



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



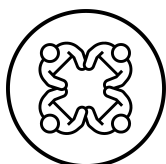
Strategic Report

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).

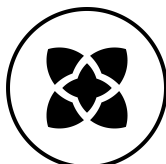
Recognising the importance of good governance, we have worked hard to make sure it is at the heart of our operations. This ensures that the Trust operates with efficiency, effectiveness, and sustainability, in compliance with the Charity Governance Code.

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:

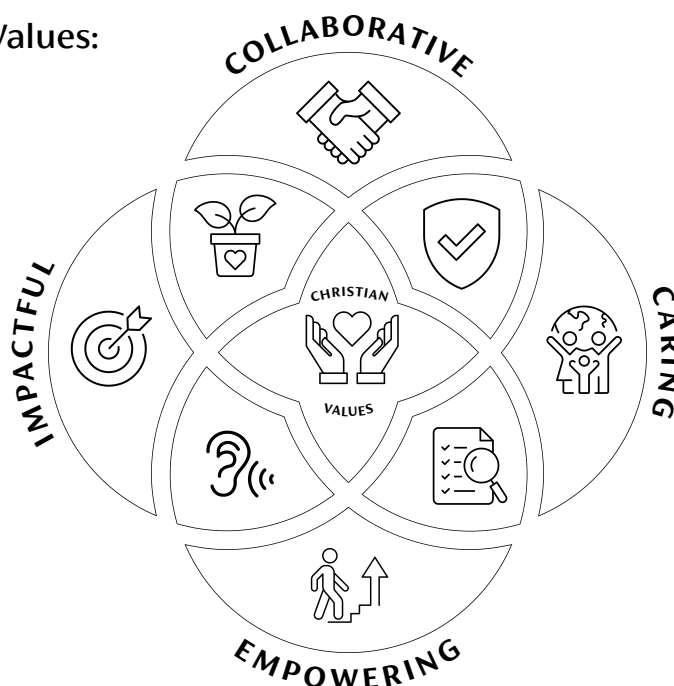
A society in which everyone can flourish, inspired by Christian values.



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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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
 <p>Raising the profile and awareness of Benefact Trust</p>	<ul style="list-style-type: none"> • 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.
 <p>Building operational resilience</p>	<ul style="list-style-type: none"> • 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.
 <p>Appraisal of investments</p>	<ul style="list-style-type: none"> • 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
 <p>Growth in grant making</p>	<ul style="list-style-type: none"> • 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.
 <p>Demonstrating and enabling greater impact</p>	<ul style="list-style-type: none"> • 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.
 <p>Raising the profile and awareness of Benefact Trust</p>	<ul style="list-style-type: none"> • 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.
 <p>Building operational resilience</p>	<ul style="list-style-type: none"> • 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.
 <p>Appraisal of investments</p>	<ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p>
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

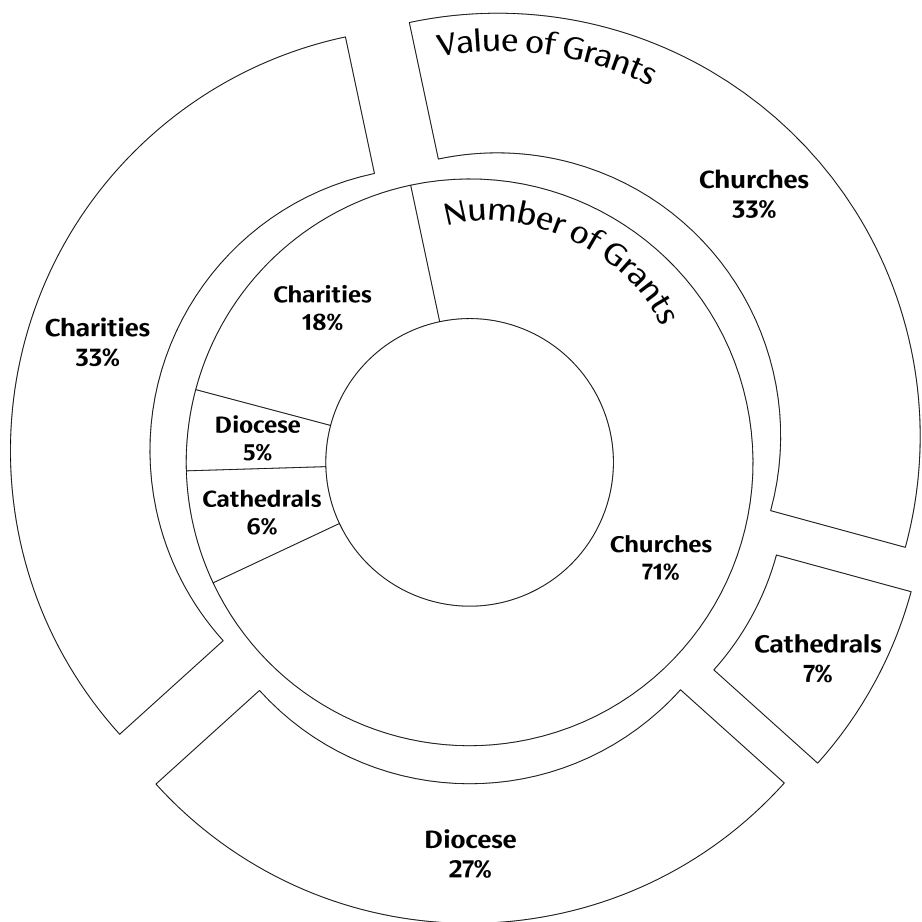
Community Impact Grants	£8.5m
Building Improvement Grants	£2.8m
Methodist Grants	£2.5m
Heritage Skills for Christian Buildings Grants	£0.3m
Crisis Response Grants	£0.9m
Recurrent Grants	£7.3m
General Grants *	£0.9m
Other Grants **	£0.2m
Total	£23.4m

* 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	<p>% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none">• 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	<p>% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none"> • 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	<p>% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none"> • 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*	<p>% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none"> • 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*	<p>% of beneficiaries reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none"> • 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*	<p>% of respondents reporting that at least one of the following programme outcomes has been achieved as a result of their grant:</p> <ul style="list-style-type: none"> • 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

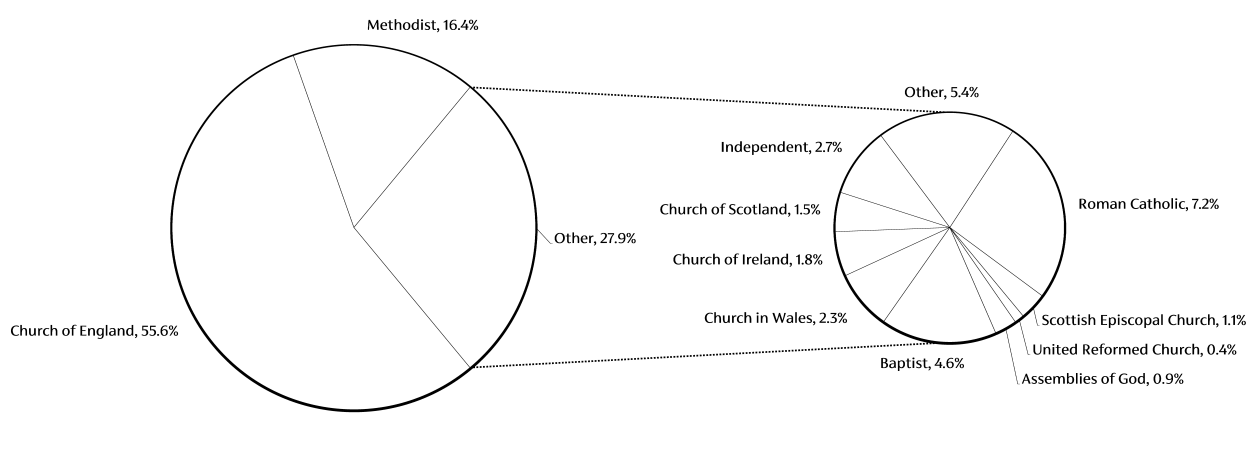
The geographical, denominational, and charitable spread of grants made, which are shown in the following tables and on page 17, are largely determined by the Trust's objects and the pattern of applications received by the Trust.

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

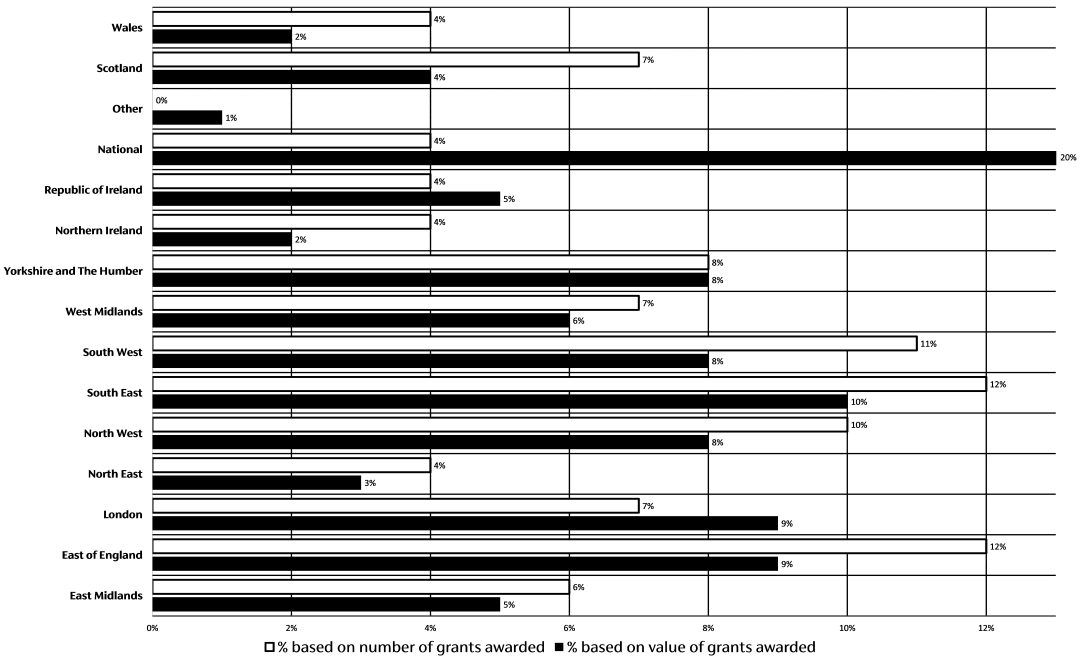




Value of Grants Awarded by Location of Beneficiary Project



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.	<p>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.</p> <p>The Trust provides members with the option to receive an annual newsletter setting out the Trust's grant-giving and developments.</p>



Beneficiaries and other Christian partners	
<p>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.</p>	<p>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.</p> <p>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.</p>
The Benefact Group	
<p>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.</p>	<p>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.</p> <p>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.</p>
Employees	
<p>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.</p> <p>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.</p>	<p>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.</p>



Suppliers	
<p>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.</p> <p>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.</p>	
Community and Environment	
<p>As detailed in the Strategic Report, directors are focused on long term and strategic charitable giving.</p>	<p>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:</p> <ol style="list-style-type: none"> 1. growing church congregations and communities; 2. addressing social challenges facing communities; and 3. improvement of church buildings to enable wider community use. <p>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.</p> <p>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.</p>



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
		£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
	<hr/> 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
	<hr/> 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
	<hr/> 1,800
Heritage Skills for Christian Buildings	
The King's Foundation, London	101
York Minster*	71
	<hr/> 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
	<hr/> 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	<hr/> 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
	<hr/> 2,120
Heritage Skills for Christian Buildings	
QEST (Queen Elizabeth Scholarship Trust), London	144
	<hr/> 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
	<hr/> 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	<hr/> 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
	<hr/> 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
	<hr/> 67
Total material grants	<hr/> 14,911 <hr/>
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)
	<hr/> 7,910 <hr/>
	<hr/> 22,821 <hr/>

*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	Heritage Skills for Christian Buildings	Crisis Response Grants	Recurrent Grants	Basis of allocation
2022 (Re-presented*)	£000	£000	£000	£000	
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	Transformational Grants	Brighter Lives	Other Grants	Basis of allocation
2022 (Re-presented*)	£000	£000	£000	£000	
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	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 (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		Holding of		
			Charity	Subsidiary	Charity	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
	Level 1	Level 2	Level 3	
	£000	£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.

Territory		General insurance				Life insurance	Total £000
		Property £000	Liability £000	Miscellaneous financial loss		Whole-of-life £000	
				Other £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 £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 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 £000	£000	funds £000	funds £000	funds £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