

Charity No: 1087053
Company No: 4228843

**FRIENDS PROVIDENT CHARITABLE FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)
REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 30 SEPTEMBER 2016

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

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FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity name: Friends Provident Charitable Foundation
Other names by which the charity is known: Friends Provident Foundation
Charity number: 1087053
Company number: 04228843

REGISTERED ADDRESS

Blake House
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES -

Members:

Jennifer Barraclough	(resigned 31/12/15)
Joycelin Dawes	(Chair until 31/12/15)
Paul Dickinson	
Joanna Elson	
Jim Gilbourne	(resigned 31/12/16)
Patrick Hynes	(appointed 1/1/17)
Kathleen Kelly	(appointed 1/1/17)
Rob Lake	
Stephen Muers	(appointed 1/1/17)
Hetan Shah	(appointed Chair from 1/1/16)
Aphra Sklair	
Raj Thamoatham	(resigned 22/12/16)
Whitni Thomas	(resigned 31/12/16)

KEY MANAGEMENT PERSONNEL

Foundation Director and Secretary: Danielle Walker Palmour
Investment Engagement Manager: Colin Baines
Grants Manager: Andrew Thompson
Communications Manager: Nicola Putnam

Principal Bankers:

CAF BANK Limited PO Box 289 West Malling Kent ME19 4TA	Triodos Bank NV Deanery Road Bristol BS1 5AS
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Auditors:

Sayer Vincent LLP Invicta House 108-114 Golden Lane London EC1Y 0TL	Investment Adviser: Peter Jones Social Investment Adviser: Kelly Clark Marmanie Consultants
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Accountants:

JWPCreers LLP Genesis 5 Church Lane Heslington York YO10 5DQ	Solicitors: Wrigley's Solicitors LLP 19 Cookridge Street Leeds LS2 3AG
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Investment Managers:

BMO Asset Management
55 Baker Street
London
W1U 7EU

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

CHAIR'S INTRODUCTION

In 2016 the Foundation launched a new strategy. Our aim is encapsulated in our strapline 'Fairer economy, better world.' We believe the Foundation has three ways in which to help create the changes we want to see:

1. Through giving grants;
2. Through the way we manage our investments; and
3. Through our power to convene and communicate.

To implement our strategy we have invested in new staffing - Abby Gibson has joined to strengthen our grant-making; Colin Baines to help us manage our investments in line with our values; and Nicola Putnam to strengthen our communications. Trustees are grateful to the staff - old and new - in how they are helping the Foundation to increase our impact.

The Foundation recognises that there are not many other funders focused on understanding and changing the nature of the economy. And yet we know that the problems we face in this area are urgent, including the casualisation of an increasing proportion of the workforce; major regional economic imbalances; and long term environmental issues such as climate change. Therefore trustees took the decision this year that we will spend from our capital endowment, not just our income, if we have the quality projects to invest in. We have also taken an explicit decision to consider more core funding of organisations where we have built up a relationship of trust. We have sought legal advice to ensure our grant conditions we are within existing Charity Commission guidance.

I am proud of the work that we do. As a relatively small foundation I think we are having a wide range of impacts through our work. We are changing the way that economics is taught through funding the CORE economics programme. We are galvanising investors to take a stand for social and environmental matters through funding ShareAction. And we are changing public discussion about economics matters through funding Open Democracy and the RSA's Citizen's Economic Council.

The Foundation looks forward to working with a wider range of partners, stakeholders and grantees in the coming year ahead. If you share our aspirations and are not already working with us in some way, I encourage you to do so.

Hetan Shah
Chair of the Board of Trustees
14 March 2017

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

FOUNDATION DIRECTOR'S REVIEW

"Fairer Economy, Better World"

2016 has been a landmark year for the Foundation. In less than one year, we have:

- Crystallised and implemented our new strategy;
- Created new functions and roles;
- Doubled the number of staff;
- Determined that trustees will spend down the endowment in pursuit of our mission;
- Moved offices;
- Created a new strap line; and
- Continued to deliver what we hope is a high quality service to our grant-holders, applicants and trustees.

All this change has been exciting and it has been challenging. It was only possible with the support of long-standing staff – Andrew Thompson and Sue Scott – who have taken on new tasks, participated fully in the changes required and borne all with professionalism and good humour.

We have welcomed three new colleagues to the Foundation – Colin Baines, Abby Gibson and Nicola Putnam. They bring new skills, energy and expertise to our central mission to bring about a fairer economy and improving the society in which we live.

This has never been more important in the context of the changed political and social context brought to the fore by the UK Referendum resulting in the move toward leaving the European Union as well as the election of Donald Trump as President of the United States. Although it is far from clear what any of this will mean for the shape of our global and national economies, it is clear that any change will signal both challenges and opportunities. Through the implementation of our strategy to use three key tools – grants and social investment, our main investment portfolio as well as our convening and communication power – we will be in a good position to meet both kinds of change.

This year we have also said goodbye to four long-standing trustees – Jennifer Barraclough, Whitney Thomas, Raj Thamotheram and Jim Gilbourne. All have been skilful, conscientious, generous trustees – the very essence of critical friends; they will be missed by staff and fellow trustees alike. We have welcomed three new trustees from 1 January 2017 – Patrick Hynes, Kathleen Kelly and Stephen Muers. They bring a range of experience and skills to the Board and we look forward to working with them.

Danielle Walker Palmour
Foundation Director

14 March 2017

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

The Foundation

The trustees are pleased to present their report together with the financial statements of the charity for the year ended 30 September 2016.

The financial statements comply with current statutory requirements, our Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS102.

Purpose

The Foundation is a grant-making charity working to support greater economic resilience through building knowledge and taking action at the multiple levels. We are particularly concerned with supporting the development of models of economic activity that give fairer weight to those who are most vulnerable to market failure.

Our activities and achievements in the past year:

OUR VISION

"Fairer economy, better world"

This year trustees spent time in trustee meetings and at a staff and trustee Away Day considering our strategy for achieving our mission. Summarising the discussion:

"We want to help build a just and sustainable world where everybody can live meaningful lives, with respect and care for ourselves, each other and the planet. We believe that the purpose of money and the economy is to enable and serve human flourishing and a healthy environment, and that currently they do not. We work through grants, investments and our own activities, seeking to create a fairer economy that serves us all."

How we will achieve our vision

Our mission

The three strands of activity through which we will work to achieve our vision are:

- Giving grants and making direct investments;
- Active use of our mainstream investment portfolio in pursuit of our change goals, being an active and engaged investor, as well as ensuring the way we run the charity is consistent with these; and
- Bringing people together to solve problems, creating opportunities to collaborate, seeking to influence those with power to bring about change and communicating what we have learned.

Our programmes

Right use of Money

How can **financial systems** create and sustain **social harmony**, and at the same time deliver economic goods and services? This **question** forms the basis of the Foundation's work, and reflects ground-breaking work to develop ethical funds carried out by our original donor, Friends Provident, over 30 years ago.

The Foundation continues to explore these issues through its main grant-making programme as well as supporting a small number of projects to explore aspects of the ethics of the financial systems that underpin our society.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

Resilient economies programme aims

Friends Provident Foundation's main grant-giving and investment programme, Building Resilient Economies, was launched in 2013. Our aim is to build a more resilient economic system in the UK – one that distributes **social and economic goods and services** more fairly, and balances short-term and long-term needs more effectively.

The Foundation is working on two levels:

1. **Systems change** – We aim to support disruptive innovation that will actually change the current financial system. We want to explore and inform changes and innovation in regulation, policy and ways of working that will contribute to a more resilient economic system. Systems change will require strong **analysis** from a range of perspectives. We wish to support work that can help to transform corporate behaviour, and to stimulate **feasible new ideas** and scalable, practical examples.

2. **Building local economic resilience** – Our work at the local level will focus on testing and reviewing local or small-scale initiatives that build economic resilience through **diversity, flexibility** and **building capabilities**. We seek to support projects that share learning about effective ways for communities to create more sustainable economic systems and retain more of their value. This might include creating **community assets** or new approaches to **local finance**.

We seek to build **partnerships** with other organisations that are also funding work at the local level, to learn from and share learning between local initiatives.

A new strategy for a new economy

This year we have made some big decisions:

How we can contribute to lasting change

We believe we can contribute to change in three main ways:

- Through the giving of grants and direct investments in line with our programme or our mission;
- Through using our endowment to ensure our mainstream investment strategy is aligned to our change goals, as well as our other operational practices (contracts, procurement, etc.);
- Through convening, collaborating, influencing and communication.

Using our resources – spending down

Trustees believe that the challenges facing the world and our society in it, are formidable; creating a responsive resilient economic system that forms part of the solution to these challenges will require all our effort and resources to achieve. In light of this, trustees took the decision that the Foundation will spend its capital as well as its income in pursuit of our mission. This means that these financial statements reflect a higher level of spending on internal resources and grant making than in previous years. Our expectation is that this will continue over the next few years.

A new approach to grants - Core funding

Alongside our responsive grants and social investment programme, we want to develop a more strategic approach to core funding under our main grants programme. The aim of providing core funding is to empower organisations working in our area of interest to work flexibly and provide them with the capacity to respond effectively to changes in the external environment. We have worked closely with our solicitors Wrigley's LLB to ensure we have appropriate terms and conditions for any non-charities that we might decide to support in the future.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

Aligning our investment and operations – Investment Engagement

The Foundation developed a new function this year – investment engagement. This year we are developing a number of key themes to underpin and focus our proactive work, drawn from what we have learned so far or key developments in our programme areas.

Objectives for 2015-16

1. Establish a new strategic approach to integrate grant-making, internal operations, programme-related and mainstream market investment activities on a thematic basis

REFLECTIONS: We created a new role and function within the Foundation – Investment Engagement Manager. The new post was filled by Colin Baines in July 2016.

2. To determine 3 key themes to be pursued arising from our programme

REFLECTIONS: Trustees determined that over the next year, we will focus our efforts on – addressing inequality through more transparent executive pay structures; building economic resilience through community energy; and by engaging more effectively with our asset managers and working with other foundations to increase pressure for change. We are currently developing individual strategies to take forward this work.

3. The trustee group will continue its review of investment objectives, approach, advice and managers;

REFLECTIONS: Trustees have continued to work on this matter over the course of the year and have recently changed the governance arrangements for 2017 to ensure on-going trustee oversight and engagement in relation to our investment activity through an Investment Committee.

4. Trustees will consider proposals about how to improve our grant-making practice from the trustee-led Better Grant-Making Group

REFLECTIONS: The “Better Grant Making” group of trustees and staff reviewed our existing systems and made recommendations which were agreed in June 2016.

5. The Foundation will review its social media presence and website, for implementation of a communications strategy

REFLECTIONS: This has not progressed over the course of the year, although trustees agreed progress toward a communications plan in March 2016. The creation of the new role of Communications Manager in June 2016 and subsequent recruitment process means that we expect this will progress in 2016-17.

6. The Foundation will continue to consolidate and further improve our administrative, grant-making and direct investment systems.

REFLECTIONS: Information for grant-holders was revised over the course of the year; the Foundation also became a Living Wage Friendly Funder, supporting moves toward Living Wage accreditation amongst organisations we support through grants and direct investment. We instituted an electronic system to gather trustee views on outline applications before meetings, which we are refining as well as the institution of more staff input on the final portfolio of grants agreed by trustees.

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REPORT OF THE TRUSTEES

OUR GIVING THIS YEAR

Resilient Economies

In 2015-16, the Foundation received 87 outline applications from 82 different organisations, seeking over £8m in total. This represents a significant increase over last year, although direct comparisons are difficult as there was a period that straddled both years during which trustees indicated that they were temporarily not awarding any new grants, which may have had a deterrent effect on applications.

Trustees made a total of 21 new grant commitment against the Right Use of Money and Building Resilient Economies themes, with new financial commitments amounting to just over £1.7 million, excluding any adjustments to existing grants. This represents an increase of 30% on last year's giving.

New Giving

RIGHT USE OF MONEY

Ecumenical Council for Corporate Responsibility (ECCR) - core activities £74,500

Support for the continuation of the core activities of this faith-based coalition working for human rights, economic justice and environmental sustainability. Its future plans include accelerating its work with churches, developing new partnerships, increasing the effectiveness of its dialogue with companies, and expanding its network of local groups.

3D Investment Foundation (operating as the Future-Fit Foundation) - Implementation of the Future-Fit Business Benchmark £100,000

The Benchmark is an open-source tool to measure, influence and accelerate corporate progress towards a truly sustainable future. Phase One achieved traction with global corporates, investors and service providers. Phase Two, the implementation phase, will involve developing and improving the benchmark to promote knowledge and usage across all stakeholder groups.

BUILDING RESILIENT ECONOMIES

Centre for Local Economic Strategies (CLES) - Accelerating Resilient City Economies £112,320

Through this project CLES and the New Economics Foundation will help their local partner networks across five UK core cities to embed 'resilient city' policies and build a stronger narrative at local and national level around what a resilient local economy looks like and how, practically, it can be achieved.

Centre for Sustainable Energy - Building capacity for energy resilience in deprived areas £154,000

This action research project will explore different ways to achieve a transformation in the way energy is supplied and used locally, focusing on deprived areas where such initiative is rare currently. It will work in three locations to test practical, knowledge-building and policy-based approaches, and share these with other communities that want to identify and tackle their own local energy vulnerabilities.

ClientEarth - Using the law to drive corporate and investor action on climate change £95,000

By establishing climate change as a material financial risk under existing laws, the project will aim to change corporate behaviour and reduce the dominance of carbon and shifting investment to clean energy - a way of achieving a more fair, just and resilient economic system for future generations.

Fairshare Educational Foundation (operating as ShareAction) - Barriers to Pension Product Innovation £52,500

This project will bring together savers, employers and pension providers to innovate new "social pension products" that address both savers' financial and their ethical interests.

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Fairshare Educational Foundation (operating as ShareAction) - Changing the rules of the investment system £100,000

The aim of the project is to transform the rules, governance and incentives of the investment system by ensuring the voice of the saver is heard by their fiduciaries, policymakers and regulators.

Hazel Sheffield - 'Far Nearer' £50,000

This work will support the development of local economic resilience by using journalistic techniques to gather intelligence about several existing schemes, and to explore - through accessible media such as film, photography, data visualisation and text - their sustainability and scalability.

Institute of Welsh Affairs - Re-Energising Wales £75,000

A detailed assessment will be carried out of the potential for developing a robust, fit-for purpose, modern and sustainable renewable energy supply for Wales that will re-energise the economy. The aim is the creation of a practical blueprint for making Wales a net exporter of renewable energy that will set an example within the UK and internationally.

Locality (UK) - Keep It Local for Economic Resilience £113,000

The project will develop an understanding of the transformative role that public service commissioning can play in supporting local economic resilience and explore solutions to the specific barriers facing local authorities when commissioning local services.

New Economics Foundation - core activities £130,000

This unrestricted funding will support the work of the organisation, which is a think tank committed to fundamental change of the economic system, as it implements its new strategy, aimed at clarifying its core purposes, deepening its relationship with agents of change and putting external impact at the very heart of what it seeks to achieve.

New Economy Organisers Network (NEON) - Building Civil Society Capacity £131,396

This programme will work to increase the impact and scale of civil society organisations that are leading change towards a new economy, based on social and environmental justice, by providing organisational coaching and movement building support.

OpenTrust - New thinking for the British economy £60,000

This openDemocracyUK project will build an online space for the informed debate of ideas for a more resilient, sustainable and democratic economy, in order to stimulate new thinking on transforming Britain's economy and drive tangible change.

Platform (London) - Using municipal energy to tackle the fuel poverty crisis £15,000

To deliver a targeted innovation process, involving key stakeholders and voices - notably those of communities and individuals in fuel poverty - for developing viable and ambitious proposals for municipal energy schemes that both foster local economies and tackle inequality through fairer tariffs.

Regen SW - Building local economic resilience through democratic local energy models £115,024

The project will develop and share practical new business models for community energy groups and enable them to adapt to the changes in government policy and continue their transformative role democratising the energy system, retaining economic value locally and supporting social justice.

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RSA (The Royal Society for the Encouragement of Arts, Manufactures and Commerce) - Democratising Economic Policy: The Citizens' Economic Council £125,000

A representative group of citizens will explore and debate economic issues and develop a set of recommendations for reform. The overall goals are to open up economic debate to a broader public, demystifying economic ideas and instilling citizens with the confidence to discuss economic policy.

Sustain: The alliance for better food and farming - A million good jobs for better farming and land use £75,000

A three-year campaign will aim to make significant progress in a number of areas of government policy and industry practice, including use of public money and subsidies, better farm trading conditions and better farm working conditions.

The City University London - Creating a Social Wealth Fund in the UK £47,500

This project will explore the way the UK could harness its public sector wealth for public benefit by creating a Social Wealth Fund. The aim is to convince policy makers, using research evidence, that this is a practical proposal that can play a key role in tackling the growing disparities of wealth.

Transition Town Totnes and Totnes Caring - Caring Town Totnes £15,000

To co-design a new model of commissioning welfare and health services which can stimulate a more vibrant, independent marketplace, together with the development of a business plan for a new community-led local enterprise that could compete for public contracts using the model developed.

Resilient Economies Journalist Fellowship £68,000

To support the creation of a journalist fellowship to build a better understanding of economies in the wider public. This will be achieved by contracting a leading journalist to create a significant work of long form journalism on the theme of building resilient economies, as well as securing the services of professional advisors to support the process. This was designated in last year's financial statements.

Resilient Economies: Opportunities and Threats posed by Brexit £20,000

The Foundation committed funds in support of a call for proposals to undertake a piece of research and analysis work to consider the risks and opportunities posed by the UK Referendum result in support of leaving the European Union as it relates to a fairer and more sustainable economy. Funds were designated in September 2016 for award to a respondent to the brief in November 2016.

Publications –

This year, a number of projects reached their conclusion, the following of which produced published outputs:

Building Local Economic Resilience:-

Financial Innovation Today – Towards Economic Resilience: Bauman Institute, University of Leeds

Creating Good City Economies in the UK: CLES and NEF

One project from the previous programme of research also published a further output:

'Living with debt after advice: A longitudinal study of those on low incomes: The University of Warwick

These publications are available through the Foundation's website – www.friendsprovidentfoundation.org
The wide dissemination of funded work is a key element of ensuring that our work contributes toward the Foundation's charitable aims and public benefit objectives.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

Our financial resources and how we used them this year

Ethical Investment Policy

The Foundation's investment policy reflects its continued commitment to ethical investment approaches. Our funds are in ethically screened funds to ensure that activities such as tobacco, armaments and gambling, and investments in companies and products which could harm civil society or adversely impact the name and reputation of the Foundation, are avoided. Furthermore, as more opportunities arise to pursue a positive ethical investment approach that delivers market rates of return, the Foundation will consider such investments as appropriate, balancing the need for diversification and minimising management fees.

Trustees, taking into account the cash flow requirements, potential investment funds, the cost of fund management and their decision to invest ethically, invested the Foundation's portfolio in a range of funds managed by the BMO Asset Management Limited: Responsible Global Equity Fund (Inc) (Share Class 4), Responsible Sterling Bond Fund (Inc) (Share Class 2) and the Responsible UK Equity Growth Fund (Inc) (Share Class 4). The Foundation maintains a facility to deposit cash it does not immediately require for operational purposes with Triodos Bank NV, thereby seeking to ensure the ethical management of the Foundation's cash as well as its investments.

Trustees have developed our thinking about our priorities in terms of investment as well as our policy relating to climate change; the full outline of our investment beliefs and policies are available on our website. We continue to work with other trusts and foundations in the Charities Responsible Investment Network which is a project of ShareAction UK, supporting a growing number of trusts interested in being more effective stewards of our resources. We are also members of a wider network of charities and other organisations in the Church Investors Group, supported by CCLA.

Climate risk and our investments

Whilst the Foundation is not primarily focused on environmental concerns, the trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest risk to economies today.

Thus, the trustees wish to safeguard the Foundation's capital with regards to both stranded asset risk (meaning, risk to particular sectors that are carbon intensive) but potentially even more important, climate related systemic risk or risk arising from general economic damage. The trustees understand that climate related systemic risk could have a highly negative impact not only on the Foundation's assets but also its core mission and stakeholders through disruption of the financial system, with implications for jobs, incomes and inequality. The trustees therefore seek to do whatever they reasonably can to progress a rapid transition to a low-carbon economy.

Social investment policy

In 2013, trustees agreed that up to 10% of the investible funds could be invested into instruments to which the Foundation's general charitable objectives and specific programme aims could be applied. The primary aim of social investments is to pursue the Foundation's broad charitable objectives and focused programmatic objectives using financial instruments other than grants. The secondary aim of social investments is to produce a financial return. Trustees are prepared to consider accepting a higher level of risk or a lower level of financial return than the market norm, especially for those social investments that are closely aligned with the Foundation's specific programme aims. For investments that generate broader positive social impact and meet the Foundation's general charitable objectives but without specific alignment with programme aims, trustees might look for levels of risk and return that are closer to the benchmark for that asset class.

The Foundation's programme related investments are:

Affordable Homes Rental Fund

£250,000 structured as a loan over an 8 year investment period in the Community Land and Finance CIC, wholly owned by Resonance Ltd.

This commitment was made in 2015. The fund invests through loans providing long term affordable rental housing for local people. The structure of the fund is specifically designed from the fund manager's work with Community Land Trusts and aims to address barriers they face in obtaining debt financing. The fund is investing in: refinancing, conversion, empty homes, new builds and self builds within the affordable housing sector.

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Charity Bank

£250,000 subordinated loan at 4 percent per annum over 10 years made on 1 October 2007.

Charity Bank is working for a fairer society. Their mission is to finance charities and other community organisations that address the needs of the most vulnerable in our communities. By supporting those organisations that are unable to access finance at all, or on affordable terms, they are helping to transform their capacity to deliver vital services, at a time of great need, and taking them towards sustainability.

Community Share Underwriting Fund

£100,000 investment in a 5.5 year fund period from September 2014 structured as a loan to Community Land and Finance CIC, wholly owned by Resonance Limited.

This commitment was made in this financial year. The fund was established to address the problem of the lag that often occurs between the issuing of community shares to purchase or create community assets and raising sufficient funds to develop them. This fund “underwrites” the community share offers by providing an interest only loan that can match the amount raised in the share offer, up to 50% of the target. If the underwriting loan needs to be drawn down, the project can then proceed and repay the loan once the project is operational.

East Lancashire Moneyline (ELM)

£150,000 investment in the ELM Capital Bond, with repayment in three instalments.

ELM is a not-for-profit Registered Society with a principal objective of providing credit to individuals unable to access the high street banks and building societies. In particular such individuals are tenants wholly or partly reliant on state benefits. ELM repaid the loan note to the Foundation in November 2015.

Ethex

£50,000 structured as a loan.

Ethex is a non-profit ethical investment club, which has both ethical investors and ethical businesses as members. Through collaboration and the pooling of resources, it aims to promote and encourage businesses that have both social and commercial goals. It wants to make financial services more affordable and more available to ethical businesses and to ethical investors.

Ethical Property Company

£148,750 investment in shares made on 22 July 2010.

The Ethical Property Company is one of the best-known and most well-established social enterprises. The Company's primary activity is to buy properties and develop them as centres that bring social change organisations (charities and social enterprises) together under one roof where they can share skills and ideas.

Social Impact Partnership

£100,000 investment in a Limited Partnership approved by trustees on 15 September 2010; a total of £69,175 has been drawn down.

The Social Impact Partnership aims to reduce recidivism by an estimated 3,000 short-sentence male prisoners leaving HMP Peterborough over what was planned to be a 6-year period. The success of the programme will be monitored, and investor payments will be made on the basis of reduced conviction events. This programme will be brought to a premature close due to changes in government policy which mean that the comparative evaluation of conviction rates on which the funding model relies is no longer possible. Final evaluation figures on the conviction rates for the completed cohorts will be available in summer 2017

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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The Foundation's social investment portfolio totals current commitments of £898,750 to the funds outlined; with a value of £849,872, taking on board the impairment review. To date a total of £867,924 has been drawn down for use; £30,825 of the committed funds will not be drawn as the last cohort in the Social Impact Partnership's One programme will not be funded by the investment. A total of £97,442 of interest and dividend payments have been made to date. A review of available documentation and communications as part of the Foundation's annual impairment review undertaken this year by Triodos Corporate Finance suggests that the carrying value of Ethex should be reduced to zero to reflect the risk inherent in the nature in the business at this stage of their development. As a result of the review, the carrying values of the Social Impact Partnership and the Ethical Property Company have been adjusted upwards. These adjustments are reflected in these financial statements.

Management and advice

During the year, Bank of Montreal ("BMO") continued to act as investment managers with discretion to manage the Foundation's funds within agreed investment objectives in terms of asset allocation and investment performance. BMO, through its group operations, ensures that all the shareholdings of the Foundation are voted at the general meetings of investee companies in accordance with their established corporate governance guidelines. Foundation staff and trustees are in active discussion with BMO on the further development of those guidelines. To support Foundation staff and Trustees in their commitment to the responsible use of its assets and as a means of sharing our practice, the Foundation is a member of the Charities Responsible Investment Network, coordinated by ShareAction.

Peter Jones, an independent investment adviser, continued to provide general investment advice to the trustees, who instruct/invite F&C to consider reflecting that advice in their management of the Foundation's assets. Trustees are grateful for his continued support of our work.

To support the development and oversight of the Foundation's social investment portfolio, in December 2014 trustees re-appointed Kelly Clark of Marmanie to be the Foundation's Social Investment Adviser.

Wrigley's Solicitors LLP was retained to provide legal advice on direct investment documentation, advice on our general charitable activities and support for HR functions.

What we plan to do in the next year

Objectives for 2016-17

In accordance with the strategy agreed by trustees in April 2016, the Foundation has set the following objectives for the coming year:

1. **Grants and Social Investments:** To build an effective grants team, with shared standards and approaches of the highest order.
2. **Using our endowment as a tool for change:** To establish an investment engagement strategy for 3 key themes
3. **Convening, Collaborating, Influencing & Communicating:** To establish an effective communications strategy and implement it in support of key themes in Objective 2
4. **To build a strong and cohesive teams:** Build a strong operational staff team and effective trustee body
5. **Continuous improvement:** The Foundation will continue to consolidate and further improve our administrative, grant-making and investment systems.
6. **Learning:** Effective governance and organisational development. To establish a programme of staff and trustee learning events for 2016-17.

The objects of the Foundation are to apply the income or the whole or any part of the capital of the Foundation, to any charitable institutions, bodies, trusts or funds or for any charitable purposes principally in, but not limited to, the United Kingdom if and when the trustees shall see fit.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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REPORT OF THE TRUSTEES

Governance arrangements – how we organise our work

General Objects of the Charity

The trustees have complied with the duty in Section 17 of The Charities Act 2011 to have due regard to the Charity Commission's published guidance concerning the operation of the Public Benefit requirement under that Act.

A Board of Trustees, of up to ten individuals who must hold at least two meetings each year, administers and controls the Foundation and has control of its property and funds. Trustees are subject to fixed-term appointments as set out in the Memorandum and Articles of Association dated 1 June 2001. During the year, trustees have formally met four times and attended an Away Day to discuss the vision and strategy of the Foundation.

Recruitment of Trustees

Trustees are recruited through advertisement in national and local press, through professional networks and the community of organisations we support. They are interviewed by a panel of existing trustees against a set of advertised criteria and with due regard to the Foundation's commitment to equality of opportunity and fair treatment. We monitor the response to all vacancies in terms of gender, ethnicity and disability. Appointed by the serving trustees, the recruitment and appointment of new trustees is fully discussed at meetings of the full Board of Trustees.

The role of Trustees

An individual induction programme is in place and implemented for new trustees, covering all relevant aspects of the role and the Foundation. Training opportunities relating to grant-making are also made available to trustees through the Association of Charitable Foundations trustee network.

The role of the trustees includes setting strategic direction and agreeing the financial plan, approving grant-making applications and monitoring the Foundation's grant activities, ensuring that all activities are within its agreed charitable objectives and pursued for the public benefit. Matters reserved for the trustees are approved by the trustees and are subject to annual review.

Trustees act on advice and information from regular meetings with the Director and their appointed advisers and from the Foundation's General Purposes Committee ("GPC"), under terms of reference approved by the Board of Trustees. The GPC had acted as a Committee of the full Board of Trustees. To date it has consisted of up to four trustees, with the Director and Administrator in attendance. The GPC met formally four times during the year to review, consider and recommend options to the full Board of Trustees relating to operational functions such as financial monitoring and policy setting; business planning; and investment performance and policies.

This year, trustees reviewed the governance arrangements in terms of how they support the key functions of the Foundation as outlined in our strategy. Trustees concluded that GPC was no longer the best arrangement for managing the full range of business, particularly in relation to becoming an active investor and asset holder. Therefore, from 31 December 2016, GPC was laid down in favour of an Investment Committee and a Resources Committee, with terms of reference agreed by trustees in September 2016.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

Risk Management

The trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an on-going activity involving all trustees and is an agenda item for the trustees at least annually. During the year, the trustees have reviewed the risks facing the Foundation covering governance and management issues, financial, regulatory, legal and operational risks. Mitigating actions have been taken regarding the major risks that have been identified, namely:

Main risk	Likelihood/ Risk appetite	Controls
Fall in investment income due to market conditions and impact on grant activities;	Fair - tolerate	The Foundation pursues its programme to build economic resilience and invests in companies that have more resilient and sustainable business models.
Loss of key staff for an extended period or key staff leave;	Low - tolerate	The Foundation has detailed procedures for key functions and ensures staff are trained in a number of business areas.
York office partly or totally out of operation for a prolonged period of time	Low - tolerate	The Foundation's systems are cloud based and are accessible from home. Key documents are scanned and stored electronically.
Actions of an associated organisation which result in bad publicity or affect the Foundation's reputation	Fair - tolerate	The Foundation assesses all external commitments in terms of governance; we have clear terms and conditions of support in place. It is a standard risk for funders.
Organisations which fail to meet their project objectives;	Fair – reduce	The Foundation actively manages grants and investments to give them the best chance of success.
Foundation failing to meet its stated objectives;	Fair – reduce	The Foundation actively manages its own performance and has a dedicated budget for evaluation.
Prolonged IT infrastructure failure resulting in inaccessible data;	Low – tolerate	Cloud based systems reduce the impact of such infrastructure failure.
Catastrophic loss in the value of the endowment.	Low – tolerate	This is a risk for all endowed foundations, dependent on the value of endowments. This risk is managed through active engagement with investment managers, taking investment advice and the creation of an Investment Committee.

Each risk identified was assessed in terms of the potential impact and likelihood of occurrence and the trustees confirm that they believe that, for each of these risks, appropriate controls are in place to mitigate the significant risks to an acceptable degree.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

Reserves Policy

The total reserves at the year-end of £32.83m (2015: £30.03m) consist of £32.81m (2015 £29.96m) in the endowment fund and £20,000 of designated funds (2015: £68,000). The trustees intend that for the foreseeable future, the capital comprising the Foundation's expendable endowment should generate the vast majority of the money needed for the Foundation's objectives and running costs.

In April 2016, Trustees took the strategic decision to expend capital from the endowment in pursuit of our mission. In order to ensure there are adequate funds to support a potentially higher level of expenditure, the Foundation adopted a policy to 'draw down' a sum from the endowment each year to match the difference between our projected income and our projected expenditure as set by Trustees in the annual business planning process.

Trustees also recognise that Foundation income from investments can fall. To mitigate this risk, it is the trustees' intention to hold six months' operating costs as a cash reserve; estimated at £250,000. This is held as part of Foundation funds and will not be expended although trustees do not consider it necessary to have a separate reserves account.

The reserves policy was last reviewed and approved by the trustees in December 2016. Trustees will continue to review the level of reserves taking into consideration the cost base of the Foundation.

Financial review

The Foundation's income is wholly dependent on investment performance. Total income for the year ended 30 September 2016 was £913,357, (2015: £944,970) mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. Expenditure before donations and grants expended for the same period amounted to £275,540 (2015: £243,749). Grants committed was £1,693,241 (2015: £1,299,014) giving total expenditure at £1,968,781 compared to £1,542,763. Net expenditure for the year was £1,055,424 (2015: £597,793) before investment gains of £3,851,595 (2015: £702,704), leading to a net income of £2,796,171 (2015:£104,911).

Remuneration of staff

Trustees adopted a pay policy in 2011 that is applied to all staff members. Trustees wish to ensure that:

- they act as a responsible employer, and that staff are fairly rewarded for their expertise and effort;
- the salaries that the Foundation pays are fair, and transparent to trustees
- the employment arrangements offer the best value for money for the charity
- salary review processes are fair, and that staff and trustees feel clear and comfortable with these processes.

In order to meet the above aims, trustees will seek to abide by the following principles:

- FPCF salaries should be broadly comparable to equivalent jobs within other charitable foundations.
- The salary for each staff post should be separately benchmarked against similar jobs within the foundation sector.
- Performance management should be separated from any salary considerations;
- FPCF should not have salary scales. However, there should be an annual cost of living increase, related to a suitable inflation measure. This is currently based on the national figures for annualised 3-month Average Weekly Earnings Index without Bonuses, between a floor of 0% and a cap of 4%. All staff directly employed by the Foundation will receive this annual cost of living increase to salaries, subject to basic satisfactory performance.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

REPORT OF THE TRUSTEES

The charity made contributions to an employee's personal pension plan based on a fixed percentage of salary. In September 2014, trustees established a company pension scheme in which contributions are made to NEST at a variable percentage of salary, dependent on employees' contributions from a minimum employer's contribution of 10% to 13%. Contributions are made to NEST up to the £4,900 NEST contribution cap; any balance is paid to personal pension schemes. The Foundation's auto enrolment staging date was July 2016; all compliance documentation was provided to the Pensions Regulator.

Statement of responsibilities of the Trustees

The trustees (who are also directors of Friends Provident Charitable Foundation for the purposes of company law) are responsible for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and statements of recommended practice 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 charity will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware; and
- Each trustee has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The trustees have no beneficial interest in the charity.

Approved by the trustees on 14 March 2017 and signed on their behalf by

Hetan Shah
Chair of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of Friends Provident Charitable Foundation for the year ended 30 September 2016 which comprise the Statement of Financial Activities, Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of Trustees and auditors

As explained more fully in the statement of responsibilities of the trustees set out in the report of the trustees, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report of the trustees, including the Chair's introduction and the Foundation Director's review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 30 September 2016 and of its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (cont.)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the trustees including the Chair's introduction and the Foundation Director's review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- Adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- The trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the report of the trustees and take advantage of the small companies' exemption from the requirement to prepare a strategic report.

Helen Elliott (Senior statutory auditor)

14 March 2017

for and on behalf of

Sayer Vincent LLP, Statutory Auditors
Invicta House
108-114 Golden Lane
London EC1Y 0TL

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Notes	Unrestricted funds £	Total 2016 £	Unrestricted and Total 2015 £
INCOME				
Donations and legacies	2	-	-	18,349
Investment income	3	913,357	913,357	925,512
Other		-	-	1,109
		<hr/>	<hr/>	<hr/>
Total income		913,357	913,357	944,970
		<hr/>	<hr/>	<hr/>
EXPENDITURE ON				
Raising funds		7,534	7,534	7,432
Charitable activities: Support for Resilient Economies and Right Use of Money Projects	4, 5	1,961,247	1,961,247	1,535,331
		<hr/>	<hr/>	<hr/>
Total expenditure		1,968,781	1,968,781	1,542,763
		<hr/>	<hr/>	<hr/>
Net income/(expenditure) before net gains/(losses) on investments		(1,055,424)	(1,055,424)	(597,793)
Net gains/(losses) on ordinary investments	11	3,849,520	3,849,520	677,204
Net gains/(losses) on social investments	12	2,075	2,075	25,500
		<hr/>	<hr/>	<hr/>
Net income/(expenditure) for the year		2,796,171	2,796,171	104,911
Reconciliation of funds				
Total funds brought forward at 1 October 2015		30,032,749	30,032,749	29,927,838
		<hr/>	<hr/>	<hr/>
Total funds carried forward at 30 September 2016	16	32,828,920	32,828,920	30,032,749
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

All of the above results are derived from continuing activities. There are no recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 16 to the financial statements.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

BALANCE SHEET AT 30 SEPTEMBER 2016

	Notes	£	2016 £	2015 £
FIXED ASSETS				
Tangible assets	10		1,730	2,422
Investments	11, 12		34,264,834	30,612,483
			34,266,564	30,614,905
CURRENT ASSETS				
Investments	11, 12	250,000		400,000
Debtors	13	230,749		254,925
Cash at bank		356,516		406,191
			837,265	1,061,116
CREDITORS: amounts falling due within one year	14	(1,802,135)		(1,178,521)
			(964,870)	(117,405)
NET CURRENT (LIABILITIES)/ASSETS			(964,870)	(117,405)
TOTAL ASSETS LESS CURRENT LIABILITIES			33,301,694	30,497,500
Creditors: amounts falling due after more than one year	15		(472,774)	(464,751)
			32,828,920	30,032,749
TOTAL NET ASSETS/(LIABILITIES)			32,828,920	30,032,749
THE FUNDS OF THE CHARITY				
Unrestricted funds				
Designated funds	16		20,000	68,000
Expendable endowment fund	16		32,808,920	29,964,749
			32,828,920	30,032,749
Total charity funds	17		32,828,920	30,032,749

Approved by the Board of Trustees on 14 March 2017 and signed on their behalf by:

.....
 Hetan Shah
 Chair of Trustees

Company No: 4228843

The notes on pages 24 to 34 form part of these financial statements

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2016

	2016	2015
	£	£
Cash flows from operating activities:		
Net cash provided by/(used in) operating activities	(1,310,471)	(1,110,611)
Cash flows from investing activities		
Dividends, interest and rents from investments	913,357	925,512
Purchase investments	-	(350,000)
Membership fees write off	-	1,000
Proceeds from sale of investments	150,000	-
Purchase of fixed assets	(1,805)	-
	<hr/>	<hr/>
Net cash provided by/(used in) investing activities	1,061,552	576,512
	<hr/>	<hr/>
Change in cash and cash equivalents in the year	(248,919)	(534,099)
Change in cash and cash equivalents at the beginning of the year	697,600	1,231,699
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	448,681	697,600
	<hr/> <hr/>	<hr/> <hr/>

RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2016	2015
	£	£
Net income/(expenditure) for the year	2,796,171	104,911
Adjustments for:		
Depreciation charges	2,497	6,384
(Gains)/losses on investments	(3,851,595)	(702,704)
Dividends, interest and rents from investments	(913,357)	(925,512)
Decrease/(increase) in debtors	24,176	4,052
(Decrease)/increase in creditors	631,637	402,258
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	(1,310,471)	(1,110,611)
	<hr/> <hr/>	<hr/> <hr/>

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 1 October 2015 £	Cash flows £	Other changes £	At 30 September 2016 £
Cash held as part of investment portfolio	291,409	(199,244)	-	92,165
Cash at bank and in hand	406,191	(49,675)	-	356,516
	<hr/>	<hr/>	<hr/>	<hr/>
Total cash and cash equivalents	697,600	(248,919)	-	448,681
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (August 2014) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

b) Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the trustees have considered that in applying the accounting policies required by the Charities SORP FRS 102 a restatement of comparative items was not required.

c) Public benefit entity

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

d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. Trustees are aware that there are net current liabilities, but this is principally due to timing and the fact that liabilities are recognised in full for the following 12 months but there is no corresponding income recognised. In addition, the Foundation has significant resources available in fixed asset investments which can be drawn down as required to fund working capital.

e) Income

All incoming resources from investments are included when receivable. Investment income arising from the endowment fund is credited to the unrestricted fund.

Voluntary Income

Voluntary income is received by way of donations and gifts and is included in full in the statement of financial activities when receivable.

f) Fund accounting

Unrestricted funds are available for use at the discretion of the Trustees for the furtherance of the objectives of the Foundation and have not been designated for specific purposes.

Designated funds that have been set aside by the Trustees for particular purposes. The aim and use for each designated fund is set out in the notes to the financial statements.

Endowment funds represent the investment assets derived from the donation of £20m from Friends Provident plc in 2004. The endowment is expendable at the discretion of the Trustees.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

g) Expenditure

Resources expended are accounted for on an accruals basis and include attributable VAT, which cannot be recovered. Grants payable are charged in the period when the offer is conveyed to the organisation, except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered and subsequently not required by the recipient are written back to the unrestricted funds.

The costs of generating funds relate to the costs incurred by the Foundation in respect of fees charged for the management of investments.

Support costs are allocated to the main activities of the Foundation namely, grant making and governance costs. Where costs are not directly attributable to any one activity, the costs are allocated based on the estimated time spent on each activity.

Governance costs are those incurred in connection with compliance with constitutional and statutory requirements.

h) Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

i) Tangible fixed assets

Assets costing in excess of £500 are capitalised. Any assets purchased below this amount are expensed in the year of purchase.

Depreciation is charged from the month of purchase as to write off the cost of the asset, using the straight line method over the estimated useful life of the asset, as follows:

Website and software	3 years
Computer equipment	4 years

j) Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

Programme Related Investments

Programme related investments are valued at the fair value. Where fair value is not practicable, social investments are recognised at cost less impairment.

k) Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

l) Cash at bank and in hand

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Cash balances exclude any funds held on behalf of service users.

m) Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

n) Pension costs

The charity made contributions to an employee's personal pension plan based on a fixed percentage of salary. In September 2015, trustees established a company pension scheme in which contributions are made to NEST at a variable percentage of salary, dependent on employees' contributions from a minimum employer's contribution of 10% to 13%. Contributions are made to NEST up to the £4,900 NEST contribution cap; the balance is paid to personal pension schemes. Contributions are charged as expenditure in the year in which they are incurred.

2. INCOME FROM DONATIONS AND LEGACIES

	2016 Unrestricted funds £	2015 Unrestricted funds £
SFM Corporate Services	-	18,349

Last year the charity was a named beneficiary and received these proceeds when Box Hill Loan Finance Charitable Trust was wound up.

3. INVESTMENT INCOME

	Total 2016 £	Total 2015 £
Gross dividends from investment listed on a recognised stock exchange and from open ended investment companies	890,773	910,286
Triodos Bank interest	1,560	1,935
Loan note interest	5,014	10,000
Income on social investments	11,514	2,468
Other income accrued	4,496	823
	<u>913,357</u>	<u>925,512</u>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2016

4. EXPENDITURE ON CHARITABLE ACTIVITIES

	Funds committed £	Staff costs £	Allocation of Support costs £	Total 2016 £	Total 2015 £
Support of Resilient Economies & Right Use of Money projects	1,693,241	158,926	109,080	1,961,247	1,535,331

5. RESILIENT ECONOMIES AND RIGHT USE OF MONEY PROJECTS FUNDED

	Total 2016 £	Total 2015 £
Reconciliation of grants payable		
Commitments at 1 October 2015	1,627,089	1,216,028
Commitments made in the year		
3D Investment Foundation	100,000	100,000
B Lab (UK)	-	20,000
Centre for Local Economic Strategies	112,320	35,000
Centre for Sustainable Energy	154,000	-
City University London	47,500	-
ClientEarth	95,000	-
Clore Social Fellowship Programme	-	35,000
ECCR (Core Support)	74,500	-
Frank Bold Society	-	45,000
Hazel Sheffield	50,000	-
High Pay Centre	-	50,000
Institute for Welsh Affairs	75,000	-
Locality (UK)	113,000	-
Move Your Money UK CIC	-	50,000
New Economics Foundation	-	120,000
New Economics Foundation (Core Funding)	130,000	-
New Economy Organisers Network	131,396	-
OpenTrust	60,000	-
Platform (London)	15,000	-
Positive Money Ltd.	-	182,480
Post Crash Economics	-	95,000
Pure Leapfrog	-	80,000
Regen SW	115,024	-
Resilient Economies Journalist Fellowship	68,000	2,000
RSA	125,000	-
Share Action (Barriers to Pension)	52,500	-
Share Action Changing the Rules	100,000	-
Shared Assets Ltd	-	95,000
Sustain	75,000	-
Tax Research LLP	-	80,000
Transition Town Totnes	15,000	-
UCL CORE Project	-	180,362
University of Leeds	-	30,000
Wessex Community Assets Ltd	-	93,080
Total commitments made in the year c /f	1,708,240	1,292,922

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

5. RESILIENT ECONOMIES AND RIGHT USE OF MONEY PROJECTS FUNDED (continued)

Total commitments made in the year b/f	1,708,240	1,292,922
Grants (written back) or adjusted	(14,999)	6,092
	<u> </u>	<u> </u>
Net Grants committed in the year	1,693,241	1,299,014
Grants paid	(1,081,616)	(887,953)
	<u> </u>	<u> </u>
Commitments at 30 September 2016	<u>2,238,714</u>	<u>1,627,089</u>

Details of the nature of each of the projects supported are included in the Report of the Trustees. Where the duration of a project is over one year, the total grant is recognised in the current year.

6. GOVERNANCE COSTS

	2016 £	2015 £
Audit fees	7,180	7,842
Trustees meetings and expenses	3,899	5,798
Staff costs	24,288	19,899
	<u> </u>	<u> </u>
	<u>35,367</u>	<u>33,539</u>

7. MOVEMENT IN TOTAL FUNDS FOR THE YEAR

	2016 £	2015 £
This is stated after charging:		
Depreciation	2,497	6,384
Auditors' remuneration - as auditors (excluding VAT)	6,800	6,650
Auditors' remuneration (under/(over) accrual from prior year)	489	(22)
Payments under operating property rentals	3,550	12,540
	<u> </u>	<u> </u>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

8. SUPPORT COSTS

	Note	2016 £	2015 £
Staff training		390	310
Rent		13,550	12,540
Telephone and internet		2,535	1,966
Stationery		1,611	1,433
Publications, Newsletters and Books		1,243	1,236
Computer costs		7,524	6,906
Subscriptions and licences		9,596	8,186
Conferences		100	950
Sundries		1,185	3,313
Legal and professional costs		15,514	11,684
Performance evaluation		1,842	9,159
Depreciation		2,497	6,384
Bank charges		99	336
Communication and dissemination of results		6,053	6,080
Audit fees		8,649	7,954
Office costs		1,325	-
Governance costs	6	35,367	33,539
		<u>109,080</u>	<u>111,976</u>

9. STAFF COSTS

	2016 £	2015 £
Wages and salaries	123,682	102,949
Social security costs	9,252	8,341
Pension costs	28,989	21,364
Other staff costs	21,291	11,586
	<u>183,214</u>	<u>144,240</u>
Direct staff costs	158,926	236,317
Support staff costs	24,288	19,899

	2016 No.	2015 No.
Average number of employees during the year	<u>2.8</u>	<u>2.5</u>
Head count during the year	<u>3.3</u>	<u>3.0</u>

The number of employees whose emoluments (excluding employer pension contributions) exceeded £60,000 fell into the following band were:

£70,001 - £80,000	<u>1</u>	<u>1</u>
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FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

The total employee benefits including pension contributions paid to key management personnel during the year was £117,487 (2015: £88,592)

During the year five (2015: seven) trustees were reimbursed a total of £1,045 (2015: £2,310) for directly incurred travel and subsistence expenses. No trustee nor any person connected with them received any remuneration during the year (2015: NIL).

10. TANGIBLE FIXED ASSETS

	Website & Software £	Equipment £	Total £
Cost			
As at 1 October 2015	32,408	4,045	36,453
Additions	-	1,805	1,805
	<hr/>	<hr/>	<hr/>
As at 30 September 2016	32,408	5,850	38,258
	<hr/>	<hr/>	<hr/>
Depreciation			
As at 1 October 2015	30,908	3,123	34,031
Charge for the year	1,500	997	2,497
	<hr/>	<hr/>	<hr/>
As at 30 September 2016	32,408	4,120	36,528
	<hr/>	<hr/>	<hr/>
Net book value			
As at 30 September 2016	-	1,730	1,730
	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
As at 1 October 2015	1,500	922	2,422
	<hr/>	<hr/>	<hr/>

11. INVESTMENTS

	2016 £	2015 £
Programme related investments (note 12)	849,872	997,797
Investments listed on a recognised stock exchange	33,572,797	29,723,277
Cash held as part of investment portfolio	92,165	291,409
	<hr/>	<hr/>
	34,514,834	31,012,483
	<hr/>	<hr/>
Held as fixed assets	34,264,834	30,612,483
Held as current assets	250,000	400,000
	<hr/>	<hr/>
	34,514,834	31,012,483
	<hr/>	<hr/>
Investments		
Market value of investments at 1 October 2015	29,723,277	29,046,073
Unrealised gain from revaluation	3,849,520	677,204
	<hr/>	<hr/>
Market value of investments at 30 September 2016	33,572,797	29,723,277
	<hr/>	<hr/>
Historic cost at 30 September 2016	24,150,430	24,150,430
	<hr/>	<hr/>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

All noncash investments as at 30 September 2016 are held as units in open ended investment companies with underlying investments in equities and corporate bonds.

Investment representing over 5% by value of the portfolio comprise:

	2016 £	2015 £
F & C Responsible UK Equity Growth Fund	13,533,687	12,189,670
F & C Responsible Global Equity Fund	6,450,333	5,074,762
F & C Responsible Sterling Bond Fund	13,588,777	12,458,845
	<u> </u>	<u> </u>

12. PROGRAMME RELATED INVESTMENTS

	2016 £	2015 £
Value at start of the year	997,797	623,297
Additions at cost	-	350,000
Impairments	2,075	25,500
Write off membership fees	-	(1,000)
Disposals proceeds	(150,000)	-
	<u> </u>	<u> </u>
Value at end of the year	849,872	997,797
	<u> </u>	<u> </u>
Historical Cost	867,925	1,017,925
	<u> </u>	<u> </u>
Held as fixed assets	599,872	597,797
Held as current assets	250,000	400,000
	<u> </u>	<u> </u>
	849,872	997,797
	<u> </u>	<u> </u>

Programme related investments comprise the following:

	2016 £	2015 £
Charity Bank loan notes	250,000	250,000
East Lancs Moneyline loan notes	-	150,000
Ethex loan notes	1,122	51,122
Ethical Property Company shares	148,750	127,500
Social Impact Partnership shares	100,000	69,175
Affordable Homes Rental loan notes	250,000	250,000
Community Share Underwriting loan notes	100,000	100,000
	<u> </u>	<u> </u>
Value at end of the year	849,872	997,797
	<u> </u>	<u> </u>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

12. PROGRAMME RELATED INVESTMENTS – continued

Loan Notes

Repayable in under one year:

- Charity Bank

Repayable in over one year

- Ethex – an impairment review was carried out during the year and the value was decreased by £50,000
- Affordable Homes Rental Fund
- Community Share Underwriting Fund

Other Investments

Ethical Property Company - An impairment review was carried out during the year and the value was increased by £21,250.

Social Impact Partnership – An impairment review was carried out during the year and the value was increased by £30,825.

13. DEBTORS

	2016 £	2015 £
Accrued Income	223,350	248,859
Other debtors	3,400	1,900
Prepayments	3,999	4,166
	230,749	254,925
	230,749	254,925

14. CREDITORS: amounts falling due within one year

	2016 £	2015 £
Grants payable	1,765,940	1,162,338
Other creditors	6,146	545
Accruals	30,049	15,638
	1,802,135	1,178,521
	1,802,135	1,178,521

15. CREDITORS: amounts falling due after more than one year

	2016 £	2015 £
Grants payable	472,774	464,751
	472,774	464,751

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

16a. UNRESTRICTED FUNDS – Current year

	Fund balances at 1.10.15 £	Income £	Expenditure £	Transfers £	Gains and Losses £	Fund balances at 30.9.16 £
Expendable endowment	29,964,749	913,357	1,900,781	(20,000)	3,851,595	32,808,920
Designated Funds						
Journalist Fellowship	68,000	-	68,000	-	-	-
Brexit	-	-	-	20,000	-	20,000
	<u>30,032,749</u>	<u>913,357</u>	<u>1,968,781</u>	<u>-</u>	<u>3,851,595</u>	<u>32,828,920</u>

Journalist Fellowship – designated for the Resilient Economies Journalist Fellowship Project.

Brexit – designated for some work relating to Brexit.

16b. UNRESTRICTED FUNDS – Prior year

	Fund balances at 1.10.14 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains and Losses £	Fund balances at 30.9.15 £
Expendable endowment	29,335,942	-	-	(73,897)	702,704	29,964,749
Designated Funds						
Commission essays	25,000	-	-	(25,000)	-	-
Journalist Fellowship	-	-	-	68,000	-	68,000
General Funds	566,896	944,970	(1,542,763)	30,897	-	-
	<u>29,927,838</u>	<u>944,970</u>	<u>(1,542,763)</u>	<u>-</u>	<u>702,704</u>	<u>30,032,749</u>

17a. ANALYSIS OF NET ASSETS BETWEEN FUNDS – Current year

	Designated Funds £	Unrestricted Fund £	2016 £	2015 £
Fixed assets	-	34,266,564	34,266,564	30,614,905
Current assets	20,000	817,265	837,265	1,061,116
Current liabilities	-	(1,802,135)	(1,802,135)	(1,178,521)
Creditors greater than one year	-	(472,774)	(472,774)	(464,751)
	<u>20,000</u>	<u>32,808,920</u>	<u>32,828,920</u>	<u>30,032,749</u>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2016

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2016

17b. ANALYSIS OF NET ASSETS BETWEEN FUNDS – Prior year

	Designated Funds £	Unrestricted Fund £	2015 £	2014 £
Fixed assets	-	30,614,905	30,614,905	29,968,046
Current assets	68,000	993,116	1,061,116	1,200,806
Current liabilities	-	(1,178,521)	(1,178,521)	(850,625)
Creditors greater than one year	-	(464,751)	(464,751)	(390,389)
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets at 30 September 2015	68,000	29,964,749	30,032,749	29,927,838
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

18. COMMITMENTS

The Charity has operating lease commitments to pay during the next year as follows:-

	2016 £	2015 £
Land and buildings		
Within one year	18,000	1,140
Within one to five years	16,500	-
	<hr/>	<hr/>
	34,500	1,140
	<hr/> <hr/>	<hr/> <hr/>

19. RELATED PARTY TRANSACTIONS

The trustees report that the grant to ShareAction of £152,500 constitutes a related party transaction requiring disclosure in the financial statements, due to Paul Dickinson's trustee role in both organisations.

Due to the nature of the Foundation's operations and the composition of the trustees and their charitable interests, it is possible that the foundation will make a donation to a charity in which a trustee may have a governance interest. In recognition of this possibility trustees have developed a policy of disclosure to ensure there is no conflict of interest and that such a donation is made at arms length.

The trustees confirmed that, following appropriate enquiries, they were not aware of any other related party transactions that required disclosure in the financial statements.

20. MEMBERS

The charity is a company limited by guarantee. The members of the company are the trustees named in the reference and administrative information. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member.