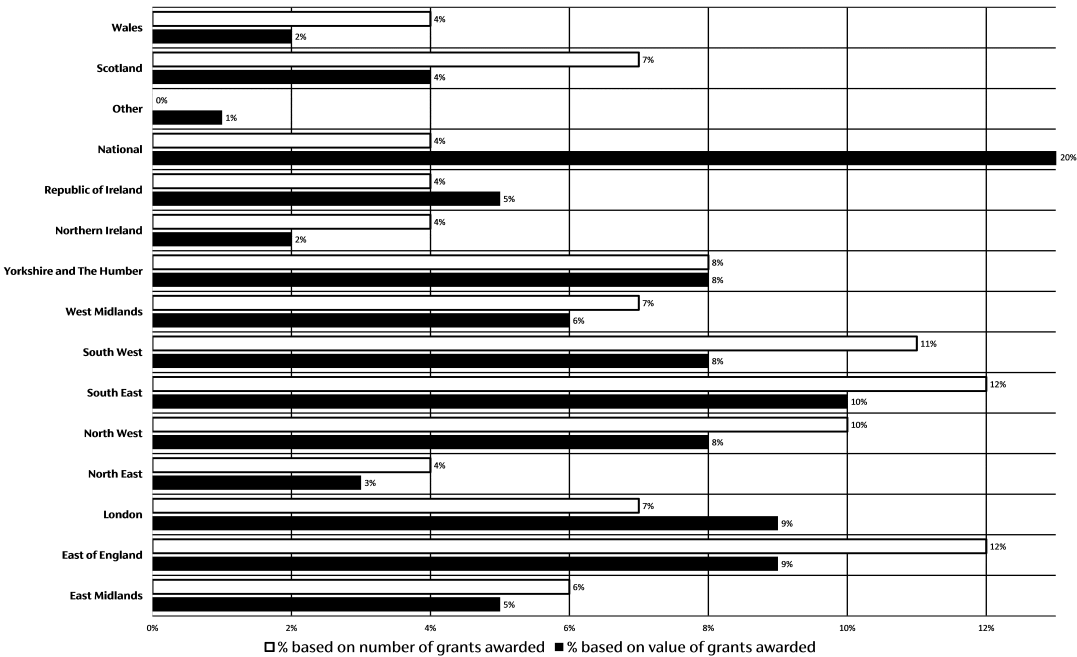




Value of Grants Awarded by Location of Beneficiary Project



Grant-Giving by Geographical Spread





Financial Review

Parent Charity

The charity statement of financial activities is shown on page 59.

Our total net expenditure in the year was £0.4m (2022: net expenditure £12.6m).

	2023			2022		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Total income	14,064	3,719	17,783	15,327	8,945	24,272
Total expenditure	(24,986)	(347)	(25,333)	(24,172)	(356)	(24,528)
Net gains/(losses) on investments	-	7,258	7,258	-	(12,198)	(12,198)
Taxation	-	(133)	(133)	-	(112)	(112)
Net (expenditure)/income in the year	(10,922)	10,497	(425)	(8,845)	(3,721)	(12,566)
Transfers between funds						
Gross transfers to the endowment fund	-	-	-	(2,000)	2,000	-
Gross transfers to the unrestricted fund	3,956	(3,956)	-	3,550	(3,550)	-
Net movement in funds	(6,966)	6,541	(425)	(7,295)	(5,271)	(12,566)

Net expenditure in the unrestricted fund increased to £10.9m (2022: £8.8m), as a consequence of the challenging economic environment in 2023. Despite a £1.3m fall in income in the year, driven by reduced gift aid received, the Trust was able to increase its charitable giving from the unrestricted fund to £23.4m (2022: £22.8m), supported by £4.0m donated from the EEF, a linked charity, and by drawing on reserves.

Income received by the EEF fell £5.2m in the year to £3.7m, the prior year having included £5.0m gift aid received in specie. Improvements in investment markets during the last quarter of the year positively impacted the EEF's performance, resulting in net income in the year of £10.5m (2022: £3.7m net expenditure), primarily driven by net gains on investments of £7.3m (2022: net losses of £12.2m).

Income

Total income received in 2023 fell to £17.8m (2022: £24.3m), as a result of a £7.0m decrease in gift aid received by the Trust from Benefact Group. This was partially offset by a £0.6m increase in donations received, principally from Methodist Insurance PLC, which was designated by the Trust for Methodist causes.



Expenditure

Charitable giving increased to £23.4m in 2023 (2022: £22.8m). This includes £8.5m awarded through our Community Impact Grants programme, £2.8m through our Building Improvements Grants programme, and £7.3m through our Recurrent Grants programme.

Operating expenses increased to £1.5m (2022: £1.4m). We aim to keep operating expenses below 7.5% of total charitable giving and have achieved this as follows:

Target	2023	2022	2021
< 7.5%	6.6%	5.9%	5.4%

Funds

Total funds at 31 December 2023 were £123.8m (2022: £124.2m) consisting of £6.7m in the unrestricted fund (2022: £13.7m) and £117.1m (2022: £110.6m) in the EEF.

Despite the reduction in funds in the unrestricted fund, the Trust, supported by the EEF, continues to have adequate available resources to continue its charitable activities. The going concern statement for the Trust is included in the Trustees' Report.

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 main 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 charitable giving risk, the management of which is outlined in the Principal Risks and Uncertainties section of this report.

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 2023 were £10.1m.

At 31 December 2023, the Trust held reserves of £13.0m, including £7.0m of gift aid income that was received in December. The majority of the Trust's charitable giving is paid in the second half of the year, due to the timing of Recurrent Grant payments to diocese and cathedrals. The excess reserves held at the 2023 year-end will support the Trust's charitable giving in the second half of 2024, and the trustees therefore do not intend to take action to reduce the level of reserves held at this time.



Trading Subsidiaries

The consolidated statement of financial activities is shown on page 78.

Net Income

The principal activities of the Trust'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 UK and overseas. A list of these undertakings is given in note 45 to the financial statements.

The trading subsidiaries reported net income of £27.2m¹ (2022 restated: £19.3m net income¹). The increase on the prior year was materially driven by fair value gains on investments, reflecting improved market conditions towards the end of the year. This includes a loss of £1.1m on the derecognition of Lloyd & Whyte Group Limited (L&W) as an associate, as a result of the Benefact Trust group of companies increasing its ownership of, and obtaining control of, L&W during the year.

The trading subsidiaries' general insurance business reported a profit before tax of £24.3m¹ (2022 restated: £30.9m profit¹) despite being impacted by weather-related claims, development of prior year liability claims and, a major fire claim. Gross written premiums increased by over 10% supported by strong retention, new business and rate increases. The trading subsidiaries life business reported a profit before tax of £0.5m¹ (2022 restated: £5.3m loss¹).

The broking and advisory division reported a loss before tax of £2.5m¹ (2022: £5.0m profit¹), excluding the loss on disposal of L&W as an associate. Performance in the year was impacted by the amortisation of the goodwill arising from the acquisition of L&W.

The trading subsidiaries' asset management division reported a loss before tax of £6.5m¹ (2022: £3.5m loss¹) as income generated from assets under management was impacted by uncertainty in investment markets. As markets improved towards the end of the year, assets under management returned to 2022 levels.

Details of the key performance indicators for Benefact Group 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 153, and are provided to members of the Trust.

During the year, the trading subsidiaries directly distributed £3.1m (2022: £2.7m) for charitable purposes.

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

¹ This 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. The majority of the trading subsidiaries prepare their own financial statements under International Financial Reporting Standards (IFRS).



Consolidated Funds

The consolidated balance sheet is shown on page 80. At the year-end date, total net assets of the Benefact Trust group of companies were £771.0m (restated 2022: £747.6m).

The net assets of the Benefact Trust group of companies includes a recognisable net pension asset of £19.8m (2022: £15.3m). The Trust's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to future accrual. The unrestricted surplus in the schemes decreased by £1.7m in the year due to actuarial losses arising from changes in financial assumptions offsetting the positive return on investments. However, the recognisable surplus in the schemes increased due to a reduction in the discount rate and changes in underlying 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 Trust is the performance of its trading subsidiaries, which are the principal donor and source of funding for its charitable activities.

An easing of the inflationary pressures that have dominated the past few years, and expectations that central banks will begin to cut interest rates, is helping investment markets to recover. However, geo-political uncertainty remains, and the Benefact Trust group of companies may be exposed to volatility in the financial markets either directly through the EEF or indirectly through its trading subsidiaries.

Benefact Group takes a long-term view of risk, and due to the underlying resilience of its businesses it will continue to pursue its growth ambitions and continue to invest for the future.

More details of the principal risks and uncertainties to which the Trust is exposed, and how it manages them, are included in the Principal Risks and Uncertainties section of this report.



Investments

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

The EEF, which is linked for registration and accounting purposes to the Trust, was established to assist in diversifying its asset base to reduce the concentration risk arising from its ownership of a financial services group. Gradually building the size of the EEF has enabled the Trust (as the EEF's sole trustee) to grow a separate, more stable, income stream, for the benefit of the EEF's (and the Trust's) beneficiaries. During 2023, the Trust (as the EEF's sole trustee) considered the long-term strategy for the appropriate size of the EEF, balancing reserving and diversification requirements, with the needs of beneficiaries to receive income. After deliberation, it was determined that the target size of the EEF would be calculated based on an amount of £25m plus three years of grant making.

The EEF is invested through two investment fund managers: EdenTree Asset Management Limited (EdenTree) and Rathbones Investment Management Limited (Rathbones), who operate under the same investment policy. The performance of the investment managers is assessed against a benchmark over 1, 3, 5 and 10-year periods, dependent on the duration of their appointment. Owl Private Office Holdings Limited provides expert investment advice to the Trust (in the Trust's capacity as sole trustee of the EEF).

Investment Policy

The principal investment objective of the EEF is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile. During the year, the Corporate Trustee of the EEF reviewed its Investment Policy after taking legal advice and professional advice from Owl Private Office. After careful deliberations, it was agreed that both investment managers would be given identical global equity investment mandates where £50m would be invested in actively managed global equities, managed by EdenTree, and £35m to be managed by Rathbones. In addition, £25m would be invested in EdenTree's Short Dated Bond Fund which would improve the liquidity of the portfolio.

During the year, the Corporate Trustee of the EEF agreed to amend its Investment Policy to exclude investment in fossil fuels. The EEF continues to adopt a screened approach to responsible and sustainable investment across three disciplines:

- Absence of Harm:
 - ◊ The 'absence of harm' screen excludes companies whose activities may be inconsistent with the wider values of the Trust or its beneficiaries. This means that the EEF will not invest in companies that are wholly or mainly involved in the manufacture or production of:
 - alcohol,
 - gambling,
 - pornographic and violent material,
 - strategic weapons (including indiscriminate weaponry),



- tobacco, and
- fossil fuel exploration and production and thermal coal.
- ◇ ‘Wholly or mainly’ is taken to mean no more than 5% in the manufacture, production, distribution or sale. The only exception will be in the case of indiscriminate weaponry where a ‘nil exposure’ approach is taken. A proprietary Oppressive Regimes screen will also be applied in respect of identifying country human rights risk.
- Environment, Social and Governance (“ESG”):
 - ◇ An ESG portfolio risk overlay approach will be applied that considers how companies manage environment, social and governance (ESG) risk in the areas of business ethics, community, corporate governance, employment and labour, environment and climate change and human rights. This will ensure that companies manage and oversee their responsibilities and impacts, and in some circumstances can act as a brake on investment if they appear not to meet the desired standards.
- Positive Impact:
 - ◇ A discretionary thematic strand will be applied that seeks to have a positive impact. The EEF will look positively on investment in the areas of education, health and wellbeing, social infrastructure and sustainable solutions where there is also a compelling investment case.

Via its fund managers the EEF seeks to exhibit high standards of stewardship and, to engage proactively on ESG issues including, climate change, human and labour rights (including Modern Slavery), business ethics and corporate governance.

Investment Performance

The value of the EEF increased to £117.1m (2022: £110.6m) at 31 December 2023 and generated £3.7m dividend and interest income in the year. The EEF donated £4.0m (2022: £3.8m) to the Trust during the year, to support its charitable giving.

At the start of 2023, investment markets were dominated by fears of a global recession. As central banks battled against high levels of inflation, frequent interest rate rises meant investment markets remained volatile for much of the year. Yet by the end of 2023, with gross domestic product in the United States running at around 2.8%, the UK unemployment rate low at 3.7% and a housing market that has been remarkably resilient in the face of higher interest rates, stock markets were optimistic, finishing 2023 up 17% in sterling terms. The improvement in stock market performance in the last quarter of the year contributed to net investment gains in the EEF of £7.3m in the year (2022: £12.2m net investment losses).

At the year end, the portfolio managed by EdenTree stood at £81.0m (2022: £75.7m), of which £49.6m (2022: £62.8m) was in a discretionary portfolio and £31.4m (2022: £12.9m) in EdenTree’s open-ended investment company (OEIC) funds. During the year, the EdenTree portfolio delivered a positive return of +11.5%, versus the composite benchmark’s return of +13.1%.

Over the longer-term the discretionary portfolio managed by EdenTree has marginally underperformed its benchmark over 3 and outperformed over the longer-terms of 5 and 10 years.



The discretionary portfolio managed by Rathbones stood at £36.1m (2022: £34.9m) at the year end. It delivered a positive return of +6.7% over the year, which was 6.4% behind the composite benchmark. The portfolio's performance suffered due to the difficult market conditions. The Rathbones portfolio has underperformed the benchmark over 3 years, but has outperformed it over 5 years. As Rathbones commenced managing the EEF investments in 2018, benchmarking of its performance over 10 years is not applicable.



Climate Change and Environment

The table below provides details of the carbon footprint of the combined operations of the Trust and the companies that it owns. This information is presented in line with the Streamlined Energy and Carbon Reporting (SECR) requirements:

Emissions source	2023				2022			
	UK	Non-UK	Total	Scope 1 & 2 tCO ₂ /employee	UK	Non-UK	Total	Scope 1 & 2 tCO ₂ /employee
Scope 1: fuel, fluorinated gas losses and fuel combustion in offices and company vehicles	142	7	149		143	23	166	
Scope 2: electricity and cooling in premises (location based)	696	84	780		584	92	676	
Scope 2: electricity and cooling in premises (market based)	97	75	172		82	92	174	
Scope 3: business travel, waste, water use	439	568	1,007		734	217	951	
Total CO ₂ e	678	650	1,328*	0.56*	959	332	1,291*	0.61*

* Scope 1,2 (market based) and scope 3
tCO₂e is tonnes of CO₂ and equivalent gases.

In 2023 total energy use was 4,153,785 kWh of which 3,962,931 kWh is UK and 190,853 kWh is non-UK based. In 2022, total energy use was 4,139,168 kWh, of which 3,775,241 kWh was UK and 363,927 kWh was non-UK based.

Through offsetting, the Benefact Trust group of companies was able to achieve net zero for its scope 1 and 2 emissions in 2023. Further details of the ways in which emissions are offset are included in a separate TCFD report available on the website of Benefact Group plc.

Footprint Methodology

These emissions are measured and reported according to Green House Gases (GHG) protocols, to SECR standards. The Benefact Trust group of companies has reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Its GHG reporting year runs from September 2022 to August 2023. The emissions reporting boundary is defined as all entities and facilities either owned by or under operational control of the Benefact Group. That is, emissions relating to its premises and associated travel by employees based at those premises.

Scopes 1, 2 and 3 emissions have been calculated using UK government greenhouse gas reporting emission factors (Department for Environment, Food and Rural Affairs), and



independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Benefact Trust group of companies' 2023 footprint is based on 90% complete data by headcount. It has assessed the risk of incomplete data and taken a management decision to extrapolate on a basis agreed by the carbon footprint verifier. This is an improvement on 2022's report (89%) and the Benefact Trust group of companies is committed to continuing to improve this position.

The overall footprint is slightly higher than in 2022 reflecting an increase in headcount due to acquisitions during the year. Scope 3 emissions are larger owing to increased business travel. The carbon intensity of the Benefact Trust group of companies' investments continues to be a key part of its footprint and opportunity for influence. The Benefact Trust group of companies self-generated energy sufficient to save 32.9 tCO₂e.



Non-Financial and Sustainability Information Statement

The non-financial and sustainability reporting requirements relating to climate disclosures contained in section 414CB of the Companies Act 2006 are addressed below.

Benefact Trust is exposed to climate risk through the impact on its beneficiaries, through investments held by the EEF and through its ownership of the Benefact Group.

The Trust's charitable giving strategy, which is incorporated into its Strategy and Business Plan 2024-2026, recognises the wide range of challenges facing its beneficiaries, including those arising from climate risk, and seeks to increase the Trust's impact in these areas.

The EEF has a screened approach to responsible and sustainable investment: investment in fossil fuels is excluded; an Environment, Social and Governance (ESG) portfolio risk overlay is applied; and investments that seek to have a positive impact are looked upon favourably. Further details of the EEF's investment policy can be found in the Investments Section of the Strategic Report.

The principal risks, governance and risk management of climate risks for Benefact Group are summarised below. More detailed information on Benefact Group's approach to environmental matters is included in a separate TCFD report available on Benefact Group plc's (BG plc) website.

BG plc's Group Risk Committee is responsible for the oversight of climate risk for Benefact Group. There is strong governance and oversight of climate risk and it is subject to effective and robust controls.

Climate risks are managed according to a four-step cyclical process.

- *Identifying* risks includes scanning the external environment for future risks.
- *Assessing* the potential impact of identified risks includes, where possible, quantifying the impact under different scenarios.
- *Responding* to climate risks, the potential effects of which are expected to emerge in the future, is aimed at making the business more resilient.
- *Monitoring* of key climate risks exposures is carried out by individual business units, as well as through quarterly reporting to the Group Risk Committee.

Benefact Group uses stress and scenario analysis to assess its principal climate risks. Its principal climate risks are:

- **Physical risk** - the risk of direct damage to assets owned and insured by Benefact Group. The main exposure comes from its property insurance portfolio and investment property portfolio. Flood and weather-related risk factors are considered in insurance risk selection, and catastrophe risk is managed through reinsurance models. A programme of work continues to fully analyse the impact of climate change and to develop an appropriate risk management response.
- **Transition risk** – the financial risks resulting from transitioning to a low carbon economy. The main exposure is in the investment portfolio. Benefact Group has a responsible and sustainable investment policy, and investments are positively screened to assess the transition risks facing the investee company.



- Liability risk - potential litigation if entities do not adequately consider or respond to climate change. There is potential for exposure through the liability insurance portfolio which continues to be monitored.

Benefact Group launched its roadmap to net zero in 2022. It is committed to running the business in a sustainable way to tackle climate change, reducing its direct impact on the environment and seeking to use renewable sources of energy. It is committed to encouraging others to do more, and a key part of its strategy is to help its customers across all of its business divisions understand and tackle their climate risks.

Benefact Group assesses its performance against voluntary ClimateWise reporting which is aligned to Taskforce on Climate-related Financial Disclosures (TCFD) reporting and independently audited. The annual carbon footprint for the Benefact Trust group of companies is disclosed on page 33.



Principal Risks and Uncertainties

The major risks to which the Trust is exposed are reviewed by the Board with the aid of external advisers. The Board can choose whether or not to accept a particular risk, manage it or to mitigate against it. It is recognised that it is not possible or cost-effective to mitigate all risks fully and therefore some risks are accepted. The direct and indirect risks associated with the current cost-of-living crisis continues to be considered by the trustees, as the impacts continue to affect the social and economic environment. 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 in place to manage the risks.

Charitable Giving Risk

The risk of detriment to the Trust as a result of overexposure to one source of funding and capital, alongside the underperformance of the investments of the Trust or performance of the Benefact Group, which could adversely impact its ability to undertake charitable giving.

How they are managed

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

The Finance and Investment Committee is responsible for setting investment criteria and overseeing and reviewing the performance of the investment portfolio.

A formal policy between the Trust and the Benefact Group specifies how the level of income donated via Gift Aid is determined and this is subject to regular review. Regular reporting is received from the Trust's principal asset, the Benefact Group, on its performance and through the trustees who act as 'common directors' with Benefact Group plc.

Limits have been established for the permitted range of investments held within the EEF to ensure a diversified portfolio with an acceptable risk profile. The EEF has two Investment Fund managers, EdenTree and Rathbones, to enable further diversification. Independent investment advice is provided to the Trust (as sole trustee of the EEF) by Owl Private Office, who provide investment monitoring reports twice a year to the Trust (acting in its capacity as sole trustee of the EEF). These appointments are regularly reviewed.

The Trust's reserves policy, which can be found under the Financial Review section of this report, details the Trust's policy to maintain liquidity to ensure it can meet its grant commitments. This policy is reviewed at least annually. The Trust regularly reviews its strategy and diversification needs to ensure the level of this risk remains acceptable.

As the sole corporate trustee of the EEF, the Trust has determined that the target size of the EEF would be calculated based on an amount of £25m plus three years' of grant making. The EEF will continue to provide diversification of the Trust's assets to reduce the degree of concentration risk.

With the continuing economic challenges and volatility in the Investment Markets during the year, the risk continues to be very closely monitored, however it remains very remote. Regular updates were sought from the CEO of the principal asset and updates on investment performance from the Investment Advisor. A number of scenarios continue to be considered in respect of differing levels of income, to determine the appropriate action to be taken to ensure longevity of future charitable giving.



Regulatory Risk

The risk of public censure or regulatory intervention, as a consequence of failing to comply with relevant legislation, regulation and policies, ultimately leading to loss of public trust in the Trust.

How they are managed

The Trust 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 seeks to assist. This includes consideration through the year of the recent rebrand of the Trust.

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 Trust has developed a Reputational Management Strategy to protect its reputation.

The Trust has a dedicated Head of Communications and Marketing and a Communications Officer, 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.

After the successful rebrand in the prior year, the level of residual risk remains stable, with the trustees continuing to monitor any indirect reputational impacts from the ownership of the trading subsidiary, as well as any direct impacts from the Trust itself.

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 Trust's objectives, which are detailed under the 'Our Strategy' section in this report.

How they are managed

The Trust has a three-year Strategy and Business Plan, details of which can be found under the 'Our Strategy 2024-2026' section of this report. The trustees regularly review the effectiveness of the various strategic initiatives employed, and annually reviews its Strategy plan. 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 Trust's strategy during the year, and agreed the strategy for the following three years. This risk continues to be monitored closely in light of the economic challenges and the potential challenges on income as detailed above under the Charitable Giving Risk.



Operational Risk

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 Trust's objectives, full details of which can be found under the 'Our Strategy 2024-2026' section of this report.

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 trustees and staff and as well as those who provide arm's length support services to the Trust.

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.

Operational Resilience has been tested in the past couple of years, from the Covid-19 pandemic, with no detrimental impacts for the Trust or beneficiaries.



Section 172 Statement

This statement provides an overview of how the trustees have fulfilled their duties to promote the success of Benefact Trust Limited and had regard to the matters set out in Section 172(1) of the Companies Act 2006, which is detailed below:

1. A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—
 - (a) the likely consequences of any decision in the long term,
 - (b) the interests of the company's employees,
 - (c) the need to foster the company's business relationships with suppliers, customers and others,
 - (d) the impact of the company's operations on the community and the environment,
 - (e) the desirability of the company maintaining a reputation for high standards of business conduct, and
 - (f) the need to act fairly as between members of the company.

Our Stakeholders

We have identified and regularly review our stakeholders, as documented in the Trust's Governance Framework and Board Charter and our Strategy and Three-Year Business Plan. These stakeholders are at the core of the trustees' decision making.

Key stakeholders are our members, beneficiaries and other Christian partners, the Benefact Group, our employees staff (seconded from EIO plc), suppliers, the wider community and environment, and the Trust and Benefact Group's Regulators. Examples of the way the trustees have engaged with some of these stakeholder groups throughout the year are set out below.

Our Approach to the Long-Term Success of the Company

We recognise that the long-term success of the Trust, and our ability to continue to help people, charities, and good causes, is dependent upon having regard to the interests of our stakeholders and ensuring that good governance is at the heart of the Trust's activities.

As the Trust receives its donated income from the Benefact Group, and receives grants from the EEF, trustees' decision making takes into account any potential impact on the Trust's sustainability and its ability to continue to carry out its charitable objects for the public benefit.

The trustees finalised a review of the Trust's grant-giving in 2023, having successfully engaged with beneficiary representatives to understand their views, to inform the development of the Trust's grant-making strategy, and ensure its grants are directed effectively to support the Christian community and beneficiaries. Our new Community Impact Grants programme, together with our new Building Improvements Grants programme, replaced our General Grants, Thematic Grants and Transformational Grants programmes, and were approved by the Board and launched in early 2023.



Crisis Response

In 2023, Benefact Trust awarded eight grants to the value of £850,000 toward a number of crisis response initiatives. The Crisis Response programme is a closed programme where the Trust provides strategic grants to organisations providing direct relief to people in crisis situations in the UK, Ireland or overseas.

Cost-of-Living Crisis

In July and December 2023, the trustees approved grants totalling £225,000 to the Good Faith Foundation for the Warm Welcome Campaign and The Trussell Trust to support food banks offering tailored advice and support to disadvantaged communities.

Natural Disasters

In February and September 2023, the trustees approved grants totalling £350,000 to British Red Cross and World Vision to assist in their response to the earthquakes in Turkey and Syria, and the floods in Libya.

Ukraine Response

In February, March and September 2023, the Trustees approved an overall amount totalling £275,000 to be donated to the British Red Cross, Irish Red Cross, and Depaul International, running emergency appeals in response to the Ukrainian crisis.

Further detail on the Trust's grant-giving, strategy and investments can be found in the Strategic Report on page 8.

For more detail on the Company's strategic objectives and how the Board operates please refer to the Strategic Report, on page 8, and Trustees' Report, on page 45.



Principal Decisions

The trustees have the necessary skills and experience required to identify the impacts of their decisions on the Trust's stakeholders, and, where relevant, the likely consequences of those decisions in the long term.

In line with the Miscellaneous Reporting Regulations 2018, and in accordance with the approach taken during the financial year under review, having considered the Trust's principal risks and uncertainties as detailed in the Strategic Report, the Trust made the following principal decision during the year ended 31 December 2023:

Crisis Response Grants programme

The Trust's Crisis Response Programme was established in 2021 as a closed programme and therefore operated without the use of any strict criteria/key performance indicators. This had previously enabled the Trust to respond flexibly to crisis situations, however the trustees deemed it necessary to define the programme further to ensure effective prioritisation of the Trust's funds.

At its October 2023 meeting, the trustees reviewed the Crisis Response Grants programme and 2024 budget. The trustees reviewed the approach regarding Crisis Response grants (grants awarded based on scale and severity rather than type of crisis) and agreed that it was content with the approach, but noted that emphasis ought to be placed on intentionally evaluating the need and impact of crisis response funding.

Our Strategy in Action

The table below is a summary of key decisions and actions that have been taken during the year in respect of strategic and company performance and how they have had regard to the interests of, and impact on, stakeholders.

Our Key Stakeholders	Methods of engagement and outcomes
Members	
The Trust was registered as a company limited by guarantee and, in accordance with its articles of association, can have a maximum of 50 registered members. The interests of the Trust and its members are aligned with the common purpose of carrying out the objects of the Trust. This ensures that the views of beneficiaries and the wider Christian and charitable community are communicated to, and considered by, the Board as a whole.	There are open channels of communication between the Company and its members. The Company holds an annual general meeting (AGM). In 2023, the Trust was able to hold the AGM in person once again (with the option of joining remotely) and Members were invited to engage with the business of the AGM and raise questions. The Trust provides members with the option to receive an annual newsletter setting out the Trust's grant-giving and developments.



Beneficiaries and other Christian partners	
The Board's composition includes at least two trustees who are representative of the Trust's beneficiary base. This helps to ensure that the views of beneficiaries are communicated to, and considered by, the trustees. In addition, the Trust's Methodist Grant Giving Committee includes at least three members with an understanding of the Methodist Church, helping to ensure that the Methodist Grants programme provides the support needed for Methodist churches and ministries.	We actively engaged with our beneficiaries and stakeholders to inform the development of our grant making strategy. We also engaged in, and became more active members of, the Christian Funders' Forum by hosting and participating in their meetings, helping us to understand the challenges and opportunities across the sector. During 2023, we worked closely with known charity partners to respond to the cost-of-living crisis to support the most vulnerable in our communities.
The Benefact Group	
As the ultimate owner of the Benefact Group, trustees maintain an open and constructive relationship with the trading subsidiaries. The Trust aims to have at least two common directors who are on the Board of the Trust and Benefact Group. This enables the trustees to receive regular updates from, and maintain oversight of, the Trust's subsidiaries. There is also regular engagement between the Chair of the Board and the Chair of EIO plc, as well as with EIO plc's Group Chief Executive Officer (Group CEO) who provides an update to the trustees at every Board meeting.	The Group CEO presents a report at every Board meeting, providing trustees with a high-level overview of the financials, and a general update of any key developments, from across the Benefact Group. In addition, throughout the year presentations were given by other Benefact Group executives to help trustees better understand strategic initiatives implemented throughout the Benefact Group. The trustees were invited to attend the Benefact Group's leadership conference in June, which enabled them to maintain their oversight of the Trust's subsidiaries.
Employees	
The Charity does not have any employees. Instead, all staff who undertake work on the Trust's behalf are employed by EIO plc. The Section 172 Statement for EIO plc explains EIO's policy and strategy in relation to its employees. Nevertheless, the Board understands that individuals who work on behalf of the Trust are its most valuable assets, given their specialist knowledge and propensity to go above and beyond.	The Board receives regular updates from individuals on a range of matters. In addition, the Trust Director provides a quarterly resource update to the Board.



Suppliers	
The Trust does not have a supply chain itself but uses the services of EIO plc under the terms of its Shared Services Agreement. The Charity recognises its responsibility, as well as that of its subsidiary, to ensure business activities are undertaken in accordance with regulatory requirements and best practice. The Board and the Audit and Risk Committee therefore received regular updates on the performance of its subsidiary throughout the year. For further information on the Trust's recognition of its responsibility towards its supply chain, please see its Modern Slavery Act Statement available on its website.	
Community and Environment	
As detailed in the Strategic Report, directors are focused on long term and strategic charitable giving.	The Trust launched its new Community Impact Grants programme which aims to fund work that will have a positive and transformative impact on lives and communities, with particular focus on: 1. growing church congregations and communities; 2. addressing social challenges facing communities; and 3. improvement of church buildings to enable wider community use. The trust also launched the Building Improvement Grants programme, providing essential support to protect and enhance church and Christian charity buildings and to support energy efficiency/ renewable energy measures. The Trust (as the EEF's sole trustee), reviewed the EEF's investment assets, which included looking at the ESG policy and impact investment, amongst other things. Recommendations from this review in relation to these matters will continue in 2024.



Regulators

We recognise the importance of open and honest dialogue with regulators and are committed to complying with applicable legislation and regulation. As a registered charity, the Trust is regulated by the Charity Commission. Trustees receive regular reports on evolving legal, regulatory and compliance matters at each board meeting, incorporating a detailed impact and progress assessment.

The Trust (via the Finance and Investment Committee) considered the Charity Commission's guidance regarding investing charity money. A gap analysis was undertaken to ensure that the Trust was in line with the Commission's expectations and the outcome demonstrated compliance with the new guidance.

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

Tim Carroll
Chair

2 May 2024



Trustees' Report

(incorporating the Directors' Report for the year ended 31 December 2023)

The trustees, who are the directors of the charitable company for Companies Act 2006 purposes, are pleased to present their annual report and review together with the audited financial statements of the Charity and the Benefact Trust group of companies for the year ended 31 December 2023. 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 Trust's 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).

As permitted by Section 414 C (11) of the Companies Act 2006, some matters required to be included in the Trustees' report have instead been included in the Strategic Report. These disclosures are incorporated by reference in this Trustees' report. The Strategic Report can be found on pages 8 to 45.

Governance

Corporate Governance

We are committed to applying the highest standards of corporate governance and believe that the affairs of the Trust should be conducted in accordance with best practice. We comprehensively review our governance practices and procedures in the light of the Charity Governance Code (the Code), which was most recently refreshed in December 2020. We confirm that the Trust is compliant with the Code.

Governing Document

Benefact Trust was incorporated (as Allchurches Trust Limited) 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, Benefact Trust in a general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of Benefact Trust 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 AGM (including on the election, re-election and removal of trustees and on any changes to the Charity's articles of association) and thereby influence 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 Benefact Trust 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 achieve agreed charitable objectives. Its work includes setting the strategic direction of the Trust, developing its objectives and policies, reviewing the performance of trading subsidiaries and delivering the outcomes for which the Trust 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 Trust's investment strategy and its financial affairs. Its members are Mr Tim Carroll (Chair), Mr Francois Boisseau, Mr Patrick Rudden and Mr Nick Sykes. Mr David Smart, Mr Stephen Hudson and Ms Caroline Banzky retired as members of the Committee in May 2023, July 2023 and April 2024 respectively.

The Audit and Risk Committee has four scheduled meetings a year. It is responsible for the appropriateness of the Trust's financial reporting, the rigour of the external audit processes and the effectiveness of the risk management framework. Its members are Mr Ian Moore (Chair) and Mr Tim Carroll. Mr Stephen Hudson retired as Chair and a member of the Committee in July 2023, Mr Chris Moulder retired as a member of the Committee in July 2023 and Sir Stephen Lamport retired from the Committee in March 2024.

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 Trust. Its members are Mr Tim Carroll (Chair), Mr David Paterson and Revd Paul Davies. Mr Stephen Hudson and The Very Revd Jane Hedges retired as members of the Nominations Committee in July and October 2023 respectively.

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 Revd Paul Davis (Chair), Mr Tim Carroll and Mr David Paterson. The Venerable Karen Lund retired as a member of the Committee in March 2024.

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, and Mrs Louise Wilkins. Mr Stephen Hudson resigned from the Committee in July 2023.



The day-to-day management of the Trust is undertaken by its senior executive staff, Trust Director (appointed in May 2023) 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 9 and 26 to the financial statements.

Appointments to the Board

We aim to have a diverse group of trustees, with a balance of necessary skills and experience, who are broadly representative of the communities the Trust serves. Dialogue with stakeholders that Benefact Trust serves takes place in identifying potential candidates for the Board. The Board will advertise and engage external search consultants, as per its Board Equality, Diversity and Inclusion Policy.

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 AGM 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 at the date of this report are stated on page 153.

Mr Tim Carroll, Revd Paul Davis and Mr David Paterson will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. Mr Chris Moulder and Mr Stephen Hudson retired from the Board at the AGM on 6 July 2023. Mr David Smart resigned from the Board on 2 May 2023 and the Very Revd Jane Hedges resigned from the Board on 17 October 2023. Sir Stephen Lamport, and The Venerable Karen Lund resigned from the Board on 5 March 2024 and Ms Caroline Banszky resigned from the Board on 26 April 2024.

On 5 May 2023, Mr Francois Boisseau was appointed to the Board as a common director of the Trust and the Benefact Group and will seek election at the forthcoming AGM. On 22 June 2023, Mr Ian Moore, Mr Patrick Rudden and Mr Nick Sykes were 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 Equality, Diversity and Inclusion

The primary responsibility of the trustees is to conduct the affairs of Benefact 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.

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

When considering our approach and commitment to the principles of equality, diversity and inclusion, we have agreed the following commonly used definitions:

- Equality means ensuring every individual has equal opportunities; equality means treating people in ways that make sure they are not unfairly prevented from accessing resources and opportunities nor that others have an unfair advantage.
- Diversity means having differences within an organisation or setting.
- Inclusion means being proactive to make sure people of different backgrounds, experiences and identities feel welcomed, respected and fully able to participate.

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

In 2021, the Board set the following objectives, which were re-confirmed in March 2023:

- Continue to achieve at least 33% female trustees on the Board;
- Ensure that the Board composition comprises at least one trustee from United Kingdom Minority Ethnic (UKME);
- Ensure that the Board broadly reflects the wider Christian family;
- Ensure that the recruitment process reflects the Board's commitment to its equality, diversity and inclusion policy, and takes account of the Charity Governance Code's Principle 6 (Equality, Diversity and Inclusion);
- Engage solely with executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and practice.

During the year, the Board met its targets for female and UKME representation on the Board. However, following recent retirements in Spring 2024, the Board recognise that it is now faces diversity challenges which it is actively addressing. The Board is satisfied that its composition reflects the wider Christian family. The Trust engages agencies to assist with trustee and executive recruitment searches. The Board, via its Nominations Committee, reviews its objectives yearly.

Trustees' Induction and Training

On acceptance of a position on the Board, all trustees receive a comprehensive welcome pack, which includes their appointment letter and terms. All trustees are required to undertake a formal and comprehensive induction to the Trust and its trading subsidiaries upon joining the Board.



The induction is a two-stage process and is primarily undertaken by the Secretariat. 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 Chair, Senior Independent Director and each of the Executive Directors of 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 most recent carried out during 2022/23.

The main findings arising from the evaluation related to improvements to impact assessments for grant-making; reviewing the ESG strategy; developing an overarching risk appetite statement aligned to the Trust's strategy; enhancing the assessment of skills for trustees and staff and building skill gaps and training into succession plans; and a continued focus on improving diversity.

In response to the findings, the Trust is actively targeting impact reporting as a strategic initiative during 2024 and 2025. The overarching risk appetite statement has been developed and approved by the Board and an enhanced skills assessment has been agreed and used to assess the skill gaps of the Board. A succession plan for staff has also been reviewed by the Nominations Committee. The Board will continue to focus on Board diversity following a number of resignations in Spring 2024.

All trustees receive an annual individual review with the Chair. The Chair is appraised by the Board, in his absence, led by the Senior Independent Trustee.

Related Parties

Related parties of the Trust include its subsidiary undertakings. A full list of the Trust'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 Trust 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 receive any remuneration or other benefit from their work with the Trust. Details of remuneration received by trustees in their capacity as non-executive directors of subsidiary undertakings is disclosed in note 26.

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 of association. 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 Trust is undertaken by its senior executive staff, Trust Director (appointed in May 2023) and the Company Secretary, who, with the trustees, are the Trust's key management personnel.

Remuneration of key management personnel is disclosed in note 10 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 9 to the financial statements.

Benefact Trust itself has no employees, but uses staff employed by a subsidiary company to undertake its charitable activities. These employee costs are recharged to the Trust. The remuneration policy for the Benefact Group can be found in the Group Remuneration Report of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 153.

Charitable Giving Policy

The Board regularly reviews its charitable giving policy to ensure it reflects the changing circumstances of the Trust, 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 homepage of our website.

During 2023 delegated grant-making authority enabled the Head of Grants to approve small grants with a value of up to £10,000, with larger grants of up to £150,000 being considered and approved by the Grants Committee. All grants in excess of £150,000 were referred to the Board for discussion and final approval. All grant payments were checked and signed off by the Trust Director prior to funds being released.

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 Benefact Trust have an organised programme of direct community investment independent of the Trust, which is managed centrally by EIO plc's Impact 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: (i) supporting projects and partnerships important to customers and communities; and (ii) 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 Trust'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 in the Strategic Report.

Going Concern

A review of the financial position and performance of the Trust and its trading subsidiaries has been outlined in the Strategic Report together with a description of the principal risks and uncertainties faced by the Trust.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £13.0m and no borrowings (2022: cash at bank and in hand of £19.5m and no borrowings); and the EEF has financial investments of £114.0m, 100% of which are liquid (2022: financial investments of £109.6m, 100% of which are liquid).

The Trust's subsidiary group has considerable financial resources: financial investments, excluding funeral plan investments, of £955.1m, 81% of which are liquid (2022: £964.5m, 76% of which liquid) and cash and cash equivalents of £164.8m (2022: £144.5m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. The subsidiary group continues to have a strong risk management framework and solvency position, is well placed to withstand significant market disruption and has proved resilient to stress testing.

Despite economic pressures and challenges, given the liquidity position of the Benefact Trust group of companies, and the capital strength of Benefact Group, there is a reasonable expectation that the Benefact Trust group of companies 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.



Statement of Trustees' Responsibilities

The trustees (who are also directors of Benefact 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, trustees' 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 Trust will be put to the annual general meeting.

Equality, Diversity and Inclusion

Benefact Trust and its subsidiaries are committed to nurturing a culture and work environment in which all colleagues can fulfil their potential. Benefact Group's Equality and Diversity Standard and Guidance sets out expectations for an open and inclusive workplace. The care and wellbeing of all our colleagues is placed at the heart of our employment policies.

Throughout the employee lifecycle from recruitment onwards, the Benefact Trust group of companies carefully consider adjustments to processes and practices and look for solutions to remove barriers for those colleagues with disabilities.

When needed, we engage with third-party and Occupational Health specialists who provide us with expert advice and ensure we are offering the best support we can. Through our adjusted work approach we provide an environment in which colleagues with additional needs can fully participate in all opportunities provided by the Benefact Trust group of companies from continued employment to training, job moves and promotions. We offer a range of support for colleagues to help them maintain a healthy work and home life including: flexible working practices, virtual GP service, Employee Assistance Programme, Flu Vaccinations and Eye tests as well as a wide variety of flexible benefits such as dental care and critical illness insurance.

Further information on diversity and inclusion can found in the Responsible Business Report of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 153.

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

Tim Carroll
Chair

2 May 2024



Independent Auditors' Report to the Members of Benefact Trust Limited

Report on the Audit of the Financial Statements

Opinion

In our opinion, Benefact 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 2023 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, including 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 & Accounts (the "Annual Report"), which comprise: the consolidated and charity balance sheets as at 31 December 2023; the consolidated statement of financial activities (incorporating a consolidated income and expenditure account) and the charity statement of financial activities (incorporating an income and expenditure account) and the consolidated and charity statements of cash flows for the year then ended; and the notes to the financial statements, which include a description 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 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 the 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 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.

With respect to the Strategic Report and Trustees' Report, we also considered whether the disclosures required by the UK Companies Act 2006 and Charities Act 2011 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 Strategic Report and the Trustees' Report for the period ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 did not identify any material misstatements in the Strategic Report and the Trustees' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements 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 or the 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 its industry/environment, we identified that the principal risks of non-compliance with laws and regulations related to breaches in UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, 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 Companies Act 2006. We evaluated management's 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 posting inappropriate journal entries to revenue or expenditure and management bias in accounting estimates specifically the valuation of specific general insurance contract liabilities including Physical and Sexual Abuse ("PSA") reserves. Audit procedures performed by the engagement team included:

- Procedures to audit the appropriateness of key areas of transition to IFRS 17, specifically the Premium Allocation Approach (PAA) eligibility assessment and the methodology and assumptions used in the calculation of the risk adjustment.
- Enquired of compliance, risk, internal audit, and the group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Read key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant meeting minutes including those of the Group Board, Group and parent charitable company's audit and risk committees;
- Procedures relating to the valuation of specific insurance contract liabilities such as PSA reserves;
- Risk based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and



- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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 FRC'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 parent charitable company'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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

2 May 2024

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

for the year ended 31 December 2023



	Notes	2023			2022		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income and endowments from:							
Donations	3	870	-	870	269	-	269
Investments							
<i>Gift aid from subsidiary undertaking</i>		13,000	-	13,000	15,000	5,000	20,000
<i>Dividend and interest income</i>	4	194	3,719	3,913	58	3,945	4,003
Total income		14,064	3,719	17,783	15,327	8,945	24,272
Expenditure on:							
Raising funds		-	(347)	(347)	-	(356)	(356)
Charitable activities							
<i>Charitable giving - grants</i>	5	(23,447)	-	(23,447)	(22,821)	-	(22,821)
<i>Other expenditure on charitable activities</i>	6	(1,539)	-	(1,539)	(1,351)	-	(1,351)
Total expenditure		(24,986)	(347)	(25,333)	(24,172)	(356)	(24,528)
Net gains/(losses) on investments	11	-	7,258	7,258	-	(12,198)	(12,198)
Taxation	7	-	(133)	(133)	-	(112)	(112)
Net (expenditure)/income in the year		(10,922)	10,497	(425)	(8,845)	(3,721)	(12,566)
Transfers between funds							
Gross transfers to the endowment fund	15	-	-	-	(2,000)	2,000	-
Gross transfers to the unrestricted fund	15	3,956	(3,956)	-	3,550	(3,550)	-
Net movement in funds		(6,966)	6,541	(425)	(7,295)	(5,271)	(12,566)
Total funds brought forward		13,663	110,556	124,219	20,958	115,827	136,785
Total funds carried forward		6,697	117,097	123,794	13,663	110,556	124,219

The accompanying notes on pages 62 to 77 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 2023



	Notes	2023		2022
		Unrestricted funds	Endowment funds	Total funds
		£000	£000	£000
Fixed assets				
Investments	11	50	114,040	114,090
Total fixed assets		50	114,040	114,090
Current assets				
Debtors	12	5	160	165
Cash at bank and in hand	13	12,974	2,934	15,908
Total current assets		12,979	3,094	16,073
Liabilities				
Creditors: amounts falling due within one year	14	(4,925)	(37)	(4,962)
Net current assets		8,054	3,057	11,111
Total assets less current liabilities		8,104	117,097	125,201
Creditors: amounts falling due after one year	14	(1,407)	-	(1,407)
Total net assets		6,697	117,097	123,794
The funds of the charity:				
Unrestricted funds				
General funds	15	4,519	-	4,519
Designated funds	15	2,178	-	2,178
		6,697	-	6,697
Restricted funds				
Endowment funds	15	-	117,097	117,097
Total funds		6,697	117,097	123,794

The analysis of the prior year comparatives by fund is included in the related notes on pages 75-76.

The financial statements of Benefact Trust Limited, registration number 1043742, on pages 59 to 77 were approved and authorised for issue by the Board on 2 May 2024 and signed on its behalf by:

Tim Carroll
Chairman

Revd Paul Davis
Trustee

CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2023



	Notes	2023 £000	2022 £000
Net expenditure for the reporting period		(425)	(12,566)
Adjustments for:			
Gift aid from subsidiary undertaking received in specie		-	(5,000)
(Gains)/losses on investments		(7,258)	12,198
Dividend and interest income from investments		(3,913)	(4,003)
(Increase)/decrease in debtors		(3)	172
Increase in creditors		384	1,641
Taxation paid		133	112
Net cash used in operating activities		(11,082)	(7,446)
Cash flows from investing activities:			
Dividend and interest income from investments		4,000	3,823
Proceeds from the sale of investments		79,229	10,713
Purchase of investments		(76,396)	(17,624)
Net cash provided by/(used in) investing activities		6,833	(3,088)
Change in cash and cash equivalents in the reporting period		(4,249)	(10,534)
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		20,225	30,767
Change in cash and cash equivalents in the reporting period		(4,249)	(10,534)
Change in cash and cash equivalents due to exchange rate movements		(68)	(8)
Cash and cash equivalents at the end of the reporting period	13	15,908	20,225



1 Accounting policies for charity parent only

Benefact Trust Limited is incorporated in England and Wales. It is a company limited by guarantee and a registered charity. The material 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 (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102); Financial Reporting Standard 102 (FRS 102); and the Companies Act 2006 (the Act). The historical cost convention has been applied, as modified by the revaluation of certain financial assets measured at fair value through profit and loss.

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 Financial Review section of the Strategic Report, together with a description of the principal risks and uncertainties faced by the charity.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £12,974,000 and no borrowings (2022: £19,546,000 and no borrowings); and the Expendable Endowment Fund (EEF) has financial investments of £114,040,000, 100% of which are liquid (2022: financial investments of £109,615,000, 100% of which are liquid). 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 Benefact Trust group of companies 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. Designated funds are unrestricted funds that have been set aside by the trustees for a particular purpose, as set out in note 15. The EEF is registered with the Charity Commission as a charitable trust linked to the Trust (charity registration number 263960-1) for registration and accounting purposes. The Trust, as the Sole Trustee of the EEF, has the power to convert endowment funds to expendable income. The Trust remains the reporting charity and produces only one set of accounts which includes the EEF.

Change in accounting policy

IFRS 9 Financial Instruments

The charity previously applied the recognition and measurement principles of IAS 39 *Financial Instruments: Recognition and Measurement* when accounting for financial instruments.

Under FRS 102, the charity is permitted to change the method in which it accounts for financial instruments to IFRS 9 *Financial Instruments* if, in doing so, the financial statements provide more relevant and reliable information on the entity's financial position, performance and cashflows.

The trustees consider IFRS 9 to provide a more accurate reflection of the risk borne by the charity by implementing a forward-looking expected credit loss model and hence have elected to adopt IFRS 9 from 1 January 2023.

In accordance with the transition requirements of IFRS 9, the comparative period has not been restated and continues to be reported under IAS 39. On transition there were no changes to the classification and measurement of the financial instruments held by the charity. If there had been any measurement differences arising from transition these would have been reported in opening funds at 1 January 2023.

The following table summarises the classification and measurement impacts of IFRS 9 on transition:

Financial asset	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	As previously reported (IAS 39)	Impact of IFRS 9	IFRS 9
			£000	£000	£000
Equity securities	Fair value through profit or loss	Fair value through profit or loss	100,099	-	100,099
Debt securities	Fair value through profit or loss	Fair value through profit or loss	9,516	-	9,516
Debtors	Loans and receivables	Amortised cost	317	-	317
Cash at bank and in hand	Loans and receivables	Amortised cost	20,225	-	20,225



1 Accounting policies for charity parent only (continued)

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.

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 irrecoverable withholding tax.

Unrealised gains and losses are calculated as the difference between carrying value and the original cost, and the movement during the year is recognised within net gains/(losses) on investments 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 in the year, net of returned grant payments and grant offers withdrawn. Charitable giving is recognised when the grant application is approved. Returned grants are recognised when received. Withdrawn grants are recognised when the withdrawal of the grant offer is communicated. Charitable giving which is contingent upon the satisfaction of certain conditions within the charity's control is not recognised until those conditions have been satisfied. Where conditions exist outside of the charity's control and the charity has no reasonable expectation that the condition will not be met, the charitable giving is recognised.

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

- Raising funds' comprises the investment management fees incurred by the EEF.
- '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 6.

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

Taxation

Benefact Trust Limited and its linked charitable trust, the EEF, 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 EEF is recognised when the dividend is received.

Transfers between funds

Transfers between the funds are recognised when cash is transferred.

Financial instruments

From 1 January 2023 the charity has chosen to change its accounting policy for financial instruments from IAS 39 *Financial Instruments: Recognition and Measurement* to the recognition and measurement provisions of IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board as adopted by the UK, and the disclosure requirements of section 11 and 12 of FRS 102.

The charity's IFRS 9 accounting policies are described below:

(i) Classification and measurement

All financial assets under IFRS 9 are initially recognised at fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss (FVTPL)) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the charity's business model for managing the financial assets and the contractual terms of the cash flows.

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.

Debt instruments

All debt instruments held by the charity are measured at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the statement of financial activities.

Equity instruments

By default, the charity classifies and measures equity investments at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the statement of financial activities.



1 Accounting policies for charity parent only (continued)

Financial instruments (continued)

(ii) Impairment

The charity recognises a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The charity has elected to apply the simplified approach permitted by IFRS 9 and recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the charity's historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the charity recognises a lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the charity measures the loss allowance for that financial instrument at an amount equal to a 12-month ECL. A lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. A 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to net income/(expenditure).

Impairment losses are presented within other expenditure on charitable activities in the statement of financial activities.

Prior year comparatives have not been restated for the impacts of IFRS 9 and are reported under IAS 39. The accounting policies adopted by the charity when applying IAS 39 in the prior year are described below:

(i) Classification and measurement

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

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 recognised within net gains/(losses) on investments in the statement of financial activities in the period in which they arise.
- All other financial assets and liabilities are held at amortised cost, using the effective interest method (except for short term debtors and creditors when the recognition of interest would be immaterial).

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

Investments

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.

Investment in subsidiary undertakings

Investment in subsidiary undertakings are accounted for at historic cost less impairment.

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

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

3 Donations

During the year, the charity received a donation of £500,000 (2022: £nil) from Methodist Insurance PLC which was designated by the trustees.

The charity received £370,000 (2022: £269,000) 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.



4 Dividend and interest income

	2023			2022		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	3,369	3,369	-	3,330	3,330
Debt securities						
- listed	-	384	384	-	586	586
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	194	(34)	160	58	29	87
	194	3,719	3,913	58	3,945	4,003

5 Charitable giving - grants

2023	Grants to institutions £000	Shared costs £000	Support costs £000	Total £000
Community Impact Grants	8,505	213	137	8,855
Building Improvement Grants	2,807	89	137	3,033
Methodist Grants	2,548	45	137	2,730
Heritage Skills for Christian Buildings	275	9	137	421
Crisis Response Grants	850	18	137	1,005
Recurrent Grants	7,295	45	137	7,477
General Grants	960	22	137	1,119
Other Grants	207	2	137	346
	23,447	443	1,096	24,986
2022 (Re-presented*)	Grants to institutions £000	Shared costs £000	Support costs £000	Total £000
Methodist Grants	2,596	48	119	2,763
Heritage Skills for Christian Buildings	159	18	119	296
Crisis Response Grants	1,590	42	119	1,751
Recurrent Grants	8,309	48	120	8,477
General Grants	3,144	85	119	3,348
Transformational Grants	4,991	78	120	5,189
Brighter Lives	2,160	65	119	2,344
Other Grants**	(128)	13	119	4
	22,821	397	954	24,172

*Prior year comparatives have been re-presented to reflect charitable giving by grant programmes.

**Other Grants includes returned grants on closed programmes.

The charity does not make grants to individuals.



5 Charitable giving - grants (continued)

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

	2023 £000
Community Impact Grants	
Binscombe Church, Godalming, Surrey	105
City Church Chelmsford (Part of Danbury Mission Church CIO), Essex	200
Community Chaplaincy Association, Goodrich, Herefordshire	180
Holy Trinity Church, Clapham, London	300
Holy Trinity Church, Weston, Southampton	100
Kilcock and Newtown Church, Kilcock, County Kildare	100
Kings Church Bangor, Bangor, County Down	108
Merchants Quay Ireland, Dublin, County Dublin	109
National Schools Singing Programme/Diocese of Leeds, Leeds, West Yorkshire	150
Oasis Community Partnerships, London	100
St Edward the Confessor Catholic Church, Romford, Greater London	195
St Michael's Church, Cootehil, County Cavan	120
St Saviour's Church, Hanley Road, London	112
The Salmon Youth Centre, London	125
Trevi, Plymouth, Devon	100
YMCA England and Wales, London	225
YMCA London City and North, London	112
YMCA Wellington and District, Telford, Shropshire	150
Youth Initiatives NI, Belfast, County Antrim	138
	2,729
Building Improvement Grants	
Greenbank Parish Church, Glasgow, Lanarkshire	152
Newport Pagnell Baptist Church, Buckinghamshire	260
St Macartan's Cathedral, Monaghan Town, County Monaghan	100
	512
Methodist Grants	
All We Can, London	120
Drighlington Methodist Church, Drighlington, West Yorkshire	130
Methodist Centenary Church, Dublin, County Dublin	100
Methodist Church in Ireland, Belfast, County Antrim	100
St Mark's Methodist Church, Tottenham, London	100
Stones Methodist Church, Ripponden, West Yorkshire	100
The Methodist Church in Great Britain, London	1,150
	1,800
Heritage Skills for Christian Buildings	
The King's Foundation, London	101
York Minster*	71
	172

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



5 Charitable giving - grants (continued)

	2023 £000
Crisis Response Grants	
British Red Cross, London	375
Depaul International, London	100
The Good Faith Foundation, Ascot, Berkshire	125
The Trussell Trust, Salisbury, Wiltshire	100
World Vision UK, Milton Keynes, Buckinghamshire	125
	825
Recurrent Grants	
Leicester Cathedral*	22
The Diocese of Bath and Wells	106
The Diocese of Birmingham	168
The Diocese of Blackburn	144
The Diocese of Bristol	113
The Diocese of Canterbury	113
The Diocese of Chelmsford	258
The Diocese of Chester	151
The Diocese of Chichester	152
The Diocese of Coventry	103
The Diocese of Derby	119
The Diocese of Durham	157
The Diocese of Exeter	129
The Diocese of Leeds	235
The Diocese of Leicester	119
The Diocese of Lichfield	198
The Diocese of Lincoln	123
The Diocese of Liverpool	165
The Diocese of London	320
The Diocese of Manchester	206
The Diocese of Newcastle	106
The Diocese of Norwich	111
The Diocese of Oxford	192
The Diocese of Peterborough	106
The Diocese of Rochester	128
The Diocese of Salisbury	104
The Diocese of Sheffield	145
The Diocese of Southwark	226
The Diocese of Southwell and Nottingham	129
The Diocese of St Albans	165
Subtotal carried onto page 68	4,513

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



5 Charitable giving - grants (continued)

	2023
	£000
Recurrent Grants (continued)	
Subtotal from page 67	4,513
The Diocese of Winchester	121
The Diocese of Worcester	107
The Diocese of York	147
The Representative Body of the Church in Wales	159
York Minster*	22
	<u>5,069</u>
General Grants	
Leicester Cathedral	150
St Michael le Belfrey Church, York, North Yorkshire	130
	<u>280</u>
Other Grants	
National Churches Trust, London	120
York Minster*	10
	<u>130</u>
Total material grants	<u>11,517</u>
Total of grants that are not individually material in aggregate:	
Community Impact Grants	5,776
Building Improvement Grants	2,295
Methodist Grants	748
Heritage Skills for Christian Buildings	103
Crisis Response Grants	25
Recurrent Grants	2,226
General Grants	680
Other Grants	77
	<u>11,930</u>
Total grants	<u>23,447</u>

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

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.



5 Charitable giving - grants (continued)

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

	<i>Re-presented*</i>
	2022
	£000
Methodist Grants	
Ashbourne Methodist Church, Ashbourne, Derbyshire	100
Grange Methodist Church, Grange-over-Sands, Cumbria	100
Methodist Connexion, London	1,450
Nafferton Methodist Church, Nafferton, North Humberside	100
Newquay Methodist Church, Newquay, Cornwall	150
Tewkesbury Methodist Church, Tewkesbury, Gloucestershire	120
Trustees of the Methodist Church in Ireland, Belfast	100
	2,120
Heritage Skills for Christian Buildings	
QEST (Queen Elizabeth Scholarship Trust), London	144
	144
Crisis Response Grants	
Baby Basics UK, Sheffield, South Yorkshire**	50
British Red Cross, London	150
Church Revitalisation Trust, London	140
Church Urban Fund, London	280
Depaul International, London	150
Depaul UK, London	100
Sanctuary Foundation, London**	20
The Good Faith Foundation, Ascot, Berkshire	100
The Representative Body of the Church of Ireland**	85
The Salvation Army, London	150
The Trussell Trust, Salisbury, Wiltshire	100
	1,325
Recurrent Grants	
Sheffield Cathedral**	25
The Diocese of Bath and Wells	121
The Diocese of Birmingham	192
The Diocese of Blackburn	165
The Diocese of Bristol	129
The Diocese of Canterbury	129
The Diocese of Chelmsford	295
The Diocese of Chester	172
Subtotal carried onto page 70	1,228

*Prior year comparatives have been re-presented to reflect charitable giving by grant programme.

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



5 Charitable giving - grants (continued)

	<i>Re-presented*</i>
	2022
	£000
Recurrent Grants	
Subtotal from page 69	1,228
The Diocese of Chichester	174
The Diocese of Coventry	118
The Diocese of Derby	136
The Diocese of Durham	179
The Diocese of Ely	103
The Diocese of Exeter	147
The Diocese of Guildford	110
The Diocese of Leeds	268
The Diocese of Leicester	136
The Diocese of Lichfield	226
The Diocese of Lincoln	141
The Diocese of Liverpool	188
The Diocese of London	366
The Diocese of Manchester	235
The Diocese of Newcastle	121
The Diocese of Norwich	127
The Diocese of Oxford	219
The Diocese of Peterborough	121
The Diocese of Portsmouth	112
The Diocese of Rochester	146
The Diocese of Salisbury	119
The Diocese of Sheffield	166
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	147
The Diocese of St Albans	188
The Diocese of Truro	104
The Diocese of Winchester	138
The Diocese of Worcester	122
The Diocese of York	168
The Representative Body of the Church in Wales	182
The Representative Body of the Church of Ireland**	94
	6,287
General Grants	
Church of the Holy Family, Oxford, Oxfordshire	130
Helping Hands Community Outreach Project, Portadown, County Armagh**	5
LifeLine Church, Dagenham, Essex	171
The Branch Trust, Chipping Norton, Oxfordshire	100
Windsor Leadership, Windsor	150
	556

*Prior year comparatives have been re-presented to reflect charitable giving by grant programme.

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



5 Charitable giving - grants (continued)

	<i>Re-presented*</i>
	2022
	£000
Transformational Grants	
ACET UK, Chester, Cheshire	120
Baby Basics UK, Sheffield, South Yorkshire**	92
Helping Hands Community Outreach Project, Portadown, County Armagh	100
Innovation Trust Ltd, Tewkesbury, Gloucestershire	160
Linking Lives UK, Earley, Berkshire	145
NAYBA, Bagshot, Surrey	210
Premier Christian Media Trust, London	375
Quakers in Britain (Britain Yearly Meeting of The Religious Society of Friends), London	200
Restored, Teddington, Middlesex	120
Rose Castle Foundation, Carlisle, Cumbria	200
Safe Spaces England and Wales, London	250
Sanctuary Foundation, London	162
Sanctuary Mental Health Society (DBA Sanctuary Mental Health Ministries), London	150
Sheffield Cathedral	134
Sportily, Gloucester, Gloucestershire	100
Spurgeons, Rushden, Northamptonshire	250
Street Connect, Glasgow	150
The Ecumenical Council for Corporate Responsibility (ECCR), Kington, Herefordshire	165
The Family Works, Owlerton, South Yorkshire	250
The Liverpool Diocesan Board of Finance, Liverpool, Merseyside	202
The Methodist Church in Great Britain, London	150
Through the Roof, Morden, Surrey	150
Yorkshire North and East Methodist District, Acomb, North Yorkshire	102
Youth Ministry in Communion (St Andrew's, Fulham), Fulham, London	100
Youthscape, Luton, Bedfordshire	375
	4,412
Brighter Lives	
Helping Hands Community Outreach Project, Portadown, County Armagh**	17
Spurgeons, Rushden, Northamptonshire**	10
The Diocese of Bristol**	10
Youthscape, Luton, Bedfordshire**	30
	67
Total material grants	14,911
Total of grants that are not individually material in aggregate:	
Methodist Grants	476
Heritage Skills for Christian Buildings	15
Crisis Response Grants	265
Recurrent Grants	2,022
General Grants	2,588
Transformational Grants	579
Brighter Lives	2,093
Other Grants	(128)
	7,910
	22,821

*Prior year comparatives have been re-presented to reflect charitable giving by grant programme.

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



6 Other expenditure on charitable activities

Other charitable expenditure in the current year consists of £443,000 shared costs and £1,096,000 support costs incurred in the charity's grant making activities and can be analysed as follows:

	Community Impact Grants	Building Improvement Grants	Methodist Grants	Heritage Skills for Christian Buildings	Basis of allocation
2023	£000	£000	£000	£000	
Shared costs	213	89	45	9	Mixed allocation*
Support costs:					
Governance costs	37	37	37	37	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	9	9	9	9	Equal allocation
Buildings	11	11	11	11	Equal allocation
Corporate	10	10	10	10	Equal allocation
Other	66	66	66	66	Equal allocation
	137	137	137	137	
Other expenditure on charitable activities	350	226	182	146	

	Crisis Response Grants	Recurrent Grants	General Grants	Other Grants	Basis of allocation
2023	£000	£000	£000	£000	
Shared costs	18	45	22	2	Mixed allocation*
Support costs:					
Governance costs	37	37	37	37	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	9	9	9	9	Equal allocation
Buildings	11	11	11	11	Equal allocation
Corporate	10	10	10	10	Equal allocation
Other	66	66	66	66	Equal allocation
	137	137	137	137	
Other expenditure on charitable activities	155	182	159	139	

*Mixed allocation includes costs that are allocated either by time spent or are equally allocated across the grant programmes.



6 Other expenditure on charitable activities (continued)

Other charitable expenditure in the prior year consists of £397,000 shared costs and £954,000 support costs incurred in the charity's grant making activities and can be analysed as follows:

	Methodist Grants £000	Heritage Skills for Christian Buildings £000	Crisis Response Grants £000	Recurrent Grants £000	Basis of allocation
2022 (Re-presented*)					
Shared costs	48	18	42	48	Mixed allocation**
Support costs:					
Governance costs	49	49	49	49	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	7	7	7	7	Equal allocation
Buildings	8	8	8	8	Equal allocation
Corporate	7	7	7	7	Equal allocation
Other	44	44	44	45	Equal allocation
	119	119	119	120	
Other expenditure on charitable activities	167	137	161	168	

	General Grants £000	Transformational Grants £000	Brighter Lives £000	Other Grants £000	Basis of allocation
2022 (Re-presented*)					
Shared costs	85	78	65	13	Mixed allocation**
Support costs:					
Governance costs	49	49	49	49	Equal allocation
Finance	4	4	4	4	Equal allocation
Information technology	7	7	7	7	Equal allocation
Buildings	8	8	8	8	Equal allocation
Corporate	7	7	7	7	Equal allocation
Other	44	45	44	44	Equal allocation
	119	120	119	119	
Other expenditure on charitable activities	204	198	184	132	

*Prior year comparatives have been re-presented to reflect charitable giving by grant programme.

**Mixed allocation includes costs that are allocated either by time spent or are equally allocated across the grant programmes.



7 Taxation

Benefact Trust Limited and its linked charitable trust, the EEF, is a registered charity and is exempt from corporation tax. The £133,000 (2022: £112,000) tax charge recognised in the statement of financial activities relates to irrecoverable withholding tax on dividends received from overseas equity investments held by the EEF.

8 Employee information

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

The average monthly number of full-time equivalent employees of the subsidiary company who carried out the charity's activities during the year was eleven (2022: nine). All employees were employed in the United Kingdom in both the current and prior year.

	2023 £000	2022 £000
Wages and salaries	661	620
Social security costs	73	72
Pension costs - defined contribution plans	58	48
	792	740

In the current year, two employees received employee benefits within the £70,001-£80,000 band, two employees received employee benefits within the £80,001-£90,000 band, and one employee received employee benefits within the £90,001-£100,000 band. In the prior year, two employees received employee benefits within the £60,001-£70,000 band and one employee received employee benefits within the £120,001-£130,000 band.

9 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Three trustees (2022: 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 of that subsidiary. Details of the remuneration they received are disclosed in note 26 to the consolidated financial statements.

During the year the charity reimbursed expenses totalling £5,000 (2022: £3,000) which were incurred by six trustees primarily in respect of travel (2022: five trustees primarily in respect of travel).

In addition, the charity paid direct expenses totalling £4,000 (2022: £9,000) which were incurred by five trustees primarily in respect of travel, subsistence and training (2022: nine trustees, primarily in respect of travel, subsistence and training).

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

10 Key management remuneration

Key management remuneration of the charity, including employee benefits, pensions and social security costs, in the year was £329,000 (2022: £377,000). As the charity itself has no employees, and its key management are employed by a subsidiary company. Details of the key management of the charity can be found in the Trustees' Report.



11 Investments

	2023			2022		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Financial assets at fair value						
Equity securities						
- listed	-	112,463	112,463	-	100,099	100,099
Debt securities						
- listed	-	1,577	1,577	-	9,516	9,516
Total investments at fair value	-	114,040	114,040	-	109,615	109,615
Financial assets at historic cost						
Investment in subsidiary	50	-	50	50	-	50
Total investments at historic cost	50	-	50	50	-	50
Total investments	50	114,040	114,090	50	109,615	109,665

The value of the investment in subsidiary on a historical cost basis is £50,000 (2022: £50,000). At the year end the subsidiary had consolidated net assets of £532,039,000 (2022 restated: £523,251,000). The comparative net assets of the subsidiary have been restated due to the change in accounting policy for insurance contracts as detailed in note 49.

No investments in the EEF 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.

Reconciliation of the movement in financial assets:

	Unrestricted	Endowment	Total
	funds	funds	funds
	At historic cost	At fair value	
	£000	£000	£000
2023			
At 1 January	50	109,615	109,665
Additions at cost	-	76,396	76,396
Sale proceeds	-	(79,229)	(79,229)
Fair value gains	-	7,258	7,258
At 31 December	50	114,040	114,090
	Unrestricted	Endowment	Total
	funds	funds	funds
	At historic cost	At fair value	
	£000	£000	£000
2022			
At 1 January	50	109,902	109,952
Gift aid from subsidiary undertaking received in specie	-	5,000	5,000
Additions at cost	-	17,624	17,624
Sale proceeds	-	(10,713)	(10,713)
Fair value losses	-	(12,198)	(12,198)
At 31 December	50	109,615	109,665



12 Debtors

	2023			2022		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Other debtors	3	-	3	3	-	3
Prepayments and accrued income	2	160	162	5	309	314
	5	160	165	8	309	317

No expected credit loss has been recognised in the current or prior year.

13 Cash at bank and in hand

	2023			2022		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Short term deposits	12,932	2,934	15,866	19,280	679	19,959
Cash at bank and in hand	42	-	42	266	-	266
	12,974	2,934	15,908	19,546	679	20,225

14 Creditors

	2023			2022		
	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	4,767	-	4,767	3,608	-	3,608
Amounts due to related parties	2	-	2	6	-	6
Other creditors	156	37	193	133	47	180
	4,925	37	4,962	3,747	47	3,794
Amounts falling due after one year:						
Accruals for grants payable	1,407	-	1,407	2,194	-	2,194
	1,407	-	1,407	2,194	-	2,194



15 Summary of fund movements

	Unrestricted funds		Endowment funds	Total
	General funds	Designated funds		
	£000	£000	£000	£000
Fund balance at 1 January 2023	11,681	1,982	110,556	124,219
Income	13,521	543	3,719	17,783
Expenditure	(22,410)	(2,576)	(347)	(25,333)
Taxation	-	-	(133)	(133)
Fair value gains on investments	-	-	7,258	7,258
Gross transfers to unrestricted funds	3,727	229	(3,956)	-
Gross transfers to designated funds	(2,000)	2,000	-	-
Fund balance at 31 December 2023	4,519	2,178	117,097	123,794
Fund balance at 1 January 2022	14,612	6,346	115,827	136,785
Income	15,313	14	8,945	24,272
Expenditure	(21,550)	(2,622)	(356)	(24,528)
Taxation	-	-	(112)	(112)
Fair value losses on investments	-	-	(12,198)	(12,198)
Gross transfers to endowment funds	-	(2,000)	2,000	-
Gross transfers to unrestricted funds	3,317	233	(3,550)	-
Gross transfers to designated funds	(11)	11	-	-
Fund balance at 31 December 2022	11,681	1,982	110,556	124,219

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.

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 designated £2,772,000 (2022: £258,000) and transferred £nil (2022: £2,000,000) into the EEF.

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 year £3,956,000 was transferred from the EEF to the unrestricted fund to support its charitable giving activities.

16 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. A 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 9.

	2023	2022
	£000	£000
Gift aid received	13,000	20,000
Expenses recharged	(820)	(768)
Investment management fees paid	(177)	(182)
Amounts due to related parties	(2)	(6)

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 2023



	Notes	2023			Restated* 2022		
		Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
		funds £000	funds £000	funds £000	funds £000	funds £000	funds £000
Income from:							
Donations		500	-	500	-	-	-
Gift aid from subsidiary undertaking		-	-	-	-	5,000	5,000
Other trading activities							
<i>Income arising from trading activities</i>	19	705,425	-	705,425	693,536	-	693,536
Investments							
<i>Dividend, interest and rental income</i>	20	43,224	3,719	46,943	32,778	3,945	36,723
Total income		749,149	3,719	752,868	726,314	8,945	735,259
Expenditure on:							
Raising funds		-	(347)	(347)	-	(356)	(356)
Charitable activities							
<i>Grants</i>		(23,447)	-	(23,447)	(22,821)	-	(22,821)
<i>Other expenditure on charitable activities</i>		(1,169)	-	(1,169)	(1,081)	-	(1,081)
Other							
<i>Charitable donations paid by trading subsidiaries</i>		(3,137)	-	(3,137)	(2,730)	-	(2,730)
<i>Expenditure arising from trading activities</i>	19	(720,860)	-	(720,860)	(646,037)	-	(646,037)
Total expenditure		(748,613)	(347)	(748,960)	(672,669)	(356)	(673,025)
Net gains/(losses) on investments	21	9,007	7,258	16,265	(97,977)	(12,198)	(110,175)
Profit on disposal of subsidiary	27	-	-	-	34,944	-	34,944
Loss on disposal of associate	33	(1,130)	-	(1,130)	-	-	-
Taxation	22	(5,106)	(133)	(5,239)	4,841	(112)	4,729
		3,307	10,497	13,804	(4,547)	(3,721)	(8,268)
Net income/(expenditure) in the year							
<i>a. arising from the charity</i>	23	(23,922)	10,497	(13,425)	(23,845)	(3,721)	(27,566)
<i>b. arising from trading activities</i>	23	27,229	-	27,229	19,298	-	19,298
		3,307	10,497	13,804	(4,547)	(3,721)	(8,268)

*The comparative financial statements have been restated as detailed in note 49.

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

for the year ended 31 December 2023



	Notes	2023			Restated* 2022		
		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	41	-	-	-	(2,000)	2,000	-
Gross transfers to unrestricted funds	41	3,956	(3,956)	-	3,550	(3,550)	-
Other recognised gains/(losses)							
Gains on revaluation of fixed assets		850	-	850	-	-	-
Actuarial gains/(losses) on retirement benefits	40	4,535	-	4,535	(6,876)	-	(6,876)
Other (losses)/gains							
<i>Currency translation differences</i>	42	(4,033)	-	(4,033)	5,659	-	5,659
Gains/(losses) on net investment hedges	42	4,859	-	4,859	(4,514)	-	(4,514)
Tax attributable to other recognised gains/(losses)	22	(2,038)	-	(2,038)	2,545	-	2,545
Minority interests	43	(8,782)	-	(8,782)	(8,782)	-	(8,782)
Net movement in funds excluding minority interests		2,654	6,541	9,195	(14,965)	(5,271)	(20,236)
Total funds brought forward	41	535,245	110,556	645,801	550,210	115,827	666,037
Transition adjustment on adoption of IFRS 9	17	478	-	478	-	-	-
Total funds carried forward		538,377	117,097	655,474	535,245	110,556	645,801

*The comparative financial statements have been restated as detailed in note 49.

The accompanying notes on pages 83 to 152 are an integral part of this consolidated statement of financial activities. Included within the current year are the operations of Lloyd and Whyte Group Limited (L&W), which was acquired on 30 June 2023. Further information on the acquisition can be found in note 34. Included within the prior year results are the operations of SEIB Insurance Brokers Limited which was disposed of on 30 December 2022. Further information on the disposal can be found in note 27.

CONSOLIDATED BALANCE SHEET

at 31 December 2023



	Notes	2023 Total funds £000	Restated* 2022 Total funds £000
Fixed assets			
Intangible assets	28	127,525	32,316
Tangible assets	29	16,633	14,764
Investment property	30	130,813	140,846
Investments	31	1,526,932	1,559,514
Investment in associate	33	408	12,611
Total fixed assets		1,802,311	1,760,051
Current assets			
Debtors	35	293,608	296,024
Cash at bank and in hand	36	182,749	166,096
Total current assets		476,357	462,120
Liabilities			
Creditors: amounts falling due within one year	37	(117,298)	(82,798)
Net current assets		359,059	379,322
Total assets less current liabilities		2,161,370	2,139,373
Creditors: amounts falling due after one year	37	(2,479)	(3,544)
Provisions for liabilities	38	(1,377,072)	(1,372,773)
Subordinated liabilities	39	(25,853)	(25,818)
Net assets excluding retirement benefit obligations		755,966	737,238
Net pension asset	40	19,788	15,338
Other retirement benefit obligations	40	(4,801)	(4,960)
Total net assets including retirement benefit obligations		770,953	747,616
The funds of the charity:			
Unrestricted funds			
General funds	41	4,519	11,681
Designated funds	41	2,178	1,982
Revaluation reserve	41	856	222
Non-charitable trading reserves	41	511,174	501,849
Translation and hedging reserve	42	19,650	19,511
		538,377	535,245
Restricted funds			
Endowment funds	41	117,097	110,556
Total funds (excluding minority interests)		655,474	645,801
Minority interests	43	115,479	101,815
Total funds		770,953	747,616

*The comparative financial statements have been restated as detailed in note 49.

The consolidated financial statements of Benefact Trust Limited registration number 1043742, on pages 78 to 152 were approved and authorised for issue by the Board on 2 May 2024 and signed on its behalf by:

Tim Carroll
Chairman

Revd Paul Davis
Trustee

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023



		<i>Restated*</i>
	2023	2022
	£000	£000
Net income/(expenditure) for the reporting period	13,804	(8,268)
Adjustments for:		
Depreciation of property, plant and equipment	3,466	3,483
Gain on disposal of property, plant and equipment	-	(28)
Revaluation of property, plant and equipment	(35)	-
Amortisation and impairment of intangible assets	11,934	5,907
Movement on expected credit loss provision	183	-
Loss on disposal of intangible assets	165	-
Share of profit of associate	(365)	(1,463)
Tax expense/(income)	5,239	(4,729)
Loss before tax on disposal of interest in associate	1,130	-
Profit on disposal of group undertaking	-	(34,944)
(Gains)/losses on financial investments and investment property	(16,230)	110,175
Dividend and interest income from investments	(37,031)	(27,889)
Finance costs	2,311	1,705
Decrease/(increase) in debtors	21,257	(35,351)
(Decrease)/Increase in creditors	(11,486)	6,217
Increase in provisions	10,340	318,440
Adjustment for pension funding	(35)	265
(Decrease)/increase in retirement benefit obligation	(39)	2
Proceeds from the sale of investment property by trading subsidiaries	3,382	1,300
Proceeds from the sale of financial investments by trading subsidiaries	183,876	181,846
Purchase of financial investments by trading subsidiaries	(212,218)	(506,944)
Dividends received by trading subsidiaries	13,068	8,757
Interest received by trading subsidiaries	20,944	17,785
Tax paid by trading subsidiaries	(4,780)	(6,616)
Cumulative translation differences recycled to statement of financial activities	1,027	-
Net cash provided by operating activities	9,907	29,651
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,853)	(3,752)
Proceeds from the sale of property, plant and equipment	44	40
Purchases of intangible assets	(2,734)	(4,179)
Purchase of investments by parent charity	(76,396)	(17,624)
Proceeds from the sale of investments by parent charity	79,229	10,713
Acquisition of business, net of cash acquired	(1,115)	-
Acquisition of subsidiary, net of cash acquired	20,415	(1,417)
Disposal of subsidiary, net of cash disposed	-	36,355
Dividend and interest income from parent charity investments	4,000	3,823
Loan issued to associate undertaking	-	(55,345)
Repayment of loan by associate undertaking	-	686
Net cash provided by/(used in) investing activities	19,590	(30,700)

*The comparative financial statements have been restated as detailed in note 49.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2023



	Notes	2023 £000	Restated* 2022 £000
Cash flows from financing activities:			
Interest paid by trading subsidiaries		(1,652)	(1,705)
Payment of finance lease liabilities		(210)	(172)
Payment of group tax in excess of standard rate		(60)	-
Dividends paid to non-controlling interests of subsidiaries		(8,782)	(8,782)
Net cash used in financing activities		(10,704)	(10,659)
Change in cash and cash equivalents in the reporting period		18,793	(11,709)
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		166,096	174,779
Change in cash and cash equivalents in the reporting period		18,793	(11,709)
Change in cash and cash equivalents due to exchange rate movements		(2,140)	3,026
Cash and cash equivalents at the end of the reporting period	36	182,749	166,096

*The comparative financial statements have been restated as detailed in note 49.



17 Accounting policies for consolidated financial statements

The material 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 here, 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 (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 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 Benefact Trust's subsidiaries 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 presentational currency.

Changes in accounting policy

IFRS 9 Financial Instruments

The Benefact Trust group of companies previously applied the recognition and measurement principles of IAS 39 *Financial Instruments: Recognition and Measurement* when accounting for financial instruments.

Under FRS 102 the Benefact Trust group of companies is permitted to change the method in which it accounts for financial instruments to IFRS 9 *Financial Instruments* if, in doing so, the financial statements provide more relevant and reliable information on the entity's financial position, performance and cashflows.

The trustees consider IFRS 9 to provide a more accurate reflection of the risk borne by the business by implementing a forward-looking credit loss model and hence have elected to adopt IFRS 9 on 1 January 2023.

IFRS 9 introduces a new model for the classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a reformed approach to hedge accounting. The following table summarises the classification and measurement impacts of IFRS 9 on transition:

Financial asset	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	As previously reported (IAS 39)	Impact of IFRS 9**	IFRS 9
			31 December 2022	31 December 2022	31 December 2022
			£000	£000	£000
Equity securities	Fair value through profit or loss	Fair value through profit or loss	468,749	-	468,749
Debt securities	Fair value through profit or loss	Fair value through profit or loss	469,236	-	469,236
Structured notes	Fair value through profit or loss	Fair value through profit or loss	56,137	-	56,137
Investment contract assets	Fair value through profit or loss	Fair value through profit or loss	485,213	-	485,213
Derivatives*	Hedge accounted derivatives	Fair value through other comprehensive income***	655	-	655
	Fair value through profit or loss	Fair value through profit or loss	100	-	100
Other loans	Amortised cost	Amortised cost	79,424	-	79,424
Other assets	Amortised cost	Amortised cost	32,356	478	32,834
Cash at bank and in hand	Amortised cost	Amortised cost	166,096	-	166,096

*Derivatives accounted for as a hedge of a net investment in a foreign operation (net investment hedge) were, and continue to be measured at fair value through other comprehensive income (FVOCI). Derivatives not accounted for as a net investment hedge or acquired principally for the purpose of selling in the near term are measured at fair value through profit or loss (FVTPL).

**The impact on adoption of IFRS 9 is due to the recognition of an expected credit loss by a trading subsidiary. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements. No changes have arisen from the more principles-based hedge accounting requirements.

***Fair value through other comprehensive income is recognised in other recognised gains/(losses) in the statement of financial activities.



17 Accounting policies for consolidated financial statements (continued)

IFRS 9 *Financial Instruments* (continued)

The comparative information has not been restated and continues to be reported under IAS 39 *Financial Instruments*. The reclassifications and adjustments arising from the new expected credit loss provisions are therefore not reflected in the restated balance sheet as at 31 December 2022, but are recognised in the opening balance sheet on 1 January 2023. The net impact to non-charitable trading reserves as a result of the adoption on 1 January 2023 was an increase of £0.5m on amortised cost loans and receivables resulting from the replacement of credit loss provisions measured under IAS 39 to expected credit loss provisions in accordance with the IFRS 9 credit loss model.

IFRS 17 *Insurance Contracts*

The Benefact Trust group of companies applies FRS 103 *Insurance Contracts* when accounting for its insurance contracts.

FRS 102 and FRS 103 permit the Benefact Trust group of companies to change the way it accounts for insurance contracts if the change makes the financial statements more relevant to the economic decision-making needs of users and no less reliable. The trustees consider IFRS 17 *Insurance Contracts* to be a more robust and consistent way of accounting for insurance contracts and have elected to align its accounting for insurance contracts with the policies adopted by its trading subsidiary, Ecclesiastical Insurance Office plc (EIO plc), who adopted IFRS 17 from 1 January 2023. FRS 103 provides a degree of flexibility in accounting for insurance contracts, and the trustees consider that the requirements of IFRS 17 can be adopted within the requirements of FRS 103.

IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Key relevant concepts for the Benefact Trust group of companies are:

- Expected profits (represented by the contractual service margin, (CSM)) are explicitly spread over the lifetime of the contract in a formulaic manner matched to the provision of current and future coverage, rather than for example embedded within ongoing releases from a prudent reserving basis.
- Expected losses (arising on onerous contracts) are recognised up front and as and when identified.

The changes in accounting policy for the general insurance business have been applied using a full retrospective approach. Under the full retrospective approach (FRA), on 1 January 2022 the Benefact Trust group of companies has identified, recognised and measured each group of insurance contracts as if IFRS 17 requirements had always applied and derecognised previously reported balances that would not have existed if IFRS 17 had always been applied.

For the trading subsidiaries life business, judgement has been applied when determining whether the FRA is practicable and whether reasonable and supportable information exists. It has been concluded the FRA was impracticable primarily due to the lack of certain data and certain assumptions and calculations would not be possible without the use of hindsight. Therefore, the fair value approach (FVA) has been applied. The FVA uses the fair value of a group of insurance contracts and the fulfilment cash flows at the date of transition to calculate the unearned profit or loss at the transition date.

Comparative figures in the financial statements have been restated to reflect the impact of the adoption of IFRS 17. The effects of adopting IFRS 17 are disclosed in note 49.

Basis of consolidation

Subsidiaries

Subsidiaries are those entities over which the charity, directly or indirectly, has control, with control being achieved when the charity has power over the investee, is exposed to variable return from its involvement with the investee and has the ability to use its power to affect its returns. The results and cash flows relating to subsidiaries acquired or disposed of in the year are included in the consolidated statement of financial activities, and the consolidated statement of cash flows, up to the date of disposal. All inter-company transactions, balances and cash flows are eliminated.

The Benefact Trust group of companies 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 measured 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

Associates are those entities over which the Benefact Trust group of companies 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 Benefact Trust group of companies' share of the net income/(expenditure) and other recognised gains/(losses) of the associate. When the Benefact Trust group of companies' share of losses of an associate exceeds its interest in that associate, the Benefact Trust group of companies discontinues recognising its share of further losses. Additional losses are recognised by a provision only to the extent that the Benefact Trust group of companies has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Benefact Trust group of companies' presentational 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.



17 Accounting policies for consolidated financial statements (continued)

Income and expenditure arising from trading subsidiaries

Income and expenditure from insurance contracts

(i) Product classification

Contracts under which the trading subsidiaries accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Contracts that do not transfer significant insurance risk are classified as investment or service contracts. All of the trading subsidiaries life business contracts written up to April 2013 are classified as insurance contracts. The book closed to new business in 2013 and reopened for business in 2021. Life business contracts written from August 2021 are classified as investment contracts.

Insurance contracts issued and reinsurance contracts held may be initiated by the trading subsidiaries, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' held include contracts issued, initiated, or acquired by the trading subsidiaries, unless otherwise stated.

(ii) Separating components

The trading subsidiaries assess their insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under FRS 102. After separating any distinct components, the trading subsidiaries apply IFRS 17 which has been adopted within the requirements of FRS 103 to all remaining components of the host insurance contract. The trading subsidiaries' insurance and reinsurance contracts do not include any components that require separation.

(iii) Level of aggregation

Insurance and reinsurance contracts are aggregated into portfolios and split into annual cohorts and profitability groups for measurement and presentational purposes. The portfolios are comprised of contracts with similar risks which are managed together. Judgement is applied when determining portfolios and includes drivers such as geography, lines of business (where these are separate components) and legal entities within the Benefact Trust group of companies.

The trading subsidiaries' life insurance business comprises whole of life insurance contracts with similar risks which are managed together. These are aggregated into a single portfolio of insurance contracts.

Each annual cohort of business or portfolio recognised is further divided into groups based on the expected profitability, determined at initial recognition:

- Onerous contracts;
- Contracts that have no significant possibility of becoming onerous (based on the probability that changes to assumptions result in contracts becoming onerous); and
- Any remaining contracts.

Contracts are considered onerous if the fulfilment cashflows allocated to that group of contracts in total are a net outflow.

As the fair value approach has been applied on transition to the trading subsidiaries' life insurance business, the trading subsidiaries are not required to recognise separate annual cohorts for contracts issued more than one year apart.

(iv) Recognition and derecognition

An insurance contract issued by the trading subsidiaries is recognised from the earliest of:

- The date the trading subsidiary is exposed to risk;
- The date the first premium payment from the policyholder becomes due or, if there is no contractual due date, when received from the policyholder; or
- The date when facts and circumstances indicate the contract is onerous.

When a contract is recognised, it is added to an existing group of contracts. However, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future similar contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when:

- The rights and obligations relating to the contract are extinguished (i.e. discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the initial contract is derecognised and a new contract is recognised based on the modified terms.



17 Accounting policies for consolidated financial statements (continued)

(iv) Recognition and derecognition (continued)

When a modification is not treated as a derecognition, the trading subsidiaries recognise amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage (LRC).

(v) Contract boundaries

The concept of contract boundary is used to determine what cash flows should be considered in the measurement of groups of insurance contracts. The measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group.

(vi) Risk adjustment

The risk adjustment reflects the compensation required by the trading subsidiaries for bearing uncertainty about the cash flows that arise from non-financial risks. A combination of techniques are used to measure the risk adjustment, aligning to latest risk appetite approach. The risk adjustment, in relation to life insurance, is calculated at entity level.

(vii) Insurance revenue

General Measurement Model (GMM)

As the trading subsidiaries provide services under the group of insurance contracts, the LRC is reduced and insurance revenue is recognised. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the trading subsidiaries expect to be entitled to in exchange for those services. Insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - Insurance claims and expenses incurred in the period measured at amounts expected at the beginning of the period, excluding:
 - Amounts related to the loss component;
 - Repayments of investment components;
 - Amounts of transaction-based taxes collected in a fiduciary capacity; and
 - Insurance acquisition expenses.
 - Changes in the risk adjustment for non-financial risk, excluding:
 - Changes included in insurance finance income or expenses;
 - Changes that relate to future coverage (which adjust the CSM);
 - Amounts allocated to the loss component; and
 - Amounts of the CSM recognised in profit or loss for the services provided in the period.
- Experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

Premium Allocation Approach (PAA)

In addition to the the above, under the premium allocation approach, insurance revenue for the period is the amount of expected premium receipts (excluding any investment component and after adjustment to reflect the time value of money and the effect of financial risk, if applicable) allocated to the period for services provided. The trading subsidiaries allocate the expected premium receipts to each period of insurance contract services, on the basis of the passage of time or, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, on the basis of the expected timing of incurred insurance service expenses. Changes to the basis of allocation are accounted for prospectively as a change in accounting estimate.

(viii) Insurance service expenses

Insurance service expenses incurred by the trading subsidiaries include fulfilment cash flows and acquisition cash flows which are costs directly attributable to insurance contracts and comprise both direct costs and the allocation of fixed and variable overheads. Insurance service expenses are recognised within expenditure arising from trading activities in the consolidated statement of financial activities and are comprised of the following:

- Incurred claims and benefits excluding investment components;
- Other incurred discretionary attributable insurance service expenses;
- Amortisation of insurance acquisition cash flows;
- Changes that relate to past service (i.e. changes in the future cash flows relating to the liability for incurred claims (LIC); and
- Changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

Amortisation of insurance acquisition cash flows is done on a straight line basis and is reflected in insurance service expenses, included within expenditure arising from trading activities, in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, included within income arising from trading activities, as described above. Other expenses not meeting the above categories are included in expenditure arising from trading activities in the consolidated statement of financial activities.



17 Accounting policies for consolidated financial statements (continued)

General insurance

(ix) Measurement model – Premium Allocation Approach (PAA)

The trading subsidiaries apply the PAA model when measuring the LRC of groups of insurance and reinsurance contracts when the following criteria are met at inception:

Insurance contracts:

- The coverage period of each contract in the group is one year or less; or
- Where the coverage period of a group of contracts is longer than one year, it is reasonably expected that the measurement of the LRC for the group containing those contracts under PAA does not differ materially from the measurement that would be recognised by applying the General Measurement Model (GMM).

Reinsurance contracts held:

- The coverage period of each contract in the group is one year or less; or
- The trading subsidiaries reasonably expect that the resulting measurement of the asset for remaining coverage under the PAA would not differ materially from the result of applying the GMM.

The vast majority of the trading subsidiaries' general insurance business has a duration of one year or less and the PAA model is eligible automatically. Where the PAA model is not automatically eligible, financial modelling is performed comparing the financial effects under the two models. Where the financial effects are not expected to be materially different under the GMM and PAA, the relevant unit of account is treated as PAA eligible.

Initial recognition

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date. For reinsurance contracts held, the measurement of the reinsurance contract held includes all expected cash flows within the boundary of the reinsurance contract, including those cash flows related to recoveries from future underlying insurance contracts that have not yet been issued by the trading subsidiaries, but are expected to be issued during the coverage period of the reinsurance contract held.

Subsequent recognition

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- Increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses; and
- Decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

For reinsurance contracts held, at each of the subsequent reporting dates, the trading subsidiaries apply the same accounting policies to measure a group of reinsurance contracts held, adapted where necessary to reflect features that differ from those of insurance contracts. To identify onerous contracts, the PAA facts and circumstances test uses the latest signed-off Corporate Strategic Plan of the Benefact Group, identifying sets of contracts with a gross combined operating ratio (COR) > 100% (including risk adjustment), when aligned to the relevant period being tested. Where the trading subsidiaries recognise a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the trading subsidiaries establish a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held representing the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the trading subsidiaries expect to recover from the group of reinsurance contracts held.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the trading subsidiaries recognise a loss within expenditure arising from trading activities in the consolidated statement of financial activities and increase the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the LRC. Measurement of the loss component arising from the identification of onerous contracts is based on the future expected profitability calculation attributed to the annual cohort(s) which are indicated to be loss making.

The trading subsidiaries recognise the LIC of a group of insurance contracts at the discounted amount of the future cash flows relating to claims incurred but not yet settled and attributable expenses.

Discount rates are applied to reflect the time value of money and characteristics of the liability cash flows and contracts (including liquidity).



17 Accounting policies for consolidated financial statements (continued)

Subsequent recognition (continued)

The change in the LIC due to the effects of the time value of money and financial risk is recognised within the consolidated statement of financial activities within expenditure arising from trading activities when it is a loss and within income arising from trading subsidiaries when it is a gain.

The loss arising from onerous contracts is recognised as part of the expenditure arising from trading activities in the consolidated statement of financial activities. If there are no changes in expectations in subsequent periods, the release of the loss component is recognised within expenditure arising from trading activities in the consolidated statement of financial activities in line with the pattern of earned premium.

Insurance acquisition cash flows

Insurance acquisition cash flows are costs considered directly attributable to selling, underwriting or starting a portfolio of insurance contracts and are presented within the LRC recognised within provisions for liabilities in the consolidated balance sheet. Insurance acquisition cash flows include direct costs and indirect costs. The PAA provides an option to expense insurance acquisition cash flows as incurred, however the Benefact Trust group of companies has chosen not to apply this option. Insurance acquisition cash flows are amortised over the coverage period of the group of insurance contracts to which they relate.

Under IFRS 17, insurance acquisition cash flows for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts are included in the measurement of insurance contracts issued.

Net income/expenses from reinsurance contracts

Net income earned or expenses incurred by the trading subsidiaries from reinsurance contracts represents the insurance service result for groups of reinsurance contracts held and comprises of the allocation of reinsurance premiums and other incurred directly attributable claims and expenses.

Reinsurance premiums and expenses are recognised using the principles used to determine insurance revenue and expenses. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the trading subsidiaries expect to pay in exchange for those services.

The estimates of the present value of future cash flows of the reinsurance contracts held will reflect the risk of non-performance by the reinsurer and the risk adjustment for reinsurance contracts held and is measured and recognised separately from insurance contracts issued.

In addition, the allocation of reinsurance premiums includes changes in the reinsurance assets arising from retroactive reinsurance contracts held and voluntary reinstatement ceded premiums.

Reinsurance expenses reflect the allocation of reinsurance premiums paid or payable for receiving services in the period.

Reinsurance cash flows that are contingent on claims on the underlying contracts are treated as part of the claims that are expected to be recovered under the reinsurance contract held.

Life insurance

(x) Measurement Model – General Measurement Model (GMM)

The GMM is the default method used to measure insurance contracts under IFRS 17.

Initial recognition

On initial recognition, the carrying amount of the LRC is measured as the sum of discounted probability-weighted fulfilment cash flows within the contract boundary, an explicit risk adjustment and a contractual service margin (CSM), representing the unearned profit of the contract to be recognised as revenue over the coverage period. If the portfolio of contracts is expected to be onerous at inception, the loss is recognised immediately within expenditure arising from trading activities in the consolidated statement of financial activities and the CSM is set to zero.

Subsequent measurement

The carrying amount of the LRC is updated at each reporting date to reflect the re-measurement of the fulfilment cash flows to reflect estimates based on current assumptions. The changes in fulfilment cash flows are reflected either in the insurance service result or by adjusting the CSM, depending upon their nature. If the fulfilment cash flows exceed the CSM, the portfolio of contracts becomes onerous, and the loss is recognised immediately within expenditure arising from trading activities in the consolidated statement of financial activities.

The LIC of a group of insurance contracts is recognised at the discounted amount of the fulfilment cash flows relating to claims incurred but not yet settled and attributable expenses.

Insurance acquisition cash flows

For life insurance contracts held by the trading subsidiaries, acquisition costs comprise direct costs such as initial commission and the indirect costs of obtaining and processing new business. As with general insurance business, those attributable are included in the measurement of insurance contracts issued and reinsurance contracts held.



17 Accounting policies for consolidated financial statements (continued)

Non-insurance revenue and expenses

Fee and commission income

Income generated from the 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. Receivables are recognised in trade debtors on inception date of cover in respect of fees or commissions that the trading subsidiaries have an unconditional right to receive.

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.

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 consolidated 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.

Insurance contract liabilities

Deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts were previously separately recognised. Following the change in accounting policy, applying the requirements of IFRS 17, these balances are now included in the measurement of insurance contracts issued and reinsurance contracts held.

Insurance contract liabilities are measured as the sum of the LIC and LRC. The LIC represents the obligation to pay valid claims for insured events that have occurred, which may also include events that have already occurred but have not been reported to the trading subsidiaries'. The LRC represents the trading subsidiaries liability for insured events that have not yet occurred under the insurance contract under IFRS 17. Insurance revenue in each reporting period represents the change in the LRC that relates to services for which the trading subsidiaries expect to receive consideration.

Investment contract liabilities

For products that have no significant insurance risk and are therefore classified as investment contracts a liability measured at fair value is recognised. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Taxation

Taxation comprises current and deferred tax. Tax is included in calculating the net income/(expenditure) for the year except to the extent it relates to items recognised in other gains/(losses), in which case it is recognised in other gains/(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.

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.

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired at the date of acquisition. Goodwill is capitalised in the balance sheet and amortised through the statement of financial activities over its estimated useful economic life, on a straight-line basis. Goodwill is tested annually for impairment and 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. Gains and losses on the disposal of a subsidiary or associated undertaking will include any attributable unamortised goodwill relating to the entity sold.



17 Accounting policies for consolidated financial statements (continued)

Intangible assets (continued)

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. Amortisation and impairment charges incurred for the period are 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. Amortisation and impairment charges incurred for the period are included in the statement of financial activities within expenditure arising from trading activities.

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 fair 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

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 at open market value. Where the Benefact Trust group of companies disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the statement of financial activities within net gains/(losses) on investments.

Financial instruments

From 1 January 2023 the Benefact Trust group of companies has chosen to change its accounting policy from IAS 39 *Financial Instruments: Recognition and Measurement* to the recognition and measurement provisions of IFRS 9 *Financial Instruments*, issued by the International Accounting Standards Board as adopted by the UK.

The accounting policies under IFRS 9 are as follows:

(i) Classification and measurement

All financial assets under IFRS 9 are to be initially recognised at fair value, plus or minus (in the case of a financial asset not at fair value through profit or loss (FVTPL) transaction costs that are directly attributable to the acquisition of the financial instrument. Classification and subsequent measurement of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows.

(a) Debt instruments

There are three measurement categories into which the Benefact Trust group of companies classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. Interest income from these financial assets is included in dividend, interest and rental income using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI, except where an election is made to classify as FVTPL. Movements in the carrying amount are taken through other gains/(losses) in the consolidated statement of financial activities, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in net income/(expenditure). When the financial asset is derecognised, the cumulative gain or loss previously recognised in other gains/(losses) is reclassified from reserves to net income/(expenditure) and recognised in net gains/(losses) on investments. Interest income from these financial assets is included in dividend, interest and rental income using the effective interest rate method.



17 Accounting policies for consolidated financial statements (continued)

(a) Debt instruments (continued)

- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. In order to eliminate or significantly reduce an accounting mismatch, an irrevocable election can be made (on an instrument-by-instrument basis) to classify and measure debt instruments at FVTPL instead of amortised cost or FVOCI. A gain or loss on a debt investment that is measured at FVTPL is recognised in the consolidated statement of financial activities and presented within net gains/(losses) on investments.

(b) Equity instruments

There are two measurement categories into which the Benefact Trust group of companies classifies its equity instruments:

- Fair value through profit or loss (FVTPL) - By default, equity investments are classified and measured at FVTPL. Changes in the fair value of equity instruments at FVTPL are recognised in net gains/(losses) on investments in the consolidated statement of financial activities.
- Fair value through other comprehensive income (FVOCI) - An irrevocable election can be made (on an instrument-by-instrument basis) on the date of acquisition to classify and measure equity instruments at FVOCI. Designation is not permitted if the equity instrument is held for trading. Where this election has been made, there is no subsequent reclassification of other recognised gains/(losses) following the derecognition of the investment. Dividends from such investments continue to be recognised within dividend, interest and rental income from investments when the right to receive payments is established.

(ii) Impairment

The Benefact Trust group of companies recognise a forward-looking loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost or FVOCI. ECL is an unbiased, probability-weighted estimate of credit losses and considers all reasonable and supportable information. The impairment methodology applied depends on whether there has been a significant increase in credit risk or default.

The Benefact Trust group of companies elects to apply the simplified approach permitted by IFRS 9 and recognises a lifetime ECL for trade receivables and lease receivables. The ECL on these financial assets are estimated using a provision matrix based on the Benefact Trust group of companies historical credit loss experience, adjusted for current and forecast economic conditions.

For all other financial instruments, the Benefact Trust group of companies recognises a lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Benefact Trust group of companies measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. Lifetime ECL represents the expected losses that will result from all possible default events over the expected life of a financial instrument. A 12-month ECL represents the portion of the lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. A financial asset is written off to the extent there is no reasonable expectation of recovery. Any subsequent recovery in excess of the financial asset's written down value is credited to net income/(expenditure).

Impairment losses are presented within expenditure arising from trading activities in the consolidated statement of financial activities.

The Benefact Trust group of companies IAS 39 accounting policies applied in the prior year are described below:

IAS 39 requires certain financial assets and liabilities to be classified into separate categories, for which the accounting requirements 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, 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 other recognised gains/(losses) in the consolidated statement of financial activities. All other changes in fair value are recognised in net gains/(losses) on investments in the consolidated 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).

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.



17 Accounting policies for consolidated financial statements (continued)

Financial instruments (continued)

(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 Benefact Trust group of companies 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.

Investments

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 in the consolidated statement of financial activities. The fair value gains and losses for derivatives which are hedge accounted under FRS 102 are included in 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).

(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 designates certain contracts as a hedge of a net investment in a foreign operation (net investment hedge) and hedges 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 gains/(losses) on investments.

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.

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.

Provisions and contingent liabilities

Provisions are recognised when the trading subsidiaries have a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the trading subsidiaries expect a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when it is virtually certain that the reimbursement will be received.



17 Accounting policies for consolidated financial statements (continued)

Provisions and contingent liabilities (continued)

The trading subsidiaries recognise a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation but either an outflow of resources is not probable or the amount cannot be reliably estimated.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

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 consolidated 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.

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 at the end of each reporting period.

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.

Use of Alternative Performance Measures (APM)

The trading subsidiaries use certain key performance indicators which provide useful information and aim to enhance understanding of their performance. The key performance indicators should be considered complementary to, rather than a substitute for, financial measures defined under IFRS 17. Note 48 provides details of how these key performance indicators reconcile to the results reported under IFRS 17.

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 Benefact Trust group of companies 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 Benefact Trust group of companies, 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.

18 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. The trading subsidiaries' management have considered the current economic environment in their 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



18 Critical accounting estimates and judgements in applying accounting policies (continued)

- (b) Future benefit payments arising from life insurance contracts
- (c) Pensions and other post-employment benefits
- (d) Goodwill impairment and the carrying value of goodwill
- (e) Unlisted equity securities
- (f) Significant insurance risk
- (g) Level of aggregation
- (h) Risk adjustment
- (i) IFRS 17 transition
- (j) Discount rates

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 Benefact Group plc, which are available from the registered office on page 153.

19 Trading activities

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

A full list of the charity's trading subsidiaries and associates is provided in note 45. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities.

The income arising from trading activities includes insurance revenue, as reconciled within note 47 (iv), and fee and commission income for asset management and broking and advisory services, which includes prepaid funeral plan distribution and administration.

The expenditure arising from trading activities includes insurance service expenses, as reconciled within note 47 (v), net expense from reinsurance contracts, and expenses for asset 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 life insurance businesses. Fee and commission income earned in relation to services provided by the trading subsidiaries to third parties is the measure of turnover for asset management and broking and advisory activities, which includes prepaid funeral plan distribution and administration. Further information on the gross written premiums, which are alternative performance measures, are detailed in note 48.

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

2023	Insurance gross written premiums		Asset Management	Broking and advisory	Total
	General business	Life business			
	£000	£000	£000	£000	£000
United Kingdom and Ireland	405,402	176	16,046	55,769	477,393
Australia	102,668	-	-	-	102,668
Canada	106,937	-	-	-	106,937
Trading subsidiaries' turnover	615,007	176	16,046	55,769	686,998
Reconciliation of turnover to income arising from trading subsidiaries:					
Turnover					686,998
Change in the gross unearned premium provision					(35,861)
Other adjustments to insurance revenue					(29)
Investment return					832
Recoveries of incurred claims and other insurance service expenses					46,024
Recoveries of losses on onerous contracts and reversal of those losses					(91)
Finance income from reinsurance insurance contracts held					7,190
Share of profit on associate					365
Other income and (charges)					(3)
Income arising from trading activities					705,425



19 Trading activities (continued)

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

2022	Insurance gross written premiums		Asset Management	Broking and advisory	Total
	General business	Life business			
	£000	£000	£000	£000	£000
United Kingdom and Ireland	350,085	65	16,431	41,004	407,585
Australia	99,698	-	-	-	99,698
Canada	108,761	-	-	-	108,761
Trading subsidiaries' turnover	558,544	65	16,431	41,004	616,044
Reconciliation of turnover to income arising from trading subsidiaries:					
Turnover					616,044
Change in the gross unearned premium provision					(30,619)
General Measurement Model insurance revenue					25
Other adjustments to insurance revenue					(7)
Investment return					641
Recoveries of incurred claims and other insurance service expenses					111,888
Recoveries of losses on onerous contracts and reversal of those losses					814
Finance expense from reinsurance insurance contracts held					(6,704)
Share of profit on associate					1,463
Other income and (charges)					(9)
Income arising from trading activities					693,536

(b) Expenditure arising from trading subsidiaries

	2023	2022
	£000	£000
Insurance service expenses	(400,103)	(422,854)
Allocation of reinsurance premiums	(148,093)	(130,676)
Finance (expense)/income from insurance contracts issued	(24,102)	44,370
Reinsurance administration costs	(5,013)	(6,800)
Other operating expenses	(141,241)	(128,373)
Other finance costs	(2,308)	(1,704)
	(720,860)	(646,037)



19 Trading activities (continued)

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

	2023			Restated* 2022	
	Ecclesiastical Insurance Office plc £000	Ansvar Insurance Limited £000	Ecclesiastical Life Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	514,954	102,668	(24)	617,598	561,294
Dividend and interest income	36,717	4,308	3,365	44,390	36,117
Other income	18,088	8,224	6,533	32,845	106,553
Total income	569,759	115,200	9,874	694,833	703,964
Insurance service expenses	(347,609)	(61,817)	(5,702)	(415,128)	(446,637)
Charitable donations	(2,893)	(68)	-	(2,961)	(2,687)
Other expenditure	(184,630)	(56,216)	(3,952)	(244,798)	(150,371)
Total expenditure	(535,132)	(118,101)	(9,654)	(662,887)	(599,695)
Net gains/(losses) on investments	7,763	3,804	4,901	16,468	(96,697)
Taxation	(3,482)	(19)	(1,311)	(4,812)	8,730
Gift aid paid to parent charity	(13,000)	-	-	(13,000)	(20,000)
Other comprehensive expense	(8,414)	(1,676)	-	(10,090)	(14,138)
Profit/(loss) retained and transferred to reserves	17,494	(792)	3,810	20,512	(17,836)
Balance sheet					
Total assets	1,250,244	236,469	205,724	1,692,437	1,632,157
Equity	561,037	57,184	52,816	671,037	652,396
Liabilities	689,207	179,285	152,908	1,021,400	979,761
Total equity and liabilities	1,250,244	236,469	205,724	1,692,437	1,632,157

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

*The comparative figures have been restated as detailed in note 49.

**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.



19 Trading activities (continued)

(d) Results of trading subsidiaries engaged in broking and advisory services**

	2023			2022*	
	Ecclesiastical Planning Services Limited £000	Lloyd & Whyte Group Limited £000	Lycetts Holdings Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	5,105	25,121	27,948	58,174	43,991
Dividend and interest income	138	2,248	390	2,776	972
Other income	(81)	-	-	(81)	-
Total income	5,162	27,369	28,338	60,869	44,963
Charitable donations	-	(157)	(19)	(176)	(42)
Other expenditure	(7,262)	(25,312)	(25,165)	(57,739)	(40,048)
Total expenditure	(7,262)	(25,469)	(25,184)	(57,915)	(40,090)
Taxation	434	(709)	(881)	(1,156)	(1,699)
Other comprehensive expense and changes in equity	-	-	(2,626)	(2,626)	(2,029)
(Loss)/profit retained and transferred to reserves	(1,666)	1,191	(353)	(828)	1,145
Balance sheet					
Total assets	594,777	95,585	35,976	726,338	622,607
Equity	6,415	(964)	13,277	18,728	19,716
Liabilities	588,362	96,549	22,699	707,610	602,891
Total equity and liabilities	594,777	95,585	35,976	726,338	622,607

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

*The prior year comparatives do not contain the results of Lloyd & Whyte Group Limited (L&W) which was accounted for as an associate until 30 June 2023 when it became a subsidiary. Further information on the acquisition can be found in note 34. The current year contains the results of L&W from 30 June 2023. The prior year comparative contains the results of SEIB Insurance Brokers Limited who was disposed of on 30 December 2022. Further information on the disposal can be found in note 27.

**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.



19 Trading activities (continued)

(e) Results of trading subsidiaries engaged in asset management**

		2023		Restated*
	EdenTree	EdenTree		2022
	Investment	Asset		
	Management	Management		
	Limited	Limited	Total	Total
	£000	£000	£000	£000
Profit and loss account				
Turnover	7,063	10,926	17,989	18,457
Dividend and interest income	35	(5)	30	(22)
Total income	7,098	10,921	18,019	18,435
Charitable donations	-	(55)	(55)	(57)
Other expenditure	(11,226)	(13,239)	(24,465)	(21,904)
Total expenditure	(11,226)	(13,294)	(24,520)	(21,961)
Taxation	(147)	352	205	720
Losses retained and transferred to reserves	(4,275)	(2,021)	(6,296)	(2,806)
Balance sheet				
Total assets	24,340	12,071	36,411	22,359
Equity	8,672	8,581	17,253	9,548
Liabilities	15,668	3,490	19,158	12,811
Total equity and liabilities	24,340	12,071	36,411	22,359

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

* The prior year comparative has been restated to improve year on year comparability by including the results, assets, liabilities and equity of EdenTree Asset Management who were considered a material subsidiary in 2023.

**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.



20 Dividend, interest and rental income

	2023			Restated* 2022		
	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	8,714	3,369	12,083	6,472	3,330	9,802
- unlisted	2,761	-	2,761	874	-	874
Debt securities						
- government bonds	3,811	-	3,811	323	-	323
- listed	11,131	384	11,515	10,749	586	11,335
Income from financial assets at amortised cost						
a. cash at bank and in hand and cash deposits net of exchange gains and losses	2,586	(34)	2,552	2,220	29	2,249
b. other income received	5,556	-	5,556	3,121	-	3,121
Other income						
c. rental income	8,665	-	8,665	9,019	-	9,019
	43,224	3,719	46,943	32,778	3,945	36,723

*The comparative figures have been restated as detailed in note 49.

21 Net gains/(losses) on investments

	2023			Restated* 2022		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Net gains/(losses) on investments	15,623	7,258	22,881	(76,768)	(12,198)	(88,966)
Net losses on investment property	(6,616)	-	(6,616)	(21,209)	-	(21,209)
	9,007	7,258	16,265	(97,977)	(12,198)	(110,175)

*The comparative figures have been restated as detailed in note 49.



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

	2023	Restated*
	2022	
	£000	£000
Current tax on net income/(expenditure) for the year		
UK corporation tax	1,058	1,427
Overseas tax	5,485	2,235
	6,543	3,662
Adjustments in respect of prior years		
UK corporation tax	(1,902)	(315)
Foreign tax	12	16
	(1,890)	(299)
Total current tax	4,653	3,363
Deferred tax		
Origination and reversal of timing differences	(690)	(10,980)
Impact of change in tax rate on opening liability	(103)	-
Adjustment in respect of prior years	1,379	2,888
Total deferred tax	586	(8,092)
Total tax on net income/(expenditure) for the year	5,239	(4,729)

A change in the UK standard rate of corporation tax from 19% to 25% became effective from 1 April 2023. Deferred tax has been provided at an average rate of 25% (2022: 23.5%).

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

	2023	Restated*
	2022	
	£000	£000
Net income/(expenditure) before tax	19,043	(12,996)
Tax calculated at the UK standard rate of tax of 23.5% (2022: 19%)	4,475	(2,469)
<i>Factors affecting charge/(credit) for the year:</i>		
Loss on reclassification of associate to subsidiary	266	-
Expenses not deductible for tax purposes	7,965	8,221
Non-taxable income	(5,658)	(8,490)
Tax relief for donations from Ecclesiastical Insurance Office plc	(3,058)	(3,800)
Overseas taxes in excess of UK headline rate	653	222
Decrease in deferred tax asset not provided	(103)	(50)
Impact of differential between current and deferred tax rate	1,210	(952)
Adjustments to tax (credit)/charge in respect of prior periods	(511)	2,589
Total tax expense/(credit)	5,239	(4,729)

*The comparative figures have been restated as detailed in note 49.



22 Taxation (continued)

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

	2023	2022
	£000	£000
Current tax charged/(credited) on:		
Fair value movements on hedge derivatives	350	(341)
Deferred tax charged/(credited) on:		
Fair value movements on owner-occupied property	216	-
Actuarial movements on retirement benefit plans	1,134	(1,719)
Fair value movements on hedge derivatives	338	(485)
Total tax charged/(credited) to other recognised gains/(losses)	2,038	(2,545)

23 Net income/(expenditure) in the year

	2023		2022	
	Unrestricted	Endowment	Unrestricted	Endowment
	funds	funds	funds	funds
	£000	£000	£000	£000
Net income/(expenditure) for the year has been arrived at after charging/(crediting)				
Net foreign exchange (gains)/losses	(863)	(67)	1,383	(6)
Depreciation of tangible fixed assets	3,466	-	3,483	-
Amortisation of goodwill	3,532	-	1,093	-
Impairment of intangibles	1,429	-	-	-
Amortisation of intangible assets	6,973	-	4,814	-
Operating lease rentals	5,820	-	5,817	-
Fair value (gains)/losses on investments designated at fair value through profit and loss	(15,623)	(7,258)	76,768	12,198
Fair value losses on investment property	6,651	-	21,209	-
The amortisation and impairment of goodwill is included in 'expenditure arising from trading activities' in the consolidated statement of financial activities.				

24 Auditor's remuneration

	2023	2022
	£000	£000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	106	50
Fees payable to the charity's auditor and its associates for other services:		
- The audit of the charity's subsidiaries	2,810	1,312
Total audit fees	2,916	1,362
- Audit-related assurance services	529	332
- Other assurance services	76	87
Total non-audit fees	605	419
Total auditor's remuneration	3,521	1,781

Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work of the charity's subsidiaries.

Audit fees of the charity and of the charity's subsidiaries for the year ended 31 December 2023 include amounts related to the implementation of IFRS 17 *Insurance Contracts* in the year ending 31 December 2023, the impacts of which are disclosed in note 49.



25 Employee information

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

	2023	2022
	No.	No.
United Kingdom and Ireland	1,906	1,411
Australia	166	137
Canada	78	79
	2,150	1,627

	2023	2022
	£000	£000
Wages and salaries	126,627	108,495
Social security costs	11,911	10,625
Pension costs - defined contribution plans	10,271	8,358
Pension costs - defined benefit plans	867	872
Other post-employment benefits	230	132
	149,906	128,482
Capitalised staff costs	(37)	(502)
	149,869	127,980

The above figures do not include termination benefits of £862,000 (2022: £278,000).

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



26 Key management remuneration

Three (2022: two) trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. Details of the emoluments received are as follows:

	2023	Restated** 2022
	£000	£000
Sir Stephen Lamport*	77	71
Francois Boisseau**	78	71
Chris Moulder***	82	78
Total emoluments paid to trustees in their capacity as non-executive directors of subsidiary undertakings	237	220

*Sir Stephen Lamport resigned as trustee on 5 March 2024 but continues as a director of a subsidiary undertaking.

**Francois Boisseau was appointed as a trustee of the charity on 5 May 2023. He received remuneration as a non-executive director of a subsidiary undertaking in the prior year which has been disclosed for comparative purposes.

***Chris Moulder retired as trustee on 6 July 2023 but continues as a director of a subsidiary undertaking.

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 10. The key management remuneration of the trading subsidiaries can be found in note 39 of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 153.

27 Disposal of subsidiary

In the prior year, EIO plc disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to a related party. The related party was an associate of Benefact Group.

	2022
	£000
Consideration received or receivable	45,197
Carrying amount of net assets sold	(10,253)
Gain on disposal before and after tax	34,944

The gain on disposal has been presented within the consolidated statement of financial activities.

The carrying amounts of assets and liabilities as at the date of disposal were:	
	2022
	£000
Goodwill and other intangibles	1,809
Property, plant and equipment	370
Other assets	7,496
Cash and cash equivalents	8,842
Total assets	18,517
Provisions for other liabilities	(51)
Current tax liabilities	(1,010)
Deferred income	(362)
Other liabilities	(6,841)
Total liabilities	(8,264)
Net assets	10,253



28 Intangible assets

	Goodwill	Computer software	Other intangible assets	Total
	£000	£000	£000	£000
Cost				
At 1 January 2023	31,500	50,570	14,071	96,141
Additions	61,823	1,846	888	64,557
Acquisition	-	-	42,800	42,800
Disposals	-	(434)	10	(424)
Exchange movements	-	(169)	(5)	(174)
At 31 December 2023	93,323	51,813	57,764	202,900
Accumulated amortisation				
At 1 January 2023	28,523	22,177	13,125	63,825
Provided in the year	3,532	4,158	2,815	10,505
Impairment losses in the year	-	1,429	-	1,429
Disposals	-	(259)	-	(259)
Exchange movements	-	(122)	(3)	(125)
At 31 December 2023	32,055	27,383	15,937	75,375
Net book value				
At 31 December 2022	2,977	28,393	946	32,316
At 31 December 2023	61,268	24,430	41,827	127,525

The intangible assets of the Benefact Trust group of companies 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. £nil of the goodwill balance (2022: £23,400) relates to the acquisition of Lycetts Holdings Limited during 2011. £879,000 of the goodwill balance (2022: £1,032,000) relates to the acquisition of Robertson-McIsaac Limited in 2019. £1,656,000 of the goodwill balance (2022: £1,921,000) relates to the acquisition of G.D Anderson & Co in 2022.

On 30 June 2023 the Benefact Trust group of companies gained control over L&W. £57,787,000 of goodwill in relation to this acquisition is held on the balance sheet at year end. Further information on the acquisition can be found in note 34 to the accounts. Since 30 June, L&W have made a further acquisition resulting in an additional £589,000 of goodwill at year end.

On 28 June 2023 Lycetts acquired the book of business of BBA Insurance Brokers resulting in £357,000 of goodwill at year end.

£670,000 (2022: £893,000) 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 three years. £40,256,000 (2022: £nil) of the intangible assets relates to the acquisition of the assets of L&W. The acquired brand has a remaining useful life of twelve years. The acquired customer relationships has a remaining useful life of nine years.



29 Tangible assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost or valuation					
At 1 January 2023	1,465	12,526	1,475	16,293	31,759
Acquisitions	-	-	44	569	613
Additions	-	684	221	3,091	3,996
Disposals	-	(12)	(215)	(305)	(532)
Revaluation	885	-	-	-	885
Exchange movements	-	(56)	-	(90)	(146)
At 31 December 2023	2,350	13,142	1,525	19,558	36,575
Accumulated depreciation					
At 1 January 2023	-	9,145	508	7,342	16,995
Charge for the year	-	1,748	213	1,505	3,466
Disposals	-	(9)	(126)	(301)	(436)
Exchange movements	-	(43)	-	(40)	(83)
At 31 December 2023	-	10,841	595	8,506	19,942
Net book value					
At 31 December 2022	1,465	3,381	967	8,951	14,764
At 31 December 2023	2,350	2,301	930	11,052	16,633

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

Included within land and buildings is a property held for sale at 31 December 2023 with a value of £1,750,000.

All properties, other than those held for sale, were last revalued at 31 December 2023. 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 2022.

The value of land and buildings on a historical cost basis is £1,464,000 (2022: £1,464,000).

Included within net book value of motor vehicles is £926,000 (2022: £965,000) in respect of assets held under finance leases.



30 Investment property

	2023	2022
	£000	£000
Fair value at 1 January	140,846	163,355
Disposals	(3,382)	(1,300)
Fair value losses	(6,651)	(21,209)
Fair value at 31 December	130,813	140,846

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

The trading subsidiaries' investment properties were last revalued at 31 December 2023 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 2022. There has been no change in valuation technique during the year.

The value of the investment property on a historical cost basis is £136,201,000 (2022: £139,339,000).

Included within investment property are long leasehold properties with a net book value of £17,319,000 (2022: £18,836,000).

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 included in operating activities in the consolidated statement of cash flows.



31 Investments

	<i>*Re-presented</i>	
	2023	2022
	£000	£000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	362,726	368,879
- unlisted	90,190	99,870
Debt securities		
- government bonds	202,251	206,394
- listed	318,249	262,842
Structured notes	94,970	56,137
Investment contract assets	457,688	485,213
Derivative financial instruments:		
- forwards	824	655
- options	-	100
	<u>1,526,898</u>	<u>1,480,090</u>
Financial assets at amortised cost		
Other loans	34	79,424
	<u>34</u>	<u>79,424</u>
Total investments	<u>1,526,932</u>	<u>1,559,514</u>

*Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs and debt securities. OEICs previously included in equity securities but relating to bond OEICs, and debt securities previously included in government bonds but relating to listed debt, have been re-presented to better reflect the nature of the assets.



31 Investments (continued)

Reconciliation of the movement in financial assets:

	Unrestricted funds		Endowment fund	Total funds
	At fair value through profit or loss £000	At amortised cost £000	At fair value through profit or loss £000	£000
2023				
Fair value at 1 January	1,370,475	79,424	109,615	1,559,514
Additions at cost	201,154	2,402	76,396	279,952
Disposal proceeds	(169,524)	-	(79,229)	(248,753)
Transfers	-	(81,584)	-	(81,584)
Fair value gains	21,721	-	7,258	28,979
Redemption and repayments	-	(207)	-	(207)
Exchange losses	(10,969)	-	-	(10,969)
Fair value at 31 December	1,412,857	35	114,040	1,526,932
2022 Re-presented*				
Fair value at 1 January	1,093,805	25,322	109,902	1,229,029
Additions at cost	506,946	55,344	17,624	579,914
Gift aid from subsidiary to Endowment fund	(5,000)	-	5,000	-
Disposal proceeds	(155,199)	-	(10,713)	(165,912)
Fair value losses	(55,763)	-	(12,198)	(67,961)
Redemptions and repayments	(27,036)	(1,242)	-	(28,278)
Exchange gains	12,722	-	-	12,722
Fair value at 31 December	1,370,475	79,424	109,615	1,559,514

*Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs and debt securities. OEICs previously included in equity securities but relating to bond OEICs, and debt securities previously included in government bonds but relating to listed debt, have been re-presented to better reflect the nature of the assets.

Fair value gains/(losses) through profit or loss in the unrestricted fund excludes £854,000 fair value gains (2022: £2,903,000 fair value gains) on derivatives classified as financial liabilities.



32 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 gain of £4,860,000 (2022: loss of £4,514,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 42. The trading subsidiaries have formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

	2023			2022		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
<i>Equity/Index contracts</i>						
Options	-	-	-	100	100	-
<i>Foreign exchange contracts</i>						
Forwards (Euro)	120,115	824	-	93,712	-	2,475
Hedge derivatives						
<i>Foreign exchange contracts</i>						
Forwards (Australian dollar)	54,584	-	1,156	55,742	-	759
Forwards (Canadian dollar)	52,960	-	1,224	48,442	655	-
	227,659	824	2,380	197,996	755	3,234

All derivatives in the current and prior period expire within one year. All contracts designated as hedging instruments were fully effective in the current and prior 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 31) and derivative fair value liabilities are recognised within creditors (note 37).



33 Investment in associate

On 30 June 2023, Benefact Group acquired an additional 10.1% of the issued ordinary share capital of its associate undertaking L&W, increasing its ownership to 50.1% and so obtaining control of the entity. See note 34 for further details of the business combination. The resulting treatment of derecognising the investment in associate is as follows:

	Share of net assets £000	Goodwill £000	Total £000
At 1 January 2022	2,547	9,601	12,148
Share of net income	1,463	-	1,463
Dividends received	(1,000)	-	(1,000)
At 31 December 2022	3,010	9,601	12,611
Share of net income for the period	365	-	365
Dividends received	(900)	-	(900)
Fair value loss*	(1,130)	-	(1,130)
Derecognition on step acquisition	(1,345)	(9,601)	(10,946)
At 31 December 2023	-	-	-

At the year end date the Benefact Trust group of companies' interest in L&W was as follows:

	2023 £000	2022 £000
Benefact Trust group of companies' share of:		
Revenue	9,297	11,602
Assets	-	48,311
Liabilities	-	(45,301)
Share of net assets	-	3,010

*The remeasurement to fair value of Benefact Group's existing 40.0% interest in L&W resulted in a loss of £1,130,000 as below:

	2023
Fair value of shares held at 30 June 2023	10,946
Carrying value of associate	(12,076)
	(1,130)

L&W holds 20.0% of the issued ordinary share capital of De Novo Risk Solutions Limited and 35.0% of the issued ordinary share capital of Provenance IB Ltd. De Novo Risk Solutions Limited and Provenance IB Ltd are both unlisted companies incorporated in the United Kingdom. They are accounted for using the equity method in these consolidated financial statements as set out in the accounting policies in note 17. The investment in associate held by L&W at 31 December 2023 is £408,000.



34 Acquisition of subsidiary

On 30 June 2023, the Benefact Group acquired a further 10.1% of the issued ordinary share capital of L&W, taking its shareholding to 50.1% granting it control. L&W is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. Prior to 30 June 2023, the Benefact Trust group of companies owned 40.0% of L&W shares and the investment was accounted for as an associate in accordance with FRS 102. The acquisition is part of the Benefact Group's strategy to double in size and continue to diversify.

The following summarises the consideration for L&W and the amounts of the assets acquired and liabilities recognised at the acquisition date:

	2023 £000
Assets	
Intangible assets	42,800
Deferred tax assets	572
Property, plant and equipment	613
Investment in associate	288
Other assets	29,930
Cash	23,197
	<u>97,400</u>
Liabilities	
Provisions for other liabilities	(1,438)
Borrowings	(83,511)
Current tax liabilities	(2,607)
Deferred income	(1,288)
Other liabilities	(41,991)
	<u>(130,835)</u>
Total identifiable net assets	<u>(33,435)</u>
Cash	2,782
Fair value of pre-existing interest in L&W	10,946
Total consideration	<u>13,728</u>
Non controlling interest	13,665
Fair value of subsidiary	<u>27,393</u>
Fair value of identifiable net assets	33,435
Goodwill	<u>60,828</u>
Cash flow analysis	
Cash consideration	2,782
Less cash balances acquired	(23,197)
	<u>(20,415)</u>

The remeasurement to fair value of the Benefact Group's existing 40.0% interest in L&W resulted in a loss of £1,130,000. This amount has been included within loss on disposal of associate within the consolidated statement of financial activities.

The goodwill recognised comprises the value of expected synergies arising from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.



35 Debtors

		<i>Restated*</i>
	2023	2022
	£000	£000
(a) Amounts falling due within one year		
Trade debtors	3,761	1,295
Other debtors	20,640	20,792
Amounts due from related parties	615	1,790
Reinsurers' contract assets	127,365	161,411
Accrued rent and interest	16,254	4,436
Current tax recoverable	6,045	4,412
Other prepayments and accrued income	12,296	8,486
	186,976	202,622
(b) Amounts falling due after one year		
Trade debtors	2,000	2,147
Other debtors	1,221	77
Reinsurers' contract assets	92,743	78,713
Deferred tax assets	8,563	10,060
Other prepayments and accrued income	2,105	2,405
	106,632	93,402
Total debtors	293,608	296,024

*The comparative figures have been restated as detailed in note 49.

Trade debtors are the debtors arising from the insurance broking activities of trading subsidiaries.

(c) Expected credit losses

There has been no significant change in the recoverability of the trading subsidiaries' trade debtors, 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 have recognised an expected credit loss of £2,000 (2022: £nil) in respect of financial assets.



36 Cash at bank and in hand

	2023			2022		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds		funds	funds	
	£000	£000	£000	£000	£000	£000
Short-term bank deposits	64,015	2,934	66,949	67,939	679	68,618
Cash at bank and in hand	115,800	-	115,800	97,478	-	97,478
	179,815	2,934	182,749	165,417	679	166,096

Included within short term deposits of the trading subsidiary are cash deposits of £3,810,000 (2022: £8,810,000) 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 £12,557,000 (2022: £15,109,000) pledged as collateral by way of cash calls from reinsurers, and £18,633,497 (2022: £13,380,000) of restricted cash held on an agency basis.

37 Creditors

	Restated*	
	2023	2022
	£000	£000
(a) Amounts falling due within one year		
Other creditors	60,049	36,559
Derivative liabilities	2,380	3,234
Amounts due to related parties	-	-
Corporation tax	4,761	442
Accruals and deferred income	50,108	42,563
	117,298	82,798
(b) Amounts falling due after one year		
Other creditors	1,072	1,350
Accruals and deferred income	1,407	2,194
	2,479	3,544

*The comparative figures have been restated as detailed in note 49.

Deferred income arises from the operations of the trading subsidiaries.



38 Provisions for liabilities

	Notes	2023 £000	Restated* 2022 £000
Provisions for liabilities		6,404	4,884
Deferred tax liabilities		41,359	40,880
Technical provisions	47	725,813	730,283
Life business technical provisions		385	456
Investment contract liabilities		603,111	596,270
		1,377,072	1,372,773

*The comparative figures have been restated as detailed in note 49.

All provisions relate to the trading subsidiaries.

Technical provisions and life business technical provisions arise on the general insurance and life insurance business of the trading subsidiaries. Further details of these provisions are provided in note 47 (VI).

(a) Provisions for liabilities

	Regulatory and legal provisions £000	Other provisions £000	Contingent consideration £000	Total £000
At 1 January 2023	2,420	2,464	-	4,884
Acquisition	-	315	1,125	1,440
Additional provisions	3,615	316	47	3,978
Used during year	(3,637)	(256)	-	(3,893)
Exchange differences	-	(5)	-	(5)
At 31 December 2023	2,398	2,834	1,172	6,404
Current	2,398	2,095	1,172	5,665
Non-current	-	739	-	739

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 may be subject to complaints from customers and threatened or actual legal proceedings. Whilst 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 believe it prudent to hold a provision for the estimated costs of customer complaints relating to services provided. The Benefact Trust group of companies 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 the trading subsidiaries may uphold.

The Benefact Trust group of companies does not disclose amounts in relation to contingent liabilities associated with cases where the likelihood of any payment is remote. The Benefact Trust group of companies also does not disclose an estimate of the potential financial impact or effect of contingent liabilities where it is not currently practicable to do so. The Benefact Trust group of companies is committed to promptly report incidents or cases to the relevant regulator or authority in certain circumstances.

Other provisions

The provision for other costs relates to costs in respect of dilapidations.

Contingent consideration

The provision for contingent consideration relates to the provision held within L&W, recognised on acquisition.



38 Provisions for liabilities (continued)

(b) Deferred tax

	2023	Restated*
	2022	
	£000	£000
At 1 January	30,820	41,340
Charged/(credited) to net income/(expenditure)	689	(8,092)
Credited to net income/(expenditure) - resulting from reduction in tax rate	(103)	-
Charged/(credited) to other recognised gains/(losses)	1,580	(2,204)
Charged to other recognised gains - resulting from reduction in tax rate	108	-
Transfer on acquisition/ disposal of subsidiary	(572)	62
Exchange differences	274	(286)
At 31 December	32,796	30,820

	2023	Restated*
	2022	
	£000	£000
Deferred tax assets included in debtors	8,563	10,060
Deferred tax liabilities included in provisions for liabilities	(41,359)	(40,880)
Net provision for deferred tax	(32,796)	(30,820)
Deferred tax is provided as follows:		
Unrealised investment gains	(33,908)	(34,899)
Retirement benefit obligations	(3,747)	(2,595)
Depreciation in excess of capital allowances	(2,083)	(473)
Other timing differences	6,942	7,147
Net provision for deferred tax	(32,796)	(30,820)

*The comparative figures have been restated as detailed in note 49.

The Benefact Trust group of companies expects a net deferred tax liability of £4,182,000 (2022: £184,000), net deferred tax liability) to reverse within 12 months of the year end date. The reversal is expected to arise from the sale of investments, claiming of capital allowances, settlement of overseas claims costs, and other temporary timing differences.

(c) Investment contract liabilities

	2023	2022
	£000	£000
Investment contract liabilities	603,111	596,270
	603,111	596,270

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and are therefore classified as current. These liabilities are matched with highly liquid investments.



39 Subordinated liabilities

	2023	2022
	£000	£000
6.3144% EUR 30m subordinated debt	25,853	25,818
	25,853	25,818

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds by a trading subsidiary, maturing in February 2041 and callable after February 2031. Subordinated debt is stated at amortised cost.

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 25.

(b) Defined benefit pension plans

The trading subsidiaries' main defined benefit plan is operated by EIO plc for UK employees. 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 also retain the link to final salary whilst they remain employed by EIO plc. From 1 July 2019, active members in employment joined one of the trading subsidiaries' defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

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 2022. No contribution is expected to be paid by EIO plc in 2024.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2023 for FRS 102 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available as a reduction in future contributions in accordance with FRS 102. This has resulted in the recognisable surplus being restricted by £50,273,000. EIO plc has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with FRS 102.

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, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the trading subsidiaries' defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the trading subsidiary into the plan during the next financial year is £528,000 (2022: £500,000).

The actuarial valuation for the LBSD plan was reviewed and updated by an actuary at 31 December 2023. As LBSD does not have an unconditional right to a refund of the surplus in the scheme the recognisable surplus has been restricted by £1,260,000 in accordance with FRS 102.

In the current year, actuarial losses arising from changes in financial assumptions of £8,240,000 (2022: actuarial gains of £159,143,000) have been recognised in the statement of financial activities. This has mainly resulted from a 0.27% decrease in the discount rate, partially offset by inflation linked pension increases. In the prior year, these gains resulted from a 2.87% increase in the discount rate assumption.

Experience losses of £2,546,000 have been recognised in the current year (2022: losses of £12,025,000). In the current year, this is due to updating for actual member experience in the trading subsidiaries' main defined benefit plan and from actual inflation exceeding the inflation assumptions. In the prior year, the experience loss was the result of actual inflation exceeding the inflation assumptions in the trading subsidiaries main defined benefit plan. A review and update to certain demographic assumptions resulted in an actuarial gain of £5,654,000 (2022: £2,993,000 actuarial gain) being recognised in the current year.



40 Retirement benefit obligations (continued)

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 comprising equities, listed infrastructure 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 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.

A liability driven investment (LDI) allocation is maintained as a risk management tool to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 75% of the interest and 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 suppressed, but not eliminated, volatility in the funding position.

The Trustees of the trading subsidiaries' main defined benefit plan regularly monitor investment performance and strategy 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 intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer. During 2023, the Trustees of the trading subsidiaries' main defined benefit plan maintained their strategy to incrementally reduce the Fund's exposure to market volatility and better protect the funding position including some modest property disposals in the year.

The Trustees of the trading subsidiaries' main defined benefit plan adopt a Responsible and Sustainable Investment Policy with regards to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

	2023 £000	2022 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(244,844)	(238,191)
Fair value of plan assets	316,165	311,236
	<u>71,321</u>	<u>73,045</u>
Restrictions on asset recognised	(51,533)	(57,707)
Net asset in the balance sheet	<u>19,788</u>	<u>15,338</u>
The following is the analysis of the net pension asset/(deficit) for financial reporting purposes:		
Net pension asset	19,788	15,338
Net pension liability	-	-
	<u>19,788</u>	<u>15,338</u>



40 Retirement benefit obligations (continued)

	2023	2022
	£000	£000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	257	573
Administration cost	949	768
Interest income on plan assets	(14,593)	(8,150)
Interest expense on scheme liabilities	11,128	7,349
Effect of interest on asset ceiling	2,752	332
Past service cost	167	-
Total, included in expenditure arising from trading activities	660	872
The amounts recognised in actuarial gains/(losses) on retirement benefits are as follows:		
Return on plan assets, excluding interest income	621	(119,180)
Experience losses on liabilities	(2,546)	(12,025)
Gains from changes in demographic assumptions	5,654	2,993
(Losses)/gains from changes in financial assumptions	(8,240)	159,143
Change in asset restriction	8,926	(39,907)
	4,415	(8,976)

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

	<i>Re-presented*</i>	
	2023	2022
	£000	£000
Plan assets		
At 1 January	311,236	435,736
Interest income	14,593	8,150
Return on plan assets, excluding interest income	621	(119,180)
Pension benefits paid and payable	(10,031)	(13,312)
Contributions paid	695	607
Employee contributions	-	3
Administrative expenses	(949)	(768)
At 31 December	316,165	311,236
Defined benefit obligation		
At 1 January	238,191	393,689
Current service cost	257	573
Past service cost	167	-
Interest cost	11,128	7,349
Pension benefits paid and payable	(10,031)	(13,312)
Employee contributions	-	3
Experience losses on liabilities	2,546	12,025
Gains from changes in demographic assumptions	(5,654)	(2,993)
Losses/(gains) from changes in financial assumptions	8,240	(159,143)
At 31 December	244,844	238,191
Asset ceiling		
At 1 January	57,707	17,468
Effect of interest on the asset ceiling	2,752	332
Change in asset ceiling	(8,926)	39,907
At 31 December	51,533	57,707

*Prior year comparatives have been re-presented to reflect the current year disclosures for presentation of administration costs.



40 Retirement benefit obligations (continued)

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

	2023	2022
	%	%
Discount rate	4.50	4.77
Inflation (RPI)	3.13	3.30
Inflation (CPI)	2.64	2.79
Future salary increases	3.85	4.09
Future increase in pensions in deferment	3.27	3.37
Future average pension increases (RPI)	3.00	3.05
Future average pension increases (CPI)	2.07	2.10

	2023	2022
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	22.2	22.8
Female	23.7	24.1
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	23.0	23.5
Female	24.7	25.3

	2023	2022
	£000	£000
Plan assets are as follows:		
Cash and other*	13,623	37,268
Equity instruments		
UK quoted	44,333	47,651
Overseas quoted	53,531	45,773
	<u>97,864</u>	<u>93,424</u>
Liability driven investments - unquoted	54,095	46,988
Debt instruments		
UK public sector quoted - fixed interest	9,768	-
UK non-public sector quoted - fixed interest	81,223	69,651
UK quoted - index-linked	20,559	21,241
	<u>111,550</u>	<u>90,892</u>
Derivative financial instruments - unquoted	(144)	(588)
Property	37,932	41,984
Other	1,245	1,268
	<u>316,165</u>	<u>311,236</u>

*Includes accrued income, prepayments and other debtors and creditors.



40 Retirement benefit obligations (continued)

The actual return on pension plan assets was a gain of £15,214,000 (2022: loss of £111,030,000).

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. 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:

	2023	2022
	£000	£000
Present value of unfunded obligations and net obligations in the balance sheet	4,801	4,960
Movements in the net obligations recognised in the balance sheet are as follows:		
At 1 January	4,960	7,058
Total expense charged to net income	230	132
Net actuarial gains, recognised in actuarial losses on retirement benefits	(120)	(2,100)
Benefits paid	(269)	(130)
At 31 December	4,801	4,960
The amounts recognised through net income/(expenditure) are as follows:		
Interest cost	230	132
Total, included in employee benefits expense	230	132

The weighted average duration of the net obligations at the end of the reporting period is 10.0 years (2022: 10.5 years).

An actuarial loss of £172,000 has been recognised in the current year due to the decrease in the discount rate. The has been offset by an actuarial gain of £183,000 arising from changes in mortality assumptions, and a £109,000 gain due to changes in inflation.

The principal actuarial assumptions were as follows:	2023	2022
	%	%
Discount rate	4.50	4.77
Medical cost inflation	7.14	7.31



41 Summary of reserve movements

	Unrestricted funds					Translation and hedging	
	General fund £000	Designated fund £000	Endowment fund £000	Revaluation reserve £000	Non-charitable trading reserve £000	reserve £000	Total £000
Fund balance at 31 December 2022	11,681	1,982	110,556	222	501,849	19,511	645,801
IFRS 9 transition*	-	-	-	-	478	-	478
Fund balance at 1 January 2023	11,681	1,982	110,556	222	502,327	19,511	646,279
Income	521	543	3,719	-	748,085	-	752,868
Gift aid paid to charity parent	13,000	-	-	-	(13,000)	-	-
Expenditure	(22,410)	(2,576)	(347)	-	(723,627)	-	(748,960)
Fair value gains on investments	-	-	7,258	-	9,007	-	16,265
Loss on disposal of associate	-	-	-	-	(1,130)	-	(1,130)
Taxation	-	-	(133)	-	(5,106)	-	(5,239)
Net reserve transfers	1,727	2,229	(3,956)	-	-	-	-
Currency translation differences	-	-	-	-	-	(4,033)	(4,033)
Gains on net investment hedges	-	-	-	-	-	4,859	4,859
Actuarial gains on retirement benefit obligations	-	-	-	-	4,535	-	4,535
Fair value gains on property	-	-	-	850	-	-	850
Tax attributable to other recognised (losses)/gains	-	-	-	(216)	(1,135)	(687)	(2,038)
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2023	4,519	2,178	117,097	856	511,174	19,650	655,474

*The impact on adoption of IFRS 9 has been disclosed within note 17.



41 Summary of reserve movements (continued)

	Unrestricted funds					Translation	
	General	Designated	Endowment	Revaluation	Non-charitable	and hedging	Total
	fund	fund	fund	reserve	trading reserve	reserve	
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 1 January 2022 (restated)*	14,612	6,346	115,827	268	511,445	17,538	666,036
Income	313	14	3,945	-	730,987	-	735,259
Gift aid paid to charity parent	15,000	-	5,000	-	(20,000)	-	-
Expenditure	(21,550)	(2,622)	(356)	-	(648,497)	-	(673,025)
Fair value losses on investments	-	-	(12,198)	-	(97,977)	-	(110,175)
Gain on disposal of subsidiary	-	-	-	-	34,944	-	34,944
Taxation	-	-	(112)	-	4,841	-	4,729
Net reserve transfers	3,306	(1,756)	(1,550)	(46)	46	-	-
Currency translation differences	-	-	-	-	-	5,660	5,660
Losses on net investment hedges	-	-	-	-	-	(4,514)	(4,514)
Actuarial losses on retirement benefit obligations	-	-	-	-	(6,876)	-	(6,876)
Tax attributable to other recognised gains/ (losses)	-	-	-	-	1,718	827	2,545
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2022 (restated)*	11,681	1,982	110,556	222	501,849	19,511	645,801

*The comparative figures have been restated as detailed in note 49.

See note 15 for further information on the general unrestricted, designated and endowment funds.

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 2023	18,794	717	19,511
Losses on currency translation differences	(4,033)	-	(4,033)
Gains on net investment hedges	-	4,859	4,859
Attributable tax	-	(687)	(687)
At 31 December 2023	14,761	4,889	19,650
At 1 January 2022 (restated*)	13,135	4,406	17,541
Gains on currency translation differences	5,659	-	5,659
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	825	825
At 31 December 2022	18,794	717	19,511

*The comparative figures have been restated as detailed in note 49.

The translation reserve arises on consolidation of the Benefact Trust group of companies' 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% (2022: 95.6%) of the 106,450,000 (2022: 106,450,000) 8.625% Non-cumulative Irredeemable Preference shares (NCIPs) in EIO plc.

On 30 June 2023 Benefact Group acquired a further 10.1% of the issued share capital of L&W, taking its shareholding to 50.1%. As a result a minority interest of £13,664,000 has been recognised.



44 Financial commitments

Capital commitments

At the year end, the Benefact Trust group of companies had capital commitments of £2,358,000 (2022: £76,000) relating to development costs. 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:

	2023	2022
	£000	£000
Within 1 year	8,261	8,124
Between 1 & 5 years	21,519	24,297
After 5 years	13,397	16,554
	43,177	48,975

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:

	2023	2022
	£000	£000
Within 1 year	5,423	4,375
Between 1 & 5 years	17,944	11,164
After 5 years	18,579	17,252
	41,946	32,791
Operating lease rentals charged to net income/(expenditure) in the period	5,820	5,817



45 Related undertakings

The charity's interest in related undertakings at 31 December 2023 is as follows:

Company	Company Registration Number	Share Capital	2023		2022		Activity
			Holding of Charity	Holding of Subsidiary	Holding of Charity	Holding of Subsidiary	
Subsidiary undertakings							
Incorporated in the United Kingdom							
Benefact Broking & Advisory Holdings Limited ¹	14493617	Ordinary	-	100%	-	100%	Investment holding company
Benefact Group plc ¹	1718196	Ordinary	100%	-	100%	-	Investment holding company
Benefact Management Services Limited ^{1 3}	1811698	Ordinary	-	100%	-	100%	Dormant company
Cleddau Holdings Limited ^{2 4}	06537988	Ordinary	-	50.09%	-	40%	Investment holding company
Cleddau Insurance Services Limited ^{2 4}	06542667	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Davies Craddock (Holdings) Limited ^{2 4}	06523912	Ordinary	-	50.09%	-	40%	Investment holding company
Davies Craddock Limited ^{2 4}	06403519	Ordinary	-	50.09%	-	40%	Insurance
Direct Corporate Risks Limited ^{2 4}	12939587	Ordinary	-	50.09%	-	40%	Insurance
EdenTree Asset Management Limited ¹	11923964	Ordinary	-	100%	-	100%	Investment management
Ecclesiastical Insurance Office plc ¹	24869	Ordinary	-	100%	-	100%	Insurance
		Preference	-	4.35%	-	4.35%	
Ecclesiastical Financial Advisory Services Limited ^{1 4}	2046087	Ordinary	-	100%	-	100%	Independent financial advisory
Ecclesiastical Group Healthcare Trustees Limited ^{1 4}	10988127	Ordinary	-	100%	-	100%	Trustee company
EdenTree Holdings Limited ¹	14496067	Ordinary	-	100%	-	100%	Investment holding company
EdenTree Investment Management Limited ¹	2519319	Ordinary	-	100%	-	100%	Investment management
Ecclesiastical Life Limited ¹	0243111	Ordinary	-	100%	-	100%	Life insurance
Ecclesiastical Planning Services Limited ¹	02644860	Ordinary	-	100%	-	100%	Funeral plan administration
E.I.O. Trustees Limited ^{1 3}	0941199	Ordinary	-	100%	-	100%	Trustee company
Ecclesiastical Underwriting Management Limited ^{1 3}	02368571	Ordinary	-	100%	-	100%	Insurance management services
Farmers & Mercantile Insurance Brokers Limited ^{1 5}	03142714	Ordinary	-	-	-	100%	Insurance agents and brokers
G.D. Anderson & Co Limited ^{1 4}	00776446	Ordinary	-	100%	-	100%	Insurance agents and brokers
Insurance Broking Finance Limited ^{2 5}	04981657	Ordinary	-	50.09%	-	-	Insurance agents and brokers
Lycett, Browne-Swinburne & Douglass Limited ¹	00706042	Ordinary	-	100%	-	100%	Insurance agents and brokers
Lycetts Financial Services Limited ¹	02057974	Ordinary	-	100%	-	100%	Independent financial advisory
Lycetts Holdings Limited ^{1 4}	05866203	Ordinary	-	100%	-	100%	Investment holding company
Lycetts Risk Management Services Limited ^{1 4}	10906990	Ordinary	-	100%	-	100%	Risk management services
Lloyd & Whyte Community Broking Limited ^{2 4}	04640518	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Lloyd & Whyte (Financial Services) Limited ^{2 4 10}	02092560	Ordinary	-	50.09%	-	40%	Financial intermediary
Lloyd & Whyte Group Limited ²	01143899	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Lloyd & Whyte Limited ^{2 4}	03686765	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Membership Plans Limited ^{2 4}	06322047	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Mi Speciality Limited ²	07313009	Ordinary	-	50.09%	-	40%	Insurance
Naturesave Policies Limited ^{2 4}	02797137	Ordinary	-	50.09%	-	40%	Insurance
Northcott Beaton Limited ^{2 4 6}	04773132	Ordinary	-	-	-	40%	Insurance agents and brokers
Playle-Russell (Special Risks) Limited ^{2 4}	03779860	Ordinary	-	50.09%	-	40%	Insurance
Robertson-McIsaac Limited ^{1 4}	03544899	Ordinary	-	100%	-	100%	Insurance agents and brokers
SEIB Insurance Brokers Limited ^{1 4}	06317314	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
South Essex Insurance Holdings Limited ^{1 4}	06317313	Ordinary	-	50.09%	-	40%	Investment holding company
Specialist Broking Retail Limited ^{2 4}	10301653	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
Stride Limited ^{2 4}	01122247	Ordinary	-	50.09%	-	40%	Insurance agents and brokers
The Medical Insurance Advisory Bureau Limited ^{2 4}	07217140	Ordinary	-	50.09%	-	40%	Insurance agents and brokers

The financial statements of EIO plc and Benefact 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 153.



45 Related undertakings (continued)

The charity's interest in related undertakings at 31 December 2023 is as follows:

Company	Company Registration Number	Share Capital	2023		2022		Activity
			Holding of shares by Charity	Subsidiary	Holding of shares by Charity	Subsidiary	
Subsidiary undertakings							
Incorporated in Australia							
Ansvar Insurance Limited ⁷	007216506	Ordinary	-	100%	-	100%	Insurance
Ansvar Risk Management Services Limited ⁷	623695054	Ordinary	-	100%	-	100%	Risk management services
Ansvar Insurance Services Pty Limited ^{7,8}	162612286	Ordinary	-	100%	-	100%	Dormant company
Associated undertakings							
Incorporated in the United Kingdom							
De Novo Risk Solutions Limited ^{2,9}	10246240	Ordinary	-	20%	-	-	Insurance agents and brokers
Provenance IB Ltd ^{2,4}	11131702	Ordinary	-	35%	-	25%	Insurance agents and brokers
¹ Registered office: Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom							
² Registered office: Affinity House, Bindon Road, Taunton, Somerset, TA2 6AA							
³ Exempt from audit under s480 of the Companies Act 2006							
⁴ Exempt from audit under s479A of the Companies Act 2006							
⁵ Entity was dissolved on 19 December 2023							
⁶ Entity was dissolved on 26 December 2023							
⁷ Registered office: Level 5, 1 Southbank Boulevard, Melbourne, VIC 3006, Australia							
⁸ Exempt from audit							
⁹ Lloyd and Whyte Group Limited, a subsidiary of Benefact Group Plc, acquired 20% of the ordinary share capital of De Novo Risk Solutions Limited on 30 November 2023.							
¹⁰ On 26 April 2024 the business and certain assets of Lloyd & Whyte (Financial Services) Limited were disposed of.							



46 Related party transactions

Other related parties of the Benefact Trust group of companies include the trading subsidiaries' pension schemes. Prior year also includes transactions with associated undertakings.

	2023	2022
	£000	£000
Income from transactions with other related parties	750	6,361
Expenditure arising from transactions with other related parties	(1,362)	(55,345)
Amounts owed by other related parties	615	81,107
Amounts due to other related parties	-	-

In the prior year, expenditure arising from transactions with other related parties consisted of loan advances to related parties totalling £55,345,000, of which £44,220,000 related to the purchase of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited (together SEIB) by L&W.

In the prior year amounts owed by related parties included £79,310,000 of loans disclosed in note 31.

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 values 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 values 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 Benefact Trust group of companies' functional currency and adjusted to reflect illiquidity where appropriate, with the fair values disclosed being directly sensitive to this input.

Instruments move between fair value hierarchies primarily due to increases or decreases in market activity or changes to the significance of unobservable inputs to valuation, and are recognised at the date of the event or change in circumstances which caused the transfer. During the year there was a transfer from level 1 to level 2 due to a change in observable inputs.

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 2023				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	250,106	-	90,191	340,297
Debt securities	516,844	2,079	(1)	518,922
Structured notes	-	94,970	-	94,970
Funeral plan investments	-	457,685	-	457,685
Derivatives	-	824	-	824
Total financial assets at fair value	766,950	555,558	90,190	1,412,698



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

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 2022 (re-presented)*				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	234,033	-	100,197	334,230
Debt securities	492,684	1,299	(1)	493,982
Structured notes	-	56,138	-	56,138
Funeral plan investments	-	485,213	-	485,213
Derivatives	-	755	-	755
Total financial assets at fair value through profit or loss	726,717	543,405	100,196	1,370,318

*In the current year the derivative liabilities of the trading subsidiaries were measured at fair value through profit or loss in the statement of financial activities. In the prior year the derivative liabilities of the trading subsidiaries were measured at fair value through other recognised gains/(losses) in the statement of financial activities. Derivative liabilities are categorised as level 2 (see note 32).

Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets.

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.

Structured notes (level 2)

These financial assets are not traded on active markets. Their fair value is linked to an index that reflects the performance of an underlying basket of observable securities, including derivatives, provided by an independent calculation agent.

Funeral plan investments (level 2)

The trading subsidiaries' holds investments in respect of funeral plan policies which are predominantly invested in individual whole-of-life insurance policies. These are valued using valuations provided by the insurance policy provider.

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, normalised for performance measures where appropriate, 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 or credit rating discount applied changes by +/-10%, the value of unlisted equity securities could move by +/-£10,527,000 (2022: +/-£11,041,000).



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

Unlisted debt (level 3)

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

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

II. Financial risk and capital management

The principal financial risks to which the Benefact Trust group of companies is exposed arise from the financial assets, financial liabilities, reinsurance assets and insurance liabilities of the trading subsidiaries. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk.

There has been no change from the prior period in the nature of the financial risks to which the trading subsidiaries are exposed. The continued conflict in Ukraine, Middle East and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the trading subsidiaries are exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The management and measurement of financial risks is informed by either stochastic modelling or stress testing techniques.

(a) 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 Benefact Trust group of companies' assets, subordinated debt which has a fixed interest until 2030, and from insurance liabilities discounted 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 the trading subsidiaries' life insurance business, consisting of policies to support funeral planning products, 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 (for example 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 their investment portfolio.

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

(b) 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. The trading subsidiaries where available, 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.



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

(b) Credit risk (continued)

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.

The following table provides information regarding the credit risk exposure of the trading subsidiaries' current debt securities, reinsurance debtors and cash credit with external credit ratings from Standard & Poors or an equivalent rating from a similar agency.

	At 31 December 2023			Re-presented** At 31 December 2022		
	Debt securities	Reinsurance debtors	Cash*	Debt securities	Reinsurance debtors	Cash*
	£000	£000	£000	£000	£000	£000
AAA	207,068	-	-	189,722	-	-
AA	152,744	5,902	101,858	124,057	3,608	42,616
A	88,810	17,435	26,253	102,779	10,655	18,903
BBB	52,646	-	38,724	62,049	-	84,146
Below BBB	8,567	-	-	6,878	-	-
Not rated	9,087	3,500	9	8,497	3,863	206
	518,922	26,837	166,844	493,982	18,126	145,871

*Cash includes amounts held on deposit classified within financial investments and disclosed within note 31. Cash balances which are not rated relate to cash amounts in hand.

**Prior year comparatives have been re-presented to reflect the current year disclosures for composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets.

The trading subsidiaries' credit risk policy details 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. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. 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.

	2023	2022
	£000	£000
Insurance Debtors		
Current	134,790	125,532
0-30 days	17,262	12,860
30-90 days	6,629	9,068
More than 90 days	10,068	1,980
	168,749	149,440



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

(b) Credit risk (continued)

	2023	2022
	£000	£000
Reinsurance Debtors		
Current	20,845	7,720
0-30 days	1,271	1,388
30-90 days	1,637	6,824
More than 90 days	3,084	2,194
	<u>26,837</u>	<u>18,126</u>

Amounts arising from expected credit losses on financial assets are as follows:

	2023	2022
	£000	£000
Balance at 1 January	1,027	-
Movement in the year	(1,025)	-
Balance at 31 December	<u>2</u>	<u>-</u>

(c) Equity price risk

The trading subsidiaries are exposed to equity price risk 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:

	2023		2022
	£000		£000
UK	237,043	UK	234,855
Europe	89,483	Europe	99,375
US	13,771	Hong Kong	-
Total	<u>340,297</u>	Total	<u>334,230</u>



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

(d) Currency risk

The trading subsidiaries operate internationally and their main exposure to foreign exchange risk is noted below. The foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, 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 trading subsidiaries foreign operations create two sources of foreign currency risk:

- the operating results of the foreign branches and subsidiaries 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 forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 32. 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 largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2023		2022
	£000		£000
Can \$	67,554	Aus \$	71,584
Aus \$	61,822	Euro	41,246
Euro	52,558	Can \$	74,188
USD \$	11,652	USD \$	2,399
HKD \$	185	HKD \$	15

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 32.

(e) 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 Benefact Trust group of companies.

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

	Maturing:			
	Within	Between	After	
	1 year	1 & 5 years	5 years	Total
	£000	£000	£000	£000
At 31 December 2023				
Life business provision	40	126	219	385
At 31 December 2022 (Restated*)				
Life business provision	41	133	282	456

*The comparative figures have been restated as detailed in note 49.



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

(f) Market risk

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

Variable	Change in variable	Potential increase/(decrease) increase in net income/(expenditure)		Potential changes in funds	
		<i>Re-presented*</i>			
		2023 £000	2022 £000	2023 £000	2022 £000
Interest rate risk	-100 basis points	814	(3,618)	(4)	(8)
	+100 basis points	906	4,786	3	7
Currency risk	-10%	4,065	3,466	16,070	13,123
	+10%	(3,326)	(2,836)	(13,148)	(10,737)
Equity price risk	+/- 10%	25,522	27,073	-	-

*Prior year comparatives have been re-presented to reflect the current year disclosures from composition of OEICs. OEICs previously included in equity securities but relating to bond OEICs have been re-presented in debt securities to better reflect the nature of the assets.

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

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

(g) Capital management

The Benefact Trust group of companies' 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 Benefact Trust group of companies' 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). 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 the Benefact Group's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

Benefact Group's Solvency II Own Funds will be subject to a separate independent audit, as part of the process for Solvency II reporting to the PRA. Benefact Group expects to meet the PRA's deadline for submission to the PRA of 17 May 2024, and its SFCR will be made available on its website shortly after.

	2023 £000	2022 £000
Solvency II Own Funds (unaudited)	597,763	594,198

III. Insurance risk

Through the general insurance and life insurance operations of the trading subsidiaries, the Benefact Trust group of companies 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 to 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).



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

III. Insurance Risk (continued)

More detailed information relating to the insurance risk arising from the trading subsidiaries can be found in note 3 of Benefact Group plc's annual report and accounts, which is available from the registered office on page 153.

(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. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimal to the trading subsidiaries' needs. The optimum reinsurance structure provides the trading subsidiaries with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the trading subsidiaries utilise the full range of proprietary catastrophe models and continue to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the trading subsidiaries' risk appetite.

(ii) Concentrations of risk

The core business of the trading subsidiaries is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The whole-of-life insurance policies support funeral planning products.

The table below summarises written premiums for the financial year, before and after reinsurance, by territory and class of business. Further details on gross and net written premiums, which is an alternative performance measure, are detailed in note 48.

		General insurance				Life insurance	
		Miscellaneous financial					
Territory		Property £000	Liability £000	loss £000	Other £000	Whole-of-life £000	Total £000
2023							
United Kingdom and Ireland	Gross	297,481	79,966	24,668	3,287	176	405,578
	Net	137,933	75,916	11,816	64	176	225,905
Australia	Gross	57,703	43,194	1,337	434	-	102,668
	Net	9,182	37,275	1,313	82	-	47,852
Canada	Gross	73,958	32,979	-	-	-	106,937
	Net	48,247	29,512	-	-	-	77,759
Total	Gross	429,142	156,139	26,005	3,721	176	615,183
	Net	195,362	142,703	13,129	146	176	351,516
2022							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	3,086	65	350,150
	Net	119,847	68,128	10,259	100	65	198,399
Australia	Gross	55,266	42,978	918	536	-	99,698
	Net	5,886	36,037	868	101	-	42,892
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	384,463	149,535	20,924	3,622	65	558,609
	Net	173,068	136,079	11,127	201	65	320,540



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

IV. Insurance revenue

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2023			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	(590)	(590)
Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	-	20	20
CSM recognised in net income/(expenditure) for the services provided	-	717	717
	-	147	147
Contracts measured under PAA	579,975	-	579,975
Total insurance revenue	579,975	147	580,122
For the year ended 31 December 2022			
Contracts not measured under PAA			
Amounts relating to the changes in the LRC			
Expected incurred claims and other expenses after loss component allocation	-	58	58
Change in the risk adjustment for non-financial risk for the risk expired after loss component allocation	25	-	25
CSM recognised in net income/(expenditure) for the services provided	-	-	-
	25	58	83
Contracts measured under PAA	528,558	-	528,558
Total insurance revenue	528,583	58	528,641



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

V. Insurance services expenses

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2023			
Incurred claims and benefits excluding investment components	308,069	-	308,069
Insurance acquisition cash flows amortisation	116,289	-	116,289
Changes that relate to past service	(24,547)	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	155
Changes that relate to current service	-	137	137
Total insurance service expenses	399,966	137	400,103
For the year ended 31 December 2022			
Incurred claims and benefits excluding investment components	347,499	-	347,499
Insurance acquisition cash flows amortisation	105,478	-	105,478
Changes that relate to past service	(18,331)	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	781
Changes that relate to current service	-	(12,573)	(12,573)
Total insurance service expenses	435,427	(12,573)	422,854



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets

	2023	Restated*
	£000	2022 £000
Gross		
General Insurance contract liabilities for incurred claims	634,819	636,638
General Insurance contract liabilities for remaining coverage	90,994	93,645
Life insurance contract liabilities for remaining coverage	385	456
Total gross insurance contract liabilities	726,198	730,739
Recoverable from reinsurers		
Reinsurance contract assets for incurred claims	179,928	202,474
Reinsurance contract assets for remaining coverage	40,180	37,650
Total reinsurers' share of insurance liabilities	220,108	240,124
Net		
General insurance contract liabilities for incurred claims	454,891	434,164
General insurance contract assets for remaining coverage	50,814	55,995
Life insurance contract liabilities for remaining coverage	385	456
Total net insurance liabilities	506,090	490,615
Gross insurance liabilities		
Current	306,411	399,204
Non-current	419,787	331,535
Reinsurance assets		
Current	127,365	161,411
Non-current	92,743	78,713

*The comparative figures have been restated as detailed in note 49.

Gross insurance liabilities, also referred to as technical provisions, are included in provisions for liabilities (note 38). Reinsurers' share of insurance liabilities is included in debtors (note 35).



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		Total
	General liabilities for remaining coverage	General liabilities for incurred claims	Life liabilities for remaining coverage	General assets for remaining coverage	General assets for incurred claims	
	£000	£000	£000	£000	£000	£000
At 1 January 2022	89,713	604,297	21,243	(39,633)	(163,133)	512,487
Insurance revenue	(528,583)	-	(58)	-	-	(528,641)
Incurred claims and other insurance service expenses	-	347,499	-	-	-	347,499
Changes that relate to current service	-	-	(12,573)	-	-	(12,573)
Changes that relate to past service	-	(18,331)	-	-	-	(18,331)
Losses on onerous contracts and reversal of those losses	781	-	-	-	-	781
Insurance acquisition cash flows amortisation	105,478	-	-	-	-	105,478
Insurance service expenses	106,259	329,168	(12,573)	-	-	422,854
Insurance service result before reinsurance contracts held	(422,324)	329,168	(12,631)	-	-	(105,787)
Allocation of reinsurance premiums	-	-	-	130,675	-	130,675
Recoveries of incurred claims and other insurance service expenses	-	-	-	6,800	(117,492)	(110,692)
Changes that relate to past service	-	-	-	-	5,606	5,606
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	(814)	-	(814)
Net expense/(income) from reinsurance contracts	-	-	-	136,661	(111,886)	24,775
Finance income from insurance contracts issued	-	(44,370)	-	-	-	(44,370)
Finance expense from reinsurance contracts held	-	-	-	-	6,704	6,704
Net insurance financial result	-	(44,370)	-	-	6,704	(37,666)
Total amounts recognised in statement of financial activities	(422,324)	284,798	(12,631)	136,661	(105,182)	(118,678)
Exchange differences	2,129	14,185	-	(1,043)	(4,497)	10,774
Premiums received	537,656	-	-	-	-	537,656
Insurance acquisition cash flows	(113,529)	-	-	-	-	(113,529)
Claims and other directly attributable expenses paid	-	(266,642)	(8,156)	-	-	(274,798)
Premiums paid	-	-	-	(133,635)	-	(133,635)
Amounts received	-	-	-	-	70,338	70,338
Total cash flows	424,127	(266,642)	(8,156)	(133,635)	70,338	86,032
At 31 December 2022	93,645	636,638	456	(37,650)	(202,474)	490,615



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

	Insurance contract liabilities			Reinsurance contract assets		Total £000
	General liabilities for remaining coverage £000	General liabilities for incurred claims £000	Life liabilities for remaining coverage £000	General assets for remaining coverage £000	General assets for incurred claims £000	
At 31 December 2022	93,645	636,638	456	(37,650)	(202,474)	490,615
<i>Adjustment on initial application of IFRS 9</i>	<i>(505)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(505)</i>
At 1 January 2023	93,140	636,638	456	(37,650)	(202,474)	490,110
Insurance revenue	(579,975)	-	(147)	-	-	(580,122)
Incurred claims and other insurance service expenses	-	308,069	-	-	-	308,069
Changes that relate to current service	-	-	137	-	-	137
Changes that relate to past service	-	(24,547)	-	-	-	(24,547)
Losses on onerous contracts and reversal of those losses	155	-	-	-	-	155
Insurance acquisition cash flows amortisation	116,289	-	-	-	-	116,289
Insurance service expenses	116,444	283,522	137	-	-	400,103
Insurance service result before reinsurance contracts held	(463,531)	283,522	(10)	-	-	(180,019)
Allocation of reinsurance premiums	-	-	-	148,094	-	148,094
Recoveries of incurred claims and other insurance service expenses	-	-	-	5,013	(77,048)	(72,035)
Changes that relate to past service	-	-	-	-	31,024	31,024
Recoveries of losses on onerous contracts and reversal of those losses	-	-	-	91	-	91
Net expense/(income) from reinsurance contracts	-	-	-	153,198	(46,024)	107,174
Finance expense from insurance contracts issued	-	24,102	-	-	-	24,102
Finance income from reinsurance contracts held	-	-	-	-	(7,190)	(7,190)
Net insurance financial result	-	24,102	-	-	(7,190)	16,912
Total amounts recognised in statement of financial activities	(463,531)	307,624	(10)	153,198	(53,214)	(55,933)
Exchange differences	(1,661)	(13,309)	-	929	5,220	(8,821)
Premiums received	596,793	-	-	-	-	596,793
Insurance acquisition cash flows	(133,747)	-	-	-	-	(133,747)
Claims and other directly attributable expenses paid	-	(296,134)	(61)	-	-	(296,195)
Premiums paid	-	-	-	(156,657)	-	(156,657)
Amounts received	-	-	-	-	70,540	70,540
Total cash flows	463,046	(296,134)	(61)	(156,657)	70,540	80,734
At 31 December 2023	90,994	634,819	385	(40,180)	(179,928)	506,090



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(a) General business insurance contracts

(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued

	PAA		GMM	
	Excluding loss component £000	Loss component £000	Liability for remaining coverage £000	Total £000
At 1 January 2022	87,181	1,782	750	89,713
Insurance revenue	(528,558)	-	(25)	(528,583)
Losses on onerous contracts and reversal of those losses	-	806	(25)	781
Insurance acquisition cash flows amortisation	105,478	-	-	105,478
Insurance service expenses	105,478	806	(25)	106,259
Total amounts recognised in statement of financial activities	(423,080)	806	(50)	(422,324)
Exchange differences	2,050	79	-	2,129
Premiums received	537,656	-	-	537,656
Insurance acquisition cash flows	(113,529)	-	-	(113,529)
Total cash flows	424,127	-	-	424,127
At 31 December 2022	90,278	2,667	700	93,645
<i>Adjustments on initial application of IFRS 9</i>	(505)	-	-	(505)
At 1 January 2023	89,773	2,667	700	93,140
Insurance revenue	(579,975)	-	-	(579,975)
Losses on onerous contracts and reversal of those losses	-	155	-	155
Insurance acquisition cash flows amortisation	116,289	-	-	116,289
Insurance service expenses	116,289	155	-	116,444
Total amounts recognised in statement of financial activities	(463,686)	155	-	(463,531)
Exchange differences	(1,531)	(130)	-	(1,661)
Premiums received	596,793	-	-	596,793
Insurance acquisition cash flows	(133,747)	-	-	(133,747)
Total cash flows	463,046	-	-	463,046
At 31 December 2023	87,602	2,692	700	90,994

Reconciliation of insurance acquisition cash flows asset

	2023	2022
	£000	£000
At 1 January	56,435	50,194
Cash flows recognised as an asset during the year	38,288	32,610
Amounts derecognised on initial recognition of groups of insurance contracts	(27,843)	(27,530)
Exchange differences	(963)	1,161
At 31 December	65,917	56,435



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(ii) Reconciliation of the liability for incurred claims

Insurance contracts issued

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Total £000
At 1 January 2022	496,941	107,356	604,297
Incurred claims and other insurance service expenses	329,841	17,658	347,499
Changes that relate to past service	21,054	(39,385)	(18,331)
Insurance service expenses	350,895	(21,727)	329,168
Insurance service result before reinsurance contracts held	350,895	(21,727)	329,168
Finance income from insurance contracts issued	(44,370)	-	(44,370)
Net insurance financial result	(44,370)	-	(44,370)
Total amounts recognised in statement of financial activities	306,525	(21,727)	284,798
Exchange differences	11,681	2,504	14,185
Claims and other directly attributable expenses paid	(266,642)	-	(266,642)
Total cash flows	(266,642)	-	(266,642)
At 31 December 2022	548,505	88,133	636,638
Incurred claims and other insurance service expenses	293,527	14,542	308,069
Changes that relate to past service	(3,659)	(20,888)	(24,547)
Insurance service expenses	289,868	(6,346)	283,522
Insurance service result before reinsurance contracts held	289,868	(6,346)	283,522
Finance expense from insurance contracts issued	24,102	-	24,102
Net insurance financial result	24,102	-	24,102
Total amounts recognised in statement of financial activities	313,970	(6,346)	307,624
Exchange differences	(11,362)	(1,947)	(13,309)
Claims and other directly attributable expenses paid	(296,134)	-	(296,134)
Total cash flows	(296,134)	-	(296,134)
At 31 December 2023	554,979	79,840	634,819



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(iii) Reconciliation of the asset for remaining coverage

Reinsurance contracts held

	Excluding loss recovery component £000	Loss recovery component £000	Total £000
At 1 January 2022	38,157	1,476	39,633
Allocation of reinsurance premiums	(130,675)	-	(130,675)
Recoveries of incurred claims and other insurance service expenses	(6,800)	-	(6,800)
Recoveries of losses on onerous contracts and reversal of those losses	-	814	814
Net (expense)/income from reinsurance contracts	(137,475)	814	(136,661)
Total amounts recognised in statement of financial activities	(137,475)	814	(136,661)
Exchange differences	972	71	1,043
Premiums paid	133,635	-	133,635
Total cash flows	133,635	-	133,635
At 31 December 2022	35,289	2,361	37,650
Allocation of reinsurance premiums	(148,094)	-	(148,094)
Recoveries of incurred claims and other insurance service expenses	(5,013)	-	(5,013)
Recoveries of losses on onerous contracts and reversal of those losses	-	(91)	(91)
Net expense from reinsurance contracts	(153,107)	(91)	(153,198)
Total amounts recognised in statement of financial activities	(153,107)	(91)	(153,198)
Exchange differences	(812)	(117)	(929)
Premiums paid	156,657	-	156,657
Total cash flows	156,657	-	156,657
At 31 December 2023	38,027	2,153	40,180



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(iv) Reconciliation of the asset for incurred claims

Reinsurance contracts held

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Total £000
At 1 January 2022	135,229	27,904	163,133
Recoveries of incurred claims and other insurance service expenses	108,571	8,921	117,492
Changes that relate to past service	6,404	(12,010)	(5,606)
Net income/(expense) from reinsurance contracts	114,975	(3,089)	111,886
Finance expense from reinsurance contracts held	(6,704)	-	(6,704)
Net insurance financial result	(6,704)	-	(6,704)
Total amounts recognised in statement of financial activities	108,271	(3,089)	105,182
Exchange differences	3,558	939	4,497
Amounts received	(70,338)	-	(70,338)
Total cash flows	(70,338)	-	(70,338)
At 31 December 2022	176,720	25,754	202,474
Recoveries of incurred claims and other insurance service expenses	71,621	5,427	77,048
Changes that relate to past service	(19,275)	(11,749)	(31,024)
Net income/(expense) from reinsurance contracts	52,346	(6,322)	46,024
Finance income from reinsurance contracts held	7,190	-	7,190
Net insurance financial result	7,190	-	7,190
Total amounts recognised in statement of financial activities	59,536	(6,322)	53,214
Exchange differences	(4,385)	(835)	(5,220)
Amounts received	(70,540)	-	(70,540)
Total cash flows	(70,540)	-	(70,540)
At 31 December 2023	161,331	18,597	179,928

(v) Reserving methodology

Reserving for non-life 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.

Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(vi) Risk Adjustment for non-financial risk

The Risk Adjustment for non-financial risk is the compensation the trading subsidiaries require for bearing the uncertainty about the amount and timing of the cash flows that arise from non-financial risk as they fulfil insurance contracts. Uncertainty is assessed using actuarial methods to quantify the variability in undiscounted net outcomes on an ultimate horizon.

The trading subsidiaries' risk appetite is to hold claims reserves, including a net Risk Adjustment, equating to at least a 75% probability of sufficiency. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

Overall, it is estimated that the booked net Risk Adjustment provides for a confidence level of approximately 90% (2022: 90%), which is established by comparing the uplift for the booked net Risk Adjustment to the uncertainty distribution. Percentile estimates for loss distributions are highly uncertain as they contain a large number of judgments on possible future outcomes. This means that the percentile may see some fluctuation year on year due to inherent volatility.

(vii) Calculation of provisions for latent claims

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

(viii) Discounting

General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates in the following territories:

Geographical territory	Discount rate		Mean term of liabilities (years)	
	2023	Restated* 2022	2023	Restated* 2022
UK and Ireland	4.0% to 5.3%	3.6% to 5.4%	7.5	7.5
Canada	3.5% to 4.7%	4.5% to 5.2%	4.3	4.3
Australia	3.9%	3.8%	3.6	3.9

*The comparative financial statements have been restated as detailed in note 49.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect the illiquidity of the liabilities. At the year end the undiscounted gross outstanding claims liability was £738,352,000 (2022 restated: £734,839,000).

The impact of discount rate changes on reinsurance contracts held is presented within income arising from trading activities in the consolidated statement of financial activities. The impact of discount rate changes on insurance contracts issued is presented within expenditure arising from trading activities in the consolidated statement of financial activities.

(ix) Assumptions

The trading subsidiaries follow a process of reviewing their reserves for outstanding claims on a regular basis. This involves an appraisal of each reserving class with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted is subject to an internal peer review and management sign-off process.

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

(x) Changes in assumptions

There are no significant changes in approach but we continue to evolve estimates in light of underlying experience.



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(xi) Sensitivity of results

The sensitivity of net income/(expenditure) before tax to reasonably possible final settlement assumptions used to calculate the general insurance outstanding claims provision is shown in the following table. No account has been taken of any correlation between the assumptions.

	Change in variable	2023		2022	
		Gross	Net	Gross	Net
		£000	£000	£000	£000
Deterioration in loss ratio	+1%	(5,791)	(3,301)	(5,280)	(3,040)
Improvement in loss ratio	-1%	5,791	3,301	5,280	3,040
Increase in net liability for incurred claims excluding risk adjustment	+10%	(55,498)	(39,365)	(54,851)	(37,179)
Decrease in net liability for incurred claims excluding risk adjustment	-10%	55,498	39,365	54,851	37,179
Increase in risk adjustment*	+1%	(6,590)	(4,842)	(6,531)	(4,642)
Decrease in risk adjustment*	-1%	6,590	4,842	6,531	4,642

* Calculated on undiscounted present value of future cash flows

At 31 December 2023, it is estimated that a fall of 1% in the discount rates used would increase the Group's net outstanding claims liabilities and decrease profit before tax and equity by £14,314,000 (2022 restated: £16,444,000).

(xii) Claims development tables

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

Estimate of net ultimate claims											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,599	52,252	
One year later	47,690	40,397	41,631	41,706	37,456	39,842	37,509	47,102	45,575		
Two years later	47,428	37,740	37,740	37,797	32,867	37,243	36,193	45,079			
Three years later	41,494	32,297	36,337	34,818	31,647	39,164	37,579				
Four years later	35,164	28,506	35,217	36,431	32,884	39,248					
Five years later	33,233	27,418	32,993	36,550	31,722						
Six years later	33,309	30,544	33,896	38,618							
Seven years later	34,245	30,296	34,297								
Eight years later	35,233	29,231									
Nine years later	34,173										
Current estimate of ultimate claims	34,173	29,231	34,297	38,618	31,722	39,248	37,579	45,079	45,575	52,252	387,774
Cumulative payments to date	(28,362)	(22,255)	(24,486)	(25,187)	(17,612)	(19,729)	(13,594)	(8,214)	(4,468)	(1,553)	(165,460)
Outstanding liability	5,811	6,976	9,811	13,431	14,110	19,519	23,985	36,865	41,107	50,699	222,314
Effect of discounting											(53,593)
Present value											168,721
Discounted liability in respect of earlier years											108,849
Total discounted net liability for liability classes											277,570
Total discounted gross liability for non-liability classes and all expenses											177,321
Total discounted net liability included in provisions in the balance sheet											454,891



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(b) Life business insurance provision

(i) Reconciliation of the liability for remaining coverage

Insurance contracts issued

	Estimates of present value of future cash flows £000	Risk adjustment for non- financial risk £000	Contractual service margin £000	Total £000
At 1 January 2022	19,267	454	1,522	21,243
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	1,224	-	1,224
Experience adjustments	(13,855)	-	-	(13,855)
	(13,855)	1,224	-	(12,631)
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
	-	-	-	-
Insurance service result	(13,855)	1,224	-	(12,631)
Finance income from insurance contracts issued	-	-	-	-
Net insurance financial result	-	-	-	-
Total amounts recognised in statement of financial activities	(13,855)	1,224	-	(12,631)
Claims and other directly attributable expenses paid	(5,002)	(1,676)	(1,478)	(8,156)
Total cash flows	(5,002)	(1,676)	(1,478)	(8,156)
At 31 December 2022	410	2	44	456
Changes that relate to current service				
CSM recognised in profit or loss for the services provided	-	-	-	-
Change in the risk adjustment for non-financial risk for the risk expired	-	20	-	20
Experience adjustments	(30)	-	-	(30)
	(30)	20	-	(10)
Changes that relate to future service				
Changes in estimates that adjust the CSM	-	-	-	-
Changes in estimates that result in onerous contract losses or reversal of losses	-	-	-	-
Contracts initially recognised in the period	-	-	-	-
	-	-	-	-
Insurance service result	(30)	20	-	(10)
Finance income from insurance contracts issued	-	-	-	-
Net insurance financial result	-	-	-	-
Total amounts recognised in statement of financial activities	(30)	20	-	(10)
Claims and other directly attributable expenses paid	(43)	(20)	2	(61)
Total cash flows	(43)	(20)	2	(61)
At 31 December 2023	337	2	46	385



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

VI. Insurance liabilities and reinsurance assets (continued)

(ii) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2023 and 2022 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Discounting

The nominal discount rate curve is calculated on a bottom up basis. The risk free curve is based on the UK government bond yield curve. A liquidity premium based on the return on a notional index of fixed interest assets, including gilts and corporate bonds, is added to the risk free curve. The liquidity premium is adjusted for credit risk and differences in liquidity between the notional assets and the liabilities.

	2023	Restated* 2022
Non-Profit Life Business	3.2% to 5.1%	2.8% to 4.8%

*The comparative figures have been restated as detailed in note 49.

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 in-force business is £14.27 per annum (2022: £17.94 per annum).

Expense and benefit inflation curves are set with reference to GBP inflation swaps of various terms, and using linear interpolation between available swap terms.

Tax

It has been assumed that current tax legislation and rates enacted at 1 January 2024 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

(iii) 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 £0.6m (2022: £15.0m decrease).

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 insurance liabilities of the changes to renewal expense assumptions (described above) was a £0.5m decrease (2022: £0.3m decrease).

(iii) Sensitivity analysis

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

Variable	Change in variable	Potential (decrease)/increase in the result	
		2023	Restated* 2022
		£000	£000
Deterioration in mortality	+10%	(820)	(890)
Improvement in mortality	-10%	960	1,040
Increase in fixed interest/cash yields	+1% pa	(340)	(260)
Decrease in fixed interest/cash yields	-1% pa	360	230
Worsening of base renewal expense level	+10%	20	30
Improvement in base renewal expense level	-10%	(20)	(30)
Increase in expense inflation	+1% pa	50	80
Decrease in expense inflation	-1% pa	(40)	(60)

*The comparative figures have been restated as detailed in note 49.



47 Financial risk and insurance disclosures in respect of trading subsidiaries (continued)

(iv) Maturity analysis

	Within 1 year £000	Between 1 and 5 years £000	After 5 years £000	Total £000
At 31 December 2023				
CSM release after accretion	4	13	29	46
At 31 December 2022 (restated*)				
CSM release after accretion	4	12	28	44

*The comparative figures have been restated as detailed in note 49.

48 Reconciliation of Alternative Performance Measures

The Benefact Trust group of companies use gross and net written premiums in addition to the figures prepared in accordance with UK GAAP when presenting the performance of its insurance subsidiary, EIO plc. These measures are commonly used within the insurance industry and management believe it provides useful information and enhances users understanding of the insurance result.

Users of the accounts should be aware that similarly titled APM reported by other companies may be calculated differently. For that reason, the comparability of APM across companies might be limited.

The tables below provide a reconciliation of the gross written premiums to insurance revenue:

	2023 £000	2022 £000
General Insurance		
Gross written premiums	615,007	558,544
Change in the gross unearned premium provision	(35,861)	(30,619)
General Measurement Model insurance revenue	-	25
Insurance revenue	579,146	527,950
Net written premiums	351,340	320,475
Outward reinsurance premiums written	263,667	238,069
Change in the gross unearned premium provision	(35,861)	(30,619)
General Measurement Model insurance revenue	-	25
Insurance revenue	579,146	527,950

		2023		Investment return	Other income and charges	Total
		Insurance				
		General	Life			
		£000	£000	£000	£000	£000
Insurance revenue	47	579,146	147	832	(3)	580,122
		2022		Investment return	Other income and charges	Total
		Insurance				
		General	Life			
		£000	£000	£000	£000	£000
Insurance revenue	47	527,950	58	642	(9)	528,641



49 Prior year restatement

From 1 January 2023 the Benefact Trust group of companies has changed its accounting policy for insurance contracts and adopted the requirements of IFRS 17 *Insurance Contracts*. FRS 103 provides a degree of flexibility in accounting for insurance contracts, and the trustees consider that the requirements of IFRS 17 can be adopted in full within the requirements of FRS 103.

The Benefact Trust group of companies consider the new accounting policy to be a more robust and consistent way of accounting for insurance contracts which aligns the accounting of insurance contracts with its trading subsidiary, EIO plc, which adopted IFRS 17 from 1 January 2023.

The change in accounting policy is required to be applied retrospectively (FRA) where it is practicable to do so. Where it is impracticable to do so, IFRS 17 permits the use of a modified retrospective approach or a fair value approach (FVA). For the trading subsidiaries' life insurance business, it has been concluded that applying the FRA is impracticable and that the FVA is the most appropriate method to apply on transition. The FVA uses the fair value of a group of insurance contracts (determined by applying the requirements of IFRS 13 Fair Value Measurement) and the fulfilment cash flows at the date of transition to calculate the unearned profit or loss at the transition date. The choice between applying the modified retrospective approach and the fair value approach impacts the amount of unearned profit or loss recognised at the transition date and future profitability.

The effects of the restatement are detailed in this note, and are included throughout the financial statement comparatives, where appropriate. On transition on 1 January 2022, the Benefact Trust group of companies recognised an increase in non-charitable trading reserves of £5,188,000, primarily due to changes that apply IFRS 17 principles to reserving for general insurance liabilities and the application of revised expense allocation models, offset by the establishment of a contractual service margin (CSM) in the life business.

	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
2022					
Income from:					
Gift aid from subsidiary undertaking	-	-	-	5,000	5,000
Other trading activities					
<i>Income arising from trading activities</i>	428,487	265,049	693,536	-	693,536
Investments					
<i>Dividend, interest and rental income</i>	33,409	(631)	32,778	3,945	36,723
Total income	461,896	264,418	726,314	8,945	735,259
Expenditure on:					
Raising funds	-	-	-	(356)	(356)
Charitable activities					
<i>Grants</i>	(22,821)	-	(22,821)	-	(22,821)
<i>Other expenditure on charitable activities</i>	(1,081)	-	(1,081)	-	(1,081)
Other					
<i>Charitable donations paid by trading subsidiaries</i>	(2,730)	-	(2,730)	-	(2,730)
<i>Expenditure arising from trading activities</i>	(424,678)	(221,359)	(646,037)	-	(646,037)
Total expenditure	(451,310)	(221,359)	(672,669)	(356)	(673,025)
Net losses on investments	(50,379)	(47,598)	(97,977)	(12,198)	(110,175)
Gain on disposal of subsidiary	34,944	-	34,944	-	34,944
Taxation	4,957	(116)	4,841	(112)	4,729
	108	(4,655)	(4,547)	(3,721)	(8,268)
Net income/(expenditure) in the year					
<i>a. arising from the charity</i>	(23,845)	-	(23,845)	(3,721)	(27,566)
<i>b. arising from trading activities</i>	23,953	(4,655)	19,298	-	19,298
	108	(4,655)	(4,547)	(3,721)	(8,268)

**49 Prior year restatement (continued)**

	As reported Unrestricted	Restatement	As restated Unrestricted	As reported Endowment	As restated Total
2022	funds		funds	funds	funds
	£000	£000	£000	£000	£000
Transfers between funds					
Gross transfers to endowment funds	(2,000)	-	(2,000)	2,000	-
Gross transfers to unrestricted funds	3,550	-	3,550	(3,550)	-
Other recognised gains/(losses)					
Actuarial gains/(losses) on retirement benefits	(6,876)	-	(6,876)	-	(6,876)
Other (losses)/gains					
<i>Currency translation differences</i>	5,410	249	5,659	-	5,659
Gains/(losses) on net investment hedges	(4,514)	-	(4,514)	-	(4,514)
Tax attributable to other recognised gains/(losses)	2,545	-	2,545	-	2,545
Minority interests	(8,782)	-	(8,782)	-	(8,782)
Net movement in funds excluding minority interests	(10,559)	(4,406)	(14,965)	(5,271)	(20,236)
Total funds brought forward	545,022	5,188	550,210	115,827	666,037
Total funds carried forward	534,463	782	535,245	110,556	645,801



49 Prior year restatement (continued)

	As reported Total funds 2022 £000	Restatement £000	As restated Total funds 2022 £000
Fixed assets			
Intangible assets	32,316	-	32,316
Tangible assets	14,764	-	14,764
Investment property	140,846	-	140,846
Investments	1,559,514	-	1,559,514
Investment in associate	12,611	-	12,611
Total fixed assets	1,760,051	-	1,760,051
Current assets			
Debtors	575,586	(279,562)	296,024
Cash at bank and in hand	166,096	-	166,096
Total current assets	741,682	(279,562)	462,120
Liabilities			
Creditors: amounts falling due within one year	(170,062)	87,264	(82,798)
Net current assets	571,620	(192,298)	379,322
Total assets less current liabilities	2,331,671	(192,298)	2,139,373
Creditors: amounts falling due after one year	(3,544)	-	(3,544)
Provisions for liabilities	(1,565,853)	193,080	(1,372,773)
Subordinated liabilities	(25,818)	-	(25,818)
Net assets excluding retirement benefit obligations	736,456	782	737,238
Net pension asset	15,338	-	15,338
Other retirement benefit obligations	(4,960)	-	(4,960)
Total net assets including retirement benefit obligations	746,834	782	747,616
The funds of the charity:			
Unrestricted funds			
General funds	11,681	-	11,681
Designated funds	1,982	-	1,982
Revaluation reserve	222	-	222
Non-charitable trading reserves	501,316	533	501,849
Translation and hedging reserve	19,262	249	19,511
	534,463	782	535,245
Restricted funds			
Endowment funds	110,556	-	110,556
Total funds (excluding minority interests)	645,019	782	645,801
Minority interests	101,815	-	101,815
Total funds	746,834	782	747,616



49 Prior year restatement (continued)

(i) Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the trading subsidiaries insurance contracts. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance and reinsurance contracts. IFRS 17 introduces a GMM that bases the measurement of a group of contracts on the present value of future cash flows with a risk adjustment for non-financial risk and a CSM representing unearned profit recognised in profit or loss over the period insurance service is provided (the coverage period). Entities have the option to use a simplified measurement model, the PAA, for short-duration contracts; this model is applicable to all the trading subsidiaries general insurance and reinsurance contracts except in limited circumstances where the GMM is required.

IFRS 17 accounting under the PAA is similar to the accounting policies previously applied to insurance contracts, but differs as follows:

- The identification of groups of onerous contracts is done at a more granular level than liability adequacy tests previously performed. Under IFRS 17, the loss component of onerous contracts measured based on projected profitability is recognised immediately in profit or loss, potentially resulting in earlier recognition than under the previous accounting policy.
- The liability for incurred claims includes an explicit risk adjustment. The trading subsidiaries previous approach to risk margins reflected reserving risk appetite considering the inherent uncertainty in the net discounted claim liabilities estimates, whereas the IFRS 17 risk adjustment more explicitly requires consideration of the compensation required for bearing the uncertainty that arises from non-financial risk. As with risk margins, the risk adjustment includes any benefit of diversification considered by the entity.

(ii) Restatement of statement of financial activities

The adoption of IFRS 17 has resulted in the following prior year restatements in the consolidated statement of financial activities:

- Income arising from trading activities has increased by £265,049,000 due to: changes in insurance revenue recognised from the introduction of a GMM and due to instalment handling charges which were previously presented in dividend, interest and rental income; reinsurance premiums, changes in deferred income and associated reinsurance commissions previously presented in income arising from trading activities now being presented together within expenditure arising from trading activities; changes in applying IFRS 17 to reserving for reinsurance contracts held; the impact of discount rate changes on reinsurance contract assets previously recognised in net losses on investments; and due to the impact of discount rate changes on reinsurance contract assets from applying IFRS 17.
- Dividend, interest and rental income has reduced by £631,000 due to instalment handling charges now being presented within income arising from trading activities.
- Expenditure arising from trading activities has increased by £221,359,000 due to: changes in applying IFRS 17 to reserving for insurance contracts issued; application of revised expense allocation models; reinsurance premiums, changes in deferred income and associated reinsurance commissions previously included in income from trading activities now being presented together within expenditure arising from trading activities; the impact of discount rate changes on insurance contract liabilities previously recognised in net losses on investments; and due to the impact of discount rate changes on insurance contract liabilities from applying IFRS 17.
- Net losses on investments has decreased by £47,598,000 due to: the impact of discount rate changes on insurance contract liabilities now being presented within expenditure arising from trading activities; and the impact of discount rate changes on reinsurance contract assets now being presented within income arising from trading activities.
- The restatements recognised on adoption of IFRS 17 give rise to a reduction in the tax charge of £116,000. Changes in foreign operations as a result of restatements on adoption of IFRS 17 gave rise to currency translation differences of £249,000.

(iii) Restatement of balance sheet

- Debtors have reduced by £279,562,000 due to: deferred acquisition costs and insurance debtors which were previously included in debtors now being presented together with technical provisions in provisions for other liabilities; reinsurance creditors which were previously included in creditors now being presented within reinsurance contract assets in debtors; changes in applying IFRS 17 principles to reserving for reinsurance contracts held; and due to associated changes in deferred tax assets.
- Creditors have reduced by £87,264,000 due to: insurance creditors and deferred income for insurance contracts issued which were previously included in creditors now being presented together with technical provisions in provisions for other liabilities; and reinsurance creditors which were previously included in creditors now being presented within reinsurance contract assets in debtors.
- Provisions for liabilities have reduced by £193,080,000 due to: deferred acquisition costs and insurance debtors which were previously included in debtors now being presented together with technical provisions in provisions for other liabilities; insurance creditors and deferred income from insurance contracts issued which were previously included in creditors now being presented together with technical provisions in provisions for other liabilities; changes in applying IFRS 17 to reserving for insurance contracts held; and due to associated changes in deferred tax liabilities.

50 Post balance sheet events

On 6 February 2024 the trading subsidiaries acquired the entire issued share capital of Access Insurance Limited.



Reference and administrative details

Board of trustees	Timothy Carroll, BA, MBA, FCII <i>Chair</i> Francois Boisseau, Msc, FCA Revd Paul Davis, BA Ian Moore, MA, PhD David Paterson, BA Patrick Rudden, MA John Nicholas Sykes, MA (Hons), MBA, FCA
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
Independent Auditor	PricewaterhouseCoopers LLP, 2 Glass Wharf, Temple Quay, Bristol, BS2 0FR
Bankers	National Westminster Bank plc, 21 Eastgate Street, Gloucester GL1 1NH
Legal advisors	Farrer & Co, 66 Lincoln's Inn Fields, London WC2A 3LH Veale Wasbrough Vizards LLP Narrow Quay House, Narrow Quay Bristol BS1 4QA
Investment Managers	EdenTree Asset Management Limited, 24 Monument Street, London, EC3R 8AJ Rathbones Investment Management Limited, 8 Finsbury Circus, London, EC2M 7A2



BENEFACT TRUST

Company registration number 1043742

Charity registration number 263960

BENEFACT TRUST LIMITED

England & Wales - Charity number 263960

Accounts

2022



Annual Report & Accounts

Company registration number 1043742
Charity registration number 263960

BENEFACT TRUST LIMITED

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Explanation of terms



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

Benefact Trust, the Trust or the charity	Benefact Trust Limited
Benefact Group	Benefact Group plc (formerly Ecclesiastical Insurance Group plc), the direct subsidiary of Benefact Trust Limited
The Group	Benefact Group plc and all its direct and indirectly owned subsidiaries
Benefact Trust group of companies	Benefact Trust Limited and all its direct and indirectly owned subsidiaries
EIO plc	Ecclesiastical Insurance Office plc, a direct subsidiary of Benefact Group plc, and the principal operating subsidiary
EFF	Expendable Endowment Fund (registered charity number 263960-1), a charitable trust linked to the Trust for registration and accounting purposes

About us



Benefact Trust Limited (the Trust), previously named Allchurches Trust Limited, was established in 1972 in England and Wales as a company limited by guarantee and is a registered charity. The Trust is one of the UK's largest grant-making charities.

The Trust 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.

Benefact Trust is the owner of Benefact Group plc (Benefact Group), previously named Ecclesiastical Insurance Group plc, which in turn owns Ecclesiastical Insurance Office plc (EIO plc). The Trust receives the majority of its income from the companies it owns; it does not fundraise. The Trust 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 46 to the financial statements.

We seek to celebrate and share the successes of beneficiaries and to recognise and support their challenges. In doing so, we seek the views of our large beneficiary network in shaping our grant-giving programmes, so that we can realise our vision to be one of the UK's most impactful Christian grant-making charities and fulfil our mission to help Christian organisations have a positive and transformative impact on the lives and communities they support.

The Trust is the sole trustee of the Expendable Endowment Fund (EEF). Its charitable purposes are to advance the exclusively charitable purposes of the Trust (i.e the advancement of the Christian religion, and to contribute to charitable institutions, associations, funds or objects, and to carry out any charitable purposes) for the public benefit. The EEF's primary activity in advancement of its objects is grant-giving.

Chair's report



As we emerged from the pandemic, hoping that 2022 would see a return to normality, who could have predicted that, for very different reasons, we would face yet another challenging year. The ongoing effects of the devastating war in Ukraine, combined with political and economic chaos, continues to make life extremely difficult for so many people, churches, charities and the beneficiaries they support. Christian organisations have been severely impacted by the Cost of Living Crisis, and many now fear for their survival. With over 14 million people living below the poverty line¹ in the UK alone, we are conscious that we must try to do more, to ensure that every grant supports and reaches those that most need our help, working through our charity and faith partners in the UK, Ireland, Australia and Canada.

2022 has been a year of great change for Benefact Trust, and I'm proud that the Trust stands ready to respond quickly to crises. In the early weeks of the war in Ukraine, we awarded a million pounds through organisations like Depaul International, British Red Cross and World Vision, all of which are active on the ground in Ukraine, delivering help where it is most needed. The work of these charity partners is phenomenal, reaching the most vulnerable and those left behind in cities and towns ravaged by the war. We are also supporting organisations helping the 140,000 Ukrainian refugees now living in the UK and Ireland. Working with charities such as Love Your Neighbour, Church Urban Fund and Baby Basics, we responded to the urgent needs of these innocent victims of the conflict, most of whom arrived without basic English language skills and an urgent need to access accommodation, clothing, and food.

In October 2022, we responded quickly to the developing Cost of Living Crisis by allocating £500,000 to support charities on the ground helping the most vulnerable in our communities. We recognised that the Cost of Living had reached crisis point when many individuals and families found themselves in the desperate situation of having to choose between heating their homes or feeding their children. Our charity partners such as Depaul UK and Depaul Ireland are working hard to tackle the huge increase in homelessness, especially amongst 16 to 24 year olds, by providing emergency shelter. Alongside other Christian funders, we also supported the Warm Welcome Campaign, which provides warm spaces in churches for people to work and bring their children for company, food, and support.

In addition to our two Crisis Response grants, we also launched our Brighter Lives grants programme in March 2022, helping churches and Christian charities to respond to the long-term impact of Covid-19 on people's mental health. We awarded over £2 million in total, to support a wide range of projects focused on delivering mental health first aid, particularly in areas of high deprivation and poverty.

¹Source: <https://www.trusselltrust.org/what-we-do/>

Chair's report



In September, the nation mourned the loss of our beloved Queen Elizabeth II. During her unprecedented 70-year reign, she was a source of great inspiration to millions globally. She epitomised loyalty, service and humility and devoted her life to public service, changing the lives of millions through her support and patronage of over 600 charities, some of which we continue to support. The Trust has given a special memorial grant in 2023 to good causes that were especially dear to our late Queen's heart.

50th Anniversary

2022 marked 50 years of the Trust's charitable giving. A key part of our celebration included our rebrand to Benefact Trust Limited from Allchurches Trust Limited, at the same time, co-branding with our trading subsidiary. The Benefact Trust brand reflects the fact that our work is more *far-reaching than our old name suggested and recognises our wider social impact in tackling issues from homelessness and poverty to climate change and social cohesion - ultimately benefitting those of all faiths and none.*

For the first time in our 50-year history, we now share the same name as the holdings group we proudly own, the renamed Benefact Group. The change of name from Ecclesiastical Insurance Group to Benefact Group reflects the fact that it is a growing, charity-owned, international family of award-winning financial services businesses, that gives all its available profits to good causes, mostly via Benefact Trust. For clarity, the Benefact Group's trading subsidiary, Ecclesiastical Insurance Office, will continue to provide trusted insurance propositions as it has done since its inception in 1887.

Over the past five years, the Group has funded, and the Trust has awarded, over £100m in grants. To celebrate these two key milestones, Benefact Group hosted a special Thanksgiving Service at Westminster Abbey in June 2022, in the presence of the now King Charles III. Many beneficiaries, colleagues, customers, partners and representatives from Church and State attended. This was a momentous occasion demonstrating how the combined power of Benefact Trust and Benefact Group can change the lives of so many and help tackle difficult and entrenched social issues. We are extremely grateful to the hard work of everyone in the Trust and Group who made this possible.

Our funding has helped Ecclesiastical Canada and Ansvar Australia address a range of social challenges such as homelessness, food poverty and addiction, through their great work supporting local charities. This also helps us build both the Benefact Trust and Benefact Group brands outside the UK and Ireland. I had the pleasure of visiting both colleagues and beneficiaries in Canada last September and saw first-hand the great work achieved by charities such as the Canadian National Institute for the Blind, Simon House Recovery Centre and Harvest House Atlantic. In Australia the team have built strong relationships working with a wide variety of charities such as The Hygiene Bank, The Sanctuary and Matthew 25.

Following a positive year for the group, the Trust received donations totalling £20m in 2022 (2021: £21m), slightly lower than the previous year. This was supplemented by £3.6m income received from the Expendable Endowment Fund. Our financial support to churches and other charitable institutions increased to nearly £23m (2021: £19m).

The Trust continues to support beneficiaries overseas, directly awarding grants totalling £1.2m (2021: £1.0m) in Ireland. Through its devolved grant giving arrangements in Canada and Australia, CAD\$0.75m (2021: CAD\$0.5m) and AUD\$0.25m (2021: AUD\$0.2m) were awarded respectively.

Chair's report



Through its Methodist Grant-Giving Committee, the Trust awarded grants totalling £2.6m (2021: £2.2m) to support the mission and ministry of the Methodist Church in Britain and Ireland.

Grant-making Review

During the past year, a Grants Review covering all aspects of the Trust's grant-making was concluded. The outcome will see the implementation of a new framework of grants programmes with clear scope, aims, criteria and impact measures which serve the Trust's strategy, vision and mission. Core programmes launched in early 2023 have introduced **Community Impact** and **Building Improvement** grants. *We will also continue to monitor emerging crises and respond with the appropriate support.*

Conclusion

2023 will be another exciting year for Benefact Trust as we seek to fund, guide, and celebrate the work of our beneficiaries, who are empowering the most vulnerable and responding to major social challenges.

Giving is at the heart of what we do and who we are. The Trust's main aim is to help charities have a positive and transformative impact on the lives and communities its grants support. In 2022, we celebrated £100m in giving in five years. Benefact Group has set its ambition to profitably double in size in the next five years, thereby enabling it, together with Benefact Trust, to reach the next target of £250m of cumulative giving by 2025.

I would like to thank Lesley King-Lewis our interim Trust Director for her inspirational leadership and the Trust's staff for their commitment and dedication. I am delighted to welcome Helen Gray, our new Trust Director, who joined us on 2nd May 2023. Helen will focus on improving our visibility, raising our profile and developing the Trust's new strategic plan for the period 2024-2026. I would like to express my particular thanks to two trustees who retired in 2022, Sir Laurie Magnus and Michael Arlington for their wise counsel and many years of exemplary service. I also extend my thanks to David Smart who resigned as a trustee in 2023. I take this opportunity to welcome David Paterson as our newest trustee.

I am very proud to be part of a small team of staff members and trustees who continue to work diligently together to deliver grants to thousands of beneficiaries who, in turn, are striving to make a positive difference to peoples' lives in communities across the UK and in Ireland, Canada and Australia. I, and my fellow trustees, are very grateful to our colleagues at both Benefact Trust and Benefact Group who exceeded expectations in this most challenging year.

Thank you all and here's to another exciting year for the Benefact Family in 2023.

Tim Carroll
Chair
4 May 2023

Strategic Report



Our Vision, Mission and Values

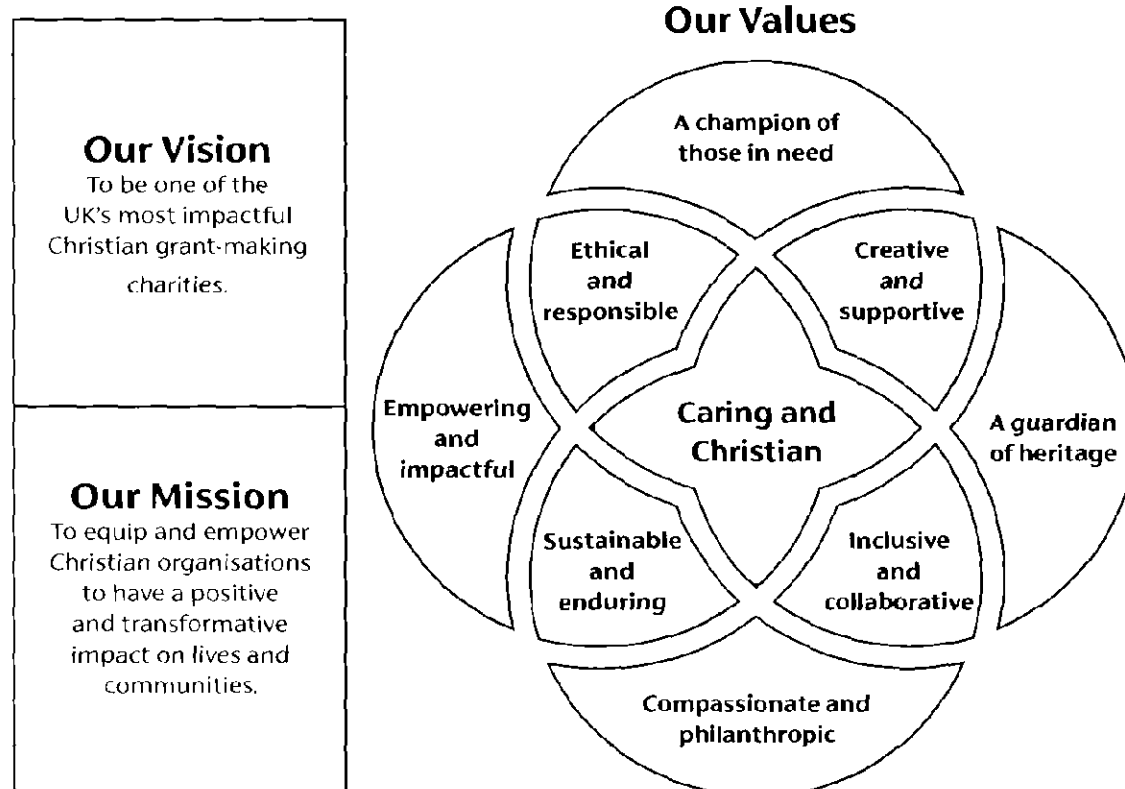
Benefact Trust Limited is an independent registered charity, originally established as Allchurches Trust Limited in 1972. Its objects are to promote the Christian faith and to contribute to the funds of any charitable institutions and to carry out any charitable purpose.

The Trust is governed by a board of trustees which sets its strategic direction and ensures 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).

We recognise that good governance is the cornerstone of a successful and sustainable business. Over a number of years, we have 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.

On 8th March 2022, the Trust changed its name from Allchurches Trust Limited to Benefact Trust Limited, and its subsidiary, Ecclesiastical Insurance Group plc, also changed its name to Benefact Group plc. We believe that our new name and brand represents more effectively the Trust's purpose, mission and history, as well as supporting our strategic aims to modernise and sustain the Trust for the future.

While the Trust's name has changed, our vision, mission and the values that guide our grant-giving remain the same and are reflected in all of our actions. These are:



Our Strategy 2021-23



The strategy for 2021 to 2023, updated annually, continues to build on the theme of creating a strong and sustainable future for the Trust and its beneficiaries. The key strategic priorities focus on a beneficiary centred approach that listens and responds to the changing needs of the voluntary sector, our charity partners and most importantly their beneficiaries. Coming out of the pandemic it is especially important that we help to build resilience in the Christian charitable sector as the current challenges are complex and ongoing and will continue to adversely impact many charities in the months and years to come.

The strategy reflects our primary aim of empowering Christian organisations to have a positive *and transformative impact on lives and communities*. We have refocused our grant-giving programmes to reflect the changing needs of our charity partners and their beneficiaries.

Renamed Benefact Trust, our new and refreshed brand clearly articulates our wider purpose and for the first time in our history we have co-branded with the subsidiary we proudly own, who is renamed Benefact Group plc, enhancing our shared reputation as a beacon for good and enabling us to articulate a shared purpose.

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 on the following page.

Our Strategy 2021-23



Strategic Goal

Key outcomes we aim to deliver by 2023



Providing solid foundations

- A strong governance framework will be embedded, meeting the required standards for charities with a connected non-charitable subsidiary; continuing to comply with the revised Charity Governance Code; operating within risk appetite; being appropriately advised by knowledgeable and competent advisers, and assessing the adequacy of the rate of return received from the subsidiary.
- The Trust will continue to have strong oversight of its subsidiary and will support its continued development as a successful financial services group.



Enabling greater impact

- Impact practice will be embedded in all of our grants programmes, providing a framework by which the success of individual grants 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 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.



Building Strategic Partnerships

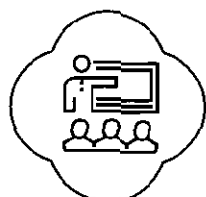
- The Trust will play an increasingly prominent role in Christian Networks. A joint grants programme and/or campaign will be explored with one or more Christian funders that will enhance the Christian sector's reputation for responding to the needs of its beneficiaries and having a transformative impact 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 grow an ambassadorial network and increase awareness of the Trust's purpose and mission to the wider Christian sector.

Our Strategy 2021-23



Strategic Goal

Key outcomes we aim to deliver by 2023



Adding Value

- 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.



Investing in our Future

- The operating model of the Trust, including its technological needs, will be efficient and effective but also resilient and robust to respond to the challenge of change.
- Be increasingly IT self-sufficient, whilst balancing the economic, resource, risk and data protection benefits of using shared group resource, to maintain the Trust's agility particularly in relation to digital services.
- 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.



Growing reputation

- Significantly enhance its reputation as a champion of the Christian charitable sector.
- Opportunities arising from the repositioning under a co-shared brand name with the Group, Benefact Trust and Benefact Group, will be maximised to increase awareness and extend reach and engagement, while protecting reputation and ensuring compliance with charity law and regulations.
- As part of development of the Trust's next strategic chapter plan in 2023, consideration will include giving focus to forming the Trust's Thought Leadership position in the Christian charitable sector.

Our plans for 2023



In 2023, the key initiatives that will be prioritised are:

Strategic Goal

Strategic initiatives



Providing solid foundations



Strengthen the Trust's operational resilience and develop a realistic resilience plan which is tested.



Undertake a review of our advisers.



Undertake an informed and objective review of the adequacy of the return received/targeted from the Group when weighed against the risk.



Enabling greater impact



Impact framework - Establish and implement an impact approach for the Trust in line with the new grants programmes.



Grants review implementation - Implement the new grants programmes as outlined in the grants review.



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



Building Strategic Partnerships



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



Explore joint campaigns with Christian funders. Engage with key sector bodies and 'think tanks' to identify trends, challenges and opportunities

Our plans for 2023



In 2023, the key initiatives that will be prioritised are:

Strategic Goal

Strategic initiatives



Adding Value



Investing in our
Future



Growing
reputation



Deepen and share expertise. Extend the effect of our resources across all our marketing channels and including more thought leadership and expert opinion.



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



Grants management system upgrade. Reviewing and identifying the most appropriate grants system to support the Trust's changing needs.



Maximise the new Benefact Trust brand to raise the Trust's profile and to extend reach and engagement with beneficiaries and audience.



Establish an ambassador network to raise the profile of Benefact Trust by extending reach.

Our achievements in 2022



We made significant progress in meeting the objectives we had set for 2022:

Our objectives for 2022	What we achieved
Strengthen the Trust's risk management through the adoption of a risk management policy and a defined risk appetite.	A Working Committee was established to consider the development of a risk management policy and a defined risk appetite. The draft risk management policy and risk appetite was considered by the Audit & Risk Committee at its meeting in November and was approved by the Board in December.
Undertake an informed and objective review of the adequacy of the return received/targeted from Benefact Group when weighed against the risk.	Due to the volatility in the Stock Markets in 2022, it was agreed to delay this initiative until 2023.
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.	A Grants Review, undertaken by the Grants Committee, was completed in 2022 and agreed by the Board in Q3. Implementation of the Grants Review's recommendations and changes to the Trust's grants programme was made in early 2023.
Continue to embed impact practice into the Trust's grants programmes to assess their success and inform strategic planning of the charity's grant-giving.	Impact is very difficult to measure, and it is recognised that the grants system and application processes need to be upgraded to generate more sophisticated reporting to help embed impact practice into the Trust's grant making programmes. Improvements were made to the reporting processes for Recurrent Grants this year and Impact surveys were conducted during the year for the Trust's main grant programmes.
Deepen understanding of the sector and increase connections and relationships with key denominational stakeholders.	Further connections and relationships were made and developed with key denominational stakeholders in 2022. Active participation of the Christian Funders Forum has helped our understanding of challenges and opportunities across the sector.

Our achievements in 2022



Our objectives for 2022	What we achieved
Grow denominational network to help grow awareness of the Trust's grant giving and increase the charity's presence to enable greater denominational reach.	Work in this area resulted in more grant applications being received from a broader range of denominations during 2022 and the Trust aims to continue to broaden its reach.
Build existing relationships with key Christian sector stakeholders to deepen insight of the needs and opportunities to inform the Trust's strategic planning.	Relationships with key Christian stakeholders, including significant charities and other Christian funders, continued to be nurtured and developed during 2022. Attending conferences and being able to meet with existing and potential beneficiaries once again has helped build the Trust's awareness of the most pressing needs and issues facing the voluntary and faith sectors. This resulted in a Crisis Response Grants programme to help Ukrainian refugees in Ukraine and in the UK and Ireland, a Cost-of-Living Grants programme to support the most vulnerable in our communities. The Trust also launched a Brighter Lives Grants Programme in response to the impact of the pandemic which caused a huge increase in the number of people struggling with their mental health.
Engage with key sector bodies and 'think tanks' to identify trends, challenges and opportunities.	Engagement with a broad range of other funders and membership of the Christian Funders Forum and Association of Charitable Foundations has helped broaden the Trust's understanding of trends, challenges, and opportunities. Attendances at key faith and voluntary sector conferences and meetings has also contributed to the Trust's understanding of sector specific issues.
Align the Trust and Group under a new co-brand.	In March 2022, the Trust repositioned under a co-shared brand name with the Group it owns – Benefact Trust and Benefact Group. The rebrand had been planned for a number of years and was a significant project for the Trust and the Group. The rebrand was launched successfully and received positive feedback from many stakeholders.
Establish an ambassador network to raise the profile of Benefact Trust.	The Trust will consider how to effectively build an ambassadorial network to raise the Trust's profile in 2023.

Our achievements in 2022



Our objectives for 2022	What we achieved
Implement and embed the Resource Needs Strategy to position the Trust as a value adding funder and lay the foundation for further thought leadership activity.	The Trust's ambition is to become a value added funder and In 2022 developed new resources for its existing and potential beneficiaries. Articles, advice, and support on areas of interest such as 'Benefits of Community Businesses in Places of Worship' and 'Church and Community Working Together' have been well received. Further development will take place in 2023. The Trust will broaden its offer by introducing further guidance and tools for beneficiaries that will help them to meet changing needs and build resilience in both their organisation and their community.
Continue to build capacity and expertise of trustees and staff and support and develop a flexible workforce in a post Covid-19 environment.	An Interim Trust Director was appointed at the start of 2022 and a permanent Trust Director joined the Trust on 2nd May 2023. A new trustee from a legal and regulatory background was recruited during the year. The Board stayed abreast of key developments which impacted on its subsidiaries. Away Day sessions were held at both trustee and management level during the year. New ways of working were established in 2021 and continued in 2022 to reflect the 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.	A full review of the technology and software systems used by the Trust took place in 2021, with a particular focus on a high-level evaluation of alternative grants management systems. During the year, a new Head of Grants was appointed, and the trustees agreed to delay the implementation of the new version of the grants management system to enable the new Trust Director and Head of Grants to assess the needs of the Trust with the benefit of their experience.
Maximise the new Benefact Trust brand to raise the Trust's profile and to extend reach and engagement with beneficiaries and audience.	The new Benefact Trust brand has been very well received and the Trust further aims to grow its awareness and reach among key stakeholder audiences in 2023. Over the next year, the Trust will continue to raise brand profile and reach by evolving the marketing approach. Raising the profile of the Trust will be a major focus of the next Strategic Chapter 2024-2026.
Evolve the new Report and Accounts to reflect the new Benefact Trust brand with a modern and professional design as well as the Trust's impactful grant-giving.	Following the re-design of the 2021 Report & Accounts reflecting the new Benefact Trust brand, further work was undertaken in 2022 to demonstrate the Trust's evolved grant-giving work under the new brand. In addition, work commenced on developing an Impact Report for 2023.

Responding to Challenges



2022 has been another extremely challenging year with the impact of the war in Ukraine, high inflation, soaring energy prices all contributing to the current Cost of Living Crisis. This is having a significant impact on our charity and faith partners and the people and places they support. The charity and faith sectors are facing a perfect storm just as they begin to emerge from two years of the pandemic, with both beneficiaries and charities themselves being hard-hit financially and worried about their own survival.

The Trust is geared up to respond quickly to crises and during 2022 we launched two crisis grants programmes in response to the devastating war in Ukraine and the current Cost of Living Crisis in the UK and Ireland. When disaster and human conflict occurs, it's often the most vulnerable people that suffer most and as a compassionate, caring Christian organisation we cannot stand by without offering help.

In March, the Trust launched a £1m grants programme to support both the humanitarian crisis in Ukraine and the refugees arriving in the UK and Ireland. We worked with our charity partners on the ground with experience of providing lifesaving aid to people fleeing conflict. In Ukraine, Depaul International, the British Red Cross, Salvation Army, All We Can, World Vision and Tearfund, all experts in humanitarian aid, provided food and medicine to support thousands of refugees fleeing their homes, as well as those under siege in the cities. With over 140,000 Ukrainian refugees in the UK and Ireland, we also responded to the urgent needs of these vulnerable people, who arrived without basic English language skills, accommodation, clothing and food, by supporting charities such as Love Your Neighbour, Church Urban Fund and Baby Basics.

In October, the Board approved a £500,000 Cost of Living Crisis grant scheme to help ensure that no one had to choose between heating and eating this Winter. While our normal grant funding helps to alleviate financial hardship in some of the poorest communities, we recognised that the Cost of Living Crisis has reached a critical point. We are working with charity partners such as the Trussell Trust who provide emergency food and support to people locked in poverty; Depaul UK and Ireland who are working hard to tackle the huge increase in homelessness by providing emergency shelter; and the Warm Welcome Campaign which is providing warm spaces in churches for people to work and bring their children for company, food, warmth and support.

In addition to our Crisis Response Grants, we also launched our Brighter Lives Grants Programme in March to help churches and Christian charities to respond to the long-term impact of Covid-19 on people's mental health. We were delighted to support a wide range of projects who focused on delivering mental health first aid in areas of high deprivation and poverty.

The Benefact Trust group of companies has felt the effects of investment markets as a result of high inflation and increases in interest rates. This has impacted the value of investments held in the EEF and held by the trading subsidiaries.

Our Grant-Giving



The Trust's principal source of income comes from its ownership of Benefact Group. As insurance is a risk business, the trustees recognise that grants received may fluctuate. The EEF holds significant assets to advance its charitable purposes which are, in summary, to advance the exclusively charitable purposes of the Trust for the public benefit. The Trust received £20.0m from the Benefact Group during the year, of which £5m was an in-specie donation received in the form of shares. Our financial support to churches and other charitable institutions increased to £22.8m (2021: £19.3m).

The pandemic had an effect on application levels to the Trust in 2021 and grants awarded, with many churches and charities taking time to emerge and recover from Covid-19. In 2022, applications began to return to pre-pandemic levels, although a significant number of potential beneficiaries continued to feel the effects of Covid-19 with reduced income and increased costs, resulting in fewer grant applications for large capital projects. Over the past five years, the Trust has given over £100m in grants and these are used to benefit people of all faiths and none.

The Trust aims to help those in areas of greatest 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 grant programmes factoring deprivation into the grant calculation.

The Trust's grants programmes running until the end of 2022 were:

- **General Grants** – Made up of Small and Large Grants. Projects costing up to £1m were considered under Small Grants. Projects costing over £1m were considered under Large Grants.
- **Transformational Grants** - The programme's key aim was to enable churches and Christian charities to grow, through funding projects that enable a step change in organisational capacity, reach and impact.
- **Thematic Grants** – Specific themed grants, that run for a specific period of time. In 2022 this was the Brighter Lives grants programme.
- **Heritage Skills for Christian Buildings Grants** - Supporting the preservation and promotion of essential heritage skills and careers through funding apprenticeships, scholarships and training courses.
- **Methodist Grants Programme** - Supporting Methodist churches in their mission and ministry with a particular focus on church growth, and community engagement.
- **Recurrent Grants** (closed programme) – Annual grants made to dioceses and cathedrals.

Our Grant-Giving



During the year, a Grants Review was carried out covering all aspects of the Trust's grant-making. The aim of the review was to implement a new range of grants programmes with clear scope, aims, criteria and impact measures which serve the Trust's strategy, vision and mission. Our new Community Impact and Building Improvement Grants launched in early 2023, so going forward our open application grant programmes will be as follows:

- **Community Impact Grants** – These grants will replace our General, Transformational and Thematic grants programmes. The grants will fund projects that have a direct, positive and transformational impact on people's lives and in their communities. Significant grants may be awarded to local, regional or national projects which tackle difficult and sometimes complex societal issues such as homelessness, domestic violence, poverty, climate change and cultural cohesion.
- **Building Improvement Grants** – These grants will be available for capital projects for essential, unexpected repairs and aesthetic and functional enhancements to church/Christian charity buildings. Our church buildings have always been a focal point in villages, towns and cities throughout the UK. They continue to play a vital role in bringing communities together which is why protecting them is an important part of this programme.
- **Heritage Skills for Christian Buildings Grants** - The repair and restoration of historic Christian buildings requires specialist skills so we support the preservation and promotion of essential heritage skills and careers through funding apprenticeships, scholarships and training courses.
- **Methodist Grants Programme** – Grants that support Methodist churches in their mission and ministry with a particular focus on church growth, and community engagement.

In addition we have two closed grants programmes which are by invitation only and are not open to general applications:

- **Crisis Response Grants** - Supports organisations at home or overseas whose expertise is delivering emergency aid on the ground where it matters the most. When disaster and human conflict occurs it is often the most vulnerable people that suffer the most and as a Christian and caring organisation we cannot stand by without offering help.
- **Recurrent Grants** - As part of the strategic grants review, we have agreed changes to the Recurrent Grants programme which benefits Anglican dioceses, cathedrals and provincial bodies in the UK and Ireland. This will mean that grants awarded under this programme will begin to reduce by c.£1m per year from 2023, in order for the programme to end by 2030 at the latest. The funds released by the annual reduction will be available for all applicants to apply for through the Trust's other open grants programmes.

Grant-Giving at a glance

Our target was to deal with at least 90% of all Small and Roof Protection Scheme grant applications within 2 months. In 2022, we exceeded our target and processed 93.3%.

For all other programmes our target was at least 75% within 6 months and 90% within 12 months.

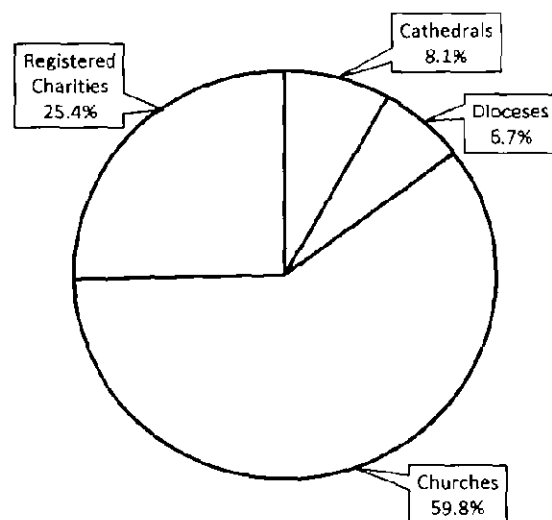
We actually processed 95% of all grant applications within six months.

90% of applications were successful

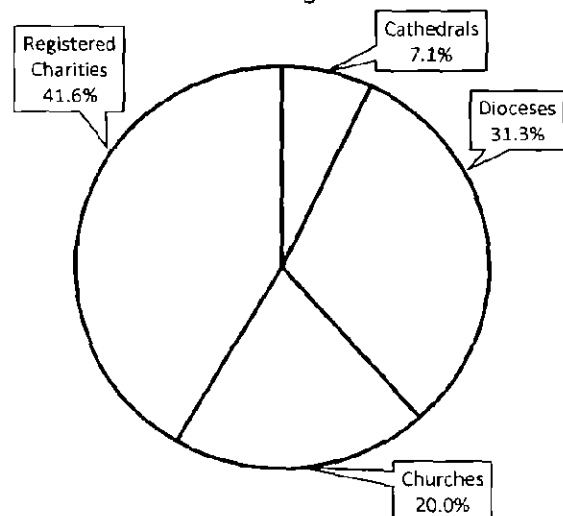
£22.8m grants donated in 2022

£159.9m donated in grants over 10 years

Number of grants



Value of grants



Our Grant-Giving



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

Brighter Lives Grants Programme

Following the closure of the Hope Beyond programme in February 2021, work was carried out to inform the Trust's continued response to the effects of the Covid-19 pandemic. Having identified from beneficiary surveys that there are significant needs in the area of mental health, research was carried out with specialist mental health charities to ascertain ways in which the Trust might provide support in this area, through grants and other resources. This led to the development of the Brighter Lives Grants programme through which the Trust aimed to strengthen the ability of the Christian community in the UK and Ireland to respond more effectively to increased mental health needs arising from the Covid-19 pandemic. The Brighter Lives programme was launched in March 2022 and ran throughout the year and closed in December. A total of £2.2m was awarded across 157 applications. The Trust will continue to support specific funding themes under the new Community Impact Grants Programme.

Case Study

£50,000 from our Brighter Lives mental health grants programme helped Together Middlesbrough and Cleveland to reach out to more than 600 church workers, clergy, volunteers and staff from Christian organisations in the country's most disadvantaged areas. The charity will offer them training to support their own mental health and the urgent need for support within their communities.

General Grants Programme

The Trust's General Grants programme continued throughout 2022 and forms the backbone of our grant-making. The General Grants programme is split into two categories: Small Grants and Large Grants. Projects costing up to £1m are considered under Small Grants. Projects costing over £1m are considered under Large Grants. In both cases, the grant awarded by the Trust is a percentage of the overall project cost. Applicants are encouraged to raise further funds towards their total costs from other sources.

In 2022, 579 Small Grants totalling £1.9m were awarded to churches and charities across the UK and Ireland. In 2022, 21 Large Grants totalling £1.3m were awarded to churches and charities across the UK and Ireland.

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 reviewed the General Grants programme in 2021 as part of its Grants Review, and the learning from this informed the proposals for new grants programmes to be launched in 2023. Depending on their focus [community or building improvement] general grants will now come under either Community Impact Grants or Building Improvement Grants.

Our Grant-Giving



Case Study

£24,000 from Benefact Trust's General Grants Programme is helping The Collegiate Church of St Mary in Warwick to make vital repairs to its iconic tower and secure the heritage of this important, historic landmark.

Dating back as far as 1123, St Mary's Warwick is one of the UK's oldest and most-loved parish churches, also known as Warwick's 'church of treasures'. Its landmark tower, which was destroyed in the Great Fire of Warwick in 1694 and rebuilt in 1704, is over 130 feet high. Visible from every direction, for centuries the tower has been the focal point for travellers approaching Warwick. Every three hours, on the hour, the bells are played as a carillon and each day of the week has its own tune. Since 1123, music has filled this magnificent church and today's professionally directed choirs continue this unbroken choral tradition.

Crisis Response Grants

In the early weeks of the war in Ukraine, the Trust awarded £1 million pounds through organisations like Depaul International, British Red Cross and World Vision, all of which are active on the ground in Ukraine, delivering help where it is most needed. Trust funding is also supporting organisations helping the 140,000 Ukrainian refugees now living in the UK and Ireland. Working with charities such as Love Your Neighbour, Church Urban Fund and Baby Basics, we're supporting the urgent needs of these innocent victims of the conflict, most of whom arrived without basic English language skills and an urgent need to access accommodation, clothing, and food.

In October 2022, the Trust responded quickly to the developing Cost of Living Crisis by allocating £500,000 to support charities on the ground helping the most vulnerable in our communities. It was recognised that the Cost of Living had reached crisis point when many individuals and families found themselves in the desperate situation of having to choose between heating their homes or feeding their children. Charity partners such as Depaul UK and Depaul Ireland are working hard to tackle the huge increase in homelessness, especially amongst 16 to 24 year olds, by providing emergency shelter. Alongside other Christian funders, the Trust also supported the Warm Welcome Campaign, providing warm spaces in churches for people to work and bring their children for company, food, and support.

Our Grant-Giving



Transformational Grants Programme

The Transformational Grants programme, which began in 2019, continued to run until it closed to applications in June 2022. During 2022, 36 grants totalling £5.2m were awarded to a range of charities and church bodies across the UK and Ireland.

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

The programme's key aim was 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 2022 supported projects focused on work amongst children and young people, church planting and growth, food poverty, relationship education, community health, those affected by imprisonment, diversity in church communities, the church's response to environmental challenges, and responding to the issue of homelessness. Transformational grants will become the multi-year grants under our new Community Impact Grants Programme.

Case Study

Benefact Trust awarded a grant of £145,000 to national charity, Linking Lives UK, to expand its work in combating social isolation and loneliness among older people. Linking Lives UK works with churches and Christian organisations to help set up local befriending schemes (Two's Company Befriending) and runs training courses for volunteers involved in projects that reach *out to those at risk of loneliness. Our grant came at a time when many people were anxious about re-engaging with their communities following the challenges of lockdown.*

Linking Lives UK's aim is to establish befriending schemes across the three countries, reaching 900 new people experiencing loneliness and social isolation and recruiting at least 375 new volunteers.

Our Grant-Giving



Methodist Grants Programme

The Trust's Methodist Grants programme continued in 2022, 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 2022, 26 grants totalling £2.6m were awarded to Methodist beneficiaries across the UK and Ireland.

During 2022 the scope of the programme was expanded to include repair and maintenance projects that are essential for the ongoing mission and ministry of the organisation.

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.

Case Study

Lightwood Green Methodist is a small Methodist chapel which has a long history of children's work. Unfortunately, its existing youth room is no longer fit for purpose and with ambitions to grow its impactful youth work, the church wants to demolish the current space and in its place build a new, multi-purpose extension, which will include a new meeting space, a larger kitchen, toilets and storage.

A £26,500 Methodist Grant supported the project, which will create a space for young people and their families to thrive through the church's woodcraft workshops and a range of other activities and support services.

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 2022, nearly £1.5m in grants was given to cathedrals and £6.9m to dioceses and provincial bodies.

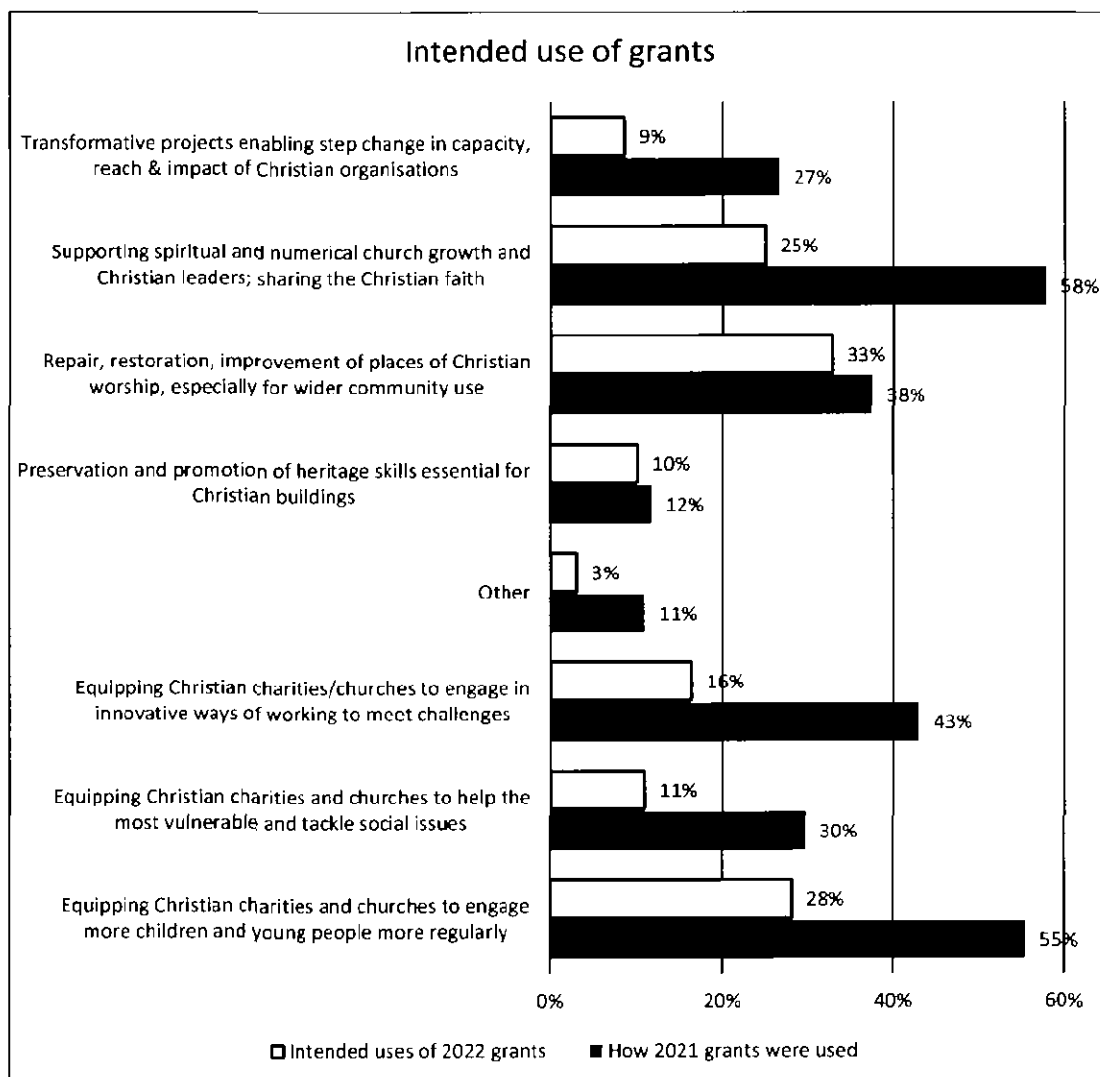
In line with the Trust's primary areas of funding focus, beneficiaries were encouraged to direct the use of grants towards work in the following areas:

- Tackling social issues
- Encouraging or enabling church growth, spiritually or numerically
- Engaging in innovative ways of working and/or in new areas of activity to respond to community challenges
- Improving engagement with children and/or young people
- Protecting or promoting heritage
- The repair, restoration, protection or improvement of buildings

Our Grant-Giving



Feedback from beneficiaries provided the following information with regard to use of 2021 grants, and intended use of 2022 grants:



Heritage Skills for Christian Buildings Grants Programme

During the year, the Trust launched its Heritage Skills for Christian Buildings grants programme, which was the successor to the original Heritage grants programme launched in 2018.

The aim of this new programme is to ensure that heritage skills, which are essential for the conservation of historic Christian buildings, are preserved and promoted through apprenticeships, scholarships and training courses.

In 2022, two grants were awarded totalling £159,000 with a further three applications received and due to be considered in early 2023.

Measuring the success of our grant programmes



We measure the success of our grant programmes using impact surveys which are completed by beneficiaries in the year that they completed their grant (or annually in the case of multi-year grants). The table below provides an overview of 2022 impact survey results, indicating that all programme level KPIs were achieved this year. The overall survey response rate in 2022 was 67%.

Grant Programme	KPI	Target	Result	KPI met?
Hope Beyond*	% of beneficiaries reporting that at least one of the following programme outcomes has been achieved: • <i>delivering new support or activities to meet needs arising from the Coronavirus pandemic</i> • <i>adopted new ways of working to meet needs arising from the Coronavirus pandemic</i>	At least 80% of respondents	97% of respondents	Yes
Methodist	• % of beneficiaries reporting that at least one of the following programme outcomes has been achieved: • a significant increase in community engagement • a significant improvement in accessibility of their building(s) • a significant increase in church growth	At least 80% of respondents	87% of respondents	Yes
General Grants	• % of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant: • Enabled church growth • Helped address social challenges • Enabled continued use or wider community use of church facilities • Protected or promoted heritage	At least 80% of respondents	93% of respondents	Yes
Transformational	• % of applications submitted by either Christian charities or denominations outside of Church of England	At least 60% of applications submitted	82% of applications submitted	Yes

Measuring the success of our grant programmes



Grant Programme	KPI	Target	Result	KPI met?
Transformational	• % of beneficiaries reporting that at least one of the following programme outcomes has been achieved: • Organisational reach extended to a greater number of people and/or over a wider geographical area • Significant progress in realising organisational vision and/or strategic aims • Organisational growth or step-change • Benefit beyond the immediate organisation (e.g. for partner organisations or the wider community)	At least 80% of respondents	100% of respondents	Yes

*Although no grants were awarded under Hope Beyond in 2022, it has been included in reporting as many projects completed this year.

2022 Grant-Giving data

The geographical, denominational and charitable spread of grants made, which are shown in the following tables and on page 20, 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.

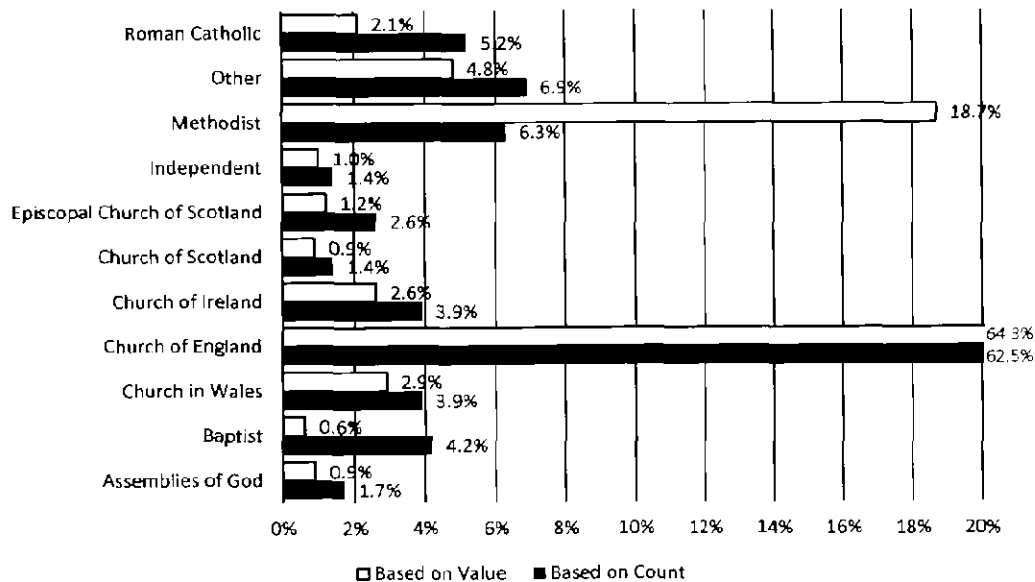
The Church of England receives the highest percentage of grants made by the Trust as it is the Established Church in England with a much higher number of parishes and church buildings to support than any other denomination across the UK and Ireland. Many of the applications received are not just about maintaining church buildings but also involve 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 raising awareness 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 thematic programmes to receive grant applications from a wider denominational reach.

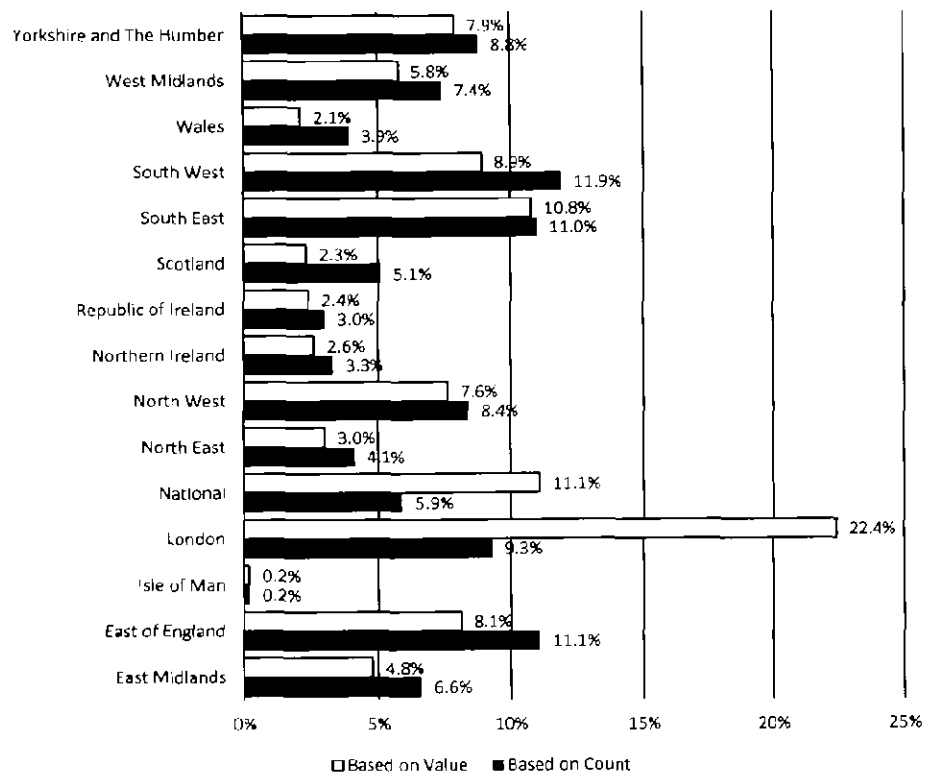
2022 Grant-Giving data



Grant-giving by Denomination



Grant-giving by geographical spread



Financial Review



Parent charity

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

Our total net expenditure in the year was £12.6m (restated 2021: net income £20.2m).

	Unrestricted funds £000	2022 Endowment funds £000	Total funds £000	Unrestricted funds £000	Restated* 2021 Endowment funds £000	Total funds £000
Total income	15,327	8,945	24,272	24,847	3,810	28,657
Total expenditure	(24,172)	(356)	(24,528)	(20,372)	(370)	(20,742)
Net (losses)/gains on investments	-	(12,198)	(12,198)	-	12,332	12,332
Taxation	-	(112)	(112)	-	(82)	(82)
Net (expenditure)/income in the year	(8,845)	(3,721)	(12,566)	4,475	15,690	20,165
Transfer to endowment funds	(2,000)	2,000	-	(4,000)	4,000	-
Transfers to unrestricted funds	3,550	(3,550)	-	7,952	(7,952)	-
Net movement in funds	(7,295)	(5,271)	(12,566)	8,427	11,738	20,165

*The comparative figures have been restated as detailed in note 18.

Despite a reduction in income in the year, the Trust was able to increase its charitable giving by drawing on its reserves. This resulted in net expenditure in the year of £8.8m (restated 2021: £4.5m net income) in the unrestricted fund. The performance of the EEF was impacted by economic challenges resulting in £3.7m net expenditure in the year (2021: £15.7m net income) driven by £12.2m net losses on investments.

£3.6m of investment income earned in the EEF was transferred to Trust's unrestricted funds to support the grant-giving. £2.0m excess reserves were transferred into the EEF.

During the year, the Trust has changed its accounting policy for its investment in subsidiary moving from fair value to cost less impairment. This change in policy provides more reliable and comparable information, removing volatility arising from movements in fair value from the charity statement of financial activities. This change in policy removed £68.4m gains in the prior year from net gains/(losses) on investments.

Income

Our total income fell in 2022 to £24.3m (2021: £28.7m), driven by a decrease in donations and gift aid received.

Expenditure

Our charitable giving increased 18.1% in the year to £22.8m (2021: £19.3m). This includes £5.2m awarded through our Transformational grants programme, £2.2m awarded through our Brighter Lives grant programme and £1.6m Crisis Response grants.

Financial Review



Operating expenses increased to £1.4m (2021: £1.0m). We aim to keep operating expenses below 7.5% of total charitable giving and have achieved this as follows:

Target	2022	2021	2020
< 7.5%	5.9%	5.4%	4.3%

Funds

Total funds at 31 December 2022 were £124.2m (restated 2021: £136.8m) consisting of £13.7m in the unrestricted fund (restated 2021: £21.0m) and £110.6m (2021: £115.8m) in the EEF.

The Trust continues to have adequate available resources to continue its charitable activities. The going concern statement for the Trust is included in the Trustees' Report.

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 of this report.

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 2022 were £8.6m.

At 31 December 2022, the Trust held reserves of £19.5m, including £10.0m of gift aid income that was received in December. The majority of the Trust's charitable giving is paid in the second half of the year, due to the timing of Recurrent Grant payments to diocese and cathedrals. As the gift aid is mainly received in December, the reserves held at the year-end also support the Trust's charitable giving in the second half of the following year. The trustees therefore do not intend to take corrective action to reduce the level of reserves held at this time.

Trading subsidiaries

The consolidated statement of financial activities is shown on page 75.

Net income

The principal activities of the Trust'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 46 to the financial statements.

Financial Review



The trading subsidiaries reported net income of £24.0m¹ (restated 2021: £68.1m¹). The deterioration compared to the prior year was driven primarily by fair value losses on investments as a result of economic challenges. This result includes £34.9m¹ profit on EIO plc's disposal of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to Lloyd & Whyte Group Limited, a related party of the Benefact Trust group of companies. This disposal was part of a number of changes made within the Group to better align and optimise its businesses and to support its strategic objectives.

The net income of the trading subsidiaries in the year includes a gain of £47.6m arising from the impact of the change in discount rate on insurance liabilities. £13.2m of this arose from a change in accounting policy for the discounting of general insurance liabilities to include all general insurance liabilities. This change in discounting accounting policy ensured the effects of higher interest rates and high inflation were being reflected across both short and longer term insurance liabilities and so as to more consistently match the effects of changes in interest rates on both insurance liabilities and the assets held to match them. A £2.6m gain has been recognised in the prior year, which has been restated.

The trading subsidiaries general insurance business reported an underwriting profit of £26.8m¹ (2021: £8.0m¹) despite adverse global weather events and some unusually large claims in the UK. The general insurance business continues to focus on profitable growth opportunities, and together with targeted rate increases and strong retention, achieved a 15% growth in gross written premiums in the year. The trading subsidiaries life business reported a loss before tax of £8.1m (2021: breakeven).

Investment markets were impacted by economic challenges in the year, driving down asset prices and resulting in £76.8m of fair value losses recognised in the trading subsidiaries financial instruments. A further £21.2m of fair value losses were also recognised on its investment property portfolio.

The trading subsidiaries broking and advisory businesses reported an overall profit before tax of £5.0m¹ (2021: £4.6m¹), excluding the profit on disposal of South Essex Insurance Holdings Limited and its wholly owned subsidiary.

The trading subsidiaries investment management businesses reported a loss before tax of £3.5m¹ (2021: £2.6m¹) as investment in growing the business continued.

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 132, and are provided to members of the Trust.

During the year, the trading subsidiaries directly distributed £2.7m (2021: £2.5m) for charitable purposes.

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

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. The majority of the trading subsidiaries prepare their own financial statements under International Financial Reporting Standards (IFRS).

Financial Review



Consolidated funds

The consolidated balance sheet is shown on page 77. At the year-end date, total net assets of the Benefact Trust group of companies were £746.8m (restated 2021: £762.7m).

The net assets of the Benefact Trust group of companies includes a recognisable net pension asset of £15.3m (2021: £24.6m). The Trust's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to future accrual. The unrestricted surplus in the schemes increased by £31.0m in the year, driven by actuarial gains arising from changes in financial assumptions partially offset by a negative return on investments. However, the recognisable surplus in the schemes decreased due to the impact of a significant increase in the discount rate during the year. Further details relating to the trading subsidiaries' defined benefit pension schemes are included in note 41 to the consolidated financial statements.

Factors affecting future financial position and performance

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

Investment markets continue to react to the ongoing economic pressures and recent fears over the stability of the global banking sector. The Benefact Trust group of companies may be exposed to volatility in the financial markets either directly through the EEF or indirectly through the trading subsidiaries.

Benefact Group has set an ambitious growth target and will continue to invest in new technology and in its staff in pursuit of its ambitions.

More details of the principal risks and uncertainties to which the Trust is exposed, and how it manages them are included in the Principal Risks and Uncertainties section of this report.

Investments



Benefact Trust is the ultimate parent undertaking of Benefact Group, and full details of the Trust's investments in related undertakings are disclosed in note 46. The Trust's principal source of income is the gift aid it receives from EIO plc. The Board discusses regularly with Benefact Group the rate of return it expects on its investment and monitors performance over a rolling 5, 7 and 10 year period.

The EEF, which is linked for registration and accounting purposes to the Trust, was established to assist in diversifying its asset base to reduce the concentration risk arising from its ownership of a financial services group. Gradually building the size of the EEF enables the Trust (as the EEF's sole trustee) to grow a separate, more stable, income stream, for the benefit of the EEF's (and the Trust's) beneficiaries.

The EEF is invested through two investment fund managers: EdenTree Asset Management Limited (EdenTree) and Rathbones Investment Management Limited (Rathbones), who operate under the same investment policy. During the period, and following a change in strategic direction for EdenTree Investment Management Limited (EIM), the novation of the Investment Management Agreement with EIM to EdenTree was approved. The performance of the investment managers is assessed against a benchmark over 1, 3, 5 and 10-year periods, dependent on the duration of their appointment. Owl Private Office Holdings Limited provided expert investment advice to the Trust (in its capacity as sole trustee of the EEF).

Investment policy

The principal investment objective of the EEF is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile.

The investment strategy, which is regularly reviewed, provides an appropriate balance between ethical considerations and fiduciary responsibility. Investment managers apply a positive engagement approach, actively seeking out companies that exhibit strong corporate citizenship and business ethics. In addition, the trustees have:

- adopted an absence of harm approach and seek to avoid 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, we take a 'nil exposure' approach; and
- adopted a 'carbon aware' approach in which the overall carbon profile and intensity of companies is considered when making investment decisions. Companies with a material exposure to oil sands and Arctic drilling are excluded.

Investments



Investment performance

The EEF amounted to £110.6m (2021: £115.8m) on 31 December 2022 and generated dividend and interest income of £3.8m (2021: £3.8m).

The portfolio managed by EdenTree stood at £75.7m (2021: £81.2m), of which £62.8m (2021: £72.6m) was in a discretionary portfolio and £12.9m (2021: £8.6m) in EdenTree open-ended investment company (OEIC) funds. During the year, the total portfolio delivered a negative return of -6.9%, which was 0.3% ahead of the composite benchmark. 2022 has been a volatile year due to the war in Ukraine, global supply chain issues and economic challenges. Over the longer-term the discretionary portfolio managed by EdenTree has underperformed its benchmark over 3 and 5 years, but outperformed over 10 years.

The discretionary portfolio managed by Rathbones stood at £34.9m (2021: £34.6m) and delivered a negative return of -7.6% over the year, which was 0.4% behind the composite benchmark. The portfolio's performance suffered from the difficult market conditions. Over 3 and 5 years, Rathbones has outperformed its benchmark. As Rathbones commenced managing the EEF investments in 2018, benchmarking of its performance over 10 years is not applicable.

Climate change and environment



The Benefact Trust group of companies has reported 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 2022. The emissions reporting boundary is defined as all entities and facilities either owned or under operational control of Benefact Group, that is, emissions relating to its premises and associated travel by colleagues based at those premises. The Benefact Trust group of companies continues to improve the coverage and quality of data which informs the reporting.

The reporting comprises: scope 1 emissions from fluorinated gas losses and fuel combustion in premises and vehicles, scope 2 emissions from electricity and cooling in premises, and scope 3 emissions associated with business travel, waste and water use. These have all been calculated using UK Government Greenhouse Gas reporting emission factors 2021 (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Benefact Trust group of companies' 2022 footprint is based on 89% complete data by headcount. It has assessed the risk of incomplete data and taken a management decision to extrapolate on a basis agreed by the carbon footprint verifier. This is an improvement on 2021 (72%) and the Benefact Trust group of companies is committed to continuing to improve this position.

The Benefact Trust group of companies sources 40% of its electricity from renewable sources, up on 2021 (34%) and self-generated 92,631 kWh of energy equivalent to 18 tonnes of carbon. The Benefact Trust group of companies recognises that the pandemic had a significant impact on direct business activity resulting in a much lower carbon footprint in 2020 and 2021 caused by low or no occupation of offices and dramatically reduced business fleet travel. Scope 3 reporting is much higher in 2022 reflecting increased activity, and specifically including more and extrapolated data for all businesses.

In line with the Streamlined Energy and Carbon Reporting requirements the Benefact Trust group of companies' carbon footprint is detailed here including carbon intensity:

	UK		Non - UK		Total	
	2021	2022	2021	2022	2021	2022
Scope 1	97	143	6	23	103	166
Scope 2 - Location based	383	584	97	92	480	676
Scope 2 - Market based	68	82	97	92	165	174
Scope 3	172	734	22	217	194	951
Total*	337	959	125	332	462	1291

* Based on a total assuming Scope 2 Market Based emissions

Total energy use 4,139,168 kWh of which 3,775,241 kWh is UK and 363,927 kWh is non-UK. Carbon intensity: 0.61 tonnes of CO₂ equivalent per employee (tCO₂e).

The carbon intensity of the Benefact Trust group of companies' investments continues to be a key part of its footprint and opportunity for influence.

Principal risks and uncertainties



The major risks to which the Trust is exposed are reviewed by the Board with the aid of external advisers. The Board can choose whether or not to accept a particular risk, manage it or to mitigate against it. It is recognised that it is not possible or cost-effective to mitigate all risks fully and therefore some risks are accepted. The direct and indirect risks associated with the Covid-19 global pandemic continue to be considered by the trustees, as the impacts continue to affect the social and economic environment. The trustees have also considered the impacts from the Cost of Living Crisis, which has heightened throughout 2022. 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 in place to manage the risks.

Investment Risk

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

How they are managed

The Trust has a Finance and Investment Committee, which is responsible for setting investment criteria and overseeing and reviewing the performance of the investment portfolio.

A formal policy between the Trust and the Benefact Group specifies how the level of income paid via Gift Aid is determined and this is subject to regular review. Regular reporting is received from the Trust's principal asset, the Benefact Group, on its performance and two of the trustees act as 'common directors'.

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 EEF has two Investment Fund managers, EdenTree and Rathbones, to enable further diversification. Independent investment advice is provided to the Trust (as sole trustee of the EEF) by Owl Private Office, who provide investment monitoring reports twice a year to the Trust (acting in its capacity as sole trustee of the EEF). These appointments are regularly reviewed.

The Trust's reserves policy, which can be found under the Finance Review section, details the Trust's policy to maintain liquidity to ensure it can meet its grant commitments. This policy is reviewed at least annually.

With the worsening economic environment, the level of this risk is heightened compared to the prior year, with volatility in the Investment Markets, and the risk continues to be very closely monitored. Regular updates were sought from the CEO of the principal asset and updates on investment performance from the Trust's Investment Advisor. A number of scenarios continue to be considered in respect of differing levels of income, to determine the appropriate action to be taken.

Principal risks and uncertainties



Concentration Risk

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

How they are managed

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

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

The long-term strategy of the Trust (as the sole corporate trustee of the EEF) is to continue to grow the EEF to provide greater diversification of the Trust's assets to reduce the degree of concentration risk.

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. This includes consideration through the year of the recent rebrand of the Trust.

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 Trust has developed a Reputational Management Strategy to protect its reputation.

The principal asset insures church and charitable organisations, including providing public liability insurance related to clergy abuse claims. The Trust paid close attention to the Independent Inquiry into Child Sexual Abuse (IICSA) and its Report published in October 2022.

The Trust has a dedicated Head of Communications and Marketing and Communications Officer, 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 inherent level of this risk is heightened compared to last year, given the rebrand. This is closely monitored, with increased focus in the year on the impacts of that rebrand, 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 its trading subsidiary. However, the level of the residual risk is considered to remain stable.

Principal risks and uncertainties



Regulatory Risk

The risk of public censure or regulatory intervention, as a consequence of failing to comply with relevant legislation, regulation and policies, ultimately leading to loss of public trust in the Trust.

How they are managed

The Trust 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.

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 Trust's objectives, which are detailed under the 'Our Strategy' section in this report.

How they are managed

The Trust has a three-year Strategy and Business Plan, details of which can be found under the 'Our Strategy' section of this report. The trustees regularly review the effectiveness of the various strategic initiatives employed, and annually reviews its Strategy plan. 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 its strategy during the year. This risk continues to be monitored closely in light of the economic challenges and the potential for a reduction in income as detailed above under Investment risk.

Operational Risk

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 Trust's objectives, full details of which can be found under 'Our plans for 2023' section of the Strategic Report.

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 trustees and staff and also those who provide arm's length support services to the Trust.

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.

Operational Resilience has been tested in the past couple of years, as a result of the ongoing Covid-19 pandemic, with no detrimental impacts for Trust or beneficiaries.

Section 172 Statement



This statement provides an overview of how the trustees have fulfilled their duties to promote the success of Benefact Trust Limited and had regard to the matters set out in Section 172(1) of the Companies Act 2006, which is detailed below:

1. A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to—
 - a. the likely consequences of any decision in the long term,
 - b. the interests of the company's employees,
 - c. the need to foster the company's business relationships with suppliers, customers and others,
 - d. the impact of the company's operations on the community and the environment,
 - e. the desirability of the company maintaining a reputation for high standards of business conduct, and
 - f. the need to act fairly as between members of the company.

Our Stakeholders

We have identified and regularly review our stakeholders, as documented in the Trust's Governance Framework and Board Charter and our Strategy and Three-Year Business Plan. These stakeholders are at the core of the trustees' decision making.

Key stakeholders are our members, beneficiaries and other Christian partners, the Group, our employees (seconded from EIO plc), suppliers, the wider community and environment, and the Trust and Group's Regulators. Examples of the way the trustees have engaged with some of these stakeholder groups throughout the year are set out below.

Our Approach to the Long Term Success of the Company

We recognise that the long term success of the Trust, and our ability to continue to help people, charities, and good causes, is dependent upon having regard to the interests of our stakeholders and ensuring that good governance is at the heart of the Trust's activities.

As the Trust largely derives its income from the Group, and receives grants from the EEF, trustees' decision making takes into account any potential impact on the Trust's sustainability and its ability to continue to carry out its charitable objects for the public benefit.

The trustees finalised a review of the Trust's grant-giving in 2022, having successfully engaged with beneficiary representatives to understand their views, to inform the development of the Trust's grant-making strategy, and ensure its grants are directed effectively to support the Christian community and beneficiaries. Our new Heritage Skills for Christian Buildings programme and Brighter Lives programme were launched during the year and our new Community Impact Grants programme, together with our new Building Improvements Grants programme, which will replace our General Grants, Thematic Grants and Transformational Grants programmes, were approved by the Board and launched in early 2023.

Section 172 Statement



Crisis Response

Covid-19

During 2022, the Trust launched its Thematic Grants programme, Brighter Lives, which provided grants totalling £2.2m to the Christian community in the UK and Ireland in response to increased mental health needs arising from the Covid-19 pandemic.

Cost of Living

In October, the Trust approved £500,000 to allocate to charity partners to support marginalised and disadvantaged communities across the UK to support communities and individuals impacted by the Cost of Living Crisis.

Ukraine response

In March 2022, due to the escalating crisis in Ukraine, the trustees approved an overall amount totalling £1m to be donated to the Ukraine crisis through appropriate charities running emergency appeals in response to the Ukrainian crisis. A further £0.14m was awarded in December 2022.

Further detail on the Trust's grant-giving, strategy and investments can be found in the Strategic Report.

Benefact Trust brand

In 2022, the Trust and Benefact Group launched the new brand and shared name. The decision was approved by members at a general meeting in March 2022 following detailed consideration of extensive stakeholder feedback and insight, which informed and supported the development of the new brand.

For more detail on the Company's strategic objectives and how the Board operates please refer to the Strategic Report and Trustees Report.

Principal Decisions

The trustees have the necessary skills and experience required to identify the impacts of their decisions on the Trust's stakeholders, and where relevant, the likely consequences of those decisions in the long term.

In line with the Miscellaneous Reporting Regulations 2018, and in accordance with the approach taken during the financial year under review, having considered the Trust's principal risks and uncertainties as detailed in the Strategic Report, the Trust made the following principal decision during the year ended 31 December 2022:

Community Impact Grants programme

Commencing in 2021, the Trust finalised its grant-giving review during 2022. The grant-giving review team presented to the Trust's Grants Committee on a regular basis during 2021 and 2022, providing updates and recommendations in relation to the new grants programmes. As a consequence of this review, the Community Impact Grants programme was a key outcome and replaces the General (Small and Large) Grants programme, the Transformational Grants programme, and will incorporate 'thematic campaigns' which replace the previous separate Thematic Grants programmes, such as Growing Lives, Hope Beyond and Brighter Lives.

Section 172 Statement



At its October Board meeting, following recommendation from the Grants Committee, the trustees reviewed and approved the Community Impact Grants programme scoping document and 2023 budget. The Board considered the programme's aims, beneficiary eligibility, award-related specifics, the communication and marketing strategy, administration, reporting and impact assessments and measures of success. The Board challenged and scrutinised the scoping document in order to satisfy themselves that it was deliverable and robust.

Our Strategy in Action

The table below is a summary of key decisions and actions that have been taken during the year in respect of strategic and company performance and how they have had regard to the interests of, and impact on, stakeholders.

Our key stakeholders	Methods of engagement and outcomes
Members The Trust was registered as a company limited by guarantee and, in accordance with its articles of association, can have a maximum of 50 registered members. The interests of the Trust and its members are aligned with the common purpose of carrying out the objects of the Trust. This ensures that the views of beneficiaries and the wider Christian and charitable community are communicated to, and considered by, the Board as a whole.	There are open channels of communication between the Company and its members. The Company holds an annual general meeting (AGM). In 2022, the Trust was able to hold the AGM in person once again. Members were invited to engage with the business of the AGM and raise questions. The Trust provides members with the option to receive an annual newsletter setting out the Trust's grant-giving and developments.
Beneficiaries and other Christian partners The Board's composition includes at least two trustees who are representative of the Trust's beneficiary base. This helps to ensure that the views of beneficiaries are communicated to, and considered by, the trustees. In addition, the Trust's Methodist Grant Giving Committee includes at least three members with an understanding of the Methodist Church, helping to ensure that the Methodist Grants programme provides the support needed for Methodist churches and ministries.	We actively engaged with our beneficiaries and stakeholders to inform the development of our grant making strategy. We also engaged in, and became more active members of, the Christian Funders Forum by hosting and participating in their conferences, helping us to understand the challenges and opportunities across the sector. During 2022, we worked closely with known charity partners to respond to the Cost of Living Crisis to support the most vulnerable in our communities.

Section 172 Statement



Our key stakeholders	Methods of engagement and outcomes
The Group As the ultimate owner of the Group, trustees maintain an open and constructive relationship with the trading subsidiaries. There are at least two common directors who are on the Board of the Trust and Benefact Group. This enables the trustees to receive regular updates from, and maintain oversight of, the Trust's subsidiaries. There is also regular engagement between the Chair of the Board and the Chair of EIO plc, as well as with EIO plc's Group Chief Executive Officer (Group CEO) who provides an update to the trustees at every Board meeting.	The Group CEO presents a report at every Board meeting, providing trustees with a high level overview of the financials, and a general update of any key developments, from across the Benefact Group. In addition, throughout the year presentations were given by other Benefact Group executives to help trustees better understand strategic initiatives implemented throughout the Benefact Group. The trustees were invited to attend the Benefact Group's leadership conference in June, which enabled them to maintain their oversight of the Trust's subsidiaries. Following the change of name in March 2022, and the sharing of a brand, the Trust updated its Expectations of the Benefact Group, to ensure that the Trust can demonstrate an increased level of oversight and control exercised over its subsidiaries. Quarterly information is provided to the trustees setting out how the shared brand is used by subsidiaries.
Employees The Charity does not have any employees. Instead, all staff who undertake work on the Trust's behalf are employed by EIO plc. The Section 172 Statement for EIO plc explains EIO's policy and strategy in relation to its employees. Nevertheless, the Board understands that individuals who work on behalf of the Trust are its most valuable assets, given their specialist knowledge and propensity to go above and beyond.	The Board receives regular updates from individuals on a range of matters. In addition, the Trust Director provides a quarterly resource update to the Board.
Suppliers The Trust does not have a supply chain itself but uses the services of EIO plc under the terms of its Shared Services Agreement. The Charity recognises its responsibility, as well as that of its subsidiary, to ensure business activities are undertaken in accordance with regulatory requirements and best practice. The Board and the Audit and Risk Committee therefore received regular updates on the performance of its subsidiary throughout the year. For further information on the Trust's recognition of its responsibility towards its supply chain, please see its Modern Slavery Act Statement available on its website.	

Section 172 Statement



Our key stakeholders	Methods of engagement and outcomes
Community and Environment As detailed in the Strategic Report, directors are focused on long term and strategic charitable giving.	During 2022, we finalised our grant-giving review. Our new Brighter Lives grants programme was launched during the year and our new Community Impact Grants programme was approved and launched in 2023. The Brighter Lives programme recognises the continuing impact from the Covid-19 pandemic on the mental health of communities and individuals and the Community Impact Grants programme which aims to fund work that will have a positive and transformative impact on lives and communities, with particular focus on: • i) growing church congregations and communities; • ii) addressing social challenges facing communities; and • iii) improvement of church buildings to enable wider community use. The trustees initiated a strategic review of its investment assets, which included looking at the ESG policy and impact investment, amongst other things. Recommendations from this review in relation to these matters will continue in 2023.
Regulators We recognise the importance of open and honest dialogue with regulators and are committed to complying with applicable legislation and regulation. As a registered charity, the Trust is regulated by the Charity Commission. Trustees receive regular reports on evolving legal, regulatory and compliance matters at each board meeting, incorporating a detailed impact and progress assessment.	The Trust responded to a survey from the Charity Commission requesting views on its draft guidance about changing a charity's governing document.

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

Tim Carroll
Chair
4 May 2023

Trustees' Report

(incorporating the Directors' Report for the year ended 31 December 2022)



The trustees, who are the directors of the charitable company for Companies Act 2006 purposes, are pleased to present their annual report and review together with the audited financial statements of the Charity and the Benefact Trust group of companies for the year ended 31 December 2022. 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 Trust's 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).

As permitted by Section 414 C (11) of the Companies Act 2006, some matters required to be included in the Trustees' report have instead been included in the Strategic Report. These disclosures are incorporated by reference in this Trustees' report. The Strategic Report can be found on pages 8 to 43.

Governance

Corporate Governance

We are committed to applying the highest standards of corporate governance and believe that the affairs of the Trust should be conducted in accordance with best practice. We comprehensively review our governance practices and procedures in the light of the Charity Governance Code (the Code), which was most recently refreshed in December 2020. We confirm that the Trust is compliant with the Code.

Governing document

Benefact Trust was incorporated (as Allchurches Trust Limited) 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, Benefact Trust in a general meeting may admit any person to membership provided the total number of members does not exceed 50. In the event of Benefact Trust 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 AGM (including on the election, re-election and removal of trustees and on any changes to the Charity's articles of association) and thereby influence 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.

Trustees' Report



Organisation

The body responsible for the management, actions and decisions of Benefact Trust 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 achieve agreed charitable objectives. Its work includes setting the strategic direction of the Trust, developing its objectives and policies, reviewing the performance of trading subsidiaries and delivering the outcomes for which the Trust 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 four scheduled meetings a year and primarily oversees the Trust's investment strategy and its financial affairs. Its members are Mr Tim Carroll (Interim Chair), Ms Caroline Banszky, and Mr Stephen Hudson. Mr Michael Arlington and Sir Laurie Magnus retired as a member of the Finance and Investment Committee in July 2022. *Mr David Smart retired as a member and Chair of the Finance and Investment Committee in May 2023.*

The Audit and Risk Committee has four scheduled meetings a year. It is responsible for the appropriateness of the Trust'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 Trust. Its members are Mr Tim Carroll (Chair), The Very Revd Jane Hedges, and Mr Stephen Hudson. Sir Laurie Magnus retired as a member of the Nominations Committee in July 2022.

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 Revd Paul Davis (Chair), Mr Tim Carroll, and The Venerable Karen Lund. Mr Michael Arlington retired as a member and Chair of the Grants Committee in July 2022.

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, Mrs Louise Wilkins, and Mr Stephen Hudson.

The day-to-day management of the Trust is undertaken by its senior executive staff, Interim Trust Director (appointed in January 2022) 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' Report



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 10 and 28 to the financial statements.

Appointments to the Board

We aim to have a diverse group of trustees, with a balance of necessary skills and experience, who are broadly representative of the communities the Trust serves. Dialogue with stakeholders that Benefact Trust serves takes place in identifying potential candidates for the Board. The Board will advertise and engage external search consultants, as per its Board Equality, Diversity and Inclusion Policy.

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 AGM 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 at the date of this report are stated on page 132.

Mr Tim Carroll, Sir Stephen Lamport and Revd Paul Davis will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. Mr Stephen Hudson and Mr Chris Moulder will also retire by rotation but will not offer themselves for re-election.

On 6 October 2022, Mr David Paterson was appointed to the Board and will seek election at the forthcoming AGM. On 2 May 2023, Mr David Smart resigned as a director.

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 Equality, Diversity and Inclusion

The primary responsibility of the trustees is to conduct the affairs of Benefact 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.

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

When considering our approach and commitment to the principles of equality, diversity and inclusion, we have agreed the following commonly used definitions:

- Equality means ensuring every individual has equal opportunities; equality means treating people in ways that make sure they are not unfairly prevented from accessing resources and opportunities nor that others have an unfair advantage.
- Diversity means having differences within an organisation or setting.
- Inclusion means being proactive to make sure people of different backgrounds, experiences and identities feel welcomed, respected and fully able to participate.

Trustees' Report



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

In 2021, the Board set the following objectives, which were re-confirmed in March 2023:

- Continue to achieve at least 33% female trustees on the Board;
- Ensure that the Board composition comprises at least one trustee from United Kingdom Minority Ethnic (UKME);
- Ensure that the Board broadly reflects the wider Christian family;
- Ensure that the recruitment process reflects the Board's commitment to its equality, diversity and inclusion policy, and takes account of the Charity Governance Code's Principle 6 (Equality, Diversity and Inclusion);
- Engage solely with executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and practice.

As at the date of this report, the Board's female representation is 30%, one trustee is UKME and the Board's composition reflects the wider Christian family. The Trust engages agencies to assist with trustee and executive recruitment searches. The Board, via its Nominations Committee, reviews its objectives yearly.

Trustees' induction and training

On acceptance of a position on the Board, all trustees receive a comprehensive welcome pack, which includes their appointment letter and terms. All trustees are required to undertake a formal and comprehensive induction to the Trust and its trading subsidiaries upon joining the Board. The induction is a two-stage process and is primarily undertaken by the Secretariat. 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 Chair, Senior Independent Director and each of the Executive Directors 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 most recent carried out during 2022/23.

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

Related parties

Related parties of the Trust include its subsidiary undertakings. A full list of the Trust's related undertakings is disclosed in note 46 to the financial statements. All subsidiaries listed are included in the consolidated financial statements.

Trustees' Report



Where it is sensible and appropriate to do so in terms of efficiency and the prudent use of resources, the Trust 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 receive any remuneration or other benefit from their work with the Trust. 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 of association. 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 Trust is undertaken by its senior executive staff, Interim Trust Director (appointed in January 2022) and the Company Secretary, who, with the trustees, are the Trust's key management personnel.

Remuneration of key management personnel is disclosed in note 11 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 10 to the financial statements.

Benefact Trust itself has no employees, but uses staff employed by a subsidiary company to undertake its charitable activities. These employee costs are recharged to the Trust. The remuneration policy for the Benefact 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 132.

Charitable giving policy

The Board regularly reviews its charitable giving policy to ensure it reflects the changing circumstances of the Trust, 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 homepage of our website.

During 2022, 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, following review by the Grants Committee. These applications were subject to initial appraisal by grants officers and the Head of Grants.

Applications made through the Transformational and Heritage Skills for Christian Buildings grants programmes were subject to review by the Grants Committee, prior to submission to the Board for final grant decisions.

Trustees' Report



During 2022, the Board approved the delegation of grant-making authority under the Small Grants programme of up to £5,000 to the Trust's Grants Officers, subject to a number of conditions, with initial review and approval by the Head of Grants and final sign-off by the Trust Director. The authorised amount will be reviewed during 2023.

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 Benefact Trust have an organised programme of direct community investment independent of the Trust, which is managed centrally by EIO plc's Impact 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: (i) supporting projects and partnerships important to customers and communities; and (ii) 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 Trust'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 in the Strategic Report.

Going concern

A review of the financial position and performance of the Trust and its trading subsidiaries has been outlined in the Strategic Report together with a description of the principal risks and uncertainties faced by the Trust.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £19.5m and no borrowings (2021: cash at bank and in hand of £25.1m and no borrowings); and the expendable endowment fund has financial investments of £109.6m, 100% of which are liquid (2021: financial investments of £109.9m, 100% of which are liquid).

The Trust's subsidiary Group has considerable financial resources: financial investments, excluding funeral plan investments, of £964.5m, 76% of which are liquid (2021: £919.9m, 87% of which liquid) and cash and cash equivalents of £144.5m (2021: £144.0m). Liquid financial investments consist of listed equities and open-ended investment companies, government

Trustees' Report



bonds and listed debt. 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.

Despite the current and expected economic pressures, given the liquidity position of the Benefact Trust group of companies, and the capital strength of Benefact Group, there is a reasonable expectation that the Benefact Trust group of companies 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 Benefact 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.

Trustees' Report



Auditor and the disclosure of information to the auditor

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 Trust will be put to the annual general meeting.

Equality, diversity and inclusion

The Trust 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 Benefact Trust Limited was approved by the Board and signed on its behalf by

Tim Carroll
Chair
4 May 2023

Independent Auditor's Report to the Members of Benefact Trust Limited



Report on the audit of the financial statements

Opinion

In our opinion, Benefact 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 2022 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, including 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 & Accounts (the "Annual Report"), which comprise: the consolidated and charity balance sheets as at 31 December 2022; the consolidated statement of financial activities (incorporating a consolidated income and expenditure account) and the charity statement of financial activities (incorporating an income and expenditure account) and the consolidated and charity statement of cash flows for the year then ended; and the notes to the financial statements, which include a description 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 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.

Independent Auditor's Report to the Members of Benefact Trust Limited



However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the 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 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.

With respect to the Strategic Report and Trustees' Report, we also considered whether the disclosures required by the UK Companies Act 2006 and Charities Act 2011 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires 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 Strategic Report and the Trustees' Report for the period ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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 did not identify any material misstatements in the Strategic Report and the Trustees' Report.

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.

Independent Auditor's Report to the Members of Benefact Trust Limited



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 or the 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 its industry/environment, we identified that the principal risks of non-compliance with laws and regulations related to breaches in UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, 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 Companies Act 2006. We evaluated management's 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 posting inappropriate journal entries to revenue or expenditure and management bias in accounting estimates specifically the valuation of the general insurance reserves including Physical and Sexual Abuse ("PSA") reserves. Audit procedures performed by the engagement team included:

- Enquired of compliance, risk, internal audit, and the group's legal function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Read key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewed relevant meeting minutes including those of the group and parent charitable company's audit and risk committees;
- Procedures relating to the valuation of investment property and unlisted equity investments, and the valuation of specific general insurance reserves such as UK loss of profits, asbestos and PSA reserves;
- Risk based target testing of journal entries, in particular any journal entries which include characteristics which were identified as potentially being indicative of a fraudulent journal; and
- Procedures to incorporate unpredictability around the nature, timing or extent of our testing.

Independent Auditor's Report to the Members of Benefact Trust Limited



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 FRC'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 company'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 obtained 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Colin Bates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
4 May 2023

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

for the year ended 31 December 2022



	Notes	2022			Restated* 2021		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income and endowments from:							
Donations	3	269	-	269	3,841	-	3,841
Investments							
<i>Gift aid from subsidiary undertaking</i>		15,000	5,000	20,000	21,000	-	21,000
<i>Dividend and interest income</i>	4	58	3,945	4,003	6	3,810	3,816
Total income		15,327	8,945	24,272	24,847	3,810	28,657
Expenditure on:							
Raising funds	5	-	(356)	(356)	-	(370)	(370)
Charitable activities							
<i>Charitable giving - grants</i>	6	(22,821)	-	(22,821)	(19,329)	-	(19,329)
<i>Other expenditure on charitable activities</i>	7	(1,351)	-	(1,351)	(1,043)	-	(1,043)
Total expenditure		(24,172)	(356)	(24,528)	(20,372)	(370)	(20,742)
Net (losses)/gains on investments	12	-	(12,198)	(12,198)	-	12,332	12,332
Taxation	8	-	(112)	(112)	-	(82)	(82)
Net (expenditure)/income in the year		(8,845)	(3,721)	(12,566)	4,475	15,690	20,165
Transfers between funds							
Gross transfers to the endowment fund	16	(2,000)	2,000	-	(4,000)	4,000	-
Gross transfers to the unrestricted fund	16	3,550	(3,550)	-	7,952	(7,952)	-
Net movement in funds		(7,295)	(5,271)	(12,566)	8,427	11,738	20,165
Total funds brought forward		20,958	115,827	136,785	12,531	104,089	116,620
Total funds carried forward		13,663	110,556	124,219	20,958	115,827	136,785

*The comparative financial statements have been restated as detailed in note 18.

The accompanying notes on pages 59 to 74 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 2022



	Notes	2022		Restated*
		Unrestricted funds	Endowment funds	2021 Total funds
		£000	£000	£000
Fixed assets				
Investments	12	50	109,615	109,952
Total fixed assets		50	109,615	109,952
Current assets				
Debtors	13	8	309	409
Cash at bank and in hand	14	19,546	679	30,767
Total current assets		19,554	988	31,176
Liabilities				
Creditors: amounts falling due within one year	15	(3,747)	(47)	(3,078)
Net current assets		15,807	941	28,098
Total assets less current liabilities		15,857	110,556	138,050
Creditors: amounts falling due after one year	15	(2,194)	-	(1,265)
Total net assets		13,663	110,556	136,785
The funds of the charity:				
Unrestricted funds				
General funds	16	11,681	-	14,612
Designated funds	16	1,982	-	6,346
		13,663	-	20,958
Restricted funds				
Endowment funds	16	-	110,556	115,827
Total funds		13,663	110,556	136,785

*The comparative financial statements have been restated as detailed in note 18.

The analysis of the prior year comparatives by fund is included in the related notes on page 70-71.

The financial statements of Benefact Trust Limited, registration number 1043742, on pages 56 to 74 were approved and authorised for issue by the Board on 4 May 2023 and signed on its behalf by:

Tim Carroll
Chairman

Stephen Hudson
Trustee

CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2022



	Notes	2022 £000	Restated* 2021 £000
Net (expenditure)/income for the reporting period		(12,566)	20,165
Adjustments for:			
Gift aid from subsidiary undertaking received in specie		(5,000)	-
Losses/(gains) on investments		12,198	(12,332)
Dividend and Interest income from investments		(4,003)	(3,816)
Decrease/(increase) in debtors		172	(174)
Increase in creditors		1,641	443
Taxation paid		112	82
Net cash (used in)/provided by operating activities		(7,446)	4,368
Cash flows from investing activities:			
Dividend and interest income from investments		3,823	3,798
Proceeds from the sale of investments		10,713	20,718
Purchase of investments		(17,624)	(13,175)
Net cash (used in)/provided by investing activities		(3,088)	11,341
Change in cash and cash equivalents in the reporting period		(10,534)	15,709
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		30,767	15,079
Change in cash and cash equivalents in the reporting period		(10,534)	15,709
Change in cash and cash equivalents due to exchange rate movements		(8)	(21)
Cash and cash equivalents at the end of the reporting period	14	20,225	30,767

*The comparative financial statements have been restated as detailed in note 18.

NOTES TO THE CHARITY FINANCIAL STATEMENTS



1 Accounting policies for charity parent only

Benefact 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, as modified by the revaluation of certain financial assets measured at fair value through profit and loss.

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 Financial Review section of the Strategic Report, together with a description of the principal risks and uncertainties faced by the charity.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £19,546,000 and no borrowings (2021: £25,077,000 and no borrowings); and the expendable endowment fund has financial investments of £109,615,000, 100% of which are liquid (2021: financial investments of £109,902,000, 100% of which are liquid). 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. Designated funds are unrestricted funds that have been set aside by the trustees for a particular purpose, as set out in note 16. During the period, the Expendable Endowment Fund (EEF) was registered with the Charity Commission as a charitable trust linked to the Trust (charity registration number 263960-1) for registration and accounting purposes. The Trust, as the Sole Trustee of the EEF, has the power to convert endowment funds to expendable income. The Trust remains the reporting charity and produced only one set of accounts which includes the EEF.

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.

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 irrecoverable withholding tax.

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 in the year, net of returned grant payments and grant offers withdrawn. Charitable giving is recognised once approved for payment. Returned grants are recognised when received. Withdrawn grants are recognised when the withdrawal of the grant offer is communicated. Charitable giving which is contingent upon the satisfaction of certain conditions is not recognised in the financial statements until those conditions have been satisfied.

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

Benefact Trust Limited and its linked charitable trust, the Expendable Endowment Fund, 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.

NOTES TO THE CHARITY FINANCIAL STATEMENTS



Transfers between funds

Transfers between the funds are recognised when 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* issued by the International Accounting Standards Board as adopted by the UK, 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 treatment differs.

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.

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 historic cost less impairment.

The charity's accounting policy for investment in subsidiary undertakings has previously been to carry it at fair value. The judgements and estimates used in valuation techniques to measure fair value are highly subjective, and the current economic environment and resulting market volatility has resulted in a significant range of potentially plausible fair values. This significant divergence in plausible fair value provides less reliable, comparable and relevant financial information to the users of the charity's financial statements, as well as increasing volatility in the charity statement of financial activities. An accounting policy that measures at historic cost less impairment is more aligned to the approach adopted by other charities and companies, thereby increasing the comparability of the charity's financial statements. The net asset value of the subsidiary is disclosed in note 12.

Further details on the prior year restatement is included in note 18.

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 charity has previously been required to make estimates when determining the fair value of the investment in subsidiary undertakings. However, as the prior year has been restated due to a change in accounting policy, there were no key sources of estimation uncertainty in the current or prior year. Details of the restatement are included in note 18.

3 Donations

In the prior year, the charity received a donation of £3,500,000 from Methodist Insurance PLC, which was designated by the trustees.

The charity received £269,000 (2021: £341,000) 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.



4 Dividend and interest income

	2022			2021		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	3,330	3,330	-	3,292	3,292
Debt securities						
- listed	-	586	586	-	527	527
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	58	29	87	6	(9)	(3)
	58	3,945	4,003	6	3,810	3,816

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	Shared costs	Support costs	Total
	£000	£000	£000	£000
2022				
National projects	2,401	30	159	2,590
England	18,201	272	159	18,632
Ireland	1,153	32	159	1,344
Scotland	541	28	159	728
Wales	485	24	159	668
Other	40	11	159	210
	22,821	397	954	24,172
2021				
National projects	2,592	23	105	2,720
England	14,698	244	105	15,047
Ireland	1,022	58	105	1,185
Scotland	402	35	105	542
Wales	575	31	105	711
Other	40	22	105	167
	19,329	413	630	20,372

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:

	2022 £000
National projects	
Baby Basics UK, Sheffield, South Yorkshire *	92
QEST (Queen Elizabeth Scholarship Trust), London	144
Rose Castle Foundation, Carlisle, Cumbria	200
Safe Spaces England and Wales, London	250
Sanctuary Foundation, London	162
Spurgeons, Rushden, Northamptonshire	260
Street Connect, Glasgow	150
The Ecumenical Council for Corporate Responsibility (ECCR), Kingston, Herefordshire	165
The Methodist Church in Great Britain, London	150
Through the Roof, Morden, Surrey	150
Youthscape, Luton, Bedfordshire *	30
	1,753
England	
ACET UK, Chester, Cheshire	120
Ashbourne Methodist Church, Ashbourne, Derbyshire	100
Baby Basics UK, Sheffield, South Yorkshire *	50
British Red Cross, London	150
Church of the Holy Family, Oxford, Oxfordshire	130
Church Revitalisation Trust, London	140
Church Urban Fund, London	280
Depaul International, London	150
Depaul UK, London	100
Grange Methodist Church, Grange-over-Sands, Cumbria	100
Innervation Trust Ltd, Tewkesbury, Gloucestershire	160
LifeLine Church, Dagenham, Essex	171
Linking Lives UK, Earley, Berkshire	145
Methodist Connexion, London	1,450
Nafferton Methodist Church, Nafferton, North Humberside	100
NAYBA, Bagshot, Surrey	210
Newquay Methodist Church, Newquay, Cornwall	150
Premier Christian Media Trust, London	375
Quakers in Britain (Britain Yearly Meeting of The Religious Society of Friends), London	200
Restored, Teddington, Middlesex	120
Sanctuary Foundation, London *	20
Sanctuary Mental Health Society (DBA Sanctuary Mental Health Ministries), London	150
Sheffield Cathedral	159
Sportily, Gloucester, Gloucestershire	100
Tewkesbury Methodist Church, Tewkesbury, Gloucestershire	120
The Branch Trust, Chipping Norton, Oxfordshire	100
The Diocese of Bath and Wells	121
The Diocese of Birmingham	192
The Diocese of Blackburn	165
The Diocese of Bristol	139
Subtotal carried onto page 63	5,667

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

NOTES TO THE CHARITY FINANCIAL STATEMENTS



	2022
	£000
England (continued)	
Subtotal from page 62	5,667
The Diocese of Canterbury	129
The Diocese of Chelmsford	295
The Diocese of Chester	172
The Diocese of Chichester	174
The Diocese of Coventry	118
The Diocese of Derby	136
The Diocese of Durham	179
The Diocese of Ely	103
The Diocese of Exeter	147
The Diocese of Guildford	110
The Diocese of Leeds	268
The Diocese of Leicester	136
The Diocese of Lichfield	226
The Diocese of Lincoln	141
The Diocese of Liverpool	188
The Diocese of London	366
The Diocese of Manchester	235
The Diocese of Newcastle	121
The Diocese of Norwich	127
The Diocese of Oxford	219
The Diocese of Peterborough	121
The Diocese of Portsmouth	112
The Diocese of Rochester	146
The Diocese of Salisbury	119
The Diocese of Sheffield	166
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	147
The Diocese of St Albans	188
The Diocese of Truro	104
The Diocese of Winchester	138
The Diocese of Worcester	122
The Diocese of York	168
The Family Works, Owlerton, South Yorkshire	250
The Good Faith Foundation, Ascot, Berkshire	100
The Liverpool Diocesan Board of Finance, Liverpool, Merseyside	202
The Salvation Army, London	150
The Trussell Trust, Salisbury, Wiltshire	100
Windsor Leadership, Windsor	150
Yorkshire North and East Methodist District, Acomb, North Yorkshire	102
Youth Ministry in Communion (St Andrew's, Fulham), Fulham, London	100
Youthscape, Luton, Bedfordshire	375
	12,575

NOTES TO THE CHARITY FINANCIAL STATEMENTS



	2022
	£000
Ireland	
Helping Hands Community Outreach Project, Portadown, County Armagh	122
The Representative Body of the Church of Ireland	179
Trustees of the Methodist Church in Ireland, Belfast	100
	<u>401</u>
Wales	
The Representative Body of the Church in Wales	182
	<u>182</u>
Total material grants	<u>14,911</u>
Total of grants that are not individually material in aggregate:	
National projects	648
England	5,626
Ireland	752
Scotland	541
Wales	303
Other	40
	<u>7,910</u>
Total grants	<u>22,821</u>

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:

	2021 £000
National projects	
A Rocha UK, Brentford, London	150
British Youth for Christ, Halesowen, West Midlands	225
Church Urban Fund, London	750
Feeding Britain, Westminster, London	150
Growing Hope, London	258
KICK, Richmond, Surrey	150
Parish Nursing Ministries UK, Peterborough, Cambridgeshire	125
The National Society (operating as the Church of England Education Office), Westminster, London	450
The Prince's Foundation, London	300
	2,558
England	
Bolton YMCA, Bolton, Greater Manchester	100
Exeter Cathedral	117
Greyfriars Church, Reading, Berkshire	130
Lighthouse London Church (Holy Trinity Swiss Cottage), Camden, London	100
Methodist Connexion, London	1,380
One YMCA, Watford, Hertfordshire	136
Salisbury Diocese Board of Education, Salisbury, Wiltshire	200
St Paul's Cathedral	225
The Diocese of Bath and Wells	126
The Diocese of Birmingham	178
The Diocese of Blackburn	156
The Diocese of Bristol	118
The Diocese of Canterbury	127
The Diocese of Chelmsford	286
The Diocese of Chester	169
The Diocese of Chichester	173
The Diocese of Coventry	111
The Diocese of Derby	137
The Diocese of Durham	378
The Diocese of Ely	103
The Diocese of Exeter	158
The Diocese of Guildford	107
The Diocese of Leeds	285
The Diocese of Leicester	135
The Diocese of Lichfield	228
The Diocese of Lincoln	147
The Diocese of Liverpool	180
The Diocese of London	385
The Diocese of Manchester	231
The Diocese of Newcastle	121
The Diocese of Norwich	140
The Diocese of Oxford	232
The Diocese of Peterborough	120
Subtotal carried onto page 66	6,919

NOTES TO THE CHARITY FINANCIAL STATEMENTS



	2021 £000
England (continued)	
Subtotal from page 65	6,919
The Diocese of Portsmouth	102
The Diocese of Rochester	144
The Diocese of Salisbury	130
The Diocese of Sheffield	160
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	145
The Diocese of St Albans	178
The Diocese of St Edmundsbury and Ipswich	103
The Diocese of Truro	102
The Diocese of Winchester	135
The Diocese of Worcester	117
The Diocese of York	177
Truro Methodist Church, Truro, Cornwall	180
	<u>8,850</u>
Ireland	
The Big House (Ireland), Limavady, County Londonderry	170
	<u>170</u>
Wales	
The Representative Body of the Church in Wales	182
	<u>182</u>
Total material grants	<u>11,760</u>
Total of grants that are not individually material in aggregate:	
National projects	34
England	5,848
Ireland	852
Scotland	402
Wales	393
Other	40
	<u>7,569</u>
Total grants	<u>19,329</u>



7 Other expenditure on charitable activities

Other charitable expenditure in the current year consists of £397,000 shared costs and £954,000 support costs incurred in the charity's grant making activities and can be analysed as follows:

	National projects	England	Ireland	Basis of allocation
2022	£000	£000	£000	
Shared costs	30	272	32	Number of grants
Support costs:				
Governance costs	65	65	65	Equal allocation
Finance	6	6	6	Equal allocation
Information technology	10	10	10	Equal allocation
Buildings	10	10	10	Equal allocation
Corporate	9	9	9	Equal allocation
Other	59	59	59	Equal allocation
	159	159	159	
Other expenditure on charitable activities	189	431	191	

	Scotland	Wales	Other	Basis of allocation
2022	£000	£000	£000	
Shared costs	28	24	11	Number of grants
Support costs:				
Governance costs	65	65	65	Equal allocation
Finance	6	6	6	Equal allocation
Information technology	10	10	10	Equal allocation
Buildings	10	10	10	Equal allocation
Corporate	9	9	9	Equal allocation
Other	59	59	59	Equal allocation
	159	159	159	
Other expenditure on charitable activities	187	183	170	

NOTES TO THE CHARITY FINANCIAL STATEMENTS



Other charitable expenditure in the prior year consists of £413,000 shared costs and £630,000 support costs incurred in the charity's grant making activities and can be analysed as follows:

	National projects	England	Ireland	Basis of allocation
2021	£000	£000	£000	
Shared costs	23	244	58	Time spent
Support costs:				
Governance costs	19	19	19	Equal allocation
Finance	12	12	12	Equal allocation
Information technology	11	11	11	Equal allocation
Buildings	14	14	14	Equal allocation
Corporate	11	11	11	Equal allocation
Other	38	38	38	Equal allocation
	105	105	105	
Other expenditure on charitable activities	128	349	163	
	Scotland	Wales	Other	Basis of allocation
2021	£000	£000	£000	
Shared costs	35	31	22	Time spent
Support costs:				
Governance costs	19	19	19	Equal allocation
Finance	12	12	12	Equal allocation
Information technology	11	11	11	Equal allocation
Buildings	14	14	14	Equal allocation
Corporate	11	11	11	Equal allocation
Other	38	38	38	Equal allocation
	105	105	105	
Other expenditure on charitable activities	140	136	127	



8 Taxation

Benefact Trust Limited and its linked charitable trust, the Expendable Endowment Fund, is a registered charity and is exempt from corporation tax. The £112,000 (2021: £82,000) tax charge recognised in the statement of financial activities relates to irrecoverable withholding tax on dividends received from overseas equity investments held by the expendable endowment fund.

9 Employee information

The charity itself has no employees, but uses staff employed by a subsidiary company to undertake its charitable activities. The employee costs recharged by the subsidiary company to the charity are shown below:

The average monthly number of full-time equivalent employees of the subsidiary company who carried out the charity's activities during the year was nine (2021: eight). All employees were employed in the United Kingdom in both the current and prior year.

	2022	2021
	£000	£000
Wages and salaries	620	413
Social security costs	72	44
Pension costs - defined contribution plans	48	33
	740	490

In the current year, two employees received employee benefits within the £60,001-£70,000 band, and one employee received employee benefits within the £120,001-£130,000 band. In the prior 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.

10 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Two trustees (2021: 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 of that subsidiary. 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 (2021: £2,000) which were incurred by five trustees primarily in respect of travel (2021: three trustees primarily in respect of travel and subsistence).

In addition, the charity paid direct expenses totalling £9,000 (2021: £1,000) which were incurred by nine trustees primarily in respect of travel, subsistence and training (2021: four 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.

11 Key management remuneration

Key management remuneration of the charity, including employee benefits, pensions and social security costs, in the year was £377,000 (2021: £239,000). Details of the key management of the charity can be found in the Trustees' Report.

NOTES TO THE CHARITY FINANCIAL STATEMENTS



12 Investments

	2022			Restated* 2021		
	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	-	100,099	100,099	-	100,726	100,726
Debt securities						
- listed	-	9,516	9,516	-	9,176	9,176
Total investments at fair value	-	109,615	109,615	-	109,902	109,902
Financial assets at historic cost						
Investment in subsidiary	50	-	50	50	-	50
Total investments at historic cost	50	-	50	50	-	50
Total investments	50	109,615	109,665	50	109,902	109,952

*The comparative financial statements have been restated as detailed in note 18.

The value of the investment in subsidiary on a historical cost basis is £50,000 (2021: £50,000). At the year end the subsidiary had net assets of £520,851,000 (2021: £524,114,000).

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.

Reconciliation of the movement in financial assets:

	Unrestricted funds	Endowment funds	Total funds
2022	At historic cost	At fair value	
	£000	£000	£000
At 1 January	50	109,902	109,952
Gift aid from subsidiary undertaking received in specie	-	5,000	5,000
Additions at cost	-	17,624	17,624
Sale proceeds	-	(10,713)	(10,713)
Fair value losses	-	(12,198)	(12,198)
At 31 December	50	109,615	109,665
	Restated*		
	Unrestricted funds	Endowment funds	Total funds
2021	At historic cost	At fair value	
	£000	£000	£000
At 1 January	50	103,113	103,163
Additions at cost	-	12,159	12,159
Sale proceeds	-	(17,702)	(17,702)
Fair value gains	-	12,332	12,332
At 31 December	50	109,902	109,952

*The comparative figures have been restated as detailed in note 18.



13 Debtors

	2022			2021		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Other debtors	3	-	3	172	-	172
Prepayments and accrued income	5	309	314	-	237	237
	8	309	317	172	237	409

14 Cash at bank and in hand

	2022			2021		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Short term deposits	19,280	679	19,959	20,658	5,690	26,348
Cash at bank and in hand	266	-	266	4,419	-	4,419
	19,546	679	20,225	25,077	5,690	30,767

15 Creditors

	2022			2021		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year:						
Accruals for grants payable	3,608	-	3,608	2,972	-	2,972
Amounts due to related parties	6	-	6	1	-	1
Other creditors	133	47	180	103	2	105
	3,747	47	3,794	3,076	2	3,078
Amounts falling due after one year:						
Accruals for grants payable	2,194	-	2,194	1,265	-	1,265
	2,194	-	2,194	1,265	-	1,265

NOTES TO THE CHARITY FINANCIAL STATEMENTS



16 Summary of fund movements

	Unrestricted funds			Total £000
	General funds £000	Designated funds £000	Endowment funds £000	
Fund balance at 1 January 2022	14,612	6,346	115,827	136,785
Income	15,313	14	8,945	24,272
Expenditure	(21,550)	(2,622)	(356)	(24,528)
Taxation	-	-	(112)	(112)
Fair value losses on investments	-	-	(12,198)	(12,198)
Gross transfers to endowment funds	-	(2,000)	2,000	-
Gross transfers to unrestricted funds	3,317	233	(3,550)	-
Gross transfers to designated funds	(11)	11	-	-
Fund balance at 31 December 2022	11,681	1,982	110,556	124,219
Fund balance at 1 January 2021 (restated)*	5,585	6,946	104,089	116,620
Income	21,343	3,504	3,810	28,657
Expenditure	(18,136)	(2,236)	(370)	(20,742)
Taxation	-	-	(82)	(82)
Fair value gains on investments	-	-	12,332	12,332
Gross transfers to endowment funds	(2,000)	(2,000)	4,000	-
Gross transfers to unrestricted funds	7,828	124	(7,952)	-
Gross transfers to designated funds	(8)	8	-	-
Fund balance at 31 December 2021 (restated)*	14,612	6,346	115,827	136,785

*The comparative figures have been restated as detailed in note 18.

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.

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 designated £258,000 (2021: £3,636,000) and transferred £2,000,000 (2021: £2,000,000) into the expendable endowment 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. In the prior year, £5,000,000 was transferred into the general unrestricted fund in order to maintain liquidity and £4,000,000 excess reserves were transferred into the expendable endowment fund.



17 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. A full list of related undertakings is disclosed in note 46. Transactions between the charity and its trustees, who are related parties, are disclosed in note 10.

	2022	2021
	£000	£000
Gift aid received	20,000	21,000
Expenses recharged	768	483
Investment management fees paid	182	221
Amounts due to related parties	6	1

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

18 Prior year restatement

The charity's accounting policy for its investment in subsidiary has previously been to measure it at fair value, with changes in fair value recognised in the statement of financial activities within net gains/(losses) on investments. The charity has changed its accounting policy to hold it at cost less impairment, as permitted by FRS 102 and the Charities SORP. If the charity had not changed its accounting policy, a gain of £68,445,000 would have been recognised in the prior year within net gains/(losses) on Investments.

The charity considers that holding the investment at cost less impairment provides more reliable, relevant and comparable information through removing volatility arising from movements in the fair value from the charity statement of financial activities. The judgments and estimates used in valuation techniques to measure fair value are highly subjective and can lead to a fair value measurement that is within a wide range of potentially plausible fair values. This, together with the wide range of possible inputs, contributes to fair value measurements for the charity's investment in subsidiary providing less reliable and less relevant information to users of the charity's financial statements.

Under FRS 102 a retrospective restatement of the prior year results is required. The effects of the restatement are detailed in this note, and are included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2021 the charity recognised a decrease in total unrestricted funds of the trust of £453,019,000.

	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
2021					
Total income	24,847	-	24,847	3,810	28,657
Total expenditure	(20,372)	-	(20,372)	(370)	(20,742)
Net gains on investments	68,445	(68,445)	-	12,332	12,332
Taxation	-	-	-	(82)	(82)
Net (expenditure)/Income in the year	72,920	(68,445)	4,475	15,690	20,165

NOTES TO THE CHARITY FINANCIAL STATEMENTS



	Unrestricted funds	Endowment funds	Restatement	As restated Total funds
	2021	2021		2021
	£000	£000	£000	£000
Fixed assets				
Investments	521,514	109,902	(521,464)	109,952
Total fixed assets	521,514	109,902	(521,464)	109,952
Total current assets	25,249	5,927	-	31,176
Creditors: amounts falling due within one year	(3,076)	(2)	-	(3,078)
Net current assets	22,173	5,925	-	28,098
Total assets less current liabilities	543,687	115,827	(521,464)	138,050
Creditors: amounts falling due after one year	(1,265)	-	-	(1,265)
Total net assets	542,422	115,827	(521,464)	136,785
The funds of the charity:				
Unrestricted funds				
General funds	14,612	-	-	14,612
Designated funds	6,346	-	-	6,346
Revaluation reserve	521,464	-	(521,464)	-
	542,422	-	(521,464)	20,958
Restricted funds				
Endowment funds	-	115,827	-	115,827
Total funds	542,422	115,827	(521,464)	136,785

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

for the year ended 31 December 2022



	Notes	2022			Restated* 2021		
		Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
		funds £000	funds £000	funds £000	funds £000	funds £000	funds £000
Income from:							
Donations		-	-	-	3,500	-	3,500
Gift aid from subsidiary undertaking		-	5,000	5,000	-	-	-
Other trading activities							
Income arising from trading activities	21	428,487	-	428,487	385,342	-	385,342
Investments							
Dividend, interest and rental income	22	33,409	3,945	37,354	33,065	3,810	36,875
Total Income		461,896	8,945	470,841	421,907	3,810	425,717
Expenditure on:							
Raising funds		-	(356)	(356)	-	(370)	(370)
Charitable activities							
Grants		(22,821)	-	(22,821)	(19,329)	-	(19,329)
Other expenditure on charitable activities		(1,081)	-	(1,081)	(702)	-	(702)
Other							
Charitable donations paid by trading subsidiaries		(2,730)	-	(2,730)	(2,548)	-	(2,548)
Expenditure arising from trading activities		(424,678)	-	(424,678)	(404,217)	-	(404,217)
Total expenditure		(451,310)	(356)	(451,666)	(426,796)	(370)	(427,166)
Net (losses)/gains on investments	23	(50,379)	(12,198)	(62,577)	71,915	12,332	84,247
Gain on disposal of subsidiary	29	34,944	-	34,944	-	-	-
Taxation	24	4,957	(112)	4,845	(15,482)	(82)	(15,564)
		108	(3,721)	(3,613)	51,544	15,690	67,234
Net income/(expenditure) in the year							
a. arising from the charity	25	(23,845)	(3,721)	(27,566)	(16,526)	15,690	(836)
b. arising from trading activities	25	23,953	-	23,953	68,070	-	68,070
		108	(3,721)	(3,613)	51,544	15,690	67,234

*The comparative financial statements have been restated as detailed in note 49.

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

for the year ended 31 December 2022



	Notes	2022			Restated* 2021		
		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	42	(2,000)	2,000	-	(4,000)	4,000	-
Gross transfers to unrestricted funds	42	3,550	(3,550)	-	7,952	(7,952)	-
Other recognised (losses)/gains							
Actuarial (losses)/gains on retirement benefits	41	(6,876)	-	(6,876)	41,260	-	41,260
Other gains/(losses)							
Currency translation differences	43	5,410	-	5,410	(2,357)	-	(2,357)
(Losses)/gains on net investment hedges	43	(4,514)	-	(4,514)	1,912	-	1,912
Tax attributable to other recognised (losses)/gains	24	2,545	-	2,545	(8,551)	-	(8,551)
Minority interests	44	(8,782)	-	(8,782)	(8,782)	-	(8,782)
Net movement in funds excluding minority interests		(10,559)	(5,271)	(15,830)	78,978	11,738	90,716
Total funds brought forward	42	545,022	115,827	660,849	466,044	104,089	570,133
Total funds carried forward		534,463	110,556	645,019	545,022	115,827	660,849

*The comparative financial statements have been restated as detailed in note 49.

The accompanying notes on pages 80 to 131 are an integral part of this consolidated statement of financial activities. Included within the results are the operations of SEIB Insurance Brokers Limited which was disposed of on 30 December 2022. Further information on the disposal can be found in note 29.

CONSOLIDATED BALANCE SHEET

at 31 December 2022



	Notes	2022 Total funds £000	Restated* 2021 Total funds £000
Fixed assets			
Intangible assets	30	32,316	33,627
Tangible assets	31	14,764	14,613
Investment property	32	140,846	163,355
Investments	33	1,559,514	1,229,029
Investment in associate	35	12,611	12,148
Total fixed assets		1,760,051	1,452,772
Current assets			
Debtors	36	575,586	488,305
Cash at bank and in hand	37	166,096	174,779
Total current assets		741,682	663,084
Liabilities			
Creditors: amounts falling due within one year	38	(170,062)	(146,467)
Net current assets		571,620	516,617
Total assets less current liabilities		2,331,671	1,969,389
Creditors: amounts falling due after one year	38	(3,544)	(2,477)
Provisions for liabilities	39	(1,565,853)	(1,197,336)
Subordinated liabilities	40	(25,818)	(24,433)
Net assets excluding retirement benefit obligations		736,456	745,143
Net pension asset	41	15,338	24,579
Other retirement benefit obligations	41	(4,960)	(7,058)
Total net assets including retirement benefit obligations		746,834	762,664
The funds of the charity:			
Unrestricted funds			
General funds	42	11,681	14,612
Designated funds	42	1,982	6,346
Revaluation reserve	42	222	268
Non-charitable trading reserves	42	501,316	506,256
Translation and hedging reserve	43	19,262	17,540
		534,463	545,022
Restricted funds			
Endowment funds	42	110,556	115,827
Total funds (excluding minority interests)		645,019	660,849
Minority interests	44	101,815	101,815
Total funds		746,834	762,664

*The comparative financial statements have been restated as detailed in note 49.

The consolidated financial statements of Benefact Trust Limited registration number 1043742, on pages 75 to 131 were approved and authorised for issue by the Board on 4 May 2023 and signed on its behalf by:

Tim Carroll
Chairman

Stephen Hudson
Trustee

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2022



	Notes	2022 £000	Restated* 2021 £000
Net (expenditure)/income for the reporting period		(3,613)	67,234
Adjustments for:			
Depreciation of property, plant and equipment		3,483	3,426
Gain on disposal of property, plant and equipment		(28)	(41)
Amortisation and impairment of intangible assets		5,907	3,783
Loss on disposal of intangible assets		-	4,765
Share of profit of associate		(1,463)	(2,274)
Tax (income)/expense		(4,845)	15,564
Profit on disposal of group undertaking		(34,944)	-
Losses/(gains) on financial investments and investment property		110,175	(69,783)
Dividend and interest income from investments		(27,889)	(27,595)
Finance costs		1,705	1,444
Increase in debtors		(82,159)	(64,186)
Increase in creditors		26,511	8,533
Increase in provisions		340,415	97,559
Adjustment for pension funding		265	1,151
Increase/(decrease) in retirement benefit obligation		2	(115)
Proceeds from the sale of investment property by trading subsidiaries		1,300	-
Proceeds from the sale of financial investments by trading subsidiaries		181,846	175,794
Purchase of financial investments by trading subsidiaries		(506,944)	(217,021)
Dividends received by trading subsidiaries		8,757	8,676
Interest received by trading subsidiaries		17,785	15,340
Tax paid by trading subsidiaries		(6,616)	(3,515)
Net cash provided by operating activities		29,650	18,939
Cash flows from investing activities:			
Purchases of property, plant and equipment		(3,752)	(3,845)
Proceeds from the sale of property, plant and equipment		40	559
Purchases of intangible assets		(4,179)	(3,942)
Purchase of investments		(17,624)	(13,175)
Proceeds from the sale of investments		10,713	20,718
Acquisition of business, net of cash acquired		-	(5,258)
Acquisition of subsidiary, net of cash acquired		(1,417)	-
Disposal of subsidiary, net of cash disposed		36,355	-
Dividend and interest income from parent charity investments		3,823	3,798
Loan issued to associate undertaking		(55,345)	-
Repayment of loan by associate undertaking		686	-
Net cash used in investing activities		(30,700)	(1,145)

*The comparative financial statements have been restated as detailed in note 49.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2022



	Notes	2022 £000	Restated* 2021 £000
Cash flows from financing activities:			
Interest paid by trading subsidiaries		(1,705)	(1,444)
Payment of finance lease liabilities		(172)	(217)
Proceeds from other borrowings		-	25,014
Dividends paid to non-controlling interests of subsidiaries		(8,782)	(8,782)
Net cash (used in)/provided by financing activities		(10,659)	14,571
Change in cash and cash equivalents in the reporting period		(11,709)	32,365
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		174,779	144,675
Change in cash and cash equivalents in the reporting period		(11,709)	32,365
Change in cash and cash equivalents due to exchange rate movements		3,026	(2,261)
Cash and cash equivalents at the end of the reporting period	37	166,096	174,779

*The comparative financial statements have been restated as detailed in note 49.

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 Benefact Trust group of companies' 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 48 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 Benefact Trust's subsidiaries 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 Benefact Trust group of companies 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

Associates are those entities over which the Benefact Trust group of companies 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 Benefact Trust group of companies' share of the net income/(expenditure) and other recognised gains/(losses) of the associate. When the Benefact Trust group of companies' share of losses of an associate exceeds its interest in that associate, the Benefact Trust group of companies discontinues recognising its share of further losses. Additional losses are recognised by a provision only to the extent that the Benefact Trust group of companies has incurred legal or constructive obligations or made payments on behalf of the associate.

Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Benefact Trust group of companies' 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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.

Life insurance business

Insurance contract premiums are recognised as income when receivable, at which date the liabilities arising from them are also 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.

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. Receivables are recognised in other assets on inception date of cover in respect of fees or commissions that the trading subsidiaries have an unconditional right to receive.

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.

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.

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.

Life 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. Insurance liabilities are remeasured to reflect current market interest rates.

The Group's accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to discount general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13,200,000 recognised in this financial year and a credit of £2,600,000 in the prior year, both within net investment return. For further information on the prior year restatement, see note 49.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Insurance contract liabilities (continued)

(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.

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 Benefact Trust group of companies 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.

Life insurance provisions

The life insurance provision is held in respect of certain funeral plans and is based on an estimate of the discounted future cash flows expected to arise from contracts in-force at the year-end date. The methods and assumptions used in calculating the provision are approved by the directors of the trading subsidiaries based on advice from their Chief Actuary. Changes in the life business provision are recognised in the statement of financial activities.

Investment contract liabilities

For products that have no significant insurance risk and are therefore classified as investment contracts, the trading subsidiaries recognise a liability measured at fair value. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

Taxation

Taxation comprises current and deferred tax. Tax is included in calculating the net income/(expenditure) for the year except to the extent it relates to items recognised in other gains/(losses), in which case it is recognised in other gains/(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.

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.

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, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Intangible assets (continued)

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.

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 fair 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

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. Where the Group disposes of a property, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net gains/(losses) on investments.

Financial instruments

As permitted by FRS 102, the Benefact Trust group of companies 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 as adopted by the UK.

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

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

- Financial instruments designated as at fair value, those held for trading, and hedge accounted derivatives are subsequently carried at fair value. 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).

Offset of financial assets and financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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 Benefact Trust group of companies 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).

(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 hedges 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 gains/(losses) on investments.

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.

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.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Life insurance business

For life 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. No acquisition costs have been deferred on the trading subsidiaries' existing life insurance business.

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.

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 Benefact Trust group of companies 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 Benefact Trust group of companies, 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. The trading subsidiaries' management have considered the current economic environment in their 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 life insurance contracts
- (c) Pensions and other post-employment benefits
- (d) Goodwill impairment and the carrying value of goodwill
- (e) Unlisted equity securities
- (f) Significant insurance risk

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 Benefact Group plc, which are available from the registered office on page 132.

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 46. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities.

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 life 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:

	2022	2021
	£000	£000
United Kingdom and Ireland	407,583	354,763
Australia	99,698	93,365
Canada	108,762	91,610
	616,043	539,738
Reconciliation of turnover to income from trading subsidiaries:		
Turnover	616,043	539,738
Outward reinsurance premium	(238,069)	(198,601)
Net change in provision for unearned premium	(16,505)	(14,620)
Other fee and commission income not included in turnover	65,554	56,551
Share of profit of associate	1,464	2,274
Income arising from trading activities	428,487	385,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	2022 £000	2021 £000
General insurance business	558,544	486,220
Life insurance business	63	(2)
Investment management	16,431	14,878
Broking and advisory	41,005	38,642
	616,043	539,738

(c) An analysis of life insurance business gross written premiums is set out below:

	2022 £000	2021 £000
Single premiums	56	(8)
Regular premiums	7	6
	63	(2)

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

	2022			Restated* 2021	
	Ecclesiastical Insurance Office plc £000	Ansvar Insurance Limited £000	Ecclesiastical Life Limited £000	Total £000	Total £000
Profit and loss account					
Turnover	461,592	99,699	7	561,298	499,243
Dividend and interest income	30,044	3,043	3,670	36,757	32,627
Other income	(122,866)	(48,754)	-	(171,620)	(169,695)
Total income	368,770	53,988	3,677	426,435	362,175
Net incurred claims	(123,410)	(21,433)	(4,331)	(149,174)	(145,811)
Charitable donations	(2,546)	(141)	-	(2,687)	(2,422)
Other expenditure	(193,124)	(32,674)	(670)	(226,468)	(204,965)
Total expenditure	(319,080)	(54,248)	(5,001)	(378,329)	(353,198)
Net (losses)/gains on investments	(28,326)	801	(2,314)	(29,839)	75,428
Taxation	6,258	(345)	1,158	7,071	(14,537)
Gift aid paid to parent charity	(20,000)	-	-	(20,000)	(21,000)
Other comprehensive (expense)/income and changes in equity	(15,880)	1,503	-	(14,377)	19,459
(Loss)/profit retained and transferred to reserves	(8,258)	1,699	(2,480)	(9,039)	68,327
Balance sheet					
Total assets	1,421,668	324,423	167,188	1,913,279	1,823,121
Equity	544,769	57,696	53,766	656,231	659,190
Liabilities	876,899	266,727	113,422	1,257,048	1,163,931
Total equity and liabilities	1,421,668	324,423	167,188	1,913,279	1,823,121

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

*The comparative figures have been restated as detailed in note 49.

**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**

	2022				2021	
	Ecclesiastical Planning Services Limited £000	EdenTree Investment Management Limited £000	SEIB Insurance Brokers Limited* £000	Lycetts Holdings Limited £000	Total £000	Total £000
Profit and loss account						
Turnover	5,879	9,349	12,510	25,602	53,340	58,211
Dividend and interest income	13	(22)	832	127	950	1,056
Total Income	5,892	9,327	13,342	25,729	54,290	59,267
Charitable donations	-	(2)	(25)	(17)	(44)	(127)
Other expenditure	(6,508)	(12,232)	(10,924)	(22,616)	(52,280)	(57,103)
Total expenditure	(6,508)	(12,234)	(10,949)	(22,633)	(52,324)	(57,230)
Taxation	74	605	(1,054)	(719)	(1,094)	(509)
Other comprehensive (expense)/income and changes in equity	-	-	(4,500)	2,471	(2,029)	(170)
(Loss)/profit retained and transferred to reserves	(542)	(2,302)	(3,161)	4,848	(1,157)	1,358
Balance sheet						
Total assets	592,260	14,040	-	30,347	636,647	327,117
Equity	5,082	3,947	-	14,634	23,663	33,075
Liabilities	587,178	10,093	-	15,713	612,984	294,042
Total equity and liabilities	592,260	14,040	-	30,347	636,647	327,117

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

*SEIB Insurance Brokers Limited was disposed of on 30 December 2022 leaving nil assets and liabilities at year end. Further information on the disposal can be found in note 29.

**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.



22 Dividend, interest and rental income

	2022			2021		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value through profit or loss						
Equity securities						
- listed	6,472	3,330	9,802	6,012	3,292	9,304
- unlisted	874	-	874	2,003	-	2,003
Debt securities						
- government bonds	323	-	323	488	-	488
- listed	10,749	586	11,335	11,635	527	12,162
Income from financial assets at amortised cost						
a. cash at bank and in hand and cash deposits net of exchange gains and losses	2,209	29	2,238	576	(9)	567
b. other income received	3,763	-	3,763	3,272	-	3,272
Other income						
c. rental income	9,019	-	9,019	9,079	-	9,079
	33,409	3,945	37,354	33,065	3,810	36,875

23 Net (losses)/gains on investments

	2022			Restated* 2021		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Net (losses)/gains on investments	(76,768)	(12,198)	(88,966)	37,216	12,332	49,548
Net (losses)/gains on investment property	(21,209)	-	(21,209)	20,235	-	20,235
Impact of discount rate change on Insurance contract liabilities	47,598	-	47,598	14,464	-	14,464
	(50,379)	(12,198)	(62,577)	71,915	12,332	84,247

*The comparative figures have been restated as detailed in note 49.

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 income/(expenditure) for the year

	2022	Restated*
	£000	£000
Current tax on net income/(expenditure) for the year		
UK corporation tax	1,427	8,468
Double tax relief	2,251	1,457
	<u>3,678</u>	<u>9,925</u>
Foreign tax	(16)	25
Adjustments in respect of prior years		
UK corporation tax	(315)	536
Foreign tax	16	930
	<u>(299)</u>	<u>1,466</u>
Total current tax	<u>3,363</u>	<u>11,416</u>
Deferred tax		
Origination and reversal of timing differences	(11,098)	(4,168)
Effect of change in tax rate on opening liability	-	9,203
Adjustment in respect of prior years	2,890	(887)
Total deferred tax	<u>(8,208)</u>	<u>4,148</u>
Total tax on net income/(expenditure) for the year	<u>(4,845)</u>	<u>15,564</u>

A change in the UK standard rate of corporation tax from 19% to 25% will become effective from 1 April 2023. Deferred tax has been provided at an average rate of 23.5% (2021: 23.5%).

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

	2022	Restated*
	£000	£000
Net (expenditure)/income before tax	(8,458)	82,798
Tax calculated at the UK standard rate of tax of 19% (2021: 19%)	(1,607)	15,732
<i>Factors affecting (credit)/charge for the year:</i>		
Expenses not deductible for tax purposes	(2,715)	(533)
Non-taxable income	(5,314)	(3,015)
Long-term insurance and other tax paid at non-UK rates	2,404	470
Tax paid at non-standard UK rates	2,999	(3,221)
Double tax relief	(2,251)	(1,457)
Impact of differential between current and deferred tax rate	(952)	822
Utilisation of tax losses for which no deferred tax asset has been recognised	-	(451)
Deferred tax asset for tax losses not previously recognised	-	(2,565)
Impact of reduction in deferred tax rate	-	9,203
Adjustments to tax (credit)/charge in respect of prior periods	2,591	579
Total tax (credit)/expense	<u>(4,845)</u>	<u>15,564</u>

*The comparative figures have been restated as detailed in note 49.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	2022 £000	2021 £000
Current tax (credited)/charged on:		
Fair value movements on hedge derivatives	(341)	313
Deferred tax (credited)/charged on:		
Fair value movements on owner-occupied property	-	18
Actuarial movements on retirement benefit plans	(1,719)	8,350
Fair value movements on hedge derivatives	(485)	(130)
Total tax (credited)/charged to other recognised (losses)/gains	(2,545)	8,551

25 Net income/(expenditure) in the year

	2022		2021	
	Unrestricted funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £000
Net income/(expenditure) for the year has been arrived at after charging/(crediting)				
Net foreign exchange losses/(gains)	1,383	(6)	(592)	19
Depreciation of tangible fixed assets	3,483	-	3,426	-
Amortisation of goodwill	1,093	-	1,676	-
Amortisation of intangible assets	4,814	-	2,107	-
Operating lease rentals	5,817	-	6,193	-
Fair value losses/(gains) on investments designated at fair value through profit and loss	76,768	12,198	(37,216)	(12,332)
Fair value losses/(gains) on investment property	21,209	-	(20,238)	-
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

	2022 £000	2021 £000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	50	31
Fees payable to the charity's auditor and its associates for other services:		
- The audit of the charity's subsidiaries	1,312	1,187
Total audit fees	1,362	1,218
- Audit-related assurance services	332	291
- Other assurance services	87	-
Total non-audit fees	419	291
Total auditor's remuneration	1,781	1,509
Amounts disclosed are net of services taxes, where applicable. Audit related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work of the charity's subsidiaries.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



27 Employee information

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

	2022 No.	2021 No.
United Kingdom and Ireland	1,411	1,358
Australia	137	110
Canada	79	78
	<u>1,627</u>	<u>1,546</u>

	2022 £000	2021 £000
Wages and salaries	108,495	97,848
Social security costs	10,625	9,433
Pension costs - defined contribution plans	8,358	7,452
Pension costs - defined benefit plans	872	1,982
Other post-employment benefits	132	83
	<u>128,482</u>	<u>116,798</u>
Capitalised staff costs	(502)	(1,446)
	<u>127,980</u>	<u>115,352</u>

The above figures do not include termination benefits of £278,000 (2021: £340,000).

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



28 Key management remuneration

Two (2021: two) trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. Details of the emoluments received are as follows:

	2022 £000	2021 £000
Chris Moulder	78	75
Sir Stephen Lamport	71	59
Total emoluments paid to trustees in their capacity as non-executive directors of subsidiary undertakings	149	134

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 11. The key management remuneration of the trading subsidiaries can be found in note 40 of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 132.

29 Disposal of subsidiaries

On 30 December 2022 Ecclesiastical Insurance Office plc disposed of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited, to a related party. The related party is an associate of Benefact Group plc.

	2022 £000	2021 £000
Consideration received or receivable	45,197	-
Carrying amount of net assets sold	(10,253)	-
Gain on disposal before and after tax	34,944	-

The gain on disposal has been presented within the consolidated statement of financial activities.

The carrying amounts of assets and liabilities as at the date of disposal were:

	2022 £000	2021 £000
Goodwill and other intangibles	1,809	-
Property, plant and equipment	370	-
Other assets	7,496	-
Cash and cash equivalents	8,842	-
Total assets	18,517	-
Provisions for other liabilities	(51)	-
Current tax liabilities	(1,010)	-
Deferred income	(362)	-
Other liabilities	(6,841)	-
Total liabilities	(8,264)	-
Net assets	10,253	-



30 Intangible assets

	Goodwill	Computer software	Other intangible assets	Total
	£000	£000	£000	£000
Cost				
At 1 January 2022	51,980	46,137	19,850	117,967
Additions	2,120	4,179	-	6,299
Disposals	(22,600)	-	(5,789)	(28,389)
Exchange movements	-	254	10	264
At 31 December 2022	31,500	50,570	14,071	96,141
Accumulated amortisation				
At 1 January 2022	48,733	18,673	16,934	84,340
Provided in the year	1,093	3,353	1,461	5,907
Disposals	(21,303)	-	(5,277)	(26,580)
Exchange movements	-	151	7	158
At 31 December 2022	28,523	22,177	13,125	63,825
Net book value				
At 31 December 2021	3,247	27,464	2,916	33,627
At 31 December 2022	2,977	28,393	946	32,316

The intangible assets of the Benefact Trust group of companies 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. £23,400 of the goodwill balance (2021: £234,000) relates to the acquisition of Lycetts Holdings Limited during 2011. Enil of the goodwill balance (2021: £1,025,000) relates to the acquisition of Lansdown Insurance Brokers Limited during 2014. £1,032,000 of the goodwill balance (2021: £1,185,000) relates to the acquisition of Robertson-McIsaac Limited in 2019. £1,884,000 of the goodwill balance (2021: Enil) relates to the acquisition of G.D Anderson & Co in 2022.

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.

£893,000 (2021: £1,116,000) 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 four years.

Goodwill of £1,297,000 and other intangibles of £512,000 relating to South Essex Insurance Holdings Limited were disposed of during the year. Further details of the disposal can be found within note 29.



31 Tangible assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost or valuation					
At 1 January 2022	1,465	9,988	1,725	16,782	29,960
Additions	-	3,135	374	573	4,082
Disposals	-	(654)	(624)	(1,212)	(2,490)
Exchange movements	-	57	-	150	207
At 31 December 2022	1,465	12,526	1,475	16,293	31,759
Accumulated depreciation					
At 1 January 2022	-	7,631	700	7,016	15,347
Charge for the year	-	1,943	198	1,342	3,483
Disposals	-	(473)	(390)	(1,075)	(1,938)
Exchange movements	-	44	-	59	103
At 31 December 2022	-	9,145	508	7,342	16,995
Net book value					
At 31 December 2021	1,465	2,357	1,025	9,766	14,613
At 31 December 2022	1,465	3,381	967	8,951	14,764

The tangible assets of the Benefact Trust group of companies 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 £1,464,000 (2021: £1,464,000).

Included within net book value of motor vehicles is £965,000 (2021: £987,000) in respect of assets held under finance leases.

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32 Investment property

	2022	2021
	£000	£000
Fair value at 1 January	163,355	142,142
Transfers from tangible assets	-	975
Disposals	(1,300)	-
Fair value (losses)/gains	(21,209)	20,238
Fair value at 31 December	140,846	163,355

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

The trading subsidiaries' investment properties were last revalued at 31 December 2022 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 2022. 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 (2021: £139,919,000).

Included within investment property are long leasehold properties with a net book value of £18,836,000 (2021: £20,751,000).

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.



33 Investments

	2022 £000	2021 £000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	368,879	382,408
- unlisted	99,870	80,144
Debt securities		
- government bonds	206,394	204,072
- listed	262,842	322,470
- unlisted	-	34
Structured notes	56,137	14,649
Investment contract assets	485,213	199,181
Derivative financial instruments:		
- forwards	-	2
- options	100	334
	<u>1,479,435</u>	<u>1,203,294</u>
Financial assets at fair value through other recognised gains/(losses)		
Derivative financial instruments:		
- forwards	655	414
	<u>655</u>	<u>414</u>
Financial assets at amortised cost		
Other loans	79,424	25,321
	<u>79,424</u>	<u>25,321</u>
Total investments	<u>1,559,514</u>	<u>1,229,029</u>

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 recognised (losses)/gains £000	At amortised cost £000	At fair value through profit or loss £000	£000
2022					
Fair value at 1 January	1,093,391	414	25,322	109,902	1,229,029
Additions at cost	506,946	-	55,344	17,624	579,914
Gift aid from subsidiary to Endowment fund	(5,000)	-	-	5,000	-
Disposal proceeds	(159,333)	4,134	-	(10,713)	(165,912)
Fair value losses	(51,870)	(3,893)	-	(12,198)	(67,961)
Redemption and repayments	(27,036)	-	(1,242)	-	(28,278)
Exchange gains	12,722	-	-	-	12,722
Fair value at 31 December	1,369,820	655	79,424	109,615	1,559,514
2021					
Fair value at 1 January	1,020,637	401	17,728	103,113	1,141,879
Additions at cost	206,337	-	11,700	12,159	230,196
Disposal proceeds	(156,047)	(655)	(3,016)	(17,702)	(177,420)
Fair value gains	44,827	668	-	12,332	57,827
Redemptions and repayments	(17,350)	-	(1,090)	-	(18,440)
Exchange losses	(5,013)	-	-	-	(5,013)
Fair value at 31 December	1,093,391	414	25,322	109,902	1,229,029

Fair value gains/(losses) through profit or loss in the unrestricted fund excludes £2,903,000 fair value losses (2021: £913,000 fair value gains) on derivatives classified as financial liabilities.



34 Derivative financial instruments

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

A trading subsidiary has also formally designated certain derivatives as a hedge of its net investments in Australia and Canada. A loss of £4,514,000 (2021: gain of £1,912,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 43. The trading subsidiary has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

	2022			2021		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount* £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
Equity/Index contracts						
Options	100	100	-	34,695	334	296
Foreign exchange contracts						
Forwards (Euro)	93,712	-	2,475	99,369	2	35
Hedge derivatives						
Foreign exchange contracts						
Forwards (Australian dollar)	55,742	-	759	40,512	145	-
Forwards (Canadian dollar)	48,442	655	-	37,609	269	-
	197,996	755	3,234	212,185	750	331

*The contract/notional amount in the prior year has been restated to reflect sterling values

All derivatives in the current and prior period expire within one year. All contracts designated as hedging instruments were fully effective in the current and prior 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 33) and derivative fair value liabilities are recognised within creditors (note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



35 Investment in associate

Benefact Group plc holds 40% of the issued ordinary share capital of Lloyds & Whyte Group Limited. Lloyd & Whyte is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. It is accounted for using the equity method in these consolidated financial statements as set out in the Benefact Trust group of companies' accounting policies. A reconciliation of the movement in the investment in associate is as follows:

	Share of net assets £000	Goodwill £000	Total £000
At 1 January 2021	623	5,073	5,696
Acquired in the year	729	4,528	5,257
Share of net income/(expenditure) for the period	2,274	-	2,274
Dividends received	(1,079)	-	(1,079)
At 31 December 2021	2,547	9,601	12,148
Share of net income/(expenditure) for the period	1,463	-	1,463
Dividends received	(1,000)	-	(1,000)
At 31 December 2022	3,010	9,601	12,611

At the year end date the Benefact Trust group of companies' interest in Lloyd & Whyte Group Limited is as follows:

	2022 £000	2021 £000
Benefact Trust group of companies' 40% share of:		
Revenue	11,602	10,049
Assets	48,311	24,815
Liabilities	(45,301)	(22,268)
Share of net assets	3,010	2,547



36 Debtors

	2022	Restated*
	£000	2021 £000
(a) Amounts falling due within one year		
Trade debtors	163,734	141,327
Other debtors	19,922	20,382
Amounts due from related parties	1,790	-
Reinsurers' share of technical provisions	206,339	167,398
Accrued rent and interest	4,436	4,166
Deferred acquisition costs	52,526	46,027
Current tax recoverable	4,412	525
Other prepayments and accrued income	8,486	8,550
	461,645	388,375
(b) Amounts falling due after one year		
Trade debtors	2,147	2,140
Other debtors	77	68
Reinsurers' share of technical provisions	100,623	86,038
Deferred tax assets	8,689	9,605
Other prepayments and accrued income	2,405	2,079
	113,941	99,930
Total debtors	575,586	488,305

*The comparative figures have been restated as detailed in note 49.

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 48 VII.

A reconciliation of the movement in deferred acquisition costs is presented in note 48 VI.

(c) Overdue and impaired trade debtors

There has been no significant change in the recoverability of the trading subsidiaries' trade debtors, 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 £1,113,000 (2021: £985,000) in respect of debtors that are individually determined to be impaired.

Included within trade debtors is £44,082,000 (2021: £17,736,000) overdue but not impaired. Of this balance, £37,596,000 (2021: £14,808,000) is not more than three months overdue at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



37 Cash at bank and in hand

	2022			2021		
	Unrestricted funds	Endowment funds	Total	Unrestricted funds	Endowment funds	Total
	£000	£000	£000	£000	£000	£000
Short term deposits	67,939	679	68,618	58,712	5,690	64,402
Cash at bank and in hand	97,478	-	97,478	110,377	-	110,377
	165,417	679	166,096	169,089	5,690	174,779

Included within short term deposits of the trading subsidiary are cash deposits of £8,810,000 (2021: £2,830,000) 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 £15,109,000 (2021: £23,072,000) pledged as collateral by way of cash calls from reinsurers, and £13,380,000 (2021: £16,078,000) of restricted cash held on an agency basis.

38 Creditors

	2022	2021
	£000	£000
(a) Amounts falling due within one year		
Trade creditors	54,073	38,103
Other creditors	36,559	39,673
Derivative liabilities	3,234	331
Amounts due to related parties	-	24
Corporation tax	442	1,236
Accruals and deferred income	75,754	67,100
	170,062	146,467
(b) Amounts falling due after one year		
Other creditors	1,350	1,212
Accruals and deferred income	2,194	1,265
	3,544	2,477

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.



39 Provisions for liabilities

	2022	Restated*
	£000	2021 £000
Provisions for liabilities	4,883	5,678
Deferred tax liabilities	38,803	50,358
Technical provisions	925,395	865,160
Life business technical provisions	502	19,434
Investment contract liabilities	596,270	256,706
	1,565,853	1,197,336

*The comparative figures have been restated as detailed in note 49.

All provisions relate to the trading subsidiaries.

Technical provisions and life business technical provisions arise on the general insurance and life insurance business of the trading subsidiaries. Further details of these provisions are provided in note 48 parts VII to IX.

(a) Provisions for liabilities

	Regulatory and legal provisions £000	Other provisions £000	Total £000
At 1 January 2022	2,619	3,059	5,678
Additional provisions	1,783	247	2,030
Used during year	(1,825)	(1)	(1,826)
Not utilised	(157)	(796)	(953)
Disposal of business	-	(52)	(52)
Exchange differences	-	6	6
At 31 December 2022	2,420	2,463	4,883
Current	2,420	1,766	4,186
Non-current	-	697	697

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 Benefact Trust group of companies 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.

Other provisions

The provision for other costs relates to costs in respect of dilapidations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



(b) Deferred tax

	2022	Restated*
	£000	£000
At 1 January	40,753	28,231
Credited to net income/(expenditure)	(8,208)	(5,055)
Charged to net income/(expenditure) - resulting from reduction in tax rate	-	9,203
(Credited)/charged to other recognised gains/(losses)	(2,204)	10,137
Credited to other recognised gains/(losses) - resulting from reduction in tax rate	-	(1,899)
Transfer on acquisition/ disposal of subsidiary	61	-
Exchange differences	(288)	136
At 31 December	30,114	40,753

	2022	Restated*
	£000	£000
Deferred tax assets included in debtors	8,689	9,605
Deferred tax liabilities included in provisions for liabilities	(38,803)	(50,358)
Net provision for deferred tax	(30,114)	(40,753)
Deferred tax is provided as follows:		
Unrealised investment gains	(37,065)	(45,571)
Retirement benefit obligations	(2,600)	(4,386)
Depreciation in excess of capital allowances	(563)	715
Other timing differences	10,114	8,489
Net provision for deferred tax	(30,114)	(40,753)

*The comparative figures have been restated as detailed in note 49.

The Benefact Trust group of companies expects a net deferred tax liability of £184,000 (2021: £4,700,000, net deferred tax liability) to reverse within 12 months of the year end date. The reversal is expected to arise from the sale of investments, claiming of capital allowances, settlement of overseas claims costs, and other temporary timing differences.

(c) Investment contract liabilities

	2022	2021
	£000	£000
Investment contract liabilities	596,270	256,706
	596,270	256,706

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and are therefore classified as current. These liabilities are matched with highly liquid investments.



40 Subordinated liabilities

	2022	2021
	£000	£000
6.3144% EUR 30m subordinated debt	25,818	24,433
	25,818	24,433

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds by a trading subsidiary, maturing in February 2041 and callable after February 2031. Subordinated debt is stated at amortised cost.

41 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 Ecclesiastical Insurance Office plc (EIO plc) for UK employees. 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 also retain the link to final salary whilst they remain employed by EIO plc. From 1 July 2019, active members in employment joined one of the trading subsidiaries' defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

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. No contribution is expected to be paid by EIO plc in 2023.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2022 for FRS 102 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available as a reduction in future contributions in accordance with FRS 102. This has resulted in the recognisable surplus being restricted by £57,100,000. EIO plc has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with FRS 102.

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, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the trading subsidiaries' defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the trading subsidiary into the plan during the next financial year is £500,000 (2021: £100,000).

The actuarial valuation for the LBSD plan was reviewed and updated by an actuary at 31 December 2022. As LBSD does not have an unconditional right to a refund of the surplus in the scheme the recognisable surplus has been restricted by £600,000 in accordance with FRS 102.

In the current year, actuarial gains arising from changes in financial assumptions of £159,143,000 (2021: actuarial gains of £21,343,000) have been recognised in the statement of financial activities. This has mainly resulted from a 2.87% increase in the discount rate. In the prior year, these gains resulted from a 0.6% increase in the discount rate assumption partially offset by inflation-linked pension increases.

Experience losses of £12,025,000 have been recognised in the current year (2021: £1,021,000). This is mainly due to actual inflation exceeding the inflation assumptions for the Group's main defined benefit plan. A review and update to certain demographic assumptions resulted in an actuarial gain of £2,993,000 (2021: £3,913,000 actuarial gain) being recognised in the current year.

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 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.

An LDI allocation is maintained as a risk management tool in order to preserve some future protection for the Fund against falling yields and rising inflation, designed to hedge 65% of the interest rate and 75% 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 suppressed, 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, including the use of an equity protection strategy to reduce the impact of a material fall in equity markets. Their aim is to establish a Long Term Funding Target in line with guidance from the Pensions Regulator. The Trustees intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer.

The Trustees of the trading subsidiaries' main defined benefit plan adopt a Responsible and Sustainable Investment Policy with regards to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

	2022 £000	2021 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(238,191)	(393,689)
Fair value of plan assets	311,236	435,736
	<u>73,045</u>	<u>42,047</u>
Restrictions on asset recognised	(57,707)	(17,468)
Net asset in the balance sheet	<u>15,338</u>	<u>24,579</u>
The following is the analysis of the net pension asset/(deficit) for financial reporting purposes:		
Net pension asset	15,338	28,304
Net pension liability	-	(3,725)
	<u>15,338</u>	<u>24,579</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	2022 £000	2021 £000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	573	853
Administration cost	768	918
Interest income on plan assets	(8,150)	(5,202)
Interest expense on scheme liabilities	7,349	5,413
Effect of interest on asset ceiling	332	-
Total, included in expenditure arising from trading activities	872	1,982
The amounts recognised in actuarial gains/(losses) on retirement benefits are as follows:		
Return on plan assets, excluding interest income	(119,180)	35,136
Experience losses on liabilities	(12,025)	(1,021)
Gains from changes in demographic assumptions	2,993	3,913
Gains from changes in financial assumptions	159,143	21,343
Change in asset restriction	(39,907)	(17,468)
	(8,976)	41,903

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

	2022 £000	2021 £000
Plan assets		
At 1 January	435,736	406,605
Interest income	8,150	5,202
Return on plan assets, excluding interest income	(119,180)	35,136
Pension benefits paid and payable	(13,966)	(11,977)
Contributions paid	607	831
Employee contributions	3	29
Administrative expenses	(114)	(90)
At 31 December	311,236	435,736
Defined benefit obligation		
At 1 January	393,689	422,778
Current service cost	573	853
Administration cost	654	828
Interest cost	7,349	5,413
Pension benefits paid and payable	(13,966)	(11,977)
Employee contributions	3	29
Experience losses on liabilities	12,025	1,021
Gains from changes in demographic assumptions	(2,993)	(3,913)
Gains from changes in financial assumptions	(159,143)	(21,343)
At 31 December	238,191	393,689
Asset ceiling		
At 1 January	17,468	-
Effect of interest on the asset ceiling	332	-
Change in asset ceiling	39,907	17,468
At 31 December	57,707	17,468

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	2022	2021
	%	%
Discount rate	4.77	1.90
Inflation (RPI)	3.30	3.40
Inflation (CPI)	2.79	2.98
Future salary increases	4.09	4.42
Future increase in pensions in deferment	3.37	3.55
Future average pension increases (RPI)	3.05	3.19
Future average pension increases (CPI)	2.10	2.20

Mortality rate	2022	2021
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	22.8	22.7
Female	24.1	24.0
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	23.5	23.5
Female	25.3	25.2

Plan assets are as follows:	2022	2021
	£000	£000
Cash and other*	37,268	41,185
Equity instruments		
UK quoted	47,651	84,626
UK unquoted	-	34
Overseas quoted	45,773	95,361
	93,424	180,021
Liability driven investments - unquoted	46,988	60,482
Debt instruments		
UK public sector quoted - fixed interest	-	227
UK non-public sector quoted - fixed interest	69,651	78,780
UK quoted - index-linked	21,241	24,806
	90,892	103,813
Derivative financial instruments - unquoted	(588)	851
Property	41,984	47,665
Other	1,268	1,719
	311,236	435,736

*Includes accrued income, prepayments and other debtors and creditors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



The actual return on pension plan assets was a loss of £111,030,000 (2021: gain of £40,338,000).

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. 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:

	2022 £000	2021 £000
Present value of unfunded obligations and net obligations in the balance sheet	4,960	7,058
Movements in the net obligations recognised in the balance sheet are as follows:		
At 1 January	7,058	6,530
Total expense charged to net Income/(expenditure)	132	83
Net actuarial (gains)/losses, recognised in actuarial gains/(losses) on retirement benefits	(2,100)	643
Benefits paid	(130)	(198)
At 31 December	4,960	7,058
The amounts recognised through net (expenditure)/income are as follows:		
Interest cost	132	83
Total, included in employee benefits expense	132	83

The weighted average duration of the net obligations at the end of the reporting period is 10.5 years (2021: 12.8 years).

An actuarial gain of £2,012,000 has been recognised in the current year due to the increase in the discount rate. A small actuarial gain has also been recognised due to changes in mortality assumptions.

The principal actuarial assumptions were as follows:	2022	2021
	%	%
Discount rate	4.77	1.90
Medical cost inflation	7.30	7.40



42 Summary of reserve movements

	Unrestricted funds		Endowment fund £000	Revaluation reserve £000	Non-charitable trading reserve £000	Translation and hedging reserve £000	Total £000
	General fund £000	Designated fund £000					
Fund balance at 1 January 2022	14,612	6,346	115,827	268	506,256	17,540	660,849
Income	313	14	3,945	-	466,569	-	470,841
Gift aid paid to charity parent	15,000	-	5,000	-	(20,000)	-	-
Expenditure	(21,550)	(2,622)	(356)	-	(427,138)	-	(451,666)
Fair value losses on Investments	-	-	(12,198)	-	(50,379)	-	(62,577)
Gain on disposal of subsidiary	-	-	-	-	34,944	-	34,944
Taxation	-	-	(112)	-	4,957	-	4,845
Net reserve transfers	3,306	(1,756)	(1,550)	(46)	46	-	-
Currency translation differences	-	-	-	-	-	5,410	5,410
Losses on net investment hedges	-	-	-	-	-	(4,514)	(4,514)
Actuarial losses on retirement benefit obligations	-	-	-	-	(6,876)	-	(6,876)
Tax attributable to other recognised (losses)/gains	-	-	-	-	1,719	826	2,545
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2022	11,681	1,982	110,556	222	501,316	19,262	645,019

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	Unrestricted funds					Translation and hedging	
	General fund	Designated fund	Endowment fund	Revaluation reserve	Non-charitable trading reserve	reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 1 January 2021 (restated)*	5,585	6,946	104,089	624	434,720	18,169	570,133
Income	343	3,504	3,810	-	418,060	-	425,717
Gift aid paid to charity parent	21,000	-	-	-	(21,000)	-	-
Expenditure	(18,136)	(2,236)	(370)	-	(406,424)	-	(427,166)
Fair value gains on investments	-	-	12,332	-	71,915	-	84,247
Taxation	-	-	(82)	-	(15,482)	-	(15,564)
Net reserve transfers	5,820	(1,868)	(3,952)	(338)	338	-	-
Currency translation differences	-	-	-	-	-	(2,357)	(2,357)
Gains on net investment hedges	-	-	-	-	-	1,912	1,912
Actuarial gains on retirement benefit obligations	-	-	-	-	41,260	-	41,260
Tax attributable to other recognised (losses)/gains	-	-	-	(18)	(8,349)	(184)	(8,551)
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2021 (restated)*	14,612	6,346	115,827	268	506,256	17,540	660,849

*The comparative figures have been restated as detailed in note 49.

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.

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 designated £258,000 (2021: £3,636,000) and transferred £2,000,000 (2021: £2,000,000) into the expendable endowment 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. In the prior year, £5,000,000 was transferred into the general unrestricted fund in order to maintain liquidity and £4,000,000 excess reserves were transferred into the expendable endowment fund.

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

43 Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2022	13,134	4,406	17,540
Gains on currency translation differences	5,410	-	5,410
Losses on net investment hedges	-	(4,514)	(4,514)
Attributable tax	-	826	826
At 31 December 2022	18,544	718	19,262
At 1 January 2021	15,491	2,678	18,169
Losses on currency translation differences	(2,357)	-	(2,357)
Gains on net investment hedges	-	1,912	1,912
Attributable tax	-	(184)	(184)
At 31 December 2021	13,134	4,406	17,540

The translation reserve arises on consolidation of the Benefact Trust group of companies' 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.

44 Minority interests

Minority interests comprise 95.6% (2021: 95.6%) of the 106,450,000 (2021: 106,450,000) 8.625% Non-cumulative Irredeemable Preference shares (NCIPs) in Ecclesiastical Insurance Office plc.



45 Financial commitments

Capital commitments

At the year end, the Benefact Trust group of companies had capital commitments of £76,000 (2021: nil) relating to development costs. 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:

	2022	2021
	£000	£000
Within 1 year	8,124	7,879
Between 1 & 5 years	24,297	25,718
After 5 years	16,554	20,217
	48,975	53,814

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:

	2022	2021
	£000	£000
Within 1 year	4,375	6,156
Between 1 & 5 years	11,164	14,755
After 5 years	17,252	19,118
	32,791	40,029
Operating lease rentals charged to net income/(expenditure) in the period	5,817	6,193
Total future minimum sublease payments expected to be received under non-cancellable subleases	-	244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



46 Related undertakings

The charity's interest in related undertakings at 31 December 2022 is as follows:

Company	Company Registration Number	Share Capital	Holding of shares by Charity	Subsidiary Activity
Subsidiary undertakings				
Incorporated in the United Kingdom				
Benefact Group plc *	1718196	Ordinary	100%	Investment holding company
Benefact Broking & Advisory Holdings Limited *	14493617	Ordinary	100%	Investment holding company
Benefact Management Services Limited * ^	1811698	Ordinary	-	Dormant company
Ecclesiastical Insurance Office plc *	24869	Ordinary Preference	- -	Insurance 4.4%
Ecclesiastical Life Limited *	0243111	Ordinary	-	Life insurance
Ecclesiastical Financial Advisory Services Limited ***	2046087	Ordinary	-	Independent financial advisory
Ecclesiastical Group Healthcare Trustees Limited ***	10988127	Ordinary	-	Trustee company
Ecclesiastical Planning Services Limited *	02044860	Ordinary	-	Funeral plan administration
Ecclesiastical Underwriting Management Limited *	02368571	Ordinary	-	Insurance management services
EdenTree Asset Management Limited *	11923964	Ordinary	100%	Investment management
EdenTree Holdings Limited *	14496067	Ordinary	-	Investment holding company
EdenTree Investment Management Limited *	2519319	Ordinary	-	Investment management
F.I.O. Trustees Limited * ^	0941199	Ordinary	-	Trustee company
Farmers & Mercantile Insurance Brokers Limited **	03142714	Ordinary	-	Insurance agents and brokers
G.D. Anderson & Co Limited ***	00776446	Ordinary	-	Insurance agents and brokers
Lycett, Browne-Swinburne & Douglass Limited **	00706042	Ordinary	-	Insurance agents and brokers
Lycetts Financial Services Limited **	02057974	Ordinary	-	Insurance agents and brokers
Lycetts Holdings Limited **	05866203	Ordinary	100%	Investment holding company
Lycetts Risk Management Services Limited ** ^	10906990	Ordinary	-	Risk management services
Robertson-McIsaac Limited ** ^	03544899	Ordinary	-	Insurance agents and brokers
Incorporated in Australia				
Ansvar Insurance Limited ***	007216506	Ordinary	-	Insurance
Ansvar Risk Management Services Pty Limited ***	623695054	Ordinary	-	Risk management services
Ansvar Insurance Services Pty Limited *** †	162612286	Ordinary	-	Dormant company
Associated undertakings				
Incorporated in the United Kingdom				
Lloyd & Whyte Group Limited ****	01143899	Ordinary	-	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, 1 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 s479A of the Companies Act 2006 † Exempt from audit The holding in Lloyd & Whyte Group Limited is included within financial investments.				

The financial statements of Ecclesiastical Insurance Office plc and Benefact 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 132.



47 Related party transactions

Other related parties of the Benefact Trust group of companies include associated undertakings and the trading subsidiaries' pension schemes.

	2022	Restated'
	£000	2021 £000
Income from transactions with other related parties	6,361	4,738
Expenditure arising from transactions with other related parties	55,345	10,500
Amounts owed by other related parties	81,107	25,010
Amounts due to other related parties	-	24

*The prior year has been restated to better reflect comparable balances.

Expenditure arising from transactions with other related parties consists of loan advances to related parties totalling £55,345,000 (2021: £10,500,000), of which £44,220,000 relates to the purchase of South Essex Insurance Holdings Limited and its wholly owned subsidiary, SEIB Insurance Brokers Limited (together SEIB) by Lloyd & Whyte.

Amounts owed by related parties includes £79,310,000 of loans disclosed in note 33, with £44,220,000 of the increase being due to the purchase of SEIB by Lloyd & Whyte.

48 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 values 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 values 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 Benefact Trust group of companies' 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			Total £000
	Level 1 £000	Level 2 £000	Level 3 £000	
At 31 December 2022				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	268,296	-	100,196	368,492
Debt securities	458,421	1,299	-	459,720
Structured notes	-	56,138	-	56,138
Funeral plan investments	-	485,213	-	485,213
Derivatives	-	100	-	100
	726,717	542,750	100,196	1,369,663
Financial assets at fair value through other recognised gains/(losses)				
Derivatives	-	655	-	655
	-	655	-	655
Total financial assets at fair value	726,717	543,405	100,196	1,370,318

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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 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	281,169	186	80,471	361,826
Debt securities	515,955	1,412	33	517,400
Structured Notes		14,649	-	14,649
Funeral plan Investments	-	199,181	-	199,181
Derivatives		336	-	336
	797,124	215,764	80,504	1,093,392
Financial assets at fair value through other recognised gains/(losses)				
Derivatives	-	414	-	414
	-	414	-	414
Total financial assets at fair value through profit or loss	797,124	216,178	80,504	1,093,806

In the current year the derivative liabilities of the trading subsidiaries were measured at fair value through profit or loss in the statement of financial activities. In the prior year the derivative liabilities of the trading subsidiaries were measured at fair value through other recognised gains/(losses) in the statement of financial activities. Derivative liabilities are categorised as level 2 (see note 34).

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.

Structured notes (level 2)

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.

Funeral plan investments (level 2)

The trading subsidiaries' holds investments in respect of funeral plan policies which are predominantly invested in individual whole-of-life insurance policies. These are valued using valuations provided by the insurance policy provider.

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 +/-£11,041,000 (2021: +/-£8,871,000).



Unlisted debt (level 3)

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

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

II. Financial risk and capital management

The principal financial risks to which the Benefact Trust group of companies is exposed arise from the financial assets, financial liabilities, reinsurance assets and Insurance liabilities of the trading subsidiaries. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk.

There has been no change from the prior period in the nature of the financial risks to which the trading subsidiaries are exposed. The continued conflict in Ukraine and the cost of living crisis means there is continued uncertainty in relation to the economic risks to which the trading subsidiaries are exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The 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. 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.

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

	At 31 December 2022				Restated* At 31 December 2021			
	Debt securities	Reinsurance debtors	Other financial assets	Cash**	Debt securities	Reinsurance debtors	Other financial assets	Cash**
	£000	£000	£000	£000	£000	£000	-	£000
AAA	182,349	-	-	-	171,503	-	-	-
AA	121,065	3,608	-	42,616	122,895	2,651	-	42,719
A	91,355	10,655	-	18,903	129,795	9,424	-	21,351
BBB	51,951	-	-	84,146	72,653	3	-	79,934
Below BBB	4,857	-	-	-	7,895	-	-	-
Not rated	8,143	1,009	256,089	206	12,659	505	181,115	8
	459,720	15,272	256,089	145,871	517,400	12,583	181,115	144,012

*The prior year has been restated to better reflect comparable balances.

**Cash includes amounts held on deposit classified within financial investments and disclosed in note 37. 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. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. 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 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 Benefact Trust group of companies.

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

	Maturing:			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
At 31 December 2022				
Life business provision	46	146	310	502
At 31 December 2021				
Life business provision	1,259	4,387	13,788	19,434

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(c) Market risk

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

Variable	Change in variable	Potential (decrease)/ increase in net income/(expenditure)		Potential changes in funds	
		2022	Restated*	2022	Restated*
		£000	£000	£000	£000
Interest rate risk	-100 basis points	(4,618)	(11,765)	(8)	54
	+100 basis points	5,648	9,475	7	(48)
Currency risk	-10%	3,466	5,192	13,123	10,845
	+10%	(2,836)	(4,248)	(10,737)	(8,873)
Equity price risk	+/- 10%	29,848	29,308	-	-

*The comparative figures have been restated as detailed in note 49.

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

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

(i) Interest rate risk

The 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 Benefact Trust group of companies' assets, subordinated debt which has a fixed interest until 2030, and from insurance liabilities' discounted 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 the trading subsidiaries' life insurance business, consisting of policies to support funeral planning products, 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 their investment portfolio.

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

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(ii) Currency risk

The trading subsidiaries operate internationally and their main exposure to foreign exchange risk is noted below. The foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, 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 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 forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 34. 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 largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2022		Restated*
	£000		2021
			£000
Aus \$	71,584	Aus \$	64,071
Euro	41,246	Euro	22,570
Can \$	74,188	Can \$	46,087
USD \$	2,399	USD \$	2,001
HKD \$	15	HKD \$	172

*The comparative figures have been restated as detailed in note 49.

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 34.

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(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:

	2022		2021
	£000		£000
UK	269,117	UK	281,792
Europe	99,375	Europe	79,848
Hong Kong	-	Hong Kong	186
Total	<u>368,492</u>	Total	<u>361,826</u>

(d) Capital management

The Benefact Trust group of companies' 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 Benefact Trust group of companies' 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). 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 the Benefact Group's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

Benefact Group's Solvency II Own Funds will be subject to a separate independent audit, as part of the process for Solvency II reporting to the PRA. Benefact Group expects to meet the PRA's deadline for submission to the PRA of 20 May 2023, and its SFCR will be made available on its website shortly after.

	2022	2021
	£000	£000
Solvency II Own Funds (unaudited)	594,198	603,714

III. Insurance risk

Through the general insurance and life insurance operations of the trading subsidiaries, the Benefact Trust group of companies 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 132.

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(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. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to the trading subsidiaries' needs. The optimum reinsurance structure provides the trading subsidiaries with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the trading subsidiaries utilise the full range of proprietary catastrophe models and continue to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the trading subsidiaries' risk appetite.

(ii) Concentrations of risk

The core business of the trading subsidiaries is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The whole-of-life insurance policies support funeral planning products.

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

Territory		General insurance				Life insurance	Total £000
		Property £000	Liability £000	Miscellaneous financial loss £000	Other £000	Whole-of-life £000	
2022							
United Kingdom and Ireland	Gross	255,418	71,575	20,006	3,086	65	350,150
	Net	119,847	68,128	10,259	100	65	198,399
Australia	Gross	55,266	42,978	918	536	-	99,698
	Net	5,886	36,037	868	101	-	42,892
Canada	Gross	73,779	34,982	-	-	-	108,761
	Net	47,335	31,914	-	-	-	79,249
Total	Gross	384,463	149,535	20,924	3,622	65	558,609
	Net	173,068	136,079	11,127	201	65	320,540
2021							
United Kingdom and Ireland	Gross	217,961	62,949	16,941	3,394	(2)	301,243
	Net	109,242	60,060	8,883	376	(2)	178,559
Australia	Gross	54,229	37,106	1,290	740	-	93,365
	Net	5,891	31,733	1,238	140	-	39,002
Canada	Gross	64,086	27,524	-	-	-	91,610
	Net	44,750	25,306	-	-	-	70,056
Total	Gross	336,276	127,579	18,231	4,134	(2)	486,218
	Net	159,883	117,099	10,121	516	(2)	287,617

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IV. Net insurance premium income

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2022			
Gross written premiums	558,544	65	558,609
Outward reinsurance premiums	(238,069)	-	(238,069)
Net written premiums	320,475	65	320,540
Change in the gross provision for unearned premiums	(30,619)	-	(30,619)
Change in the provision for unearned premiums, reinsurers' share	14,114	-	14,114
Change in the net provision for unearned premiums	(16,505)	-	(16,505)
Earned premiums, net of reinsurance	303,970	65	304,035
For the year ended 31 December 2021			
Gross written premiums	486,220	(2)	486,218
Outward reinsurance premiums	(198,601)	-	(198,601)
Net written premiums	287,619	(2)	287,617
Change in the gross provision for unearned premiums	(24,504)	-	(24,504)
Change in the provision for unearned premiums, reinsurers' share	9,884	-	9,884
Change in the net provision for unearned premiums	(14,620)	-	(14,620)
Earned premiums, net of reinsurance	272,999	(2)	272,997

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

	2022 £000	2021 £000
Fees paid	1,608	2,361
Commission paid	83,888	72,149
Change in deferred acquisition costs	(5,349)	(4,376)
Other acquisition costs	28,426	26,805
Fees, commissions and other acquisition costs	108,573	96,939

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

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VI. Deferred acquisition costs

	2022	2021
	£000	£000
At 1 January	46,027	41,989
Increase in the period	52,539	46,122
Release in the period	(47,190)	(41,746)
Exchange differences	1,150	(338)
At 31 December	52,526	46,027
All balances are current.		

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

VII. General insurance liabilities and reinsurance assets

	2022	Restated* 2021
	£000	£000
Gross		
Claims outstanding	635,944	612,002
Unearned premiums	289,451	253,158
Total gross insurance liabilities	925,395	865,160
Recoverable from reinsurers		
Claims outstanding	203,148	165,347
Unearned premiums	103,814	88,089
Total reinsurers' share of insurance liabilities	306,962	253,436
Net		
Claims outstanding	432,796	446,655
Unearned premiums	185,637	165,069
Total net insurance liabilities	618,433	611,724
Gross insurance liabilities		
Current	505,773	440,373
Non-current	419,622	424,787
Reinsurance assets		
Current	206,339	167,398
Non-current	100,623	86,038

*The comparative figures have been restated as detailed in note 49.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

(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. Where the standard methods cannot allow for changing circumstances, additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. From time to time, management may elect to select an additional margin to reflect short-term uncertainty driven by specific events that are not in data. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

(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.

(iv) Discounting

General insurance outstanding claims provisions have been discounted by applying currency and term specific discount rates.

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2022	Restated* 2021	2022	Restated* 2021
UK and Ireland	3.6% to 5.4%	-0.5% to 2.1%	7.5	8.2
Canada	4.5% to 5.2%	1.2% to 2.1%	4.3	4.5
Australia	3.8%	1.5%	3.9	4.7

*The comparative figures have been restated as detailed in note 49.

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held and to allow for future investment expenses. At the year end the undiscounted gross outstanding claims liability was £734,145,000 for the Group (2021: £652,666,000).

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

(v) Assumptions

The trading subsidiaries follow a process of reviewing their reserves for outstanding claims on a regular basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review and management sign-off process.

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

There are no significant changes in approach but the trading subsidiaries continue to evolve estimates in light of underlying experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



(vi) Claims development tables

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

Estimate of gross ultimate claims											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	81,725	61,901	46,464	51,738	50,736	48,759	47,945	50,134	60,267	51,989	
One year later	80,027	50,571	43,582	46,073	46,885	40,461	42,467	42,044	58,774		
Two years later	69,860	48,327	40,337	41,041	41,883	34,680	39,859	41,655			
Three years later	66,192	45,495	33,804	38,468	38,648	33,362	41,600				
Four years later	60,174	37,064	29,436	37,044	40,177	34,355					
Five years later	56,912	34,606	28,211	34,649	39,801						
Six years later	54,901	34,962	31,738	35,261							
Seven years later	55,516	36,195	31,322								
Eight years later	55,252	37,091									
Nine years later	56,777										
Current estimate of ultimate claims	56,777	37,091	31,322	35,261	39,801	34,355	41,600	41,655	58,774	51,989	428,625
Cumulative payments to date	(48,759)	(29,819)	(21,970)	(23,914)	(21,679)	(15,699)	(14,187)	(9,642)	(4,832)	(1,402)	(191,903)
Outstanding liability	8,018	7,272	9,352	11,347	18,122	18,656	27,413	32,013	53,942	50,587	236,722
Effect of discounting											(37,571)
Present value											199,151
Discounted liability in respect of earlier years											151,714
Total discounted gross liability (for liability classes) included in provisions in the balance sheet											350,865

Estimate of net ultimate claims											
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	76,729	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	47,559	
One year later	66,475	47,690	40,397	41,631	41,706	37,456	39,842	37,509	47,102		
Two years later	60,075	47,428	37,740	37,740	37,797	32,867	37,243	36,193			
Three years later	55,710	41,494	32,297	36,337	34,818	31,647	39,164				
Four years later	51,482	35,164	28,506	35,217	36,431	32,884					
Five years later	49,196	33,233	27,418	32,993	36,550						
Six years later	47,518	33,309	30,544	33,896							
Seven years later	47,443	34,245	30,295								
Eight years later	47,338	35,233									
Nine years later	48,374										
Current estimate of ultimate claims	48,374	35,233	30,295	33,896	36,550	32,884	39,164	36,193	47,102	47,559	387,251
Cumulative payments to date	(41,072)	(28,448)	(21,472)	(23,543)	(21,588)	(15,689)	(14,130)	(9,550)	(4,804)	(1,371)	(181,667)
Outstanding liability	7,302	6,785	8,824	10,353	14,962	17,195	25,034	26,643	42,298	46,188	205,584
Effect of discounting											(35,352)
Present value											170,232
Discounted liability in respect of earlier years											128,615
Total discounted net liability (for liability classes) included in provisions in the balance sheet											298,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



VIII. Life business provision

	2022 £000	2021 £000
Gross life business provision	502	19,434
Net life business provision	502	19,434
Gross life business provision		
Current	45	430
Non-current	457	19,004

(i) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2022 and 2021 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Investment returns

Projected investment returns for index linked business are based on actual yields for each asset class less an allowance for credit risk, where appropriate. The risk adjusted yields after allowance for investment expenses for the current valuation are as follows:

	2022 £000	2021 £000
UK and overseas government bonds: non-linked	-	-
UK and overseas government bonds: index-linked	0.19%	-2.71%
Corporate debt instruments: Index-linked	1.00%	-2.28%

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. For index-linked assets, the real yield is shown gross of tax.

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 in-force business is £21.58 per annum (2021: £2.60 per annum). Previously, as a result of the business being in run-off a separate fixed expense reserve was held. However, as the company has now reopened to new business the need for that separate expense reserve has fallen away and this is why the unit renewal expense assumption has increased significantly from the level used last year end.

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 4.30% per annum (2021: 4.96%).

Tax

It has been assumed that current tax legislation and rates applicable at 1 January 2023 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



(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 £nil (2021: £200,000 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 insurance liabilities of the changes to renewal expense assumptions (described above) was a £2,900,000 decrease (2021: £200,000 increase).

(iii) Sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in net income/ (expenditure)	
		2022 £000	2021 £000
Deterioration in annuitant mortality	+10%	40	1,300
Improvement in annuitant mortality	-10%	(50)	(1,500)
Increase in fixed interest/cash yields	+1% pa	(400)	-
Decrease in fixed interest/cash yields	-1% pa	400	(400)
Worsening of base renewal expense level	+10%	(300)	(200)
Improvement in base renewal expense level	-10%	300	200
Increase in expense inflation	+1% pa	(200)	(600)
Decrease in expense inflation	-1% pa	200	500

IX. Movements in Insurance liabilities and reinsurance assets

	Gross £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2022	612,002	(163,347)	448,655
Cash (paid)/received for claims settled in the year	(214,032)	93,073	(120,959)
Change in liabilities/reinsurance assets	223,563	(126,319)	97,244
Exchange differences	14,411	(4,555)	9,856
At 31 December 2022	635,944	(203,148)	432,796
Provision for unearned premiums			
At 1 January 2022	253,158	(88,089)	165,069
Increase in the period	289,404	(103,664)	185,740
Release in the period	(258,785)	89,550	(169,235)
Exchange differences	5,674	(1,611)	4,063
At 31 December 2022	289,451	(103,814)	185,637
Life business provision			
At 1 January 2022	19,434	-	19,434
Effect of claims during the year	2,233	-	2,233
Changes in assumptions	(2,885)	-	(2,885)
Change in intercompany provision**	(8,944)	-	(8,944)
Other movements	(9,336)	-	(9,336)
At 31 December 2022	502	-	502

**A transfer of the provision to BG Group

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	Group	Restated* Reinsurance	Net
	£000	£000	£000
Claims outstanding			
At 1 January 2021	560,255	(129,157)	431,098
Cash (paid)/received for claims settled in the year	(191,685)	83,235	(108,450)
Change in liabilities/reinsurance assets	250,770	(121,913)	128,857
Exchange differences	(7,338)	2,488	(4,850)
At 31 December 2021	612,002	(165,347)	446,655
Provision for unearned premiums			
At 1 January 2021	230,800	(79,394)	151,406
Increase in the period	253,759	(88,464)	165,295
Release in the period	(229,255)	78,580	(150,675)
Exchange differences	(2,146)	1,189	(957)
At 31 December 2021	253,158	(88,089)	165,069
Life business provision			
At 1 January 2021	19,434	-	19,434
Effect of claims during the year	(264)	-	(264)
Changes in assumptions	118	-	118
Change in discount rate	147	-	147
Other movements	(1)	-	(1)
At 31 December 2021	19,434	-	19,434

*The comparative figures have been restated as detailed in note 49.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



49 Prior year restatement

The Benefact Trust group of companies' accounting policy for general insurance outstanding claims provisions has previously been to apply discounting only to certain longer term liabilities. The accounting policy has been changed to include discounting of the general insurance liabilities that have not previously been discounted. This change in accounting policy resulted in a credit of £13,200,000 recognised in this financial year and a £2,600,000 in the prior year, both within net losses on investment.

The Benefact Trust group of companies considers this change in accounting policy to provide more reliable and relevant information. The change in discounting accounting policy ensures the effects of higher interest rates and high inflation are reflected across both short and longer term insurance liabilities. Furthermore, this change to accounting policy better reflects the impact of the Group's objective of matching assets with insurance liabilities when managing exposure to interest rate risk.

Under FRS102 a retrospective restatement of the prior year results is required. The effect of the restatement are detailed in this note, and are included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2021 the Benefact Trust group of companies recognised an increase in non charitable trading reserves of £494,000.

	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
2021					
Income from:					
Donations	3,500	-	3,500	-	3,500
Other trading activities					
Income arising from trading activities	385,342	-	385,342	-	385,342
Investments					
Dividend, interest and rental income	33,065	-	33,065	3,810	36,875
Total income	421,907	-	421,907	3,810	425,717
Expenditure on:					
Raising funds	-	-	-	(370)	(370)
Charitable activities					
Grants	(19,329)	-	(19,329)	-	(19,329)
Other expenditure on charitable activities	(702)	-	(702)	-	(702)
Other					
Charitable donations paid by trading subsidiaries	(2,548)	-	(2,548)	-	(2,548)
Expenditure arising from trading activities	(404,217)	-	(404,217)	-	(404,217)
Total expenditure	(426,796)	-	(426,796)	(370)	(427,166)
Net losses on investments	69,315	2,600	71,915	12,332	84,247
Taxation	(14,988)	(494)	(15,482)	(82)	(15,564)
	49,438	2,106	51,544	15,690	67,234
Net income/(expenditure) in the year					
a. arising from the charity	(16,526)	-	(16,526)	15,690	(836)
b. arising from trading activities	65,964	2,106	68,070	-	68,070
	49,438	2,106	51,544	15,690	67,234

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	As reported	Restatement	As restated
	Total	Total	Total
	funds	funds	funds
	2021		2021
	£000	£000	£000
Fixed assets			
Intangible assets	33,627	-	33,627
Tangible assets	14,613	-	14,613
Investment property	163,355	-	163,355
Investments	1,229,029	-	1,229,029
Investment in associate	12,148	-	12,148
Total fixed assets	1,452,772	-	1,452,772
Current assets			
Debtors	489,318	(1,013)	488,305
Investments	-	-	-
Cash at bank and in hand	174,779	-	174,779
Total current assets	664,097	(1,013)	663,084
Liabilities			
Creditors: amounts falling due within one year	(146,467)	-	(146,467)
Net current assets	517,630	(1,013)	516,617
Total assets less current liabilities	1,970,402	(1,013)	1,969,389
Creditors: amounts falling due after one year	(2,477)	-	(2,477)
Provisions for liabilities	(1,200,949)	3,613	(1,197,336)
Subordinated liabilities	(24,433)	-	(24,433)
Net assets excluding retirement benefit obligations	742,543	2,600	745,143
Net pension deficit	24,579	-	24,579
Other retirement benefit obligations	(7,058)	-	(7,058)
Total net assets including retirement benefit obligations	760,064	2,600	762,664
<i>The funds of the charity:</i>			
Unrestricted funds			
General funds	14,612	-	14,612
Designated funds	6,346	-	6,346
Revaluation reserve	268	-	268
Non-charitable trading reserves	503,656	2,600	506,256
Translation and hedging reserve	17,540	-	17,540
	542,422	2,600	545,022
Restricted funds			
Endowment funds	115,827	-	115,827
Total funds (excluding minority interests)	658,249	2,600	660,849
Minority Interests	101,815	-	101,815
Total funds	760,064	2,600	762,664



Reference and administrative details

Board of trustees	Timothy Carroll, BA, MBA, FCII <i>Chair</i> Caroline Banszky, 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) Chris Moulder, MA, FCA David Paterson, BA
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
Independent 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 Asset Management Limited, 24 Monument Street, London, EC3R 8AJ Rathbones Investment Management Limited, 8 Finsbury Circus, London, EC2M 7A2

BENEFACT TRUST LIMITED

England & Wales - Charity number 263960

Accounts



**BENEFACT
TRUST**

(formerly Allchurches
Trust Limited)

2021 ANNUAL REPORT and ACCOUNTS

Company registration number 1043742
Charity registration number 263960

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Explanation of terms



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

The Trust or the charity	Benefact Trust Limited
Benefact Group	Benefact Group plc (formerly Ecclesiastical Insurance Group plc), the direct subsidiary of Benefact Trust Limited
The Group	The abbreviation for Benefact Group plc and all its direct and indirectly-owned subsidiaries
Benefact Trust group of companies	The abbreviation for Benefact Trust Limited and all its direct and indirectly-owned subsidiaries
EIO plc	Ecclesiastical Insurance Office plc, a direct subsidiary of Benefact Group plc. It is the principal operating subsidiary.

About us



Benefact Trust Limited (the Trust), previously named Allchurches Trust Limited, was established in 1972 and is one of the UK's largest grant-making charities.

The Trust 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.

Benefact Trust is the owner of Benefact Group plc (the Group), previously named Ecclesiastical Insurance Group, which in turn owns Ecclesiastical Insurance Office plc (EIO plc). The Trust receives the majority of its income from the companies it owns; it does not fundraise. The Trust 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 46 to the financial statements.

We seek to celebrate and share the successes of beneficiaries and to recognise and support their challenges. In doing so, we seek the views of our large beneficiary network in shaping our grant-giving programmes, so that we can realise our vision to be one of the UK's most impactful Christian grant-making charities, and fulfil our mission to help Christian organisations have a positive and transformative impact on the lives and communities they support.

Chairman's report



It is pleasing to note that, two years since the first lockdown, life is beginning to return to normal with the easing of most Covid-19 related restrictions. Face to face meetings have returned and the stresses of living and working through the worst of the pandemic are beginning to ease. It has been such a tough time for so many, disrupting children's education and forcing many elderly and vulnerable people to endure long periods of isolation. Happily, we can once again enjoy normal contact with family and friends.

Throughout the past two years, staff members of the Trust and its trading Group have continued to fulfil their professional duties while looking after loved ones, home-schooling their children etc. We are hugely in their debt and, against this very challenging backdrop, their achievements of the past two years are all the more noteworthy.

I reported last year that the Trust did not receive a grant from the Group in 2020 given the regulatory concerns around the impact of Covid-19 on insurance industry results and the consequent discouragement of dividend declarations. The trustees decided, however, against cutting back on grant-making in the light of the hardship faced by beneficiaries, and the impact on the people and places they support. So, with the benefit of a £10.0m withdrawal from the Expendable Endowment Fund (EEF), we increased our giving in 2020 to £23.3m. £3.2m of this was attributable to the 'Hope Beyond' grants programme, developed specifically in response to the pandemic, under which 428 individual grants were made in 2020. A further £5.0m withdrawal was made in March 2021 and the value of the EEF at the end of 2021 was £115.8m. We will return to the challenges arising from Covid-19 in 2022 with the launch of a new grants programme 'Brighter Lives' specifically focusing on the impact of the pandemic on people's mental health.

Following the recovery in the global markets and a strong financial performance, in 2021 the Group granted £21.0m to the Trust. A further £5.0m attributable to 2021 performance will be gifted in 2022. Our financial support to churches, cathedrals and other charitable institutions was slightly lower than in the previous year at £19.3m (2020: £23.3m). We were able to react quickly to assist charities supporting the resettlement of Afghan evacuees in the UK following the Taliban takeover in Afghanistan and will extend this activity into 2022. The Trust continues

Chairman's report

to support beneficiaries overseas, directly awarding grants totalling £1.0m (2020: £1.9m) in Ireland. Through its devolved grant-giving arrangements in Canada and Australia, CAD\$0.5m (2020: CAD\$0.5m) and AUD\$0.2m (2020: AUD\$0.2m) were awarded respectively.

Through its Methodist Grant-Giving Committee, the Trust awarded grants totalling £2.3m (2020: £2.5m) to support the mission and ministry of the Methodist Church in Britain and Ireland.

Co-Branding

Over the past two years, colleagues in both the Trust and the Group have been collaborating on a new brand following extensive research indicating that a shared visual identity would communicate their close relationship while, at the same time, reflecting the independence of each.

In March our members approved our new name, Benefact Trust Limited, which derives from two Latin words which combine to mean doing good. It is intended to communicate that our work is more far-reaching than our old name suggests and recognises our wider social impact in tackling issues from homelessness and poverty, to climate change and social cohesion.

For the first time in our 50 year history we will also co-brand with the trading subsidiary we proudly own, now renamed Benefact Group plc, enhancing our shared reputation as a beacon for good and enabling us to articulate a shared purpose. The change of name for the Benefact Group reflects the fact that it is a charity-owned, growing, international family of award-winning financial services businesses that gives all its available profits to good causes, mostly via Benefact Trust.

Over the past six years the Trust has given over £100m in grants which are used to benefit people of all religious denominations and none. The trustees extend their thanks to the Group's staff and we will celebrate this phenomenal achievement together in June 2022 at a special Thanksgiving Service in Westminster Abbey.

The Group performance overview

2021 saw Benefact Group recover quickly from the challenges posed by Covid-19 in the previous year and post a profit before tax of £81.9m¹ (restated 2020: £15.3m¹ loss), underpinned by strong investment returns as markets bounced back, and solid underlying underwriting results.

The Group's general insurance business reported underwriting profits in the UK, Ireland and Canada, but Australia suffered an underwriting loss due to the strengthening of reserves in respect of historic physical and sexual abuse claims. Premium growth was achieved in all geographical regions in which the Group operates.

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

Chairman's report

The insurance broking businesses also performed above expectations and EdenTree, the Group's award-winning investment management firm, had another excellent year, achieving record inflows and exceeding fund benchmarks though it made a pre-tax loss (while continuing to invest heavily in the business).

An ambitious strategy has been launched that will see the Group transformed over the next five years, accelerating the profitable growth of its General Insurance, Broking and Investment divisions, to enable increased giving to good causes. The "next chapter" will see even greater investment in new systems and technology enabling the provision of an enhanced experience for customers, a focus on innovation to drive growth and a fresh drive to attract, retain and energise the best people. With a view to encouraging support from others and thereby growing its giving, the "next chapter" will also seek to spread the word about the Group as a successful financial services firm that donates all of its available profits for charitable purposes.

Grant-making

Every three years the trustees review our grant-making strategy and the most recent review took place in 2021. Its aim was to ensure that the Trust's range of grants programmes was effective in enabling beneficiaries to respond to the needs of those they seek to benefit and are implemented with clear scope, aims, criteria and impact measures which serve the Trust's strategy, help to achieve its vision and deliver its mission. As part of the review we have agreed and communicated to beneficiaries that the recurrent grants programme which has historically benefited Anglican dioceses, cathedrals and provincial bodies in the UK and Ireland, and continues to do so, will be phased out beginning in 2023 and come to an end by 2030. Funds available under the Trust's other grants programmes will expand accordingly and these same institutions will be encouraged to apply, alongside others, for project funding as appropriate.

In closing, I am pleased to advise that the Trust has just committed to providing at least £1m in grants to alleviate suffering due to the war in Ukraine with £250,000 to be released immediately in emergency aid.

I am very proud to be part of a small team of staff members and trustees who continue to work so hard to deliver grants to thousands of beneficiaries who, in turn, are striving to make a positive difference to so many lives in communities across the UK and in Ireland, Canada and Australia. I and my fellow trustees can only express our immense gratitude to our colleagues in Benefact Trust and Benefact Group who went far beyond expectations in the most challenging of circumstances.

Tim Carroll
Chairman

21 June 2022

Strategic Report



Our Vision, Mission and Values

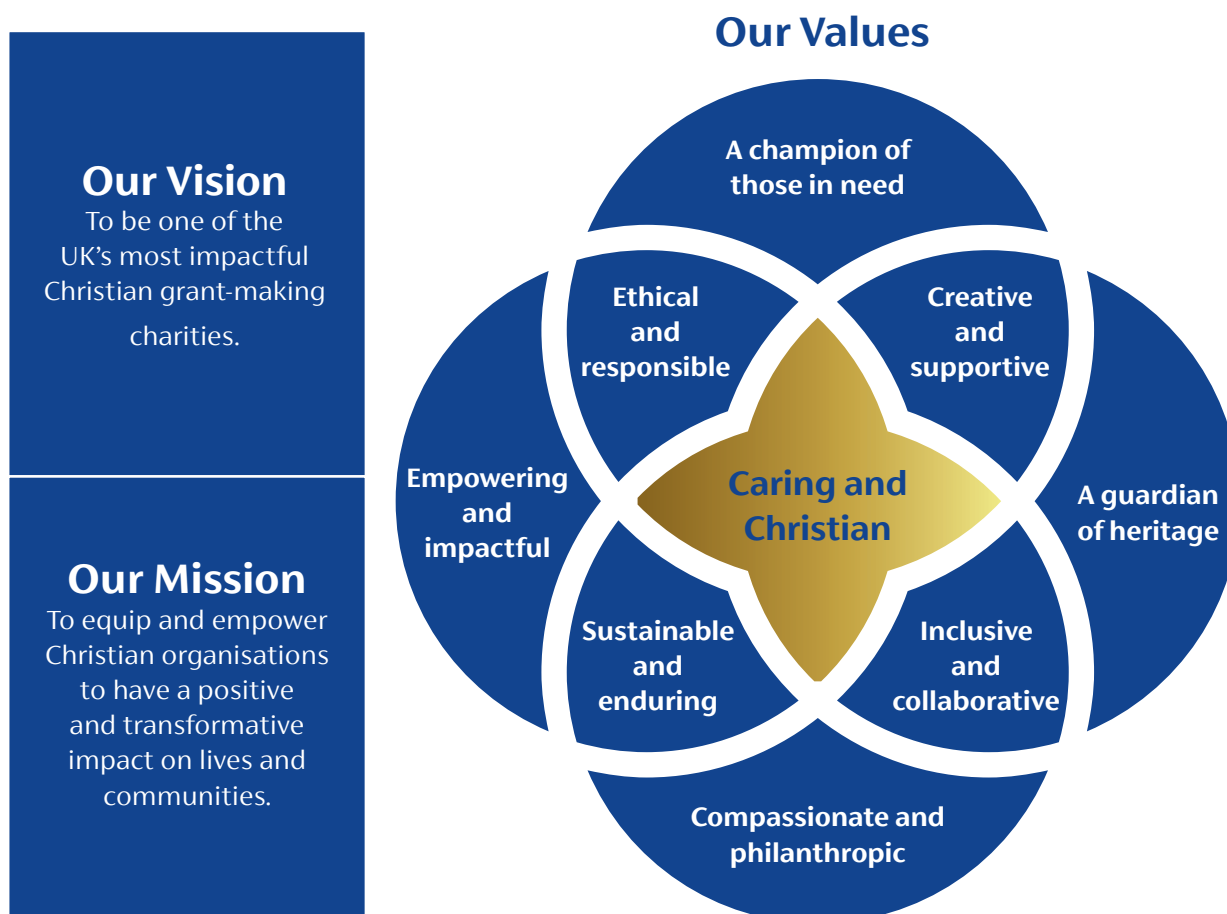
Benefact Trust Limited is an independent registered charity, originally established as Allchurches Trust Limited in 1972. Its objects are to promote the Christian faith and to contribute to the funds of any charitable institutions and to carry out any charitable purpose.

The Trust is governed by a board of trustees which sets its strategic direction and ensures 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).

We recognise that good governance is the cornerstone of a successful and sustainable business. Over a number of years, we have 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.

On 8th March 2022, the Trust changed its name from Allchurches Trust Limited to Benefact Trust Limited, and its subsidiary, Ecclesiastical Insurance Group plc, also changed its name to Benefact Group plc. We believe that our new name and brand represents more effectively the Trust's purpose, mission and history, as well as to support our strategic aims to modernise and sustain the Trust for the future.

While the Trust's name has changed, our vision, mission and the values that guide our grant-giving remain the same, and are reflected in all of our actions. These are:



Our Strategy 2022-24



During the year, the trustees reviewed the Trust's strategic progress against its 2021 plan and refreshed its three-year Strategy and Business Plan.

The strategy for 2022 to 2024 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 in 2023.

The strategy is underpinned by six strategic goals and the outcomes to be delivered at the end of the planning period (31 December 2024) are shown on the following page.

Our Strategy 2022-24



Strategic Goal



Providing solid foundations

Key outcomes we aim to deliver by 2024

- A strong governance framework will be embedded, meeting the required standards for charities with a connected non-charitable trading subsidiary; continuing to comply with the revised Charity Governance Code; operating within risk appetite; being appropriately advised by knowledgeable and competent advisers, and assessed the adequacy of the rate of return received from the trading subsidiary.
- The Trust will continue to have strong oversight of its trading subsidiary and will support its continued development as a successful financial services group.



Enabling greater impact

- Impact practice will be embedded in all of our grants programmes, providing a framework by which the success of individual grants 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.



Building Strategic Partnerships

- The Trust will play an increasingly prominent role in Christian Networks. A joint grants programme and/or campaign will be explored 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.
- Grow an ambassadorial network and increase awareness of the Trust's purpose and mission to the wider Christian sector.

Our Strategy 2022-24



Strategic Goal

Key outcomes we aim to deliver by 2024



Adding Value

- 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.



Investing in our Future

- The operating model of the Trust, including its technological needs, will be efficient and effective but also resilient and robust to respond to the challenge of change.
- Be increasingly IT self-sufficient, whilst balancing the economic, resource, risk and data protection benefits of using shared group resource, to maintain the Trust's agility particularly in relation to digital services.
- 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.



Growing reputation

- Significantly enhance its reputation as a champion of the Christian charitable sector.
- Opportunities arising from the repositioning under a co-shared brand name with the Group, Benefact Trust and Benefact Group, will be maximised to increase awareness and extend reach and engagement, while protecting reputation and ensuring compliance with charity law and regulations.

Our plans for 2022



In 2022, the key initiatives that will be prioritised are:

Strategic Goal

Strategic initiatives



Providing solid foundations



- Strengthen the Trust's risk management through the adoption of a risk management policy and a defined risk appetite.
- Undertake an informed and objective review of the adequacy of the return received/targeted from the Benefact Group when weighed against the risk.



Enabling greater impact



- 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 grants programmes to assess their success and inform strategic planning of the charity's grant-giving.

*this initiative commenced in 2020 and will run for two years



Building Strategic Partnerships



- 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*.
- Align the Trust and Group under a new co-brand.
- Establish an ambassador network to raise the profile of Benefact Trust.

*these initiatives commenced in 2020 and will run for two years

Our plans for 2022



In 2022, the key initiatives that will be prioritised are:

Strategic Goal

Strategic initiatives



Adding Value



- Implement and embed the Resource Needs Strategy to position the Trust as a value adding funder and lay the foundation for further thought leadership activity.



Investing in our Future



- 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.



Growing reputation



- Maximise the new Benefact Trust brand to raise the Trust's profile and to extend reach and engagement with beneficiaries and audience
- Evolve the Annual Report and Accounts to reflect the new Benefact Trust brand with a modern and professional design as well as the Trust's impactful grant-giving.

Our achievements in 2021



Despite the continuing challenges presented by the Covid-19 pandemic, we made significant progress and had another successful year in meeting the objectives we had set for 2021:

Our objectives for 2021	What we achieved
Implement the actions arising from the Independent Governance Review carried out in 2020 to further strengthen and enhance the charity's governance.	Following the trustees' review of the outcome of the Governance Review in December 2020, all but one of the recommendations (Risk Appetite and Risk Management Policy) were progressed through to completion by December 2021. Due to resource pressures, the remaining recommendation is expected to be completed in the second quarter of 2022.
Strengthen the Trust's risk management through the adoption of a risk management policy and a defined risk appetite.	The Trust's Risk Management Policy and Risk Appetite have been delayed due to resourcing issues. This is due for completion by Q2 2022.
Successfully comply with the refreshed 2020 Charity Governance Code, in particular the updated Integrity and Equality, Diversity and Inclusion principles.	Following the publication of the Charity Governance Code in December 2020, a gap analysis of the two updated principles was undertaken. Identified actions to further strengthen the Trust's governance and compliance with the Code were progressed to completion by September 2021. The Trust is compliant with the Code.
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.	The Independent Review of the Group was carried out during 2020 and completed by Q1 2021. The Report concluded that overall the Group was in a strong position and had met the targets set by the Trust. A number of recommended actions were identified for the Group. These were agreed by the trustees and shared with the Group, which subsequently provided a progress report to the trustees on plans to address those recommendations.
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	A Grants Review, undertaken by the Grants Committee, commenced in 2020 and continued through 2021. The outcome of the review and recommendations on the Trust's grant-giving was considered by the Board in December 2021. Implementation of the Grants Review's recommendations and changes to the Trust's grants programme will be carried out in 2022.

Our achievements in 2021



Our objectives for 2021	What we achieved
Continue to embed impact practice into the Trust's grants programmes to assess their success and inform strategic planning of the charity's grant-giving.	Building on previous work in this area, further progress was made in 2021 to embed impact practice into the Trust's grants programmes. This is now standard practice when scoping and designing new grants programmes, and has been key to developing proposals for programmes proposed as a result of the Grants Review. Improvements were made to the reporting processes for the Recurrent Grants programme, and impact surveys were conducted during the year for all of the Trust's main grants programmes.
Deepen understanding of the sector and increase connections and relationships with key denominational stakeholders.	Further connections and relationships were made and developed with key denominational stakeholders in 2021, with a consequent deepened understanding of challenges and opportunities across the sector. Some work in this area has been delayed due to resource pressures. Following the appointment of an Interim Trust Director in January 2022, further activity under this objective will be carried forward into 2022.
Grow denominational network to help grow awareness of the Trust's grant-giving and increase the charity's presence to enable greater denominational reach.	Work in this area resulted in more grant applications being received from a broader range of denominations during 2021, especially through the Hope Beyond grants programme which had wide reach across the sector. The appointment of the new Interim Trust Director will enable further progress in this area in 2022 and beyond.
Build existing relationships with key Christian sector stakeholders to deepen insight of the needs and opportunities to inform the Trust's strategic planning.	Relationships with key Christian stakeholders, including significant charities and other Christian funders, were nurtured and developed in 2021, especially during the process of developing plans for the Trust's next thematic grants programme. Insight was also gained through dialogue with, and the distribution of impact surveys to, existing beneficiaries, helping to develop the Trust's awareness of the most pressing needs and issues.
Engage with key sector bodies and 'think tanks' to identify trends, challenges and opportunities.	Particular progress in this area during the year focused on further engagement with other funders in the sector, heritage organisations, and events and publications produced by sector bodies and 'think tanks', thus broadening the Trust's understanding of trends, challenges and opportunities. This work will be taken forward further in the plan period under the leadership of the Interim Trust Director from 2022 onwards.

Our achievements in 2021



Our objectives for 2021	What we achieved
Develop the Trust's expert knowledge and offering for the sector.	In 2021, the focus in this area was particularly in developing the Trust's expert knowledge with regard to impact practice and sharing this with other Christian funders, and in understanding the ongoing needs arising from the Covid-19 pandemic following the conclusion of the Hope Beyond programme in February 2021. The latter has led to the development of a new grants programme to be launched in 2022, responding to particular needs in the area of mental health.
Develop new ways of sharing advice content on the Trust's advice and resources hub to respond to evolving beneficiary need.	The focus in 2021 was on carrying out research identifying successful content and any gaps/opportunities in the Trust's advice and resources offering. Subsequently, an Advice and Resources Strategy aimed at evolving the Trust's offering to beneficiaries was developed and will be implemented in 2022.
Continue to build capacity and expertise of trustees and staff and support and develop a flexible workforce in a post Covid-19 environment.	Plans for developing the capacity and expertise of trustees and staff will continue into the plan period. New ways of working were established in 2021 and will continue to be considered as the UK starts to move into 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.	A full review of the technology and software systems used by the Trust took place in 2021, with a particular focus on a high-level evaluation of alternative grants management systems, pending the release of a new version of the existing system in use. Improvements have been made where possible, but the delay of the new version of the Trust's current grants management system means further work will continue in this area in 2022.
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.	Succession plans for trustees were reviewed and agreed in 2021 and will continue to be monitored. An Interim Trust Director was appointed during the year, and commenced in role on 4th January 2022. The Trust's Diversity policy was updated to reflect the principles of Diversity, Equality and Inclusion, and new diversity objectives were agreed by the trustees in December 2021.

Our achievements in 2021



Our objectives for 2021	What we achieved
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.	The Trust's target operating model was reviewed, and changes to processes and procedures to improve operational efficiency were proposed and implemented where possible. Ongoing consideration will be given to potential further improvements in 2022.
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.	A reputational management strategy was developed and approved by the trustees in 2021 and will be implemented in 2022.
Develop a new marketing and communications strategy to optimise opportunities and provide reassurance to key stakeholders.	A new marketing and communications strategy plan was developed and agreed by the trustees in 2021. The strategy will be implemented in 2022.
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.	At the end of 2021, the trustees agreed to re-brand the Trust and share a brand name with its trading subsidiary. The new Benefact Trust name was selected to encompass the Trust's purpose and history, whilst modernising the Trust and its identity and enhancing its recognition. A marketing and communications strategy, including launch plans for 2022, were developed and agreed by the end of the year.

Responding to Challenges



The Covid-19 pandemic continued to impact on the UK's social and economic environment during the year and into 2022. We were very aware of the pandemic's significant impact on our beneficiaries and the people and places they support.

We continued to support churches and Christian charities through the thematic programme 'Hope Beyond', from its launch in July 2020 until its closure in February 2021. Hope Beyond aimed to resource churches and Christian charities to adapt to new ways of working and areas of work which would best meet the challenges and changing needs of communities and embrace opportunities for individual, church and community flourishing for life beyond lockdown. Demand for the programme was extremely strong. Positive feedback on the impact that our grants made has led to the development of a further programme, launched in March 2022, which will provide support to strengthen the ability of beneficiaries to respond to the increasing mental health needs within communities, as a result of the Covid-19 pandemic crisis.

In 2021, we also provided additional resources via our website advice and resources hub to help organisations build resilience in response to the Covid-19 crisis.

We were also keen to provide assistance to churches and Christian charities who were supporting the resettlement of Afghan evacuees, welcomed into the UK following the Taliban takeover in Afghanistan. Recognising the costs that these organisations were incurring as they sought to help evacuees in the UK, we set up our Afghan Evacuees Emergency Grants programme in November 2021 to help cover the costs of evacuees securing accommodation, basic necessities and resettling in the UK. The programme ran for one month. In light of research indicating that there continues to be a need for support, further grants are being considered.

Our own small team continued to be impacted by the pandemic in terms of resource demands and administration of grants. However, as well as launching new programmes, we were able to keep our existing grant-giving programmes up and running throughout the period.

Benefact Trust's own investments have not been immune to the Covid-19 pandemic: in the prior year, the Trust and its subsidiaries experienced losses in their respective investment portfolios; the insurance and broking subsidiaries were exposed to a limited number of business interruption claims where there was confirmed cover. The Trust did not receive a grant from the Group in 2020 given the regulatory concerns around the impact of Covid-19 on insurance industry results and the consequent discouragement of dividend declarations. In 2021, there was more optimism in investment markets resulting in gains in the Trust's and its subsidiaries respective investment portfolios. The limited number of business interruption claims where there was confirmed cover continued to develop. We liquidated £5m from the expendable endowment fund in the first quarter of 2021 to maintain liquidity and thereby continued to support beneficiaries through the uncertain times. Donations from EIO plc were restored during 2021.

We undertook some significant projects during 2021 which placed significant demands on management and staff and also the trustees. We embarked on a major review of our grant-giving to ensure that the Trust's grants respond effectively to beneficiary need. Recommendations arising from the Grants Review group, as agreed by the Board, will be implemented during 2022. In addition, we agreed to rebrand the Trust using a co-brand with our immediate subsidiary, Ecclesiastical Insurance Group plc, to Benefact Trust Limited and Benefact Group plc respectively. Both new brands were successfully launched on 8 March 2022. To assist with the stretching workload challenges, we strengthened our Grants, Communications & Marketing and Governance Teams during the period and welcomed a new Trust Director to an interim role in January 2022.

Our Grant-Giving



The Trust's principal source of income is the grants it receives as the owner of the Benefact Group. As insurance is a risk business, the trustees recognise that grants received may fluctuate. The Trust therefore holds significant assets in an Expendable Endowment Fund. The Trust did not receive a donation from its subsidiary during 2020 due to the Covid-19 pandemic impact on the Group's profits, but following the recovery in the global markets during 2021 and the Group's strong performance, the Trust received a £21.0m donation during the year. Our financial support to churches and other charitable institutions reduced in 2021 compared with 2020, with total charitable giving of £19.3m (2020: £23.3m). The 2020 charitable giving reflected the Trust's significant response to the coronavirus pandemic and the desire to help beneficiaries respond to the emerging challenges. The pandemic also had an effect on application levels to the Trust in 2021 and therefore grants awarded, with many churches and charities necessarily taking time to emerge and recover from the Covid-19 disruption before being ready to submit applications. Application volumes started to increase again towards the end of 2021, for 2022 decision-making by the Trust. Over the past six years, the Trust has given over £100m in grants and these are used to benefit people of all faiths and none.

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 grants awarded through the Hope Beyond programme factoring deprivation into the grant calculation.

Our continuous research on the impact and benefit of our grants programmes to support beneficiaries and areas of need informed the development of our new grants programmes such as 'Brighter Lives' and the Afghan Evacuees Emergency Grants programme. During the year, a Grants Review was carried out covering all aspects of the Trust's grantmaking. The aim of the review was to implement a new range of grants programmes with clear scope, aims, criteria and impact measures which serve the Trust's strategy, vision and mission.

While we have agreed the overall direction of future grants programmes, more detailed work will be carried out in 2022 in order that new programmes can be launched in 2023, preceded by communications to key stakeholders in Q3-4 2022. As part of the review, we have agreed changes to the Recurrent Grants programme which benefits Anglican dioceses, cathedrals and provincial bodies in the UK and Ireland. This will mean that grants awarded under this programme will begin to reduce by c.£1m per year from 2023, in order that the programme will end by 2030 at the latest. The funds released by the annual reduction will be available for all applicants to apply for through the Trust's other open grant programmes.

Our Grant-Giving

Grant-Giving at a glance

Our target is to deal with 90% of all Small and Roof Protection Scheme grant applications within 2 months. In 2021, we exceeded our target and processed 98.6%.

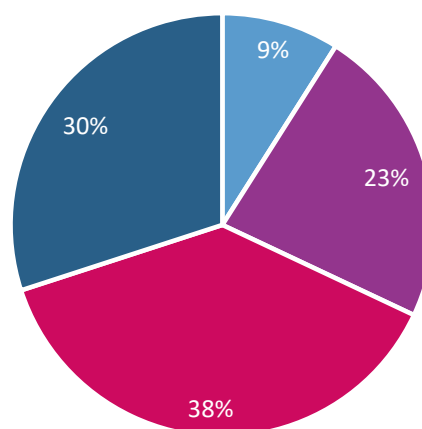
For all other programmes our target was 75% within 6 months and 90% within 12 months.

We actually processed 98% of all grant applications, large and small, within six months.

£19.3m
donated
in grants
in 2021

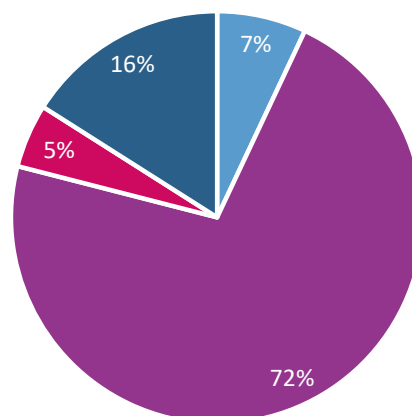
£146.6m
donated in
grants over
the past 10
years

Value of grants



■ Cathedrals ■ Churches
■ Dioceses ■ Registered charities

Number of grants



■ Cathedrals ■ Churches
■ Dioceses ■ Registered charities

Our Grant-Giving



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

General Grants Programmes

The Trust's General Grants programme continued through 2021 and forms the backbone of our grant-making. The General Grants programme is split into two categories: Small Grants and Large Grants. Projects costing up to £1m are considered under Small Grants. Projects costing over £1m are considered under Large Grants. In both cases, the grant awarded by the Trust is a percentage of the overall project cost. Applicants are encouraged to raise further funds towards their total costs from other sources.

In 2021, 697 Small Grants totalling £2.1m were awarded to churches and charities across the UK and Ireland. In 2021, 24 Large Grants totalling £1.3m were awarded to churches and charities across the UK and Ireland.

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

In an impact survey carried out in 2021, 50% of General Grants beneficiaries reported that they had been able to repair, restore, protect or improve their buildings with the help of the grant awarded. A further 17% said their grant had enabled them to tackle social issues in their community.

The Trust reviewed the General Grants programme in 2021 as part of its Grants Review, and the learning from this informed the proposals for new grants programmes to be launched in 2023.

Case Study

With the support of £31,000 funding from Benefact Trust, London's Union Chapel will convert its Grade II Listed Sunday School into a centre for creative community outreach, with a focus on the most disadvantaged within the community including refugees and asylum seekers, young people, the LGBTQ+ community, people experiencing homelessness, those with disabilities and Black, Asian and ethnic minority groups. The project, 'Sunday School Stories', is intended to meet the needs of these communities and provide a space for projects that are enriching, skills-based and free.

Our Grant-Giving



Afghan Evacuees Emergency Grants Programme

In November 2021, the Trust launched an emergency grants programme to equip churches and Christian organisations engaged in supporting Afghan evacuees resettling in the UK, following the Taliban takeover in Afghanistan. Grants of up to £5,000 were available to help cover the costs of enabling evacuees to find secure accommodation, be provided with basic necessities, and begin to integrate and settle. 37 grants were awarded totalling £152,600.

Case Study

A £4,000 Afghan Evacuees Emergency Grant will help City Life Church to provide advice, language and practical services to improve the quality of life for Afghan evacuees in Southampton. There are currently 160 evacuees in a bridging hotel in Southampton. The church has been providing ESOL (English for Speakers of Other Languages) classes as well as meeting the practical needs of these families. City Life Church has already provided five families with emergency funds where the families have been unable to access statutory support. The emergency grant from Benefact Trust will enable the church to continue to provide essential support.



Our Grant-Giving



Brighter Lives Grants Programme

Following the closure of the Hope Beyond programme in February 2021, work was carried out to inform the Trust's further response to the effects of the Covid-19 pandemic. Having identified from beneficiary surveys that there are significant needs in the area of mental health, research was carried out with specialist mental health charities to ascertain ways in which the Trust might provide support in this area, through grants and other resources. This led to the development of the Brighter Lives Grants programme through which the Trust will aim to strengthen the ability of the Christian community in the UK and Ireland to respond more effectively to increased mental health needs arising from the Covid-19 pandemic. It will resource improvements for churches and Christian charities so they are better able to provide mental health training and resources, and support to those in greatest need. We launched the programme in March 2022.

Case Study

With the support of a £150,000 grant from Benefact Trust, Feeding Britain will be able to extend the reach of its 'Pathways from Poverty' programme, helping 2,400 more people to access vital support services. The Trust's funding will enable the anti-poverty charity to offer wraparound advice and casework services for people on low incomes who access low-cost food from its 'citizens' supermarkets' in Coventry and Wirral. These on-the-spot services will address issues such as debt, benefits, and housing, which have left people struggling to afford food and other essentials. In doing so, they will minimise the risk of people descending into crisis and having to rely on food banks at a later stage.



Our Grant-Giving



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. The programme continued to run until February 2021.

In 2021, 301 grants totalling nearly £1.9m were awarded to beneficiaries throughout the UK and Ireland, adding to the 428 grants totalling nearly £3.2m that were awarded in 2020. Grants awarded were between 10% and 80% of project cost, to a maximum of £50,000.

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 2021 resulted in 64% of applications being received from denominations outside of the Church of England and charities.

92% of 2021 beneficiaries responding to a 2022 impact survey reported that they were now delivering new support or activities in order to meet needs arising from the Covid-19 pandemic, against a target of at least 80%. 95% of beneficiaries also reported that they had adopted new ways of working in order to meet needs arising from the pandemic, against a target of at least 50%.

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 continued, and how best the Trust could focus its Covid-19 support as organisations adapt to the 'new normal'. This led to the development of the Brighter Lives programme, launched in March 2022, which will focus on strengthening the ability of the Christian community in the UK and Ireland to respond more effectively to increased mental health needs arising from the Covid-19 pandemic.

Case Study

As a result of the pandemic, access to support and care for many vulnerable women was severely impacted. Harbour Church's Spa 61 project aims to restore hope and dignity to women who have been trapped in abusive situations, and throughout the pandemic they reached out with online courses, pastoral care, and regular communication. A Benefact Trust Hope Beyond grant of £6,650 helped Harbour Church to purchase streaming equipment, signposting materials and employ a member of staff to run the digital support.

Our Grant-Giving



Transformational Grants Programme

The Transformational Grants programme, which began in 2019, continues to run. During the year, 17 grants totalling £3.2m 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 2021 supported projects focused on work amongst children and young people, church planting and growth, food poverty, relationship education, community health, those affected by imprisonment, diversity in church communities, the church's response to environmental challenges, and responding to the issue of homelessness.

Seeking to receive applications from a wider denominational reach, the Trust's efforts in 2021 resulted in 76% of applications being received from denominations outside of the Church of England and charities, against a target of at least 30%.

A further success measure for the programme is that beneficiaries report that they are better equipped to meet their charitable aims i.e. through having sufficient resources. Grants are awarded for multi-year projects. It is still too soon to measure the overall success of the programme, however an impact survey carried out in 2022 showed that 100% of beneficiaries who had completed all or at least some phases of the work funded reported being better equipped.

Case Study

With the support of a £150,000 grant from Benefact Trust, Feeding Britain will be able to extend the reach of its 'Pathways from Poverty' programme, helping 2,400 more people to access vital support services. The Trust's funding will enable the anti-poverty charity to offer wraparound advice and casework services for people on low incomes who access low-cost food from its 'citizens' supermarkets' in Coventry and Wirral. These on-the-spot services will address issues such as debt, benefits, and housing, which have left people struggling to afford food and other essentials. In doing so, they will minimise the risk of people descending into crisis and having to rely on food banks at a later stage.



Our Grant-Giving



Methodist Grants Programme

The Trust's Methodist Grants programme continued in 2021, 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 2021, 25 grants totalling £2.3m 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.

2022 impact survey responses have shown that 75% of grant recipients state that our grant has helped to significantly improve building accessibility, against a target of at least 50%. All recipients reported that their project was not sufficiently complete, or had completed too recently for there to have been any measurable increase in their community engagement. Therefore at the time of the survey, the target of 50% had not been met.

The impact of the programme's grant-giving will continue to be assessed and measured in 2022.

Case Study

A £90,000 grant from Benefact Trust's Methodist Grants programme will help East Belfast Mission to develop an innovative, housing-focussed project in Northern Ireland, connecting those experiencing homelessness with the church and community. East Belfast Mission has been running its homeless service, Hosford, for 20 years. It currently has two main services, a hostel containing 26 rooms/apartments and a tenancy support service for people who have a home but need support to maintain their independence. The new project will redevelop a disused building into private apartments and a community relations space for community groups, church activities, and to connect vulnerable people with the church and community.



Our Grant-Giving



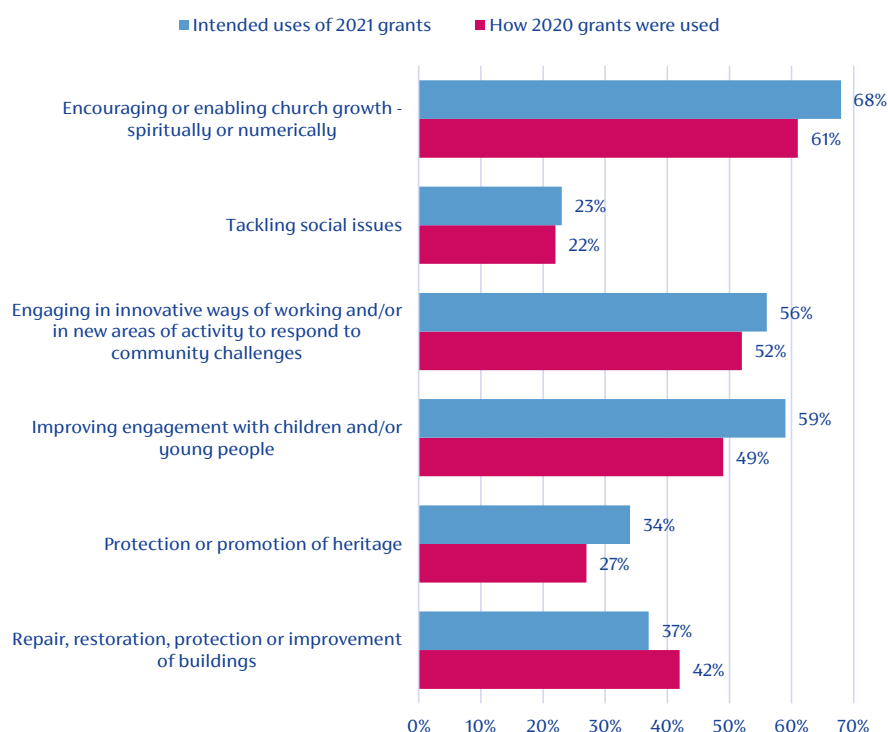
Recurrent Grants Programme

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 2021, nearly £1.5m in grants was given to cathedrals and £6.9m to dioceses and provincial bodies.

In line with the Trust's primary areas of funding focus, beneficiaries were encouraged to direct the use of grants towards work in the following areas:

- Tackling social issues
- Encouraging or enabling church growth, spiritually or numerically
- Engaging in innovative ways of working and/or in new areas of activity to respond to community challenges
- Improving engagement with children and/or young people
- Protecting or promoting heritage
- The repair, restoration, protection or improvement of buildings

An online survey among beneficiaries provided the following information with regard to use of 2020 grants, and intended use of 2021 grants:



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

Our Grant-Giving



Roof Protection Scheme Thematic Programme

The Trust's Roof Protection Scheme Thematic programme, first launched in 2016, continued through 2021, providing grants to help churches install roof alarms in response to the problem of metal theft. In 2021, 38 grants totalling £80,000 were awarded to local churches.

An impact survey was conducted in early 2022 in respect of the Roof Protection Scheme programme which indicated that whilst 48% of local church 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 0% once an alarm had been installed. 68% 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 2021, aimed at helping to build and protect sustainable skills to care for the UK and Ireland's historic environment. Throughout 2021, 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.

During the year the Trust awarded a grant to The Prince's Foundation, payable over three years, to establish a training programme to promote and preserve Heritage skills in Ireland.

The Trust has also been scoping a new Heritage Grants programme which will focus on the preservation of skills which are essential for the conservation of Christian buildings, and this will launch in 2022.

2021 Grant-Giving data



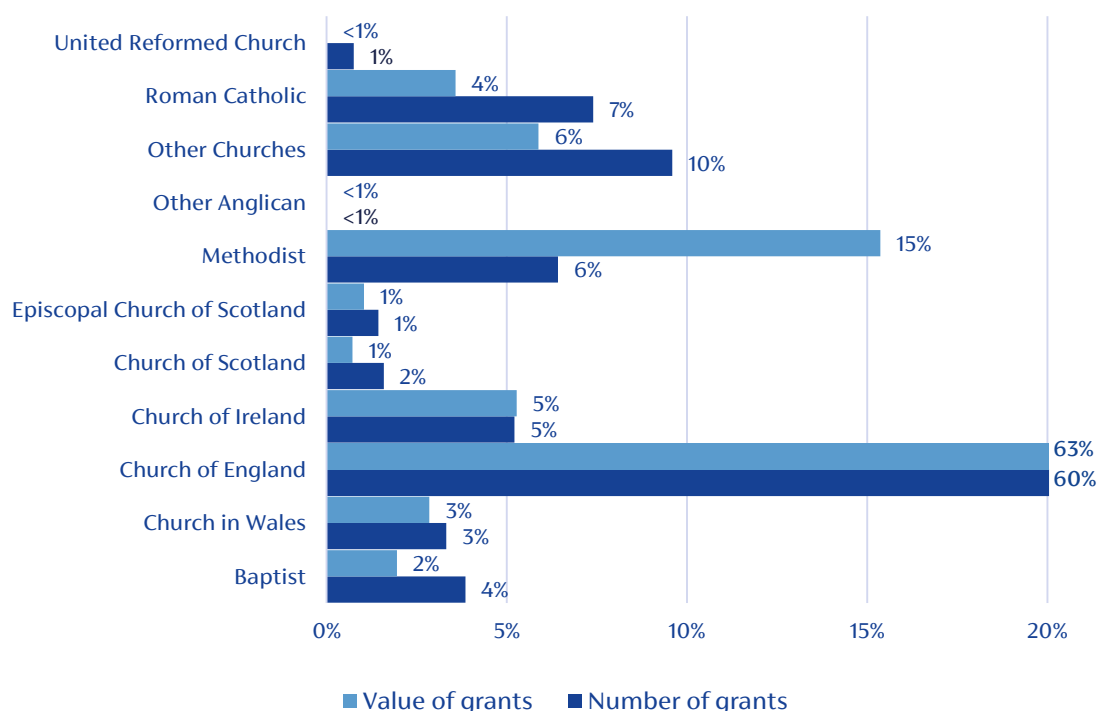
The geographical, denominational and charitable spread of grants made, which are shown in the following tables and on page 20, are largely determined by the Trust's objects and the pattern of applications received by the Trust.

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 thematic programmes to receive grant applications from a wider denominational reach.

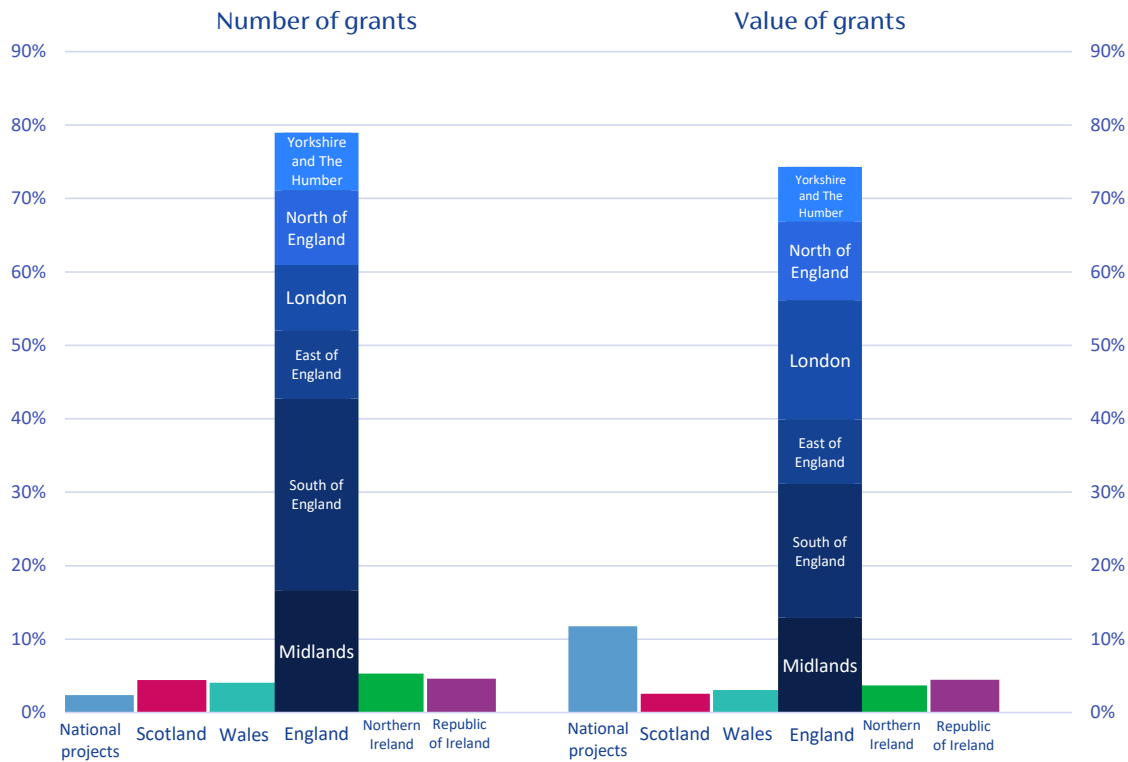
Grant-giving by denomination



2021 Grant-Giving data



Grant giving by geographical spread



Financial Review



Parent charity

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

Our total net income in the year was £88.6m (restated 2020: net expenditure £60.3m).

	2021			2020 (restated)*		
	Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Total income	24,847	3,810	28,657	3,299	3,106	6,405
Total expenditure	(20,372)	(370)	(20,742)	(24,305)	(375)	(24,680)
Net gains/(losses) on investments	68,445	12,332	80,777	(41,473)	(458)	(41,931)
Taxation	-	(82)	(82)	-	(83)	(83)
Net income/(expenditure) in the year	72,920	15,690	88,610	(62,479)	2,190	(60,289)
Transfers to endowment	(4,000)	4,000	-	(5,200)	5,200	-
Transfers to unrestricted	7,952	(7,952)	-	12,723	(12,723)	-
Net movement in funds	76,872	11,738	88,610	(54,956)	(5,333)	(60,289)

* The comparative figures have been restated as detailed in note 19.

Net income in the year of £72.9m (restated 2020: £62.5m net expenditure) in the unrestricted fund resulted from a £21.5m increase in income and a £68.5m increase in the carrying value of our investment in subsidiary undertakings, as investment markets and economies continued their recovery from the effects of Covid-19. This was also reflected in the EEF portfolio, which generated £15.7m net income in the year (2020: £2.2m net income).

The trustees withdrew £5.0m from the EEF in the first quarter of the year in order to maintain liquidity and ensure that the Trust could continue to support its beneficiaries as the effects of Covid-19 continued. £3.0m of investment income earned in the EEF was also transferred to unrestricted funds to support the Trust's grant-giving. £4.0m excess reserves were transferred into the EEF prior to the end of the year.

Income

Our income increased significantly in 2021 to £28.7m (2020: £6.4m), the prior year having been impacted by the economic effects of Covid-19. We received £21.0m gift aid from EIO plc in the year (2020: nil), as financial markets continued to recover. Dividend and interest income increased to £3.8m (2020: £3.2m).

Donation income of £3.5m received from Methodist Insurance PLC, was designated on receipt for the furtherance of purposes or projects relating to the Methodist Church.

Expenditure

Our charitable giving fell 17.1% in the year to £19.3m (2020: £23.3m). The level of applications to the Trust was affected by the pandemic in 2021, and prior year charitable giving reflects the Trust's significant response to the impact of Covid-19 on its beneficiaries. Charitable giving in

Financial Review



the current year included £3.2m awarded through our Transformational grants programme, £2.4m Small Grants and £1.9m awarded through our Hope Beyond grants programme (which closed in February 2021). Further details of our charitable giving in the year are included in the Grant-Giving section of this report and in note 6 to the charity financial statements.

Operating expenses of £1.0m (2020: £1.0m) were incurred. We aim to keep operating expenses below 7.5% of total charitable giving and have achieved this as follows:

Target	2021	2020	2019
< 7.5%	5.4%	4.3%	4.3%

Funds

Total funds at 31 December 2021 were £658.2m (restated 2020: £569.6m) consisting of £542.4m in the unrestricted fund (restated 2020: £465.6m) and £115.8m (2020: £104.1m) in the EEF. The unrestricted fund includes a revaluation reserve of £521.5m (restated 2020: £453.0m) which represents the cumulative increase in the fair value of the Trust's investment in subsidiary undertakings. The revaluation reserve is not available for charitable purposes.

The Trust continues to have adequate available resources to continue its charitable activities. The going concern statement for the Trust is included in the Trustees' Report.

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, Ecclesiastical Insurance Office 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 of this report.

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 2021 were £6.8m.

At 31 December 2021, the Trust held reserves of £25.1m, including £15.5m of donation and gift aid income that was received at the end of December. The majority of the Trust's charitable giving is paid in the second half of the year, due to the timing of Recurrent Grant payments to dioceses and cathedrals. As the Trust's donation and gift aid income is mainly received in December, the reserves held at the year-end also support charitable giving in the second half of the year. The trustees therefore do not intend to take corrective action to reduce the level of reserves held at this time.



Trading subsidiaries

The consolidated statement of financial activities is shown on page 73.

Net income

The principal activities of the Trust'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 46.

The trading subsidiaries reported net income of £66.0m¹ (restated 2020: net loss of £17.2m¹) driven in particular by strong investment returns, as markets rebounded strongly from 2020. The trading subsidiaries general insurance business reported an underwriting profit of £8.0m¹ (2020: £11.4m¹) representing a robust performance. This result includes areas where reserves have been strengthened and the impacts of some adverse weather events. The underwriting result is also reflective of continued strategic investment across insurance technology platforms to ensure that the businesses are well positioned to deliver sustainable and profitable growth. Retention and satisfaction levels were strong, which have supported an 11% growth in gross written premiums.

The broking and advisory businesses reported an overall profit before tax of £4.6m¹ after amortisation of goodwill and intangibles (2020: pre-tax loss of £1.4m¹).

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 134, and are provided to members of the Trust.

During the year, the trading subsidiaries directly distributed £2.5m (2020: £2.7m) 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 net assets of the Benefact Trust group of companies were £760.1m (restated 2020: £671.5m).

The net assets of the Benefact Trust group of companies includes a net pension asset of £24.6m (2020: £16.2m net pension liability). The Trust's trading subsidiaries operate two defined benefit pension schemes, both of which are closed to future accrual. The increase in the net valuation of the pension schemes during the year was primarily due to actuarial gains arising from changes in financial assumptions and strong investment return. Further details relating to the trading subsidiaries' defined benefit pension schemes are included in note 41 to the consolidated financial statements.

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. The majority of the trading subsidiaries prepare their own financial statements under International Financial Reporting Standards (IFRS).

Financial Review



Factors affecting future financial position and performance

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

The recent conflict in Ukraine has increased market volatility, put pressure on supply chains and increased the risk of inflation. As we adjust to living with Covid-19, it is likely that some uncertainty will continue. The Trust may be exposed to resulting 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 Trust is exposed, and how it manages them are included in the Principal Risks and Uncertainties section of this report.



Benefact Trust is the ultimate parent undertaking of Benefact Group, and full details of the Trust's investments in related undertakings are disclosed in note 46. The Trust's principal source of income is the gift aid it receives from EIO plc. The Board discusses regularly with Benefact Group the rate of return it expects on its investment and monitors performance over a rolling 5, 7 and 10 year period.

As explained in the Principal Risks and Uncertainties section of this report, the Trust 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. Gradually building the size of the EEF enables the Trust to grow a separate, more stable, income stream, for the benefit of present and future generations.

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 is assessed against a benchmark over 1, 3, 5 and 10-year periods, dependent on the duration of their appointment. Owl Private Office Holdings Limited provided expert investment advice to the Board's Finance and Investment Committee.

Investment policy

Our principal investment objective in relation to the EEF is to maximise long-term investment returns through a diversified portfolio with an acceptable risk profile.

We believe our investment strategy, which is regularly reviewed, provides an appropriate balance between ethical considerations and fiduciary responsibility. The Investment Managers apply a positive engagement approach, actively seeking out companies that exhibit strong corporate citizenship and business ethics. In addition, we have:

- adopted an absence of harm approach, and seek to avoid 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, we take a 'nil exposure' approach.
- adopted a 'carbon aware' approach in which the overall carbon profile and intensity of companies is taken into account when making investment decisions. Companies with a material exposure to oil sands and Arctic drilling are excluded.



Investment performance

The EEF amounted to £115.8m (2020: £104.1m) on 31 December 2021 and generated dividend and interest income of £3.8m (2020: £3.1m).

The portfolio managed by EdenTree stood at £81.2m (2020: £76.1m), of which £72.6m (2020: £68.6m) was in a discretionary portfolio and £8.6m (2020: £7.4m) in an EdenTree open-ended investment company (OEIC) fund. Over the year the total portfolio delivered a return of 14.4%, which was -1.4% behind the composite benchmark. The portfolio started 2021 with a continuation of its recovery which commenced in the fourth quarter of 2020, as the 'value' rally led the investment markets. The relative out-performance slowed during the year. Over the longer-term the discretionary portfolio managed by EdenTree has underperformed its benchmark over three years, but outperformed over 5 and 10 years.

The discretionary portfolio managed by Rathbones stood at £34.6m (2020: £28.0m) and delivered a return of 18.7% over the year, which was 2.9% ahead of the composite benchmark. The portfolio's performance benefitted by strong outperformance of the UK equity allocation, which was +4% above the benchmark. Over three years Rathbones has outperformed its benchmark. As Rathbones commenced managing the Trust's investments in 2018, benchmarking of its performance over the 5 and 10 years is not applicable.

Climate change and environment



The Benefact Trust group of companies has reported 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 Benefact Trust group of companies continues to improve the coverage and quality of data which informs the reporting. The 2020 emissions have been restated in the table below to include a broader scope of operations and improved quantification methodology.

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 emission factors 2021 (Department for Environment, Food and Rural Affairs), and independently verified according to ISO – 14064-3:2019 Specifications with Guidance for the Validation and Verification of Greenhouse Gas Statements.

The Benefact Trust group of companies' 2021 carbon footprint continues to be impacted by the Covid-19 pandemic which has influenced reduced office attendance and business travel. Some of this influence we expect to stay with us for the long-term – increased use of meeting technologies and more flexible work – but we also expect office occupancy to increase, but not to pre-Covid levels. To grasp the learnings from the pandemic period the Benefact Trust group of companies launched future flexible working principles supported by investment in technology and fantastic office environments. The environmental benefits will be monitored over the long-term.

In line with the Streamlined Energy and Carbon Reporting requirements the Benefact Trust group of companies' carbon footprint is detailed here including carbon intensity:

	UK tCO2e		Non-UK tCO2e		Total tCO2e	
	2021	2020	2021	2020	2021	2020
Scope 1	98	378	6	40	104	418
Scope 2 – location based	383	414	97	106	480	520
Scope 2 – market based*	68	-	97	-	165	-
Scope 3	172	273	22	46	194	319
Total**	338	1,065	125	192	463	1,257

* ~~not~~ previously reported in 2020.

**2021 totals assume Scope 2 – market based

Total energy use 59,585,679kWh, of which 48,147,143kWh is UK and 11,438,536kWh non-UK. Carbon intensity: 0.23 tonnes/employee (2020: 0.54). tCO2e refers to tonnes (t) of carbon dioxide (CO2) equivalent (e).

The carbon intensity of the Benefact Trust group of companies' investments continues to be a key part of its footprint and opportunity for influence. In 2021, the Benefact Trust group of companies moved into new head office premises, which has been designed to a 'very good' BREEAM sustainability standard. The building features heat recycling, solar panels and electric charging points. These enhancements have had a significant impact on our footprint already and will make further contributions to our direct reduction plans in the future.

Principal risks and uncertainties



The major risks to which the Trust is exposed are reviewed by the Board with the aid of external advisers. The Board can choose whether or not to accept a particular risk, manage it or to mitigate against it. It is recognised that it is not possible or cost-effective to mitigate all risks fully and therefore some risks are accepted. The evolving risks associated with the Covid-19 global pandemic continue to be considered by the trustees, as the impact from the pandemic continues to effect the social and economic environment. 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 in place to manage the risks.

Investment Risk

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

How they are managed

The Trust has a Finance and Investment Committee, which is responsible for setting investment criteria and overseeing and reviewing the performance of the investment portfolio. 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 Trust uses two Investment Fund managers, EdenTree and Rathbones, to enable further diversification. Independent investment advice is provided to trustees by Owl Private Office, who provide investment monitoring reports twice a year to the Finance and Investment Committee. These appointments are regularly reviewed.

A formal policy between the Trust and the Benefact Group specifies how the level of income paid via Gift Aid is determined and this is subject to regular review.

Regular reporting is received from the Trust's principal asset, the Benefact Group, on its performance and two of the trustees act as 'common directors'.

The Trust's reserves policy, which can be found under the Finance Review section, details the Trust's policy to maintain liquidity to ensure it can meet its grant commitments. This policy is reviewed at least annually.

Given the ongoing Covid-19 pandemic and its impact on the economic environment, the level of this risk remains unchanged compared to last year and has been closely monitored. Regular updates were sought from the CEO of the principal asset and updates on investment performance from the Trust's Investment Advisor. 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 Trust as a result of overexposure to the primary source of funding and capital.

How they are managed

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

Principal risks and uncertainties



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

The long term strategy of the Trust is to continue to grow the Expendable Endowment Fund to provide greater diversification of the Trust's assets to reduce the degree of concentration risk.

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

Regulatory Risk

The risk of public censure or regulatory intervention as a consequence of failing to comply with relevant legislation, regulation and policies ultimately leading to loss of public confidence in the Trust's charitable status.

How they are managed

The Trust 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. This includes consideration through the year of the recent re-brand of the Trust.

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 Trust has developed a Reputational Management Strategy to protect its reputation.

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

The Trust has a dedicated Head of Communications and Marketing Officer, 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 its trading subsidiary.

Principal risks and uncertainties



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 Trust's objectives, which are detailed under the 'Our Strategy' section in this report.

How they are managed

The Trust has a three year Strategy and Business Plan, details of which can be found under the 'Our Strategy' section of this report. The trustees regularly review the effectiveness of the various strategic initiatives employed, and annually reviews its Strategy plan. 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 its strategy during the year. This resulted in the development of new grants programmes, and plans for a three year budget plan. This risk continues to be monitored closely in light of the ongoing pandemic and the potential for a reduction in income as detailed above under Investment risks.

Operational Risk

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 Trust's objectives, full details of which can be found under 'Our plans for 2022' section of the Strategic Report.

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 trustees and staff and also those who provide arm's length support services to the Trust.

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.

Operational Resilience was tested during the year as a result of the ongoing Covid-19 pandemic, with no detrimental impacts for Trust or beneficiaries.

Section 172 Statement



This statement provides an overview of how the directors have fulfilled their duties to promote the success of the Company and had regard to the matters set out in Section 172(1) of the Companies Act 2006, which is detailed below:

- (1) A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to-
- a) the likely consequences of any decision in the long term;
 - b) the interests of the company's employees;
 - c) the need to foster the company's business relationships with suppliers, customers and others;
 - d) the impact of the company's operations on the community and the environment;
 - e) the desirability of the company maintaining a reputation for high standards of business conduct, and;
 - f) the need to act fairly as between members of the company.

Our Stakeholders

We have identified and documented our stakeholders in the Company's Governance Framework and Board Charter and our Strategy & Three Year Business Plans.

Key stakeholders are: our members, beneficiaries and other Christian partners, trading subsidiary Benefact Group and its subsidiaries, the workforce (seconded from EIO plc), suppliers, wider community and environment, and Regulators.

Our Approach to the Long Term Success of the Company

We recognise that the long-term success of the Company is dependent on ensuring that good governance is at the heart of the Trust's activities, which includes having regard to the interests of its stakeholders.

As the Trust largely derives its income from its trading subsidiary, the Group, and investment income generated from its Expendable Endowment Fund (EEF), directors' decision-making takes into account any potential impact on the Company's sustainability and its ability to continue to carry out its charitable objects for the public benefit.

Ensuring that the Company's trading subsidiary delivers on its strategy for the benefit of the Trust as a whole, trustees engaged an independent consultant to review its principal asset in 2020. The findings of the review were reported to the Finance and Investment Committee in early 2021 and subsequently considered in detail by the Board. Recommendations arising from the Review and agreed by the Board were communicated to the Group, who subsequently reported to the directors on its action plan to meet the recommendations.

Section 172 Statement



The Trust commenced a review of its grant-giving in 2021, engaging with beneficiary representatives to understand their views, to inform the development of its grant-making strategy and ensure its grants are directed effectively to support the Christian community and beneficiaries.

Further detail on the Trust's strategy and investments can be found in the Strategic Report.

2021 COVID-19 Response

As part of the Trust's grant-giving review, trustees recognised the continuing impact from the Covid-19 pandemic on the mental health of its beneficiary community. We carried out research surveys and consultations with stakeholders on the developing needs of communities and as a result created a new Thematic Grants programme 'Brighter Lives', focusing on providing grants to Christian organisations providing mental health support to communities.

Considering the challenges being experienced by beneficiaries from the Covid-19 pandemic, and in light of the Trust not receiving a grant from the Group during the first half of 2021, trustees agreed to liquidate a small portion of funds from its EEF for grant-giving purposes.

Further detail on the Trust's grant-giving response to Covid-19 can be found in the Grant-Giving section of the Strategic Report.

Benefact Trust brand

Throughout 2021, we considered plans for the name change of both the Trust and trading subsidiary, the Ecclesiastical Insurance Group, to a shared name: Benefact Trust and Benefact Group respectively. Our decision (approved by members at a General Meeting in March 2022) followed detailed consideration of extensive stakeholder feedback and insight, which informed and supported the development of a new brand for the Trust. Trustees' discussion and consideration of the benefits and aims of the new name and brand was carried out at various strategy meetings over the year, culminating in unanimous agreement to proceed with the Benefact Trust and Benefact Group brand for the benefit of the Trust's objectives and mission.

For more detail on the Company's strategic objectives and how the Board operates please refer to the Strategic Report and Trustees Report.

Stakeholder Engagement

Below is a summary of key decisions and actions that have been taken during the year in respect of strategic and company performance and how it has had regard to the interests of, and impact on, stakeholders.

Members

As a company limited by guarantee, the Trust 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.

Section 172 Statement



There are open channels of communication between the Company and its members. The Company holds an Annual General Meeting (AGM). In 2021, due to the Covid-19 pandemic and government guidance on social distancing, 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. A special newsletter was issued to members to provide an update on the Company's progress and work during the year. The Trust provides members with the option to receive an annual newsletter via email.

Beneficiaries and other Christian partners

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

During 2021, the Grants Committee undertook a review of the Trust's grant-giving, considering survey findings and research reports which provided insights and feedback from beneficiaries; engaged with beneficiary groups on emerging grant-giving proposals; consulted on the impact of its grant-giving, and considered feedback on the Company's website resource hub.

As part of the Company's strategic plan, work commenced on two strategic initiatives during the year to grow and build its Christian network of beneficiaries and partners.

Trading Subsidiary

As the ultimate owner of the Group, directors maintain an open and constructive relationship with its trading subsidiary. There are at least two 'Common Directors' who are on the Board of the Company and the Group. This enables the Board as a whole to receive regular updates and maintain oversight of its subsidiary. There is also regular engagement between the Board Chairman and the Chairman of the Group, and with the Group Chief Executive Officer (Group CEO) who provides updates to directors at every Board meeting.

During 2021, discussions were held with the Group at various meetings regarding plans for the rebrand of both companies, considering research and survey findings from stakeholders to inform the development of a new shared brand.

Workforce

The Company has no direct employees but uses staff employed by EIO plc to undertake its charitable activities under a Shared Services agreement. The Group CEO updates the Trust with updates on workforce, including staff survey results.

The Trust's Management Team attend each Board meeting and various committee meetings, and provide a quarterly management report. Staff are encouraged to provide challenge and feedback to the directors. In particular, the views of the Trust's Grants Officers are welcomed by the Grants Committee to help develop the Trust's grant-giving strategy.

In regard to the rebrand of the Company during 2021, research surveys included feedback and insights obtained from staff seconded to the Trust.

Section 172 Statement



Suppliers

The Company does not have a supply chain itself, but uses the services of EIO plc 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 the Audit and Risk Committee therefore receive regular updates on the performance of its subsidiary at meetings.

For further information on the Trust's recognition of its responsibility towards its supply chain, please see its Modern Slavery Act Statement available on its website.

Community and Environment

As detailed in the Strategic Report, directors are focused on long-term and strategic charitable giving.

During 2021, we reviewed our grant-giving strategy and agreed a new Thematic programme called 'Brighter Lives', launched in March 2022, recognising the continuing impact from the Covid-19 pandemic on the mental health of communities and individuals.

Directors also engaged in discussions on Climate Change, both in terms of the Trust's investment approach and grant-giving. The Finance and Investment Committee considered impact investing and Environmental, Social and Governance (ESG) investing during the year. Our discussions will continue in 2022. Further detail on the Trust's Grant-Giving and Investment Policy can be found in the Strategic Report.

Regulators

We recognise the importance of open and honest dialogue with Regulators. As a registered charity, the Trust is also regulated by the Charity Commission. Directors receive regular reports on legal, regulatory and compliance matters at each board meeting.

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

Tim Carroll
Chairman
21 June 2022

Trustees' Report

(incorporating the Directors' Report for the year ended 31 December 2021)



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 2021. 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

We are committed to applying the highest standards of corporate governance and believe that the affairs of the Trust should be conducted in accordance with best practice. We comprehensively review our governance practices and procedures in the light of the Charity Governance Code (the Code), which was most recently refreshed in December 2020. Following a gap analysis undertaken of the 2020 Code, the trustees agreed a number of recommended actions to further strengthen the Trust's governance. These included amendments to the trustees' Code of Conduct and Board Diversity policy, to ensure compliance with the Code's refreshed Integrity Principle and Equality, Diversity and Inclusion Principle. All actions were progressed through to completion during 2021. We confirm that the Trust is compliant with the Code.

During 2021, we progressed all recommendations arising from the independent Governance Review (undertaken by an independent firm of solicitors during the last quarter of 2020) to completion. The Governance Review found that the Trust's governance was strong.

Governing document

Benefact Trust Limited was incorporated (as Allchurches Trust Limited) 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.

Trustees' Report



Organisation

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

Trustees seek 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 Trust, developing its objectives and policies, reviewing the performance of trading subsidiaries and delivering the outcomes for which the Trust 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 Trust's investment strategy, including the performance of its expendable endowment fund and the Trust's financial affairs. Its members are Mr David Smart (Chair), Mr Michael Arlington, Ms Caroline Banszky, Mr Tim Carroll, and Mr Stephen Hudson. Sir Laurie Magnus retired as a member and Chair of the Committee in February 2022.

The Audit and Risk Committee has four scheduled meetings a year. It is responsible for the appropriateness of the Trust'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 Trust. 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, Mrs Louise Wilkins (appointed in December 2021) and Mr Stephen Hudson. Revd Davis retired as a member of the Committee in November 2021.

The day-to-day management of the Trust is undertaken by its senior executive staff, Interim Trust Director (appointed in January 2022) 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' Report



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 29 to the financial statements.

Appointments to the Board

We aim to have a diverse group of trustees, with a balance of necessary skills and experience, who are broadly representative of the communities the Trust serves. Dialogue with stakeholders that Benefact Trust serves takes place in identifying potential candidates for the Board. The Board will advertise and engage external search consultants, as per its Board Equality, Diversity and Inclusion policy.

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 at the date of this report are stated on page 134.

Mr Stephen Hudson and Mr Chris Moulder will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ('AGM'). Sir Laurie Magnus will also retire by rotation but will not offer himself for re-election. Mr Michael Arlington will resign as a director on 14 July 2022.

On 16 March 2021, Mr David Smart was appointed to the Board and his appointment was approved by the members at the AGM held on 15 July 2021.

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 Equality, Diversity and Inclusion

The primary responsibility of the trustees is to conduct the affairs of Benefact 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.

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

When considering our approach and commitment to the principles of equality, diversity and inclusion, we have agreed the following commonly used definitions:

- Equality means ensuring every individual has equal opportunities; equality means treating people in ways that make sure they are not unfairly prevented from accessing resources and opportunities nor that others have an unfair advantage.
- Diversity means having differences within an organisation or setting.
- Inclusion means being proactive to make sure people of different backgrounds, experiences and identities feel welcomed, respected and fully able to participate.

Trustees' Report



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

In 2019, the Board set itself the objective of meeting the Hampton-Alexander Review target of having 33% of women on boards. This was accomplished by 2020.

In 2021, the Board set the following objectives:

- Continue to achieve at least 33% female trustees on the Board;
- Ensure that the Board composition comprises at least one trustee from United Kingdom Minority Ethnic (UKME);
- Ensure that the Board broadly reflects the wider Christian family;
- Ensure that the recruitment process reflects the Board's commitment to its equality, diversity and inclusion policy, and takes account of the Charity Governance Code's Principle 6 (Equality, Diversity and Inclusion);
- Engage solely with executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and practice.

As at the date of this report, the Board has met all of these objectives.

Trustees' induction and training

On acceptance of a position on the Board, all trustees receive a comprehensive welcome pack, which includes their appointment letter and terms. All trustees are required to undertake a formal and comprehensive induction to the Trust and its trading subsidiaries upon joining the Board. The induction is a two-stage process and is primarily undertaken by the Secretariat. 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 was deferred in 2021 due to the Covid-19 pandemic, but will be carried out later in 2022.

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 Trust include its subsidiary undertakings. A full list of the Trust's related undertakings is disclosed in note 46 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 Trust 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.

Trustees' Report



None of the trustees receive any remuneration or other benefit from their work with the Trust. Details of remuneration received by trustees in their capacity as non-executive directors of subsidiary undertakings is disclosed in note 29.

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 Trust is undertaken by its senior executive staff, Interim Trust Director (appointed in January 2022) and the Company Secretary, who, with the trustees, are the Trust'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.

Benefact Trust itself has no employees, but uses staff employed by a subsidiary company to undertake its charitable activities. These employee costs are recharged to the Trust. 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 134.

Charitable giving policy

The Board regularly reviews its charitable giving policy to ensure it reflects the changing circumstances of the Trust, 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 2021 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. From 2022, these applications will also be subject to review by the Grants Committee, prior to submission to the Board. 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 is disclosed to the Board at its next meeting.

Applications made through the Transformational and Heritage Skills grants programmes were subject to review by the Grants Committee, prior to submission to the Board for final grant decisions.

Trustees' Report



Responsibility for consideration of applications under the Hope Beyond thematic grants programme was delegated by the Board to the Grants Committee. All charitable giving made under this delegated authority was 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 Benefact Trust have an organised programme of direct community investment independent of the Trust, which is managed centrally by EIO plc's 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 Trust'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 in the Strategic Report.

Going concern

A review of the financial position and performance of the Trust and its trading subsidiaries has been outlined in the Strategic Report together with a description of the principal risks and uncertainties faced by the Trust.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £25.1m and no borrowings (2020: 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); and the expendable endowment fund has financial investments of £109.9m, 100% of which are liquid (2020: financial investments of £103.1m, 100% of which are liquid).

The Trust's subsidiary Group has considerable financial resources: financial investments, excluding funeral plan investments, of £919.9m, 87% of which are liquid (2020: £845.8m) and cash and cash equivalents of £144.0m (2020: £129.6m). Liquid financial investments consist of listed equities and open-ended investment companies, government bonds and listed debt. 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.

Trustees' Report



The Benefact Trust group of companies operated effectively during the Covid-19 pandemic of the last two years, and are expected to continue to do so. Given the liquidity position of the Benefact Trust group of companies, and the capital strength of the Benefact Group, there is a reasonable expectation that the Benefact Trust group of companies 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 Benefact 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.

Trustees' Report



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 Trust will be put to the annual general meeting.

Equality, diversity and inclusion

The Trust 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 Benefact Trust Limited was approved by the Board and signed on its behalf by

Tim Carroll
Chairman

21 June 2022

Independent Auditor's Report to the Members of Benefact Trust Limited



Report on the audit of the financial statements

Opinion

In our opinion, Benefact 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 2021 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, 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 2021 Annual Report & Accounts (the "Annual Report"), which comprise: the consolidated and charity balance sheets as at 31 December 2021; the consolidated and charity statements of financial activities (incorporating an income and expenditure account) and the consolidated and charity statement of cash flows for the year then ended; and the notes to the financial statements, which include a description 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.

Independent Auditor's Report to the Members of Benefact Trust Limited



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 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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.

Independent Auditor's Report to the Members of Benefact Trust Limited



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 breaches of UK regulation, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, 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 Companies Act 2006. 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 posting inappropriate journal entries to revenue or expenditure and management bias in accounting estimates specifically the valuation of specific general insurance reserves including asbestos and Physical and Sexual Abuse ("PSA") reserves. 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;
- Reviewing key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Procedures relating to the valuation of investment property and unlisted equity investments, and the valuation of specific general insurance reserves such as UK loss of profits, asbestos and PSA reserves described in the related key audit matters below;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations in revenue or expenditure; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent Auditor's Report to the Members of Benefact Trust Limited



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

21 June 2022

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

for the year ended 31 December 2021



	Notes	2021			Restated* 2020		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income and endowments from:							
Donations	3	3,841	-	3,841	3,239	-	3,239
Investments							
<i>Gift aid from subsidiary undertaking</i>		21,000	-	21,000	-	-	-
<i>Dividend and interest income</i>	4	6	3,810	3,816	60	3,106	3,166
Total income		24,847	3,810	28,657	3,299	3,106	6,405
Expenditure on:							
Raising funds	5	-	(370)	(370)	-	(375)	(375)
Charitable activities							
<i>Charitable giving - grants</i>	6	(19,329)	-	(19,329)	(23,311)	-	(23,311)
<i>Other expenditure on charitable activities</i>	7	(1,043)	-	(1,043)	(994)	-	(994)
Total expenditure		(20,372)	(370)	(20,742)	(24,305)	(375)	(24,680)
Net gains/(losses) on investments	8	68,445	12,332	80,777	(41,473)	(458)	(41,931)
Taxation	9	-	(82)	(82)	-	(83)	(83)
Net income/(expenditure) in the year		72,920	15,690	88,610	(62,479)	2,190	(60,289)
Transfers between funds							
Gross transfers to the endowment fund	17	(4,000)	4,000	-	(5,200)	5,200	-
Gross transfers to the unrestricted fund	17	7,952	(7,952)	-	12,723	(12,723)	-
Net movement in funds		76,872	11,738	88,610	(54,956)	(5,333)	(60,289)
Total funds brought forward		465,550	104,089	569,639	520,506	109,422	629,928
Total funds carried forward		542,422	115,827	658,249	465,550	104,089	569,639

*The comparative financial statements have been restated as detailed in note 19.

The accompanying notes on pages 60 to 75 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 2021



	Notes	Unrestricted funds £000	2021 Endowment funds £000	Total funds £000	Restated* 2020 Total funds £000
Fixed assets					
Investments	13	521,514	109,902	631,416	556,182
Total fixed assets		521,514	109,902	631,416	556,182
Current assets					
Debtors	14	172	237	409	315
Investments	13	-	-	-	2,000
Cash at bank and in hand	15	25,077	5,690	30,767	15,079
Total current assets		25,249	5,927	31,176	17,394
Liabilities					
Creditors: amounts falling due within one year	16	(3,076)	(2)	(3,078)	(2,643)
Net current assets		22,173	5,925	28,098	14,751
Total assets less current liabilities		543,687	115,827	659,514	570,933
Creditors: amounts falling due after one year	16	(1,265)	-	(1,265)	(1,294)
Total net assets		542,422	115,827	658,249	569,639
The funds of the charity:					
Unrestricted funds					
General funds	17	14,612	-	14,612	5,585
Designated funds	17	6,346	-	6,346	6,946
Revaluation reserve	17	521,464	-	521,464	453,019
		542,422	-	542,422	465,550
Restricted funds					
Endowment funds	17	-	115,827	115,827	104,089
Total funds		542,422	115,827	658,249	569,639

*The comparative financial statements have been restated as detailed in note 19.

The analysis of the prior year comparatives by fund is included in the related notes on pages 71 to 72.

The financial statements of Benefact Trust Limited (formerly Allchurches Trust Limited), registration number 1043742, on pages 57 to 75 were approved and authorised for issue by the Board on 21 June 2022 and signed on its behalf by:

Tim Carroll
Chairman

Stephen Hudson
Trustee

CHARITY STATEMENT OF CASH FLOWS

for the year ended 31 December 2021



	Notes	2021 £000	Restated* 2020 £000
Net income/(expenditure) for the reporting period		88,610	(60,289)
Adjustments for:			
(Gains)/losses on investments		(80,777)	41,931
Dividend and interest income from investments		(3,816)	(3,166)
(Increase)/decrease in debtors		(174)	3
Increase in creditors		443	1,698
Taxation paid		82	83
Net cash provided by/(used in) operating activities		4,368	(19,740)
Cash flows from investing activities:			
Dividend and interest income from investments		3,798	3,134
Proceeds from the sale of investments		20,718	16,808
Purchase of investments		(13,175)	(22,630)
Net cash provided by/(used in) investing activities		11,341	(2,688)
Change in cash and cash equivalents in the reporting period		15,709	(22,428)
Analysis of changes in net debt			
Cash and cash equivalents at the beginning of the reporting period		15,079	37,527
Change in cash and cash equivalents in the reporting period		15,709	(22,428)
Change in cash and cash equivalents due to exchange rate movements		(21)	(20)
Cash and cash equivalents at the end of the reporting period	15	30,767	15,079

*The comparative financial statements have been restated as detailed in note 19.



1 Accounting policies for charity parent only

Benefact 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 Financial Review section of the Strategic Report, together with a description of the principal risks and uncertainties faced by the charity.

The Trust has considerable financial resources: the unrestricted fund has cash at bank and in hand of £25.1m and no borrowings (2020: 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); and the expendable endowment fund has financial investments of £109.9m, 100% of which are liquid (2020: financial investments of £103.1m, 100% of which are liquid). 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. 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.



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

Benefact 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 funds are recognised when 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* issued by the International Accounting Standards Board as adopted by the UK, 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 treatment differs.

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.



Investments

Financial assets at fair value

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

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

Investments at amortised cost

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

Investment in subsidiary undertakings

Investment in subsidiary undertakings is accounted for at fair value. Changes in value are reported under 'net gains/(losses) on investments' in the 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. When determining a fair value, judgement is required in both the selection of a suitable valuation technique together with the application of that technique. 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 £521,514,000 (restated 2020: £453,069,000).

3 Donations

During the year the charity received a donation of £3,500,000 (2020: £3,000,000) from Methodist Insurance PLC which was designated by the trustees.

The charity received £341,000 (2020: £239,000) 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.



4 Dividend and interest income

	2021			2020		
	Unrestricted funds	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	3,292	3,292	-	2,569	2,569
Debt securities						
- listed	-	527	527	-	549	549
Income from financial assets at amortised cost						
- cash at bank and in hand and cash deposits, net of exchange movements	6	(9)	(3)	60	(12)	48
	6	3,810	3,816	60	3,106	3,166

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	Shared costs	Support costs	Total
	£000	£000	£000	£000
2021				
National projects	2,592	23	105	2,720
England	14,698	244	105	15,047
Scotland	402	35	105	542
Wales	575	31	105	711
Ireland	1,022	58	105	1,185
Other	40	22	105	167
	19,329	413	630	20,372
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

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:

	2021 £000
National projects	
A Rocha UK, Brentford, London	150
British Youth for Christ, Halesowen, West Midlands	225
Church Urban Fund, London	750
Feeding Britain, Westminster, London	150
Growing Hope, London	258
KICK, Richmond, Surrey	150
Parish Nursing Ministries UK, Peterborough, Cambridgeshire	125
The National Society (operating as the Church of England Education Office), Westminster, London	450
The Prince's Foundation, London	300
	2,408
England	
Bolton YMCA, Bolton, Greater Manchester	100
Exeter Cathedral	117
Greyfriars Church, Reading, Berkshire	130
Lighthouse London Church (Holy Trinity Swiss Cottage), Camden, London	100
Methodist Connexion, London	1,380
One YMCA, Watford, Hertfordshire	136
Salisbury Diocese Board of Education, Salisbury, Wiltshire	200
St Paul's Cathedral	225
The Diocese of Bath and Wells	126
The Diocese of Birmingham	178
The Diocese of Blackburn	156
The Diocese of Bristol	118
The Diocese of Canterbury	127
The Diocese of Chelmsford	286
The Diocese of Chester	169
The Diocese of Chichester	173
The Diocese of Coventry	111
The Diocese of Derby	137
The Diocese of Durham	378
The Diocese of Ely	103
The Diocese of Exeter	158
The Diocese of Guildford	107
The Diocese of Leeds	285
The Diocese of Leicester	135
The Diocese of Lichfield	228
The Diocese of Lincoln	147
The Diocese of Liverpool	180
The Diocese of London	385
The Diocese of Manchester	231
The Diocese of Newcastle	121
The Diocese of Norwich	140
The Diocese of Oxford	232
The Diocese of Peterborough	120
Subtotal carried onto page 65	6,919



	2021 £000
England (continued)	
Subtotal from page 64	6,919
The Diocese of Portsmouth	102
The Diocese of Rochester	144
The Diocese of Salisbury	130
The Diocese of Sheffield	160
The Diocese of Southwark	258
The Diocese of Southwell and Nottingham	145
The Diocese of St Albans	178
The Diocese of St Edmundsbury and Ipswich	103
The Diocese of Truro	102
The Diocese of Winchester	135
The Diocese of Worcester	117
The Diocese of York	177
Truro Methodist Church, Truro, Cornwall	180
	<u>8,850</u>
Ireland	
The Big House (Ireland), Limavady, County Londonderry	170
	<u>170</u>
Wales	
The Representative Body of the Church in Wales	182
	<u>182</u>
Total material grants	<u>11,610</u>
Total of grants that are not individually material in aggregate:	
National projects	184
England	5,848
Scotland	402
Wales	393
Ireland	852
Other	40
	<u>7,719</u>
Total grants	<u>19,329</u>

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:

	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 67	6,644



	2020
	£000
England (continued)	
Subtotal from page 66	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.



7 Other expenditure on charitable activities

Other charitable expenditure in the current year of £1,043,000 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
2021	£000	£000	£000	
Shared costs	23	244	35	Time spent
Support costs:				
Governance costs	19	19	19	Equal allocation
Finance	12	12	12	Equal allocation
Information technology	11	11	11	Equal allocation
Buildings	14	14	14	Equal allocation
Corporate	11	11	11	Equal allocation
Other	38	38	38	Equal allocation
	105	105	105	
Other expenditure on charitable activities	128	349	140	
	Wales	Ireland	Other	Basis of allocation
2021	£000	£000	£000	
Shared costs	31	58	22	Time spent
Support costs:				
Governance costs	19	19	19	Equal allocation
Finance	12	12	12	Equal allocation
Information technology	11	11	11	Equal allocation
Buildings	14	14	14	Equal allocation
Corporate	11	11	11	Equal allocation
Other	38	38	38	Equal allocation
	105	105	105	
Other expenditure on charitable activities	136	163	127	

NOTES TO THE CHARITY FINANCIAL STATEMENTS



Other charitable expenditure in the prior 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	Mixed 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	Mixed 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.

8 Net gains/(losses) on investments

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

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



9 Taxation

Benefact Trust Limited is a registered charity and is exempt from corporation tax. The £82,000 (2020: £83,000) 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 (2020: eight). All employees were employed in the United Kingdom in both the current and prior year.

	2021 £000	2020 £000
Wages and salaries	413	372
Social security costs	44	43
Pension costs - defined contribution plans	33	30
	490	445

In the current year, one employee (2020: one) received employee benefits within the £60,001-£70,000 band, and one employee (2020: one) received employee benefits within the £70,001-£80,000 band.

11 Trustee remuneration

The trustees did not receive any remuneration from the charity during the current or prior year. Two trustees (2020: 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 29 to the consolidated financial statements.

During the year the charity reimbursed expenses totalling £2,000 (2020: £3,000) which were incurred by three trustees primarily in respect of travel and subsistence (2020: three trustees primarily in respect of travel and subsistence).

In addition, the charity paid direct expenses totalling £1,000 (2020: £1,000) which were incurred by four trustees primarily in respect of travel and subsistence (2020: seven 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 £239,000 (2020: £206,000). Details of the key management of the charity can be found in the Trustees' Report.



13 Investments

	2021			Restated* 2020		
	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	-	100,726	100,726	-	93,034	93,034
Debt securities						
- listed	-	9,176	9,176	-	10,079	10,079
Investment in subsidiary	521,514	-	521,514	453,069	-	453,069
Total non-current investments	521,514	109,902	631,416	453,069	103,113	556,182
Current financial assets at amortised cost						
Cash on deposit	-	-	-	2,000	-	2,000
Total investments	521,514	109,902	631,416	455,069	103,113	558,182

*The comparative figures have been restated as detailed in note 19.

The value of the investment in subsidiary on a historical cost basis is £50,000 (2020: £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.

Reconciliation of the movement in financial assets:

	Unrestricted funds		Endowment funds	Total funds
	At amortised			
2021	At fair value	cost	At fair value	
	£000	£000	£000	£000
Fair value at 1 January	453,069	2,000	103,113	558,182
Additions at cost	-	1,016	12,159	13,175
Sale proceeds	-	(3,016)	(17,702)	(20,718)
Fair value gains	68,445	-	12,332	80,777
Fair value at 31 December	521,514	-	109,902	631,416
	Unrestricted funds		Endowment funds	Total funds
	At amortised			
2020 (restated*)	At fair value	cost	At fair value	
	£000	£000	£000	£000
Fair value at 1 January	494,542	2,024	97,725	594,291
Additions at cost	-	2,000	20,630	22,630
Sale proceeds	-	(2,024)	(14,784)	(16,808)
Fair value losses	(41,473)	-	(458)	(41,931)
Fair value at 31 December	453,069	2,000	103,113	558,182

*The comparative figures have been restated as detailed in note 19.



14 Debtors

	2021			2020		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Prepayments and accrued income	-	237	237	15	300	315
Other debtors	172	-	172	-	-	-
	172	237	409	15	300	315

15 Cash at bank and in hand

	2021			2020		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Short term deposits	20,658	5,690	26,348	13,758	678	14,436
Cash at bank and in hand	4,419	-	4,419	643	-	643
	25,077	5,690	30,767	14,401	678	15,079

16 Creditors

	2021			2020		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Amounts falling due within one year:						
Accruals for grants payable	2,972	-	2,972	2,562	-	2,562
Amounts due to related parties	1	-	1	3	-	3
Other creditors	103	2	105	76	2	78
	3,076	2	3,078	2,641	2	2,643
Amounts falling due after one year:						
Accruals for grants payable	1,265	-	1,265	1,294	-	1,294
	1,265	-	1,265	1,294	-	1,294



17 Summary of fund movements

	Unrestricted funds				Total £000
	General funds £000	Designated funds £000	Revaluation reserve £000	Endowment funds £000	
Fund balance at 1 January 2021	5,585	6,946	453,019	104,089	569,639
Income	21,343	3,504	-	3,810	28,657
Expenditure	(18,136)	(2,236)	-	(370)	(20,742)
Taxation	-	-	-	(82)	(82)
Fair value gains on investments:					-
Investment in subsidiary	-	-	68,445	-	68,445
Other investments at fair value	-	-	-	12,332	12,332
Gross transfers to endowment funds	(2,000)	(2,000)	-	4,000	-
Gross transfers to unrestricted funds	7,828	124	-	(7,952)	-
Gross transfers to designated funds	(8)	8	-	-	-
Fund balance at 31 December 2021	14,612	6,346	521,464	115,827	658,249
Fund balance at 1 January 2020 (restated*)	16,635	9,379	494,492	109,422	629,928
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	-	-	(41,473)	-	(41,473)
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	453,019	104,089	569,639

*The comparative figures have been restated as detailed in note 19.

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.

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 designated £3,636,000 (2020: £3,066,000) and transferred £2,000,000 (2020: £1,000,000) into the expendable endowment fund. In the prior year, £2,000,000 designated funds were returned to the general 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. £5,000,000 (2020: £10,000,000) was transferred into the general unrestricted fund in the first quarter of the year in order to maintain liquidity. £4,000,000 excess reserves were subsequently transferred from unrestricted funds into the expendable endowment fund.

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



18 Related party transactions

Transactions between the charity and its subsidiaries, which are related parties, are shown below. The full list of related undertakings is disclosed in note 46. Transactions between the charity and its trustees, who are related parties, are disclosed in note 11.

	2021 £000	2020 £000
Gift aid received	21,000	-
Expenses recharged	483	551
Investment management fees paid	221	252
Amounts due to related parties	1	3

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

19 Prior year restatement

During the year, the Trust's subsidiary, Benefact Group plc, reassessed the level of insurance risk transferred to its trading subsidiary, Ecclesiastical Planning Services Limited (EPSL), on its funeral plan book of business, and concluded that there is no significant insurance risk on these contracts. As a result, these contracts ceased to be recognised as insurance contracts under FRS 103, *Insurance Contracts*, and were reclassified and measured in line with IAS 39, *Financial Instruments: Recognition and Measurement*.

Under FRS 102, a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement, the charity revalued its investment in the Benefact Group as at 1 January 2020 which resulted in an increase in total unrestricted funds of the Trust of £11,139,000.

	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
2020					
Total income	3,299	-	3,299	3,106	6,405
Total expenditure	(24,305)	-	(24,305)	(375)	(24,680)
Net (losses)/gains on investments	(43,928)	2,455	(41,473)	(458)	(41,931)
Taxation	-	-	-	(83)	(83)
Net (expenditure)/income in the year	(64,934)	2,455	(62,479)	2,190	(60,289)
Gross transfers to the endowment fund	(5,200)	-	(5,200)	5,200	-
Gross transfers to the unrestricted fund	12,723	-	12,723	(12,723)	-
Net movement in funds	(57,411)	2,455	(54,956)	(5,333)	(60,289)



2020	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
Investments	439,475	13,594	453,069	103,113	556,182
Total fixed assets	439,475	13,594	453,069	103,113	556,182
Total current assets	16,416	-	16,416	978	17,394
Creditors: amounts falling due within one year	(2,641)	-	(2,641)	(2)	(2,643)
Net current assets	13,775	-	13,775	976	14,751
Total assets less current liabilities	453,250	13,594	466,844	104,089	570,933
Creditors: amounts falling due after one year	(1,294)	-	(1,294)	-	(1,294)
Total net assets	451,956	13,594	465,550	104,089	569,639
The funds of the charity:					
Unrestricted funds					
General funds	5,585	-	5,585	-	5,585
Designated funds	6,946	-	6,946	-	6,946
Revaluation reserve	439,425	13,594	453,019	-	453,019
	451,956	13,594	465,550	-	465,550
Restricted funds					
Endowment funds	-	-	-	104,089	104,089
Total funds	451,956	13,594	465,550	104,089	569,639

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

for the year ended 31 December 2021



	Notes	2021			Restated* 2020		
		Unrestricted funds £000	Endowment funds £000	Total funds £000	Unrestricted funds £000	Endowment funds £000	Total funds £000
Income from:							
Donations		3,500	-	3,500	3,000	-	3,000
Other trading activities							
Income arising from trading activities	22	385,342	-	385,342	345,192	-	345,192
Investments							
Dividend, interest and rental income	23	33,065	3,810	36,875	30,991	3,106	34,097
Total income		421,907	3,810	425,717	379,183	3,106	382,289
Expenditure on:							
Raising funds		-	(370)	(370)	-	(375)	(375)
Charitable activities							
Grants		(19,329)	-	(19,329)	(23,311)	-	(23,311)
Other expenditure on charitable activities		(702)	-	(702)	(755)	-	(755)
Other							
Charitable donations paid by trading subsidiaries		(2,548)	-	(2,548)	(2,748)	-	(2,748)
Expenditure arising from trading activities		(404,217)	-	(404,217)	(354,750)	-	(354,750)
Total expenditure		(426,796)	(370)	(427,166)	(381,564)	(375)	(381,939)
Net gains/(losses) on investments	24	69,315	12,332	81,647	(36,234)	(458)	(36,692)
Taxation	25	(14,988)	(82)	(15,070)	432	(83)	349
		49,438	15,690	65,128	(38,183)	2,190	(35,993)
Net income/(expenditure) in the year	26						
a. arising from the charity		(16,526)	15,690	(836)	(21,006)	2,190	(18,816)
b. arising from trading activities		65,964	-	65,964	(17,177)	-	(17,177)
		49,438	15,690	65,128	(38,183)	2,190	(35,993)

*The comparative financial statements have been restated as detailed in note 49.

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

for the year ended 31 December 2021



	Notes	2021			Restated* 2020		
		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		(4,000)	4,000	-	(5,200)	5,200	-
Gross transfers to unrestricted funds		7,952	(7,952)	-	12,723	(12,723)	-
Other recognised gains/(losses)							
Losses on revaluation of fixed assets		-	-	-	(65)	-	(65)
Actuarial gains/(losses) on retirement benefits	41	41,260	-	41,260	(19,036)	-	(19,036)
Other (losses)/gains							
<i>Currency translation differences</i>	43	(2,357)	-	(2,357)	1,982	-	1,982
Gains/(losses) on net investment hedges	43	1,912	-	1,912	(2,339)	-	(2,339)
Tax attributable to other recognised gains/(losses)	25	(8,551)	-	(8,551)	4,188	-	4,188
Minority interests	44	(8,782)	-	(8,782)	(8,782)	-	(8,782)
Net movement in funds excluding minority interests		76,872	11,738	88,610	(54,712)	(5,333)	(60,045)
Total funds brought forward	42	465,550	104,089	569,639	520,506	109,422	629,928
Acquisition of minority interests	44	-	-	-	(244)	-	(244)
Total funds carried forward		542,422	115,827	658,249	465,550	104,089	569,639

*The comparative financial statements have been restated as detailed in note 49.

The accompanying notes on pages 81 to 133 are an integral part of this consolidated statement of financial activities. All income relates to continuing operations.

CONSOLIDATED BALANCE SHEET

at 31 December 2021



	Notes	2021 Total funds £000	Restated* 2020 Total funds £000
Fixed assets			
Intangible assets	31	33,627	38,367
Tangible assets	32	14,613	15,463
Investment property	33	163,355	142,142
Investments	34	1,229,029	1,139,879
Investment in associate	30	12,148	5,696
Total fixed assets		1,452,772	1,341,547
Current assets			
Debtors	36	489,318	430,661
Investments	34	-	2,000
Cash at bank and in hand	37	174,779	144,675
Total current assets		664,097	577,336
Liabilities			
Creditors: amounts falling due within one year	38	(146,467)	(140,453)
Net current assets		517,630	436,883
Total assets less current liabilities		1,970,402	1,778,430
Creditors: amounts falling due after one year	38	(2,477)	(2,244)
Provisions for liabilities	39	(1,200,949)	(1,082,029)
Subordinated liabilities	40	(24,433)	-
Net assets excluding retirement benefit obligations		742,543	694,157
Net pension asset/(deficit)	41	24,579	(16,173)
Other retirement benefit obligations	41	(7,058)	(6,530)
Total net assets including retirement benefit obligations		760,064	671,454
The funds of the charity:			
Unrestricted funds			
General funds	42	14,612	5,585
Designated funds	42	6,346	6,946
Revaluation reserve	42	268	624
Non-charitable trading reserves	42	503,656	434,226
Translation and hedging reserve	43	17,540	18,169
		542,422	465,550
Restricted funds			
Endowment funds	42	115,827	104,089
Total funds (excluding minority interests)		658,249	569,639
Minority interests	44	101,815	101,815
Total funds		760,064	671,454

*The comparative financial statements have been restated as detailed in note 49.

The consolidated financial statements of Benefact Trust Limited, formerly Allchurches Trust Limited, registration number 1043742, on pages 76 to 133 were approved and authorised for issue by the Board on 21 June 2022 and signed on its behalf by:

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2021



	2021	Restated*
	2020	
	£000	£000
Net income/(expenditure) for the reporting period	65,128	(35,993)
Adjustments for:		
Depreciation of property, plant and equipment	3,426	2,613
(Gain)/loss on disposal of property, plant and equipment	(41)	3
Revaluation of property, plant and equipment	-	(10)
Amortisation and impairment of intangible assets	3,783	6,847
Share of profit of associate	(2,274)	(601)
Tax (income)/expense	15,070	(349)
(Gains)/losses on financial investments and investment property	(69,783)	20,804
Dividend and interest income from investments	(27,395)	(25,524)
Finance costs	1,444	34
Increase in debtors	(65,199)	(63,520)
Increase in creditors	8,533	11,739
Increase in provisions	101,172	104,542
Adjustment for pension funding	1,151	1,127
(Decrease)/increase in retirement benefit obligation	(115)	69
Proceeds from the sale of investment property by trading subsidiaries	-	1,020
Proceeds from the sale of financial investments by trading subsidiaries	175,794	167,226
Purchase of financial investments by trading subsidiaries	(217,021)	(163,277)
Dividends received by trading subsidiaries	8,676	6,305
Interest received by trading subsidiaries	15,340	15,061
Interest paid by trading subsidiaries	-	(34)
Tax paid by trading subsidiaries	(3,515)	(3,819)
Net cash provided by operating activities	18,939	44,263
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,845)	(6,891)
Proceeds from the sale of property, plant and equipment	559	1
Purchases of intangible assets	(3,942)	(15,646)
Purchase of investments	(13,175)	(22,630)
Proceeds from the sale of investments	20,718	16,808
Acquisition of business, net of cash acquired	(5,258)	(822)
Acquisition of interests in subsidiaries, net of cash acquired	-	(1,519)
Dividend and interest income from parent charity investments	3,798	3,134
Net cash used in investing activities	(1,145)	(27,565)

*The comparative financial statements have been restated as detailed in note 49.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

for the year ended 31 December 2021



	2021 £000	2020 £000
Cash flows from financing activities:		
Interest paid by trading subsidiaries	(1,444)	-
Payment of finance lease liabilities	(217)	(241)
Proceeds from other borrowings	25,014	-
Dividends paid to non-controlling interests of subsidiaries	(8,782)	(8,782)
Net cash provided by/(used in) financing activities	14,571	(9,023)
Change in cash and cash equivalents in the reporting period	32,365	7,675
Analysis of changes in net debt		
Cash and cash equivalents at the beginning of the reporting period	144,675	135,896
Change in cash and cash equivalents in the reporting period	32,365	7,675
Change in cash and cash equivalents due to exchange rate movements	(2,261)	1,104
Cash and cash equivalents at the end of the reporting period	174,779	144,675



20 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 Benefact Trust group of companies' 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 48 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 Benefact Trust's subsidiaries 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 Benefact Trust group of companies 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 Benefact Trust group of companies 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 Benefact Trust group of companies' share of the net income/(expenditure) and other recognised gains/(losses) of the associate. When the Benefact Trust group of companies' share of losses of an associate exceeds its interest in that associate, the Benefact Trust group of companies discontinues recognising its share of further losses. Additional losses are recognised by a provision only to the extent that the Benefact Trust group of companies has incurred legal or constructive obligations or made payments on behalf of the associate.



Foreign currency translation

The assets and liabilities of foreign operations are translated from their functional currencies into the Benefact Trust group of companies' 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.

Life insurance business

Insurance contract premiums are recognised as income when receivable, at which date the liabilities arising from them are also 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.



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. Receivables are recognised in other assets on inception date of cover in respect of fees or commissions that the trading subsidiaries have an unconditional right to receive.

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.

Life 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.

Life insurance provisions

The life insurance provision is held in respect of certain funeral plans and is based on an estimate of the discounted future cash flows expected to arise from contracts in-force at the year-end date. The methods and assumptions used in calculating the provision are approved by the directors of the trading subsidiaries based on advice from their Chief Actuary. Changes in the life business provision are recognised in the statement of financial activities.



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 Benefact Trust group of companies 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.

Investment contract liabilities

For products that have no significant insurance risk and are therefore classified as investment contracts, the trading subsidiaries recognise a liability measured at fair value. The fair value of these liabilities is estimated based on an arms-length transaction between willing market participants with consideration given to the cost of the minimum repayment guarantee to the policyholders. The cost of the guarantee is determined using risk free rates of return, with the associated volatility assumption and allowing for the costs of administration associated with this low risk investment strategy.

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 Benefact Trust group of companies 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 as adopted by the UK.

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



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

- Financial instruments designated as at fair value, those held for trading, and hedge accounted derivatives are subsequently carried at fair value. 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 Benefact Trust group of companies 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).



(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.

Subordinated liabilities

Subordinated liabilities are recognised initially at fair value, being the issue proceeds net of premiums, discounts and transaction costs incurred. All borrowings are subsequently measured at amortised cost using the effective interest rate method. The amortisation is recognised as an interest expense using the effective interest rate method.

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.

Life insurance business

For life 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. No acquisition costs have been deferred on the trading subsidiaries' existing life insurance business.

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/(losses), in which case it is recognised in other gains/(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.



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 fair 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.



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 Benefact Trust group of companies 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 Benefact Trust group of companies, 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.



21 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. The trading subsidiaries' management have considered the current economic environment in their estimates and judgements.

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

- The ultimate liability arising from claims made under general business insurance contracts
- Future benefit payments arising from life insurance contracts
- Pensions and other post-employment benefits
- Goodwill impairment and the carrying value of goodwill
- Unlisted equity securities
- Significant insurance risk

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 Benefact Group plc, which are available from the registered office on page 134.

22 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 46. The results of the trading subsidiaries are included in unrestricted funds in the consolidated statement of financial activities on page 76.

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 life 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:

	2021	Restated*
	£000	£000
United Kingdom and Ireland	354,763	328,228
Australia	93,365	80,178
Canada	91,610	75,953
	539,738	484,359
Reconciliation of turnover to income from trading subsidiaries:		
		Restated*
Turnover	539,738	484,359
Outward reinsurance premium	(198,601)	(173,074)
Net change in provision for unearned premium	(14,620)	(16,562)
Other fee and commission income not included in turnover	56,551	49,868
Share of profit of associate	2,274	601
Income arising from trading activities	385,342	345,192

*The comparative figures have been restated as detailed in note 49.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	2021	Restated*
	£000	£000
General insurance business	486,220	437,287
Life insurance business	(2)	16
Investment management	14,878	12,142
Broking and advisory	38,642	34,914
	539,738	484,359

*The comparative figures have been restated as detailed in note 49.

(c) An analysis of life insurance business gross written premiums is set out below:

	2021	Restated*
	£000	£000
Single premiums	(8)	8
Regular premiums	6	8
	(2)	16

*The comparative figures have been restated as detailed in note 49.

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

	2021			2020	
	Ecclesiastical Insurance Office plc	Ansvar Insurance Limited	Ecclesiastical Life Limited	Total	Total
	£000	£000	£000	£000	£000
Profit and loss account					
Turnover	405,886	93,365	(8)	499,243	437,977
Dividend and interest income	27,891	2,377	2,359	32,627	30,768
Other income	(111,218)	(58,477)	-	(169,695)	(140,409)
Total income	322,559	37,265	2,351	362,175	328,336
Net incurred claims	(125,485)	(17,984)	(2,342)	(145,811)	(128,511)
Charitable donations	(2,311)	(111)	-	(2,422)	(2,641)
Other expenditure	(174,121)	(30,294)	(550)	(204,965)	(178,856)
Total expenditure	(301,917)	(48,389)	(2,892)	(353,198)	(310,008)
Net gains/(losses) on investments	67,482	(295)	5,641	72,828	(37,240)
Taxation	(19,691)	4,013	1,635	(14,043)	673
Gift aid paid to parent charity	(21,000)	-	-	(21,000)	-
Other comprehensive income/(expense) and changes in equity	21,265	(1,806)	-	19,459	(21,617)
Profit/(loss) retained and transferred to reserves	68,698	(9,212)	6,735	66,221	(39,856)
Balance sheet					
Total assets	1,391,125	284,921	148,088	1,824,134	1,615,778
Equity	550,426	49,918	56,246	656,590	585,758
Liabilities	840,699	235,003	91,842	1,167,544	1,030,020
Total liabilities	1,391,125	284,921	148,088	1,824,134	1,615,778

These results have been included in the consolidated statement of financial activities on page 76 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**

			2021		Restated*	
	Ecclesiastical	EdenTree	SEIB		2020	
	Planning	Investment	Insurance	Lycetts		
	Services	Management	Brokers	Holdings	Total	Total
	Limited	Limited	Limited	Limited	£000	£000
	£000	£000	£000	£000		
Profit and loss account						
Turnover	5,140	17,211	12,373	23,487	58,211	51,858
Dividend and interest income	-	6	764	286	1,056	839
Total income	5,140	17,217	13,137	23,773	59,267	52,697
Charitable donations	-	(51)	(76)	-	(127)	(107)
Other expenditure	(6,069)	(19,692)	(10,289)	(21,053)	(57,103)	(52,189)
Total expenditure	(6,069)	(19,743)	(10,365)	(21,053)	(57,230)	(52,296)
Taxation	134	432	(596)	(479)	(509)	(139)
Other comprehensive (expense)/income and changes in equity	-	-	(2,500)	2,330	(170)	(2,366)
(Loss)/profit retained and transferred to reserves	(795)	(2,094)	(324)	4,571	1,358	(2,104)
Balance sheet						
Total assets	260,077	19,736	20,032	27,272	327,117	304,113
Equity	3,625	6,250	13,414	9,786	33,075	28,916
Liabilities	256,452	13,486	6,618	17,486	294,042	275,197
Total liabilities	260,077	19,736	20,032	27,272	327,117	304,113

*The comparative figures have been restated as detailed in note 49.

These results have been included in the consolidated statement of financial activities on page 76 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.



23 Dividend, interest and rental income

	2021			2020		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value through profit or loss						
Equity securities						
- listed	6,012	3,292	9,304	6,256	2,569	8,825
- unlisted	2,003	-	2,003	-	-	-
Debt securities						
- government bonds	488	-	488	811	-	811
- listed	11,635	527	12,162	11,820	549	12,369
Income from financial assets at amortised cost						
a. cash at bank and in hand and cash deposits net of exchange gains and losses	576	(9)	567	739	(12)	727
b. other income received	3,273	-	3,273	2,427	-	2,427
Other income						
c. rental income	9,078	-	9,078	8,938	-	8,938
	33,065	3,810	36,875	30,991	3,106	34,097

24 Net gains/(losses) on investments

	2021			Restated* 2020		
	Unrestricted	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£000
Net gains/(losses) on investments	37,216	12,332	49,548	(15,362)	(458)	(15,820)
Net gains/(losses) on investment property	20,235	-	20,235	(4,984)	-	(4,984)
Net gains on property, plant and equipment	-	-	-	10	-	10
Impact of discount rate change on insurance contract liabilities	11,864	-	11,864	(15,898)	-	(15,898)
	69,315	12,332	81,647	(36,234)	(458)	(36,692)

*The comparative figures have been restated as detailed in note 49.



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

	2021 £000	2020 £000
Current tax on net income/(expenditure) for the year		
UK corporation tax	8,468	2,261
Double tax relief	1,457	-
	9,925	2,261
Foreign tax	25	(946)
Adjustments in respect of prior years		
UK corporation tax	536	(370)
Foreign tax	930	-
	1,466	(370)
Total current tax	11,416	945
Deferred tax		
Origination and reversal of timing differences	(4,662)	(5,613)
Effect of change in tax rate on opening liability	9,203	4,319
Adjustment in respect of prior years	(887)	-
Total deferred tax	3,654	(1,294)
Total tax on net income/(expenditure) for the year	15,070	(349)

A change in the UK standard rate of corporation tax from 19% to 25% will become effective from 1 April 2023. Deferred tax has been provided at an average rate of 23.5% (2020: 18.8%).

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

	2021 £000	Restated* 2020 £000
Net income/(expenditure) before tax	80,198	(36,342)
Tax calculated at the UK standard rate of tax of 19% (2020: 19%)	15,238	(6,905)
<i>Factors affecting charge/(credit) for the year:</i>		
Expenses not deductible for tax purposes	(533)	644
Non-taxable income	(3,015)	(1,983)
Long-term insurance and other tax paid at non-UK rates	470	157
Tax paid at non-standard UK rates	(3,221)	4,048
Double tax relief	(1,457)	-
Impact of differential between current and deferred tax rate	822	-
Utilisation of tax losses for which no deferred tax asset has been recognised	(451)	(259)
Deferred tax asset for tax losses not previously recognised	(2,565)	-
Impact of reduction in deferred tax rate	9,203	4,319
Adjustments to tax charge/(credit) in respect of prior periods	579	(370)
Total tax expense/(credit)	15,070	(349)

*The comparative figures have been restated as detailed in note 49.



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

	2021	2020
	£000	£000
Current tax charged/(credited) on:		
Fair value movements on hedge derivatives	313	(328)
Deferred tax charged/(credited) on:		
Fair value movements on owner-occupied property	18	(49)
Actuarial movements on retirement benefit plans	8,350	(3,874)
Fair value movements on hedge derivatives	(130)	63
Total tax charged/(credited) to other recognised gains/(losses)	8,551	(4,188)

26 Net income/(expenditure) in the year

	2021		Restated* 2020	
	Unrestricted funds	Endowment funds	Unrestricted funds	Endowment funds
	£000	£000	£000	£000
Net income/(expenditure) for the year has been arrived at after (crediting)/charging				
Net foreign exchange (gains)/losses	(592)	19	(529)	18
Depreciation of tangible fixed assets	3,426	-	2,613	-
Amortisation of goodwill	1,676	-	2,609	-
Impairment of goodwill	-	-	1,496	-
Amortisation of intangible assets	2,107	-	2,742	-
Operating lease rentals	6,193	-	4,759	-
Fair value (gains)/losses on investments designated at fair value through profit and loss	(37,216)	(12,332)	15,362	458
Fair value (gains)/losses on investment property	(20,238)	-	4,984	-
The amortisation and impairment of goodwill is included in 'expenditure arising from trading activities' in the consolidated statement of financial activities.				

*The comparative figures have been restated as detailed in note 49.

27 Auditor's remuneration

	2021	2020
	£000	£000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	31	45
Fees payable to the charity's auditor and its associates for other services:		
- The audit of the charity's subsidiaries	1,187	948
Total audit fees	1,218	993
- Audit-related assurance services	291	264
Total non-audit fees	291	264
Total auditor's remuneration	1,509	1,257
Amounts disclosed are net of services taxes, where applicable. Audit-related assurance services include Prudential Regulatory Authority (PRA) and other regulatory audit work of the charity's subsidiaries.		



28 Employee information

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

	2021	2020
	No.	No.
United Kingdom and Ireland	1,358	1,265
Australia	110	102
Canada	78	81
	1,546	1,448

	2021	2020
	£000	£000
Wages and salaries	97,848	85,537
Social security costs	9,433	8,191
Pension costs - defined contribution plans	7,452	6,724
Pension costs - defined benefit plans	1,982	1,427
Other post-employment benefits	83	112
	116,798	101,991
Capitalised staff costs	(1,446)	(1,652)
	115,352	100,339

The above figures do not include termination benefits of £340,000 (2020: £506,000).

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



29 Key management remuneration

Two (2020: two) trustees received remuneration in their capacity as non-executive directors of subsidiary undertakings. Details of the emoluments received are as follows:

	2021 £000	2020 £000
Chris Moulder	75	75
Sir Stephen Lamport	59	43
Total emoluments paid to trustees in their capacity as non-executive directors of subsidiary undertakings	134	118

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 38 of the Benefact Group plc annual report and accounts which are available from the registered office, as shown on page 134.

30 Investment in associate

On 2 March 2021, Benefact Group plc acquired a further 20% of the issued ordinary share capital of Lloyd & Whyte Group Limited, taking its total shareholding to 40%. Lloyd & Whyte is an unlisted company incorporated in the United Kingdom, and the holding company of a group whose primary activity is insurance brokerage services. It is accounted for using the equity method in these consolidated financial statements as set out in the Benefact Trust group of companies' accounting policies. A reconciliation of the movement in the investment in associate is as follows:

	Share of net assets £000	Goodwill £000	Total £000
At 1 January 2020	350	4,821	5,171
Share of net income/(expenditure) for the period	601	-	601
Dividends received	(76)	-	(76)
Other movements	(252)	252	-
At 31 December 2020 (restated*)	623	5,073	5,696
Acquired in the year	729	4,528	5,257
Share of net income/(expenditure) for the period	2,274	-	2,274
Dividends received	(1,079)	-	(1,079)
At 31 December 2021	2,547	9,601	12,148

*The prior year has been restated to reflect changes in net assets recognised directly in equity of the associate.

At the year end date the Benefact Trust group of companies' interest in Lloyd & Whyte Group Limited is as follows:

	2021 £000	2020 £000
Benefact Trust group of companies' 40% share of:		
Revenue	10,049	3,459
Assets	24,815	8,326
Liabilities	(22,268)	(7,703)
Share of net assets	2,547	623



31 Intangible assets

	Goodwill	Computer software	Other intangible assets	Total
	£000	£000	£000	£000
Cost				
At 1 January 2021	51,980	48,909	19,862	120,751
Additions	-	3,942	-	3,942
Disposals	-	(6,641)	-	(6,641)
Exchange movements	-	(73)	(12)	(85)
At 31 December 2021	51,980	46,137	19,850	117,967
Accumulated amortisation				
At 1 January 2021	47,057	19,866	15,461	82,384
Provided in the year	1,676	630	1,477	3,783
Disposals	-	(1,876)	-	(1,876)
Exchange movements	-	53	(4)	49
At 31 December 2021	48,733	18,673	16,934	84,340
Net book value				
At 31 December 2020	4,923	29,043	4,401	38,367
At 31 December 2021	3,247	27,464	2,916	33,627

The intangible assets of the Benefact Trust group of companies 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. £234,000 of the goodwill balance (2020: £1,225,000) relates to the acquisition of Lycetts Holdings Limited during 2011. £1,025,000 of the goodwill balance (2020: £1,464,000) relates to the acquisition of Lansdown Insurance Brokers Limited during 2014. £1,185,000 of the goodwill balance (2020: £1,337,000) 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 was fully impaired in the prior 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.

£983,000 (2020: £1,982,000) 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 one year. £1,116,000 (2020: £1,339,000) 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 five years.



32 Tangible assets

	Land and buildings £000	Computer equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost or valuation					
At 1 January 2021	2,940	12,623	1,986	16,311	33,860
Additions	-	1,261	482	2,550	4,293
Disposals	(500)	(3,880)	(743)	(2,087)	(7,210)
Transfers to investment property	(975)	-	-	-	(975)
Exchange movements	-	(16)	-	8	(8)
At 31 December 2021	1,465	9,988	1,725	16,782	29,960
Accumulated depreciation					
At 1 January 2021	-	9,801	956	7,640	18,397
Charge for the year	-	1,723	235	1,468	3,426
Disposals	-	(3,880)	(491)	(2,087)	(6,458)
Exchange movements	-	(13)	-	(5)	(18)
At 31 December 2021	-	7,631	700	7,016	15,347
Net book value					
At 31 December 2020	2,940	2,822	1,030	8,671	15,463
At 31 December 2021	1,465	2,357	1,025	9,766	14,613

The tangible assets of the Benefact Trust group of companies 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 £1,464,000 (2020: £3,098,000).

Included within net book value of motor vehicles is £987,000 (2020: £992,000) in respect of assets held under finance leases.



33 Investment property

	2021	2020
	£000	£000
Fair value at 1 January	142,142	148,146
Transfers from tangible assets	975	-
Disposals	-	(1,020)
Fair value gains/(losses)	20,238	(4,984)
Fair value at 31 December	163,355	142,142

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

The trading subsidiaries' investment properties were last revalued at 31 December 2021 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 £139,919,000 (2020: £139,339,000).

Included within investment property are long leasehold properties with a net book value of £20,751,000 (2020: £19,661,000).

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.



34 Investments

	2021	Restated*
	2020	2020
	£000	£000
Financial assets at fair value through profit or loss		
Equity securities		
- listed	382,408	355,632
- unlisted	80,144	69,285
Debt securities		
- government bonds	204,072	160,380
- listed	322,470	344,811
- unlisted	34	552
Structured notes	14,649	-
Investment contract assets	199,181	191,011
Derivative financial instruments:		
- forwards	2	672
- options	334	1,407
	<u>1,203,294</u>	<u>1,123,750</u>
Financial assets at fair value through other recognised gains/(losses)		
Derivative financial instruments:		
- forwards	414	401
	<u>414</u>	<u>401</u>
Financial assets at amortised cost		
Other loans	25,321	15,728
	<u>25,321</u>	<u>15,728</u>
Total non-current investments	<u>1,229,029</u>	<u>1,139,879</u>
Current asset investments at amortised cost		
Cash held on deposit	-	2,000
Total investments	<u>1,229,029</u>	<u>1,141,879</u>

*The comparative figures have been restated as detailed in note 49.

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	At fair value through other gains/(losses)	At amortised cost	At fair value through profit or loss	
	£000	£000	£000	£000	£000
2021					
Fair value at 1 January	1,020,637	401	17,728	103,113	1,141,879
Additions at cost	206,337	-	11,700	12,159	230,196
Disposal proceeds	(156,047)	(655)	(3,016)	(17,702)	(177,420)
Fair value gains	44,827	668	-	12,332	57,827
Redemption and repayments	(17,350)	-	(1,090)	-	(18,440)
Exchange losses	(5,013)	-	-	-	(5,013)
Fair value at 31 December	1,093,391	414	25,322	109,902	1,229,029
2020 (restated*)					
Fair value at 1 January	1,034,474	509	11,540	97,725	1,144,248
Additions at cost	151,152	-	14,128	20,630	185,910
Disposal proceeds	(148,212)	986	(7,055)	(14,784)	(169,065)
Fair value losses	(7,037)	(1,094)	-	(458)	(8,589)
Redemptions and repayments	(16,072)	-	(885)	-	(16,957)
Exchange gains	6,332	-	-	-	6,332
Fair value at 31 December	1,020,637	401	17,728	103,113	1,141,879

*The comparative figures have been restated as detailed in note 49.

Fair value gains/(losses) through profit or loss in the unrestricted fund exclude £331,000 fair value gains (2020: £1,244,000 fair value losses) on derivatives classified as financial liabilities.



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 gain of £1,912,000 (2020: loss of £2,339,000) in respect of these 'hedge' derivatives has been recognised in the hedging reserve within unrestricted funds, as disclosed in note 43. The trading subsidiary has formally assessed and documented the effectiveness of derivatives that qualify for hedge accounting in accordance with FRS 102.

	2021			2020		
	Contract/ notional amount £000	Fair value asset £000	Fair value liability £000	Contract/ notional amount* £000	Fair value asset £000	Fair value liability £000
Non-hedge derivatives						
<i>Equity/Index contracts</i>						
Options	34,695	334	296	40,597	1,407	-
<i>Foreign exchange contracts</i>						
Forwards (Euro)	99,369	2	35	86,980	672	-
Hedge derivatives						
<i>Foreign exchange contracts</i>						
Forwards (Australian dollar)	40,512	145	-	41,231	-	1,244
Forwards (Canadian dollar)	37,609	269	-	30,269	401	-
	212,185	750	331	199,077	2,480	1,244

*The contract/notional amount in the prior year has been restated to reflect sterling values.

All derivatives in the current and prior period expire within one year. All contracts designated as hedging instruments were fully effective in the current and prior 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).



36 Debtors

	2021	Restated*
	£000	2020 £000
(a) Amounts falling due within one year		
Trade debtors	141,327	125,229
Other debtors	20,382	28,577
Amounts due from related parties	-	21
Reinsurers' share of technical provisions	168,411	142,466
Accrued rent and interest	4,164	4,611
Deferred acquisition costs	46,027	41,989
Current tax recoverable	525	8,843
Other prepayments and accrued income	8,550	6,603
	389,386	358,339
(b) Amounts falling due after one year		
Trade debtors	2,140	2,000
Other debtors	68	1,516
Reinsurers' share of technical provisions	86,038	66,211
Deferred tax assets	9,607	2,502
Other prepayments and accrued income	2,079	93
	99,932	72,322
Total debtors	489,318	430,661

*The comparative figures have been restated as detailed in note 49.

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 48 VII.

A reconciliation of the movement in deferred acquisition costs is presented in note 48 VI.

(c) Overdue and impaired trade debtors

There has been no significant change in the recoverability of the trading subsidiaries' trade debtors, 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 £985,000 (2020: £723,000) in respect of debtors that are individually determined to be impaired.

Included within trade debtors is £17,736,000 (2020: £16,772,000) overdue but not impaired. Of this balance, £14,808,000 (2020: £14,165,000) is not more than three months overdue at the reporting date.



37 Cash at bank and in hand

	2021			2020		
	Unrestricted funds	Endowment funds	Total	Unrestricted funds	Endowment funds	Total
	£000	£000	£000	£000	£000	£000
Short term deposits	58,712	5,690	64,402	39,718	678	40,396
Cash at bank and in hand	110,377	-	110,377	104,279	-	104,279
	169,089	5,690	174,779	143,997	678	144,675

Included within short term deposits of the trading subsidiary are cash deposits of £2,830,000 (2020: £1,960,000) 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 £23,072,000 (2020: £4,131,000) pledged as collateral by way of cash calls from reinsurers, and £17,794,000 (2020: £14,919,000) of restricted cash held on an agency basis.

38 Creditors

	2021	2020
	£000	£000
(a) Amounts falling due within one year		
Trade creditors	38,103	42,245
Other creditors	39,673	39,306
Derivative liabilities	331	1,244
Amounts due to related parties	24	-
Corporation tax	1,236	1,329
Accruals and deferred income	67,100	56,329
	146,467	140,453
(b) Amounts falling due after one year		
Other creditors	1,212	950
Accruals and deferred income	1,265	1,294
	2,477	2,244

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.



39 Provisions for liabilities

	2021	Restated*
	2020	
	£000	£000
Provisions for liabilities	5,678	5,348
Deferred tax liabilities	49,748	30,615
Technical provisions	869,383	791,792
Life business technical provisions	19,434	19,434
Investment contract liabilities	256,706	234,840
	1,200,949	1,082,029

*The comparative figures have been restated as detailed in note 49.

All provisions relate to the trading subsidiaries.

Technical provisions and life business technical provisions arise on the general insurance and life insurance business of the trading subsidiaries. Further details of these provisions are provided in note 48 parts VII to IX.

(a) Provisions for liabilities

	Regulatory and legal provisions	Contingent consideration	Other provisions	Total
	£000	£000	£000	£000
At 1 January 2021	2,329	419	2,600	5,348
Additional provisions	2,142	22	523	2,687
Used during year	(1,789)	(441)	(60)	(2,290)
Not utilised	(63)	-	-	(63)
Exchange differences	-	-	(4)	(4)
At 31 December 2021	2,619	-	3,059	5,678
Current	2,619	-	1,633	4,252
Non-current	-	-	1,426	1,426

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.

Contingent consideration

The provision for contingent consideration relates to the acquisition of WRS Insurance Brokers Limited that completed in 2020.

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

	2021	2020
	£000	£000
At 1 January	28,113	33,348
Credited to net income/(expenditure)	(5,549)	(5,613)
Charged to net income/(expenditure) - resulting from reduction in tax rate	9,203	4,319
Charged/(credited) to other recognised gains/(losses)	10,137	(3,627)
Credited to other recognised gains/(losses) - resulting from reduction in tax rate	(1,899)	(233)
Exchange differences	136	(81)
At 31 December	40,141	28,113

	2021	2020
	£000	£000
Deferred tax assets included in debtors	9,607	2,502
Deferred tax liabilities included in provisions for liabilities	(49,748)	(30,615)
Net provision for deferred tax	(40,141)	(28,113)
Deferred tax is provided as follows:		
Unrealised investment gains	(45,571)	(32,335)
Claims equalisation provision	-	(789)
Retirement benefit obligations	(4,386)	4,308
Depreciation in excess of capital allowances	715	(241)
Other timing differences	9,101	944
Net provision for deferred tax	(40,141)	(28,113)

The Benefact Trust group of companies expects a net deferred tax liability of £4.7m (2020: £2.6m, net deferred tax liability) to reverse within 12 months of the year end date. The reversal is expected to arise from the sale of investments, claiming of capital allowances, settlement of overseas claims costs, and other temporary timing differences.

(c) Investment contract liabilities

	2021	Restated*
	£000	£000
Investment contract liabilities	256,706	234,840
	256,706	234,840

*The comparative figures have been restated as detailed in note 49.

Investment contract liabilities represents amounts due to policyholders and, if applicable, the cost of the minimum repayment guarantee. Investment contract liabilities are repayable on demand or at short notice and therefore classified as current. These liabilities are matched with highly liquid investments.

40 Subordinated liabilities

	2021	2020
	£000	£000
6.3144% EUR 30m subordinated debt	24,433	-
	24,433	-

Subordinated debt consists of a privately-placed issue of 20-year subordinated bonds by a trading subsidiary, maturing in February 2041 and callable after February 2031. Subordinated debt is stated at amortised cost.



41 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 28.

(b) Defined benefit pension plans

The trading subsidiaries' main defined benefit plan is operated by Ecclesiastical Insurance Office plc (EIO plc) for UK employees. 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 also retain the link to final salary whilst they remain employed by EIO plc. From 1 July 2019, active members in employment joined one of the trading subsidiaries' defined contribution plans. The scheme previously had two discrete sections: the EIO Section and the Ansvar Section. With effect from 1 January 2021, the two discrete sections of the scheme have been combined.

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. No contribution is expected to be paid by EIO plc in 2022.

Actuarial valuations were reviewed and updated by an actuary at 31 December 2021 for FRS 102 purposes. The surplus in the scheme attributable to the former EIO Section has been assessed against the economic benefit available as a reduction in future contributions in accordance with IFRIC 14. This has resulted in the recognisable surplus being restricted by £17.5m. EIO plc has an unconditional right to a refund of the surplus attributable to the former Ansvar Section of the Fund, which has been recognised in full in accordance with FRS 102.

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, and was closed to future accrual on 30 September 2021. From 1 October 2021, active members in employment joined one of the trading subsidiaries' defined contribution plans. The most recent triennial valuation was at 1 January 2021. The contribution expected to be paid by the trading subsidiary into the plan during the next financial year is £0.1m (2020: £0.3m).

In the current year, actuarial gains arising from changes in financial assumptions of £21.3m (2020: actuarial losses of £56.2m) have been recognised in the statement of financial activities. These gains resulted from a 0.6% increase in the discount rate assumption partially offset by inflation-linked pension increases. In the prior year, actuarial losses were recognised as a result of a 0.6% decrease in the discount rate combined with inflationary increases arising from a reduction in the gap between RPI and CPI assumptions following the conclusion of the government's consultation on the future measure of RPI.

Actuarial gains of £3.9m have been recognised in the current year (2020: £5.9m) as a result of changes in demographic assumptions. This is mainly due to reviewing and updating certain mortality assumptions for the trading subsidiaries' main defined benefit plan. In the prior year, 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.

A past service cost of £32,000 was recognised in the prior year following the High Court ruling relating to Guaranteed Minimum Pensions (GMP) equalisation for historic transfers values.



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 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 include an LDI portfolio, structured to increase in value with decreases in interest rates and grow in line with inflation expectations. This is estimated currently to hedge 65% of the interest rate and 75% 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, including the use of an equity protection strategy to reduce the impact of a material fall in equity markets. Their aim is to establish a Long Term Funding Target in line with guidance from the Pensions Regulator. The Trustees intend that this long term target will be reached through investment performance only and without requiring further contributions from the employer.

The Trustees of the trading subsidiaries' main defined benefit plan have recently adopted a Responsible and Sustainable Investment Policy with regards to the Fund's equities. This includes an 'absence of harm' exclusion policy, as well as an aspiration to reduce the portfolio's carbon intensity over time.

	2021 £000	2020 £000
The amounts recognised in the balance sheet are determined as follows:		
Present value of funded obligations	(393,689)	(422,778)
Fair value of plan assets	435,736	406,605
	42,047	(16,173)
Restrictions on asset recognised	(17,468)	-
Net asset/(deficit) in the balance sheet	24,579	(16,173)
The following is the analysis of the net pension asset/(deficit) for financial reporting purposes:		
Net pension asset	28,304	1,053
Net pension liability	(3,725)	(17,226)
	24,579	(16,173)



	2021 £000	2020 £000
The amounts recognised in the consolidated statement of financial activities are as follows:		
Current service cost	853	841
Administration cost	918	620
Interest income on plan assets	(5,202)	(7,351)
Interest expense on scheme liabilities	5,413	7,285
Past service cost	-	32
Total, included in expenditure arising from trading activities	1,982	1,427
The amounts recognised in actuarial gains/(losses) on retirement benefits are as follows:		
Return on plan assets, excluding interest income	35,136	16,618
Experience (losses)/gains on liabilities	(1,021)	15,033
Gains from changes in demographic assumptions	3,913	5,948
Gains/(losses) from changes in financial assumptions	21,343	(56,172)
Change in asset restriction	(17,468)	-
	41,903	(18,573)

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

	2021 £000	2020 £000
Plan assets		
At 1 January	406,605	391,642
Interest income	5,202	7,351
Return on plan assets, excluding interest income	35,136	16,618
Pension benefits paid and payable	(11,977)	(9,299)
Contributions paid	831	300
Employee contributions	29	56
Administrative expenses	(90)	(63)
At 31 December	435,736	406,605
Defined benefit obligation		
At 1 January	422,778	388,115
Current service cost	853	841
Administration cost	828	557
Past service cost	-	32
Interest cost	5,413	7,285
Pension benefits paid and payable	(11,977)	(9,299)
Employee contributions	29	56
Experience losses/(gains) on liabilities	1,021	(15,033)
Gains from changes in demographic assumptions	(3,913)	(5,948)
(Gains)/losses from changes in financial assumptions	(21,343)	56,172
At 31 December	393,689	422,778
Asset ceiling		
At 1 January	-	-
Change in asset ceiling	17,468	-
At 31 December	17,468	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



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

	2021	2020
	%	%
Discount rate	1.90	1.30
Inflation (RPI)	3.40	2.90
Inflation (CPI)	2.98	2.50
Future salary increases	4.42	4.41
Future increase in pensions in deferment	3.55	3.38
Future average pension increases (RPI)	3.19	2.80
Future average pension increases (CPI)	2.20	1.70

	2021	2020
Mortality rate		
The average life expectancy in years of a pensioner retiring at age 65, at the balance sheet date, is as follows:		
Male	22.7	22.8
Female	24.0	24.1
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:		
Male	23.5	23.9
Female	25.2	25.6

Plan assets are as follows:	2021	2020
	£000	£000
Cash and other*	41,185	39,462
Equity instruments		
UK quoted	84,626	86,031
UK unquoted	34	552
Overseas quoted	95,361	84,571
	180,021	171,154
Liability driven investments - unquoted	60,482	57,519
Debt instruments		
UK public sector quoted - fixed interest	227	243
UK non-public sector quoted - fixed interest	78,780	69,356
UK quoted - index-linked	24,806	24,383
	103,813	93,982
Derivative financial instruments - unquoted	851	885
Property	47,665	41,873
Other	1,719	1,730
	435,736	406,605

*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 £40,338,000 (2020: gain of £23,969,000).

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. 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:

	2021 £000	2020 £000
Present value of unfunded obligations and net obligations in the balance sheet	7,058	6,530
Movements in the net obligations recognised in the balance sheet are as follows:		
At 1 January	6,530	5,998
Total expense charged to net income/(expenditure)	83	112
Net actuarial losses, recognised in actuarial gains/(losses) on retirement benefits	643	463
Benefits paid	(198)	(43)
At 31 December	7,058	6,530
The amounts recognised through net (expenditure)/income are as follows:		
Interest cost	83	112
Total, included in employee benefits expense	83	112

The weighted average duration of the net obligations at the end of the reporting period is 12.8 years (2020: 13.1 years).

An actuarial loss from experience of £814,000 has been recognised in the current year following a review of the medical cost scale. This has been partially offset by an actuarial gain of £130,000 arising from changes in financial assumptions. A small actuarial gain has been recognised due to changes in mortality assumptions.

The principal actuarial assumptions were as follows:	2021 %	2020 %
Discount rate	1.9	1.3
Medical cost inflation	7.4	6.9



42 Summary of reserve movements

	Unrestricted funds					Translation and hedging	
	General fund £000	Designated fund £000	Endowment fund £000	Revaluation reserve £000	Non-charitable trading reserve £000	reserve £000	Total £000
Fund balance at 1 January 2021 (restated)*	5,585	6,946	104,089	624	434,226	18,169	569,639
Income	343	3,504	3,810	-	418,060	-	425,717
Gift aid paid to charity parent	21,000	-	-	-	(21,000)	-	-
Expenditure	(18,136)	(2,236)	(370)	-	(406,424)	-	(427,166)
Fair value gains on investments	-	-	12,332	-	69,315	-	81,647
Taxation	-	-	(82)	-	(14,988)	-	(15,070)
Net reserve transfers	5,820	(1,868)	(3,952)	(338)	338	-	-
Currency translation differences	-	-	-	-	-	(2,357)	(2,357)
Gains on net investment hedges	-	-	-	-	-	1,912	1,912
Actuarial gains on retirement benefit obligations	-	-	-	-	41,260	-	41,260
Tax attributable to other recognised gains/(losses)	-	-	-	(18)	(8,349)	(184)	(8,551)
Minority interests	-	-	-	-	(8,782)	-	(8,782)
Fund balance at 31 December 2021	14,612	6,346	115,827	268	503,656	17,540	658,249

* The comparative figures have been restated as detailed in note 49.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



	Unrestricted funds					Translation and hedging	
	General fund	Designated fund	Endowment fund	Revaluation reserve	Non-charitable trading reserve	reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Fund balance at 1 January 2020 (restated)*	16,635	9,379	109,422	640	475,591	18,261	629,928
Income	299	3,000	3,106	-	375,884	-	382,289
Expenditure	(21,806)	(2,499)	(375)	-	(357,259)	-	(381,939)
Fair value losses on investments	-	-	(458)	-	(36,234)	-	(36,692)
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	434,226	18,169	569,639

* The comparative figures have been restated as detailed in note 49.



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.

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 designated £3,636,000 (2020: £3,066,000) and transferred £2,000,000 (2020: £1,000,000) into the expendable endowment fund. In the prior year, £2,000,000 designated funds were returned to the general 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. £5,000,000 (2020: £10,000,000) was transferred into the general unrestricted fund in the first quarter of the year in order to maintain liquidity. £4,000,000 excess reserves were subsequently transferred from unrestricted funds into the expendable endowment fund.

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

43 Translation and hedging reserve

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2021	15,491	2,678	18,169
Losses on currency translation differences	(2,357)	-	(2,357)
Gains on net investment hedges	-	1,912	1,912
Attributable tax	-	(184)	(184)
At 31 December 2021	13,134	4,406	17,540
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 Benefact Trust group of companies' 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.

44 Minority interests

Minority interests comprise 95.6% (2020: 95.6%) of the 106,450,000 (2020: 106,450,000) 8.625% Non-cumulative Irredeemable Preference shares (NcIPs) in Ecclesiastical Insurance Office plc.

During the prior year, the charity's direct subsidiary, Benefact Group plc, acquired NcIPs with a nominal value of £1,275,000.



45 Financial commitments

Capital commitments

At the year end, the Benefact Trust group of companies had no capital commitments relating to computer software (2020: £nil) and no capital commitments relating to office equipment (2020: £2,506,000). 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:

	2021 £000	2020 £000
Within 1 year	7,879	8,162
Between 1 & 5 years	25,718	25,894
After 5 years	20,217	22,163
	53,814	56,219

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:

	2021 £000	2020 £000
Within 1 year	6,156	5,197
Between 1 & 5 years	14,755	15,410
After 5 years	19,118	20,141
	40,029	40,748
Operating lease rentals charged to net income/expenditure in the period	6,193	4,759
Total future minimum sublease payments expected to be received under non-cancellable subleases	244	243



46 Related undertakings

The charity's interest in related undertakings at 31 December 2021 is as follows:

Company	Company	Share	Holding of			
	Registration		Capital	Charity	Subsidiary	Activity
Subsidiary undertakings						
Incorporated in the United Kingdom						
Benefact Group plc *	1718196	Ordinary	100%	-	Investment holding company	
Benefact Management Services Limited * ^	1811698	Ordinary	-	100%	Dormant 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 Group Healthcare Trustees Limited *	10988127	Ordinary	-	100%	Trustee company	
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	
Farmers & Mercantile Insurance Brokers Limited **	03142714	Ordinary	-	100%	Insurance agents and brokers	
G.D. Anderson & Co Limited** (acquired 14 April 2022)	00776446	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	
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	-	40%	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, 1 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 Benefact Group plc (formerly 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 134.



47 Related party transactions

Other related parties of the Benefact Trust group of companies include associated undertakings and the trading subsidiaries' pension schemes.

	2021	2020
	£000	£000
Income from transactions with other related parties	4,738	2,623
Expenditure arising from transactions with other related parties	10,500	11,879
Amounts owed by other related parties	-	21
Amounts due to other related parties	24	-

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

48 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 Benefact Trust group of companies' 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			Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
At 31 December 2021				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	281,169	186	80,471	361,826
Debt securities	515,955	1,412	33	517,400
Structured notes	-	14,649	-	14,649
Funeral plan investments	-	199,181	-	199,181
Derivatives	-	336	-	336
	797,124	215,764	80,504	1,093,392
Financial assets at fair value through other recognised gains/(losses)				
Derivatives	-	414	-	414
	-	414	-	414
Total financial assets at fair value	797,124	216,178	80,504	1,093,806



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 (restated*)				
Financial assets at fair value through profit or loss				
Financial investments				
Equity securities	262,013	185	69,685	331,883
Debt securities	493,601	1,512	551	495,664
Funeral plan investments	-	191,011	-	191,011
Derivatives	-	2,079	-	2,079
	755,614	194,787	70,236	1,020,637
Financial assets at fair value through other recognised gains/(losses)				
Derivatives	-	401	-	401
	-	401	-	401
Total financial assets at fair value through profit or loss	755,614	195,188	70,236	1,021,038

* The comparative figures have been restated as detailed in note 49.

In the current year the derivative liabilities of the trading subsidiaries were measured at fair value through profit or loss in the statement of financial activities. In the prior year the derivative liabilities of the trading subsidiaries were measured at fair value through other recognised gains/(losses) in the statement of financial activities. Derivative liabilities are 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.

Structured notes (level 2)

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.

Funeral plan investments (level 2)

The trading subsidiaries' holds investments in respect of funeral plan policies which are predominantly invested in individual whole-of-life insurance policies. These are valued using valuations provided by the insurance policy provider.

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 +/-£8m (2020: +/-£7m).



Unlisted debt (level 3)

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

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

II. Financial risk and capital management

The principal financial risks to which the Benefact Trust group of companies is exposed arise from the financial assets, financial liabilities, reinsurance assets and insurance liabilities of the trading subsidiaries. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of financial risk are interest rate risk, credit risk, currency risk and equity price risk.

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 rollout of the Covid-19 vaccine programmes in 2021, the subsequent conflict in Ukraine and recent international economic sanctions means there is continued uncertainty in relation to the economic risks to which the trading subsidiaries are exposed. This includes equity price volatility, movements in exchange rates and long-term UK growth prospects. The 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. 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.

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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 2021			At 31 December 2020		
	Debt securities	Reinsurance debtors	Cash*	Debt securities	Reinsurance debtors	Cash*
	£000	£000	£000	£000	£000	£000
AAA	171,503	-	-	128,037	-	-
AA	122,895	2,651	42,719	130,285	1,986	36,319
A	129,795	9,424	21,351	125,745	8,564	18,358
BBB	72,653	3	79,934	94,100	3	74,844
Below BBB	7,895	-	-	8,997	-	-
Not rated	12,659	505	8	8,500	452	75
	517,400	12,583	144,012	495,664	11,005	129,596

*Cash includes amounts held on deposit classified within financial investments and disclosed in note 34. 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. Any such balances are likely to be major international brokers that are in turn monitored via credit reference agencies and considered to pose minimal risk of default. 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 Benefact Trust group of companies.

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

	Maturing:			Total £000
	Within 1 year £000	Between 1 & 5 years £000	After 5 years £000	
At 31 December 2021				
Life business provision	1,259	4,387	13,788	19,434
At 31 December 2020 (restated*)				
Life business provision	1,290	4,563	13,581	19,434

*The comparative figures have been restated as detailed in note 49.



(c) Market risk

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

Variable	Change in variable	Potential (decrease)/ increase in net income/(expenditure)		Potential changes in funds	
		2021	Restated* 2020	2021	2020
		£000	£000	£000	£000
Interest rate risk	-100 basis points	(6,797)	(11,896)	54	(70)
	+100 basis points	5,088	6,153	(48)	44
Currency risk	-10%	5,192	(1,389)	10,845	9,715
	+10%	(4,248)	1,137	(8,873)	(7,948)
Equity price risk	+/- 10%	29,308	26,883	-	-

*The interest rate risk sensitivities have been restated to better reflect the expected profit impact.

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

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

(i) Interest rate risk

The 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 Benefact Trust group of companies' assets, subordinated debt which has a fixed interest until 2030, and from those insurance liabilities 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 the trading subsidiaries' life insurance business, consisting of policies to support funeral planning products, 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 their investment portfolio.

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



(ii) Currency risk

The trading subsidiaries operate internationally and their main exposure to foreign exchange risk is noted below. The foreign operations generally invest in assets and purchase reinsurance denominated in the same currencies as their insurance liabilities, which mitigates the foreign currency exchange rate risk for these operations. As a result, 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 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 forward foreign currency risk arising on translation of these foreign operations is hedged by the derivatives which are detailed in note 35. 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 largest currency exposures, before the mitigating effect of derivatives, with reference to net assets/liabilities are shown below, representing effective diversification of resources:

	2021		2020
	£000		£000
Aus \$	64,071	Aus \$	57,351
Euro	47,003	Euro	33,873
Can \$	46,087	Can \$	17,561
USD \$	2,001	USD \$	1,774
HKD \$	172	HKD \$	171

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.



(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:

	2021		2020
	£000		£000
UK	281,792	UK	262,710
Europe	79,848	Europe	68,988
Hong Kong	186	Hong Kong	185
Total	361,826	Total	331,883

(d) Capital management

The Benefact Trust group of companies' 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 Benefact Trust group of companies' 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). 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 the Benefact Group's website. A further report, the Regular Supervisory Report (RSR) is periodically submitted to the PRA.

Benefact Group's Solvency II Own Funds met the PRA's deadline for submission of 20 May 2022. The Solvency II Own Funds position was subject to a separate independent audit, as part of the process for Solvency II reporting to the PRA. Benefact Group has made the SFCR available on its website.

	2021	2020
	£000	£000
Solvency II Own Funds	603,714	479,474

III. Insurance risk

Through the general insurance and life insurance operations of the trading subsidiaries, the Benefact Trust group of companies 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 134.



(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. In all operations pricing controls are in place, underpinned by sound statistical analysis, market expertise and appropriate external consultant advice. Gross and net underwriting exposure is protected through the use of a comprehensive programme of reinsurance using both proportional and non-proportional reinsurance, supported by proactive claims handling. The overall reinsurance structure is regularly reviewed and modelled to ensure that it remains optimum to the trading subsidiaries' needs. The optimum reinsurance structure provides the trading subsidiaries with sustainable, long-term capacity to support its specialist business strategy, with effective balance sheet and profit and loss protection at a reasonable cost.

Catastrophe protection is purchased following an extensive annual modelling exercise of gross and net (of proportional reinsurance) exposures. In conjunction with reinsurance brokers the trading subsidiaries utilise the full range of proprietary catastrophe models and continue to develop bespoke modelling options that better reflect the specialist nature of the portfolio. Reinsurance is purchased in line with the trading subsidiaries' risk appetite.

(ii) Concentrations of risk

The core business of the trading subsidiaries is general insurance, with the principal classes of business written being property and liability. The miscellaneous financial loss class of business covers personal accident, fidelity guarantee and loss of money, income and licence. The other class of business includes cover of legal expenses and also a small portfolio of motor policies, but this has been in run-off in the United Kingdom since November 2012. The whole-of-life insurance policies support funeral planning products.

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

		General insurance				Life insurance	
		Miscellaneous financial					
Territory		Property £000	Liability £000	loss £000	Other £000	Whole-of-life £000	Total £000
2021							
United Kingdom and Ireland	Gross	217,961	62,949	16,941	3,394	(2)	301,243
	Net	109,242	60,060	8,883	376	(2)	178,559
Australia	Gross	54,229	37,106	1,290	740	-	93,365
	Net	5,891	31,733	1,238	140	-	39,002
Canada	Gross	64,086	27,524	-	-	-	91,610
	Net	44,750	25,306	-	-	-	70,056
Total	Gross	336,276	127,579	18,231	4,134	(2)	486,218
	Net	159,883	117,099	10,121	516	(2)	287,617
2020 (restated*)							
United Kingdom and Ireland	Gross	203,921	57,634	16,273	3,328	16	281,172
	Net	107,458	55,095	9,080	716	16	172,365
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	16	437,303
	Net	150,603	102,360	10,363	887	16	264,229

*The comparative figures have been restated as detailed in note 49.



IV. Net insurance premium income

	General insurance £000	Life insurance £000	Total £000
For the year ended 31 December 2021			
Gross written premiums	486,220	(2)	486,218
Outward reinsurance premiums	(198,601)	-	(198,601)
Net written premiums	287,619	(2)	287,617
Change in the gross provision for unearned premiums	(24,504)	-	(24,504)
Change in the provision for unearned premiums, reinsurers' share	9,884	-	9,884
Change in the net provision for unearned premiums	(14,620)	-	(14,620)
Earned premiums, net of reinsurance	272,999	(2)	272,997
For the year ended 31 December 2020 (restated*)			
Gross written premiums	437,287	16	437,303
Outward reinsurance premiums	(173,074)	-	(173,074)
Net written premiums	264,213	16	264,229
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	16	247,667

*The comparative figures have been restated as detailed in note 49.

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

	2021 £000	2020 £000
Fees paid	2,361	2,144
Commission paid	72,149	67,387
Change in deferred acquisition costs	(4,376)	(3,352)
Other acquisition costs	26,805	20,066
Fees, commissions and other acquisition costs	96,939	86,245

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



VI. Deferred acquisition costs

	2021	2020
	£000	£000
At 1 January	41,989	38,199
Increase in the period	46,122	41,582
Release in the period	(41,746)	(38,230)
Exchange differences	(338)	438
At 31 December	46,027	41,989
All balances are current.		

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

VII. General insurance liabilities and reinsurance assets

	2021	Restated* 2020
	£000	£000
Gross		
Claims outstanding	616,225	560,992
Unearned premiums	253,158	230,800
Total gross insurance liabilities	869,383	791,792
Recoverable from reinsurers		
Claims outstanding	166,360	129,284
Unearned premiums	88,089	79,393
Total reinsurers' share of insurance liabilities	254,449	208,677
Net		
Claims outstanding	449,865	431,708
Unearned premiums	165,069	151,407
Total net insurance liabilities	614,934	583,115
Gross insurance liabilities		
Current	444,596	407,097
Non-current	424,787	384,695
Reinsurance assets		
Current	172,844	142,466
Non-current	81,605	66,211

*The comparative figures have been restated as detailed in note 49.

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.



Chain ladder methods extrapolate paid amounts, incurred amounts (paid claims plus case estimates) and the number of claims or average cost of claims, to ultimate claims based on the development of previous years. This method assumes that previous patterns are a reasonable guide to future developments. Where this assumption is felt to be unreasonable, adjustments are made or other methods such as Bornhuetter-Ferguson or average cost are used. The Bornhuetter-Ferguson method places more credibility on expected loss ratios for the most recent loss years. For smaller portfolios the materiality of the business and data available may also shape the methods used in reviewing reserve adequacy.

The selection of results for each accident year and for each portfolio depends on an assessment of the most appropriate method. Sometimes a combination of techniques is used. The average weighted term to payment is calculated separately by class of business and is based on historical settlement patterns.

(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. Where the standard methods cannot allow for changing circumstances, additional uncertainty margins are added and are typically expressed as a percentage of outstanding claims. From time to time, management may elect to select an additional margin to reflect short-term uncertainty driven by specific events that are not in data. This approach generally results in a favourable release of provisions in the current financial year, arising from the settlement of claims relating to previous financial years.

(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.

(iv) Discounting

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

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2021	2020	2021	2020
UK and Ireland	1.3% to 2.1%	0.5% to 1.5%	17	17
Canada	1.2% to 2.1%	0.4% to 1.7%	12	12
Australia	1.5%	0.7%	5	4

The above rates of interest are based on government bond yields of the relevant currency and term at the reporting date. Adjustments are made, where appropriate, to reflect portfolio assets held and to allow for future investment expenses. At the year end the undiscounted gross outstanding claims liability was £652,666,000 for the Group (2020: £585,635,000).

The impact of discount rate changes on the outstanding claims provision is presented within net gains/(losses) on investments (note 24).

(v) Assumptions

The trading subsidiaries follow a process of reviewing their reserves for outstanding claims on a regular basis. This involves an appraisal of each portfolio with respect to ultimate claims liability for the recent exposure period as well as for earlier periods, together with a review of the factors that have the most significant impact on the assumptions used to determine the reserving methodology. The work conducted on each portfolio is subject to an internal peer review and management sign-off process.

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

There are no significant changes in approach but the trading subsidiaries continue to evolve estimates in light of underlying experience.



(vi) Claims development tables

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

Estimate of gross ultimate claims											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	100,612	81,725	61,901	46,464	51,738	50,736	48,759	47,945	50,134	60,267	
One year later	88,046	80,027	50,571	43,582	46,073	46,885	40,461	42,467	42,044		
Two years later	78,196	69,860	48,327	40,337	41,041	41,883	34,680	39,859			
Three years later	72,516	66,192	45,495	33,804	38,468	38,648	33,362				
Four years later	67,980	60,174	37,064	29,436	37,044	40,177					
Five years later	62,712	56,912	34,606	28,211	34,649						
Six years later	61,213	54,901	34,962	31,738							
Seven years later	60,560	55,516	36,195								
Eight years later	62,025	55,252									
Nine years later	61,615										
Current estimate of ultimate claims	61,615	55,252	36,195	31,738	34,649	40,177	33,362	39,859	42,044	60,267	435,158
Cumulative payments to date	(54,400)	(47,153)	(28,117)	(21,087)	(21,853)	(17,642)	(12,013)	(8,852)	(5,571)	(1,471)	(218,159)
Outstanding liability	7,215	8,099	8,078	10,651	12,796	22,535	21,349	31,007	36,473	58,796	216,999
Effect of discounting											(10,619)
Present value											206,380
Discounted liability in respect of earlier years											162,780
Total discounted gross liability (for liability classes) included in provisions in the balance sheet											369,160

Estimate of net ultimate claims											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At end of year	88,247	76,729	59,633	42,739	47,402	45,920	44,053	44,230	45,459	47,289	
One year later	79,272	66,475	47,690	40,397	41,631	41,706	37,456	39,842	37,509		
Two years later	73,735	60,075	47,428	37,740	37,740	37,797	32,867	37,243			
Three years later	69,837	55,710	41,494	32,297	36,337	34,818	31,647				
Four years later	65,872	51,482	35,164	28,506	35,217	36,431					
Five years later	60,800	49,196	33,233	27,418	32,993						
Six years later	59,338	47,518	33,309	30,544							
Seven years later	59,061	47,443	34,245								
Eight years later	60,056	47,338									
Nine years later	59,783										
Current estimate of ultimate claims	59,783	47,338	34,245	30,544	32,993	36,431	31,647	37,243	37,509	47,289	395,022
Cumulative payments to date	(53,066)	(39,851)	(26,771)	(20,558)	(21,651)	(17,570)	(12,011)	(8,838)	(5,484)	(1,463)	(207,263)
Outstanding liability	6,717	7,487	7,474	9,986	11,342	18,861	19,636	28,405	32,025	45,826	187,759
Effect of discounting											(10,619)
Present value											177,140
Discounted liability in respect of earlier years											146,274
Total discounted net liability (for liability classes) included in provisions in the balance sheet											323,414



VIII. Life business provision

	2021	Restated*
	2020	
	£000	£000
Gross life business provision	19,434	19,434
Ceded life business provision	-	-
Net life business provision	19,434	19,434
Gross life business provision		
Current	430	431
Non-current	19,004	19,003

*The comparative figures have been restated as detailed in note 49.

(i) Assumptions

The most significant assumptions in determining life reserves are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. Where prudent, an allowance is made for future mortality improvements based on trends identified in population data. For both 2021 and 2020 the base tables used were ELF16F and ELT16M with a 1% improvement applied each year.

Investment returns

Projected investment returns for index-linked business are based on actual yields for each asset class less an allowance for credit risk, where appropriate. The risk adjusted yields after allowance for investment expenses for the current valuation are as follows:

	2021	2020
	£000	£000
UK and overseas government bonds: non-linked	-	0.28%
UK and overseas government bonds: index-linked	-2.71%	-2.72%
Corporate debt instruments: index-linked	-2.28%	-2.23%

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. For index-linked assets, the real yield is shown gross of tax.

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 £2.60 per annum (2020: £2.50 per annum). Additionally, now the in-force policy volumes are expected to fall, much of the expenses of the life insurance business have been reserved for in a separate exercise. A reserve for these expenses is held at £5.7 million (2020: £5.8 million).

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 4.96% per annum (2020: 4.07%).

Tax

It has been assumed that current tax legislation and rates applicable at 1 January 2022 will continue to apply. All in-force business is classed as protection business and is expected to be taxed on a profits basis.



(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 £5.0 million (2020: £5.0 million 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 insurance liabilities of the changes to renewal expense assumptions (described above) was a £2.0 million increase (2020: £0.7 million increase).

There has been a small change in the mortality assumptions that has reduced liabilities by £0.1m (2020: no material change).

(iii) Sensitivity analysis

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

Variable	Change in variable	Potential increase/ (decrease) in net income/ (expenditure)	
		2021 £000	2020 £000
Deterioration in annuitant mortality	+10%	1,300	1,300
Improvement in annuitant mortality	-10%	(1,500)	(1,600)
Increase in fixed interest/cash yields	+1% pa	-	200
Decrease in fixed interest/cash yields	-1% pa	(400)	(700)
Worsening of base renewal expense level	+10%	(200)	(200)
Improvement in base renewal expense level	-10%	200	300
Increase in expense inflation	+1% pa	(600)	(600)
Decrease in expense inflation	-1% pa	500	500

IX. Movements in insurance liabilities and reinsurance assets

	Group £000	Reinsurance £000	Net £000
Claims outstanding			
At 1 January 2021	560,992	(129,284)	431,708
Cash (paid)/received for claims settled in the year	(191,685)	83,235	(108,450)
Change in liabilities/reinsurance assets	254,256	(122,799)	131,457
Exchange differences	(7,338)	2,488	(4,850)
At 31 December 2021	616,225	(166,360)	449,865
Provision for unearned premiums			
At 1 January 2021	230,800	(79,393)	151,407
Increase in the period	253,759	(88,464)	165,295
Release in the period	(229,255)	78,580	(150,675)
Exchange differences	(2,146)	1,188	(958)
At 31 December 2021	253,158	(88,089)	165,069
Life business provision			
At 1 January 2021	19,434	-	19,434
Effect of claims during the year	(264)	-	(264)
Changes in assumptions	118	-	118
Change in discount rate	147	-	147
Other movements	(1)	-	(1)
At 31 December 2021	19,434	-	19,434



	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
Life business provision (restated)*			
At 1 January 2020	20,213	-	20,213
Effect of claims during the year	(4,358)	-	(4,358)
Changes in assumptions	(846)	-	(846)
Changes in methodology	(556)	-	(556)
Change in discount rate	4,986	-	4,986
Other movements	(5)	-	(5)
At 31 December 2020	19,434	-	19,434

*The comparative figures have been restated as detailed in note 49.



49 Prior year restatement

During the year the Benefact Trust group of companies reassessed the level of insurance risk transferred to Ecclesiastical Planning Services Limited (EPSL) from policyholders, a trading subsidiary, on its funeral plan book of business, and concluded that there is no significant insurance risk on these contracts. As a result, the Benefact Trust group of companies ceased to recognise these contracts as insurance contracts under FRS 103, *Insurance Contracts*, and has reclassified and measured the balances in line with IAS 39, *Financial Instruments: Recognition and Measurement*.

Certain assets classified as financial investments and measured at fair value by EPSL relate to contracts with Ecclesiastical Life Limited (ELL), another company within the Benefact Trust group of companies. ELL continues to classify and measure the liability arising on these contracts under FRS 103 due to the significance of the insurance risk transferred within the terms of the contract. These balances are eliminated on consolidation.

Under FRS 102, a retrospective restatement of the prior period results is required. The effects of the restatement are detailed in this note, and included throughout the financial statement comparatives, where appropriate. As a result of the restatement, as at 1 January 2020 the Benefact Trust group of companies recognised an increase in non-charitable trading reserves of £11,139,000.

	As reported Unrestricted funds £000	Restatement £000	As restated Unrestricted funds £000	As reported Endowment funds £000	As restated Total funds £000
2020					
Income from:					
Donations	3,000	-	3,000	-	3,000
Other trading activities					
<i>Income arising from trading activities</i>	345,188	4	345,192	-	345,192
Investments					
<i>Dividend, interest and rental income</i>	30,991	-	30,991	3,106	34,097
Total income	379,179	4	379,183	3,106	382,289
Expenditure on:					
Raising funds	-	-	-	(375)	(375)
Charitable activities					
<i>Grants</i>	(23,311)	-	(23,311)	-	(23,311)
<i>Other expenditure on charitable activities</i>	(755)	-	(755)	-	(755)
Other					
<i>Charitable donations paid by trading subsidiaries</i>	(2,748)	-	(2,748)	-	(2,748)
<i>Expenditure arising from trading activities</i>	(357,796)	3,046	(354,750)	-	(354,750)
Total expenditure	(384,610)	3,046	(381,564)	(375)	(381,939)
Net losses on investments	(35,639)	(595)	(36,234)	(458)	(36,692)
Taxation	432	-	432	(83)	349
	(40,638)	2,455	(38,183)	2,190	(35,993)
Net (expenditure)/income in the year					
<i>a. arising from the charity</i>	(21,006)	-	(21,006)	2,190	(18,816)
<i>b. arising from trading activities</i>	(19,632)	2,455	(17,177)	-	(17,177)
	(40,638)	2,455	(38,183)	2,190	(35,993)



	As reported Total funds 2020 £000	Restatement Total funds £000	As restated Total funds 2020 £000
Fixed assets			
Intangible assets	38,367	-	38,367
Tangible assets	15,463	-	15,463
Investment property	142,142	-	142,142
Investments	948,868	191,011	1,139,879
Investment in associate	5,696	-	5,696
Total fixed assets	1,150,536	191,011	1,341,547
Current assets			
Debtors	637,231	(206,570)	430,661
Investments	2,000	-	2,000
Cash at bank and in hand	144,675	-	144,675
Total current assets	783,906	(206,570)	577,336
Liabilities			
Creditors: amounts falling due within one year	(140,453)	-	(140,453)
Net current assets	643,453	(206,570)	436,883
Total assets less current liabilities	1,793,989	(15,559)	1,778,430
Creditors: amounts falling due after one year	(2,244)	-	(2,244)
Provisions for liabilities	(1,111,182)	29,153	(1,082,029)
Net assets excluding retirement benefit obligations	680,563	13,594	694,157
Net pension deficit	(16,173)	-	(16,173)
Other retirement benefit obligations	(6,530)	-	(6,530)
Total net assets including retirement benefit obligations	657,860	13,594	671,454
The funds of the charity:			
Unrestricted funds			
General funds	5,585	-	5,585
Designated funds	6,946	-	6,946
Revaluation reserve	624	-	624
Non-charitable trading reserves	420,632	13,594	434,226
Translation and hedging reserve	18,169	-	18,169
	451,956	13,594	465,550
Restricted funds			
Endowment funds	104,089	-	104,089
Total funds (excluding minority interests)	556,045	13,594	569,639
Minority interests	101,815	-	101,815
Total funds	657,860	13,594	671,454

Reference and administrative details



Board of trustees Timothy Carroll, BA, MBA, FCII Chairman
Michael Arlington, BSc (Hon), FRAGS
Caroline Banszky, 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

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Company Registration Number 1043742

Charity Registration Number 263960

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Investment Managers EdenTree Investment Management Limited,
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BENEFACT TRUST LIMITED

England & Wales - Charity number 263960

Accounts



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

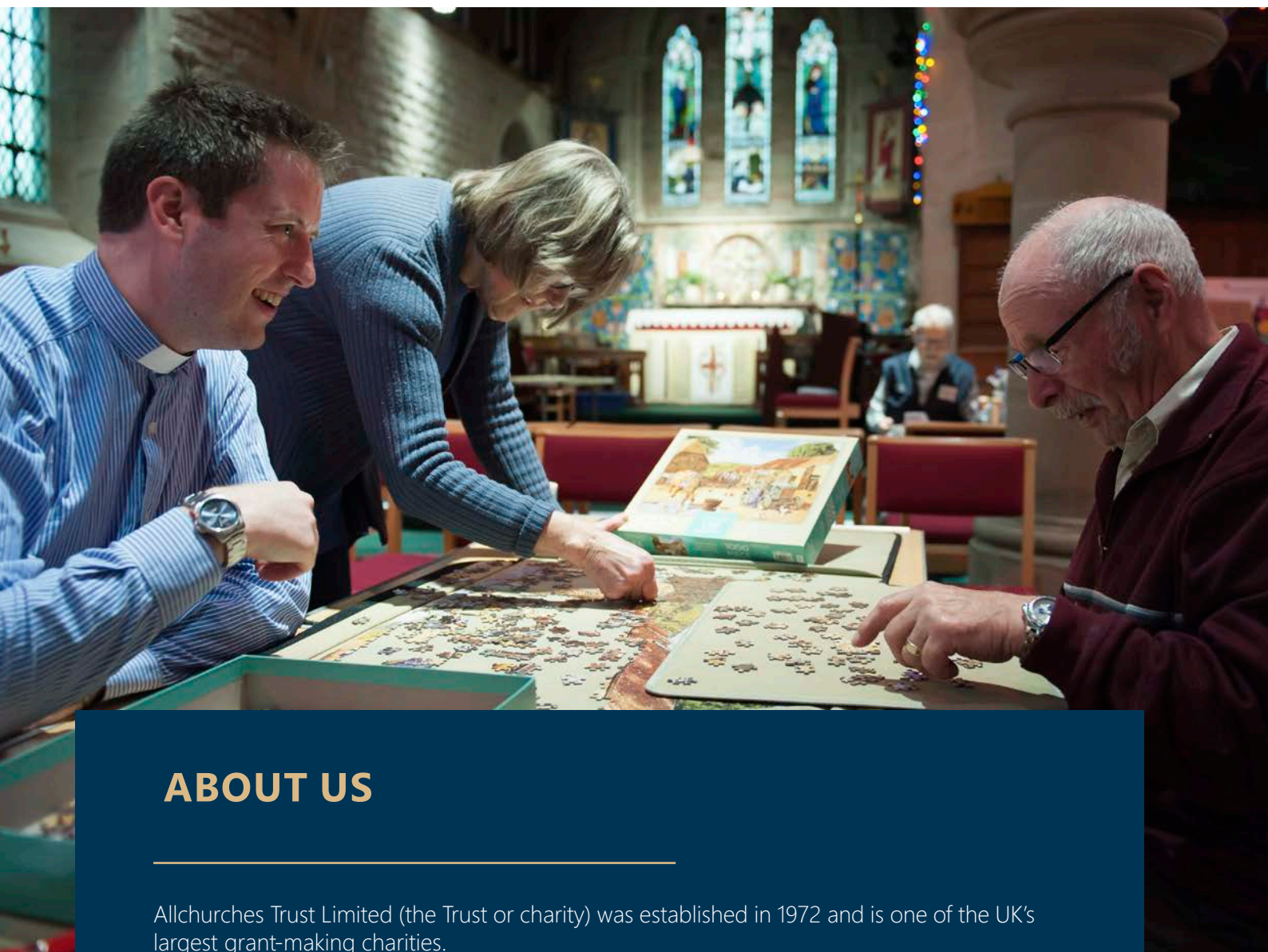
Ecclesiastical Insurance Group plc, the direct subsidiary of Allchurches Trust Limited

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

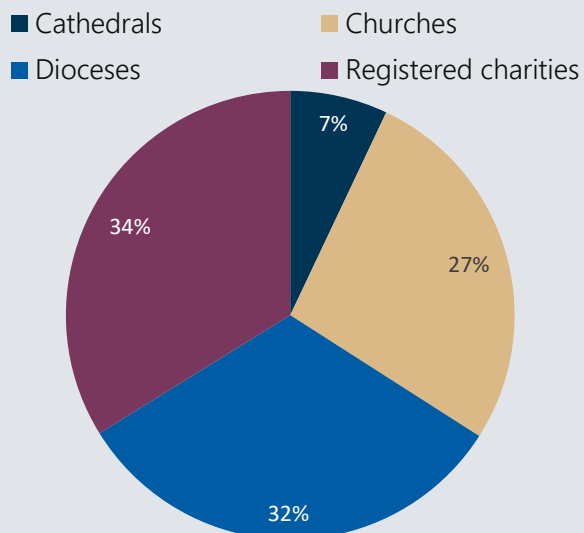
£136.3m
donated in
grants over the
past 10 years

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.

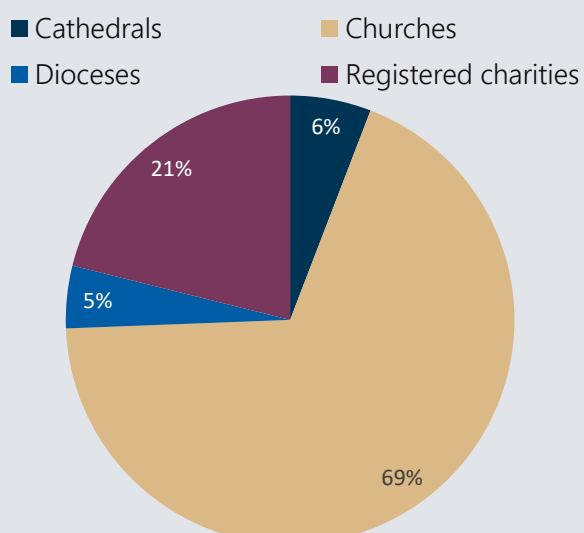
WE RECEIVED 1,865 APPLICATIONS IN 2020: 89% WERE AWARDED A GRANT

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.

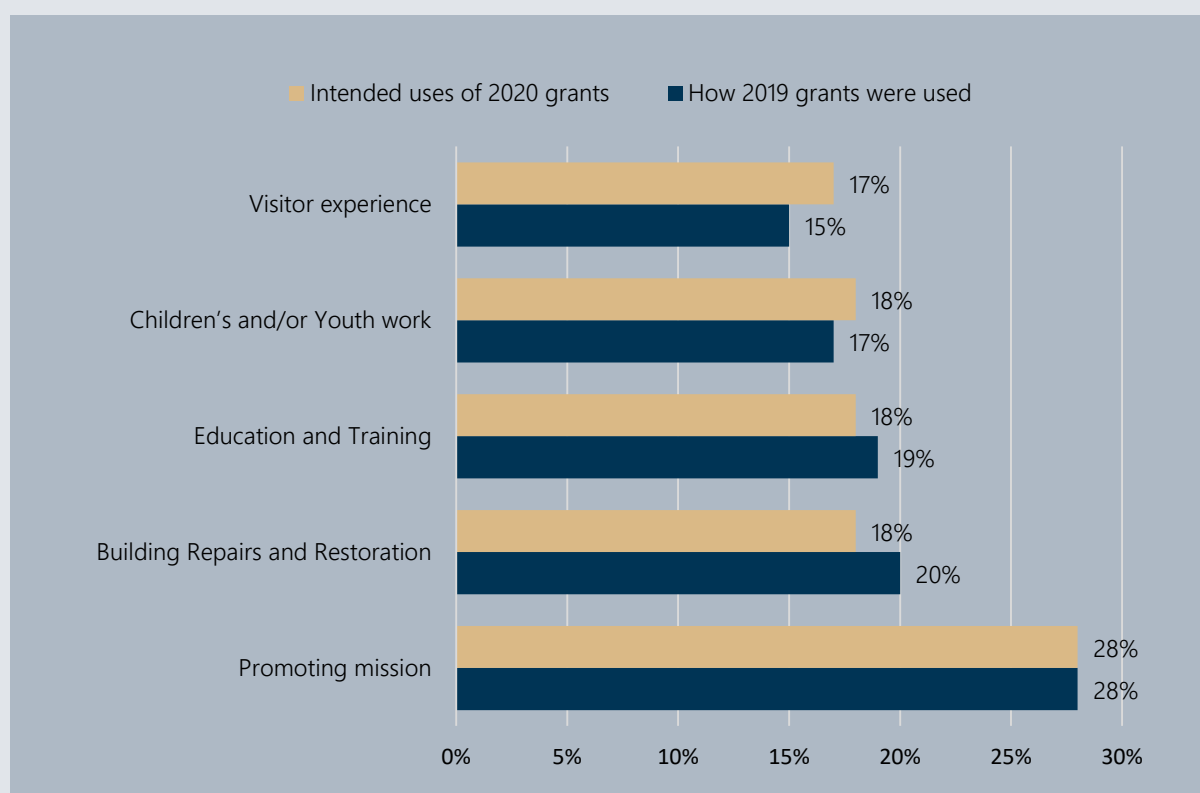
In 2020, nearly £1.5m in grants was given to cathedrals and £6.9m to dioceses and provincial bodies.

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.

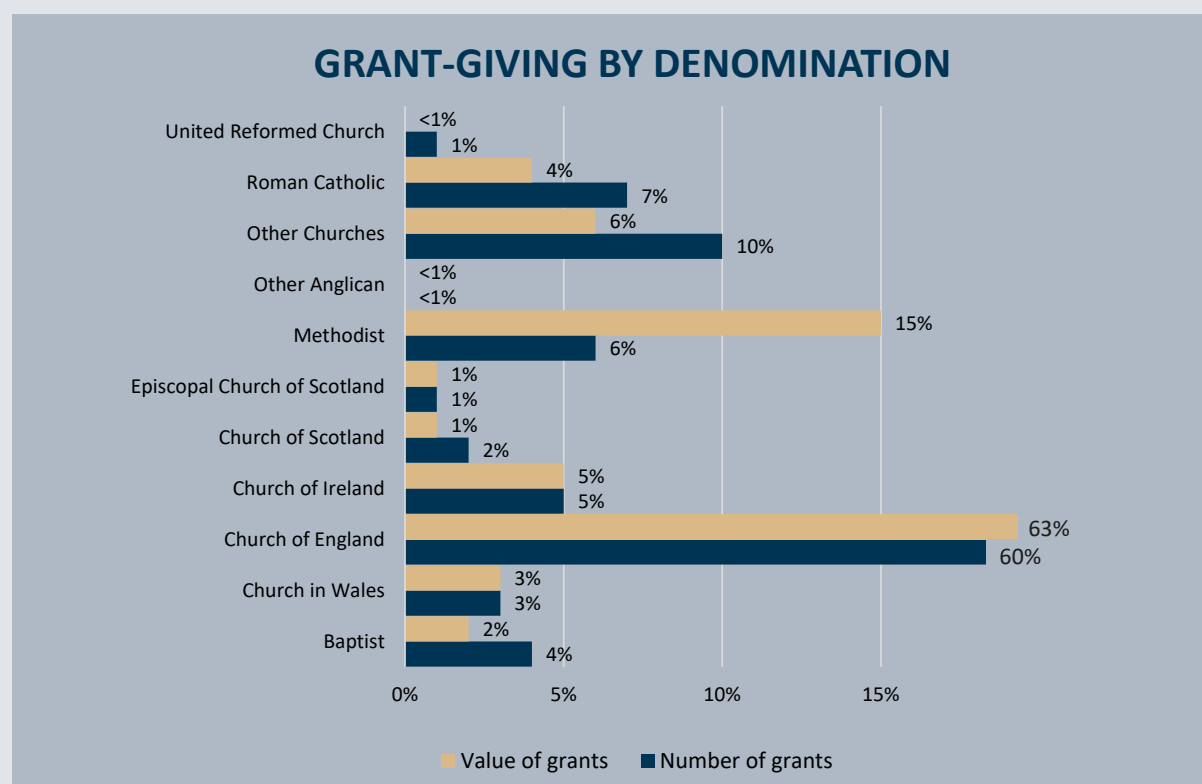
2020 GRANT GIVING DATA

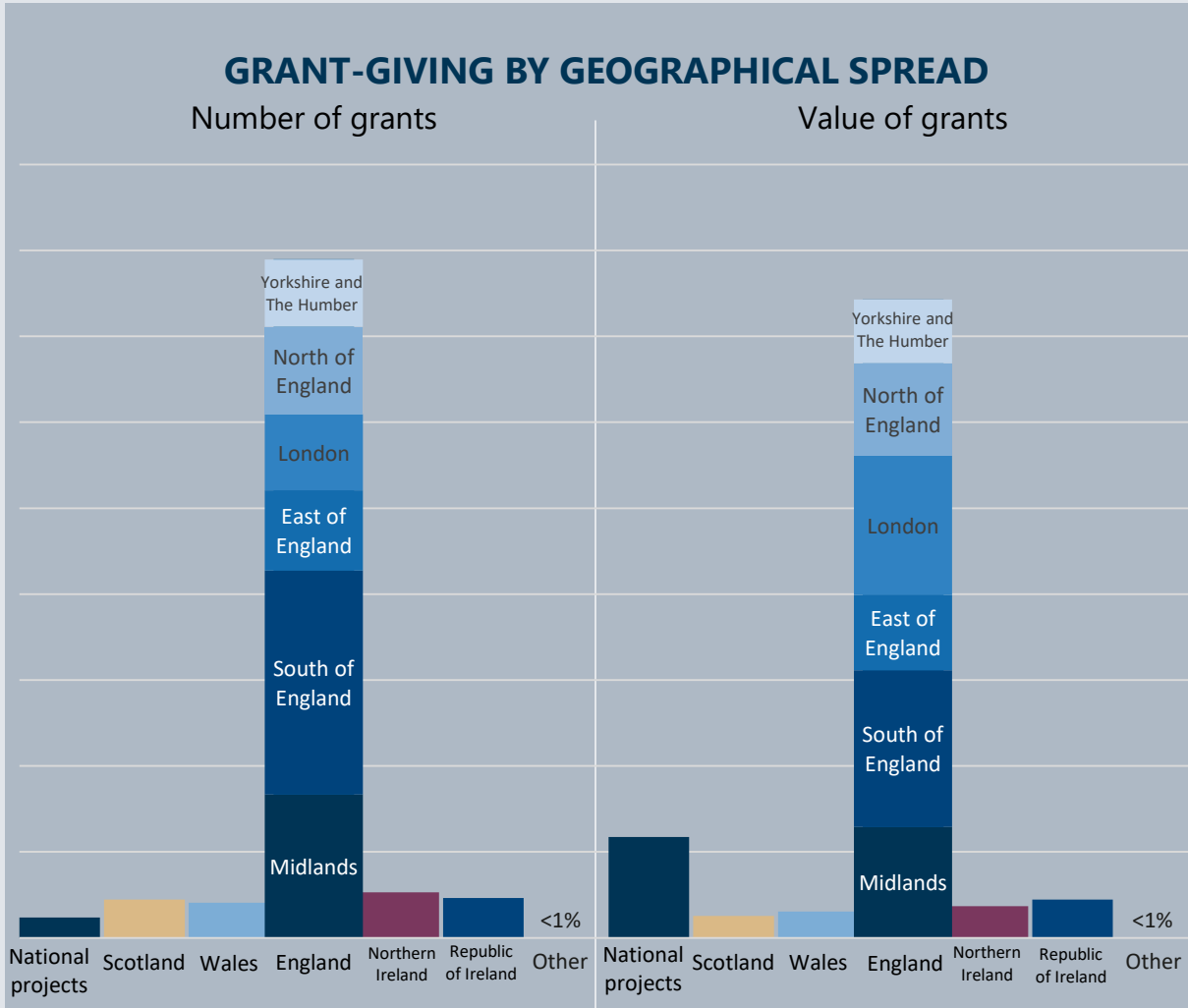
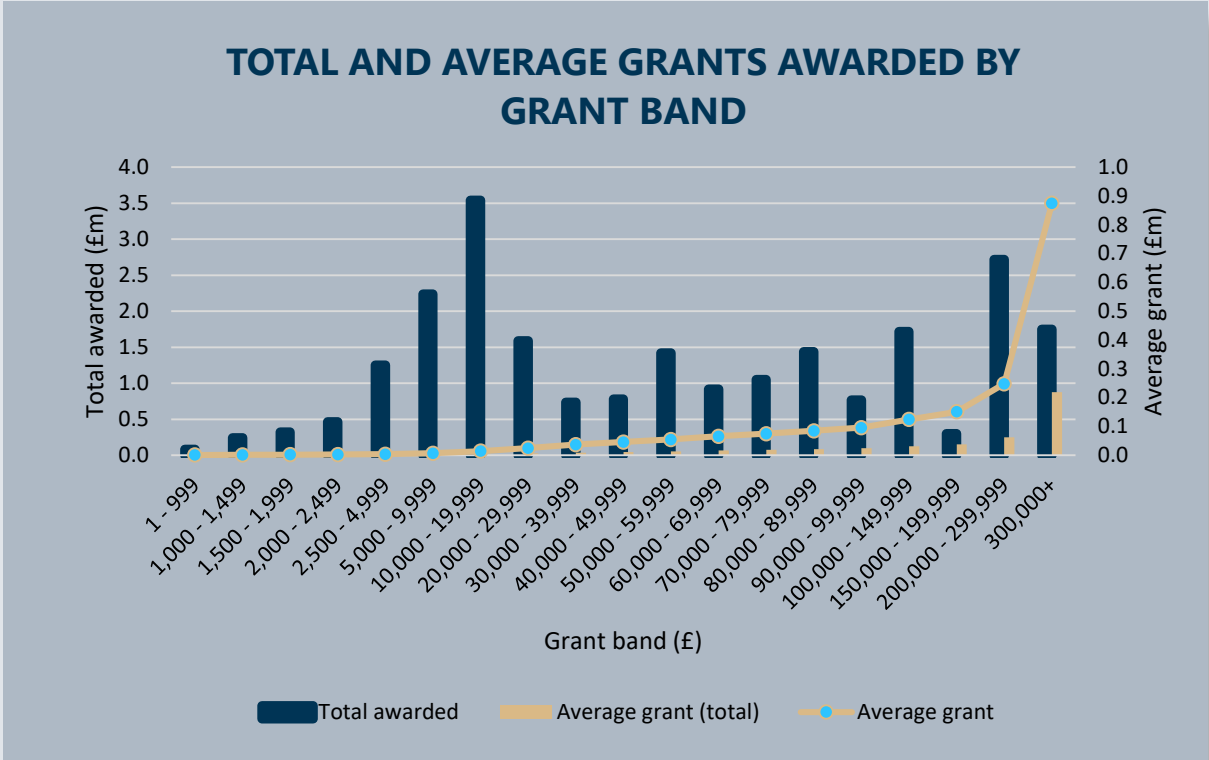
The geographical, denominational and charitable spread of grants made, which are shown in the following tables and on page 15, are largely determined by the Trust's objects and the pattern of applications received by the Trust.

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.





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	Endowment	Total	Unrestricted	Endowment	Total
	funds	funds	funds	funds	funds	funds
	£000	£000	£000	£000	£000	£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.

¹ This 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 Banszky, 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 Banszky 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 £000	2019 £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	Endowment funds	Total funds	Unrestricted funds	Endowment funds	Total funds
	£000	£000	£000	£000	£000	£000
Income from financial assets at fair value						
Equity securities						
- listed	-	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	Shared costs	Support costs	Total
	£000	£000	£000	£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
	8,383
Ireland	
Representative Church Body of the Church of Ireland/Church of Ireland, Dublin	300
	300
Wales	
The Representative Body of the Church in Wales	182
	182
Total material grants	11,224
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
	12,087
Total grants	23,311

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
	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	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
	8,019
Ireland	
Saint Patrick's Cathedral, Dublin	111
	111
Wales	
Bethel Community Church, Newport, South Wales	100
St Asaph Diocesan Board of Finance	100
The Representative Body of the Church in Wales	182
	382
Total material grants	9,086
Total of grants that are not individually material in aggregate:	
National projects	461
England	6,951
Scotland	400
Wales	380
Ireland	484
Other	88
	8,764
Total grants	17,850

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:

2020	National projects £000	England £000	Scotland £000	Basis of allocation
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	

2020	Wales £000	Ireland £000	Other £000	Basis of allocation
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:

2019	National projects £000	England £000	Scotland £000	Basis of allocation
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*
	82	84	81	
Other expenditure on charitable activities	95	274	103	
2019	Wales £000	Ireland £000	Other £000	Basis of allocation
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*
	81	81	80	
Other expenditure on charitable activities	95	102	90	

*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	
	At fair value £000	cost £000	£000	£000
2020				
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
	At amortised cost			
	At fair value £000	cost £000	At fair value £000	£000
2019				
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							
Income arising from trading activities	21	345,188	-	345,188	323,654	-	323,654
Investments							
Dividend, interest and rental income	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							
Grants		(23,311)	-	(23,311)	(17,850)	-	(17,850)
Other expenditure on charitable activities		(755)	-	(755)	(575)	-	(575)
Other							
Charitable donations paid by trading subsidiaries		(2,748)	-	(2,748)	(2,523)	-	(2,523)
Expenditure arising from trading activities		(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						
a. arising from the charity		(21,006)	2,190	(18,816)	(13,338)	13,673	335
b. arising from trading activities		(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				2019
	Ecclesiastical Planning Services Limited £000	EdenTree Investment Management Limited £000	South Essex Insurance Brokers Limited £000	Lycetts Holdings Limited £000	Total £000
					Total £000
Profit and loss account					
Turnover	3,945	14,559	10,650	22,704	51,858
Dividend and interest income	1	(25)	801	62	839
Total income	3,946	14,534	11,451	22,766	52,697
Charitable donations	-	(30)	(77)	-	(107)
Other expenditure	(5,951)	(15,535)	(8,965)	(21,738)	(52,189)
Total expenditure	(5,951)	(15,565)	(9,042)	(21,738)	(52,296)
Taxation	54	76	(28)	(241)	(139)
Other comprehensive expense and changes in equity	-	-	(1,000)	(1,366)	(2,366)
(Loss)/profit retained and transferred to reserves	(1,951)	(955)	1,381	(579)	(2,104)
Balance sheet					
Total assets	269,061	19,982	19,843	24,380	333,266
Equity	1,619	8,343	13,738	5,215	28,915
Liabilities	267,442	11,639	6,105	19,165	304,351
Total liabilities	269,061	19,982	19,843	24,380	333,266

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 £000	2019 £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 £000	2019 £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 £000	2019 £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 funds £000	Endowment funds £000	Unrestricted funds £000	Endowment funds £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 £000	2019 £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 No.	Restated* 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 £000	2019 £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 £000	2019 £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	Total
		£000	assets	£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 £000	2019 £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			At fair value	
	At fair value through profit or loss	through other gains/(losses)	At amortised cost	through profit or loss	
	£000	£000	£000	£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 £000	2019 £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	Endowment funds	Total	Unrestricted funds	Endowment funds	Total
	£000	£000	£000	£000	£000	£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	2019
	£000	£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 £000	2019 £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
	1,111,182	988,860

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	2,329	419	2,600	5,348
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 £000	2019 £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 £000	2019 £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 £000	2019 £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 £000	2019 £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 £000	2019 £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					Translation	
	General	Designated	Endowment	Revaluation	Non-charitable	and hedging	Total
	fund	fund	fund	reserve	trading reserve	reserve	
	£000	£000	£000	£000	£000	£000	£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 £000	Revaluation reserve £000	Non-charitable trading reserve £000	Translation and hedging reserve £000	Total £000
	General fund £000	Designated fund £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 (NclPs) in Ecclesiastical Insurance Office plc.

During 2020, the charity's direct subsidiary, EIG plc, acquired NclPs 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		
			Charity	Subsidiary	Activity
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 £000	2019 £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			Total £000
	Level 1 £000	Level 2 £000	Level 3 £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
	780,076	4,451	78,207	862,734
Financial assets at fair value through other recognised (losses)/gains				
Derivatives	-	509	-	509
	-	509	-	509
Total financial assets at fair value through profit or loss	780,076	4,960	78,207	863,243

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 £000	debtors £000		securities £000	debtors £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	331,883	Total	367,157

(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	199,071	251,828
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	
		Miscellaneous financial			Other	Funeral plans	Total
Territory		Property	Liability	loss			
		£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	41,989	38,199
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	791,792	684,765
Recoverable from reinsurers		
Claims outstanding	129,284	89,982
Unearned premiums	79,393	69,574
Total reinsurers' share of insurance liabilities	208,677	159,556
Net		
Claims outstanding	431,708	391,687
Unearned premiums	151,407	133,522
Total net insurance liabilities	583,115	525,209
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

(iv) Discounting

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

Geographical territory	Discount rate		Mean term of discounted liabilities (years)	
	2020	2019	2020	2019
UK and Ireland	0.5% to 1.5%	1.3% to 2.2%	17	17
Canada	0.4% to 1.7%	1.9% to 2.0%	12	12
Australia	0.7%	1.2%	4	4

At the end of the year the undiscounted gross outstanding claims provision was £585,635,000 (2019: £516,068,000).

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

(v) Assumptions

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

There are no significant changes in assumptions.

(vi) Claims development tables

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

[illegible]

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	481,669	(89,982)	391,687
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	203,096	(69,574)	133,522
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	262,500	(183,288)	79,212

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

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Caroline Banszky 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)
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Chris Moulder MA, FCA
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