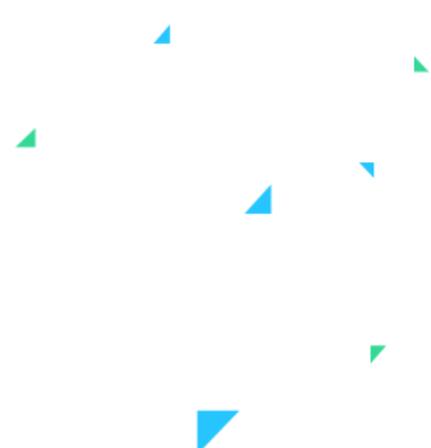


Fair economy. Better world.



Annual report and financial statements

For the year ended 30 September 2018
Friends Provident Charitable Foundation
(A company limited by guarantee)



Charity No: 1087053
Company No: 4228843

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

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FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

REFERENCE AND ADMINISTRATIVE INFORMATION

Charity name: Friends Provident Charitable Foundation
Other names by which the charity is known: Friends Provident Foundation
Charity number: 1087053 - registered in England & Wales
Company number: 04228843 - incorporated in the UK

REGISTERED ADDRESS

Blake House
18 Blake Street
York
YO1 8QG

BOARD OF TRUSTEES

Members: Joycelin Dawes
Paul Dickinson
Joanna Elson (Vice Chair)
Patrick Hynes
Kathleen Kelly
Rob Lake
Stephen Muers
Hetan Shah (Chair)
Aphra Sklair

KEY MANAGEMENT PERSONNEL

Foundation Director: Danielle Walker Palmour
Investment Engagement Manager: Colin Baines
Grants Manager: Abigail Gibson
Finance and Operations Manager: Kate Kendall
Communications Manager: Nicola Putnam

PRINCIPAL ADVISORS

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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FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

REFERENCE AND ADMINISTRATIVE INFORMATION

Auditors:	Sayer Vincent LLP Invicta House 108-114 Golden Lane London EC1Y 0TL
Investment Advisor:	Peter Jones Independent Advisor
Accountants:	JWP Creers LLP Genesis 5 Church Lane Heslington York YO10 5DQ
Solicitors:	Wrigley's Solicitors LLP 19 Cookridge Street Leeds LS2 3AG
Investment Managers:	BMO Asset Management 55 Baker Street London W1U 7EU

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

CHAIR'S INTRODUCTION

This year we are using our annual review to look more widely at our progress. We have had our work independently reviewed by New Philanthropy Capital. They assessed our contribution to change against nine key outcomes. The report concludes that:

Over the last five years, Friends Provident Foundation has played a significant role in developing a nascent field which is contributing to a fairer and more sustainable economy. The success of its grant making depends on its high-risk appetite, flexibility, openness, and genuine partnership approach. The Foundation has used its assets in a targeted way to support its mission: convening grantees to share learning, sharing insights with other funders, aligning its mainstream investment strategy with its mission, and engaging directly with investors.

There is much to be pleased with in terms of what we have achieved. But the evaluation also lays out some future challenges. One is whether framing our work in terms of 'economic resilience' is the best language anymore. It made sense after the 2008 financial crash, but now we may want to rethink by using terms such as 'fair' and 'sustainable'. This is something we are reflecting upon as a Board.

Another challenge which I am animated by personally is that we are one of the few funders in this area. Therefore, we are keen to help other foundations see the importance of economic change, and that this may be a way to move upstream of some of the problems they currently focus upon. We have been pleased to be developing some partnerships including with Partners for a New Economy, but there is much more to be done.

The Foundation also needs to take more seriously the question of marginalised groups. Do our interventions support the poorest? How can we ensure our work takes a gender lens and a race lens? What regional biases might there be in what we do? We need to keep taking a self-reflective approach, and critically evaluating our work against our ideals.

All of this needs to be done in a real world context. The IPCC report shows that our economy is creating a serious climate problem. The Social Metrics Commission estimates that over 14 million people are in poverty in the UK. There is an urgency to creating an economy that works for the worst off and is environmentally sustainable.

Having taken a wider view of our work in this foreword, let me turn to a more specific piece of work, as an example of what we do. I was proud that we funded, and I was a commissioner on, the IPPR Commission on Economic Justice. This was greeted across the political spectrum as a serious piece of work, taking a systemic view of the economy. It has generated an enormous amount of media coverage and discussion, not least due to the involvement of Justin Welby, the Archbishop of Canterbury. The Commission is a real exemplar of the kind of work that the Foundation wants to be involved in: serious, long-term, systemic thinking about the economy, and providing a better vision for the future.

The Foundation has been spending from capital in view of the many high quality project ideas we receive. We continue to monitor the right rate of spend.

Finally, let me thank the Foundation's board of Trustees that work hard to help us have an impact, and most of all I would like to thank the staff, under the leadership of our Director, Danielle Walker Palmour, who make everything happen.

Hetan Shah, Chair of the Board of Trustees
12 March 2019

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

REPORT OF THE TRUSTEES

Our purpose - Fair Economy. Better world.

Friends Provident Foundation is an independent charity that makes grants and uses its endowment towards a fair, resilient and sustainable economic system that serves people and planet. We connect, fund, support and invest in new thinking to shape a future economy that works for all.

Since 2004, we've pioneered the creation of a fair economy for a better world. Already, we've helped improve access to financial services for people who were once excluded and supported the development of resilient economic communities across the UK.

We're a catalyst for wider change, making an impact through continuous experimentation and shared learning. And we do all we can to embody the change we want to see. We invest in great social enterprises and use our money in line with our values.

Tomorrow, we'll continue to fund more new thinking, connect new ideas, invest our capital in line with our aims and values and create better systems so that in the future, the economy will serve both people and planet.

OUR AIMS

The Resilient Economies Programme

Our 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. We're working on two levels:

Firstly, systems change, such as disruptive innovation that will actually change the current financial system. We're keen to explore and inform changes and innovation in regulation, policy and ways of working too, all of which we believe will contribute to a more resilient economic system. Systems change will definitely need strong analysis from a range of perspectives. So, we'd like to support work that can begin to transform institutional behaviours and to stimulate feasible new ideas and practical examples that can be scaled up.

Secondly, building local economic resilience – our work at the local level focuses on testing and reviewing local or small-scale initiatives that build economic resilience through diversity, flexibility and building capabilities in communities. We'd like to see the development of local economic resilience so we seek to support projects that share learning about effective ways for communities to create more sustainable economic systems and retain more of the value generated. This might include creating community assets or new approaches to local finance.

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

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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REPORT OF THE TRUSTEES

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.

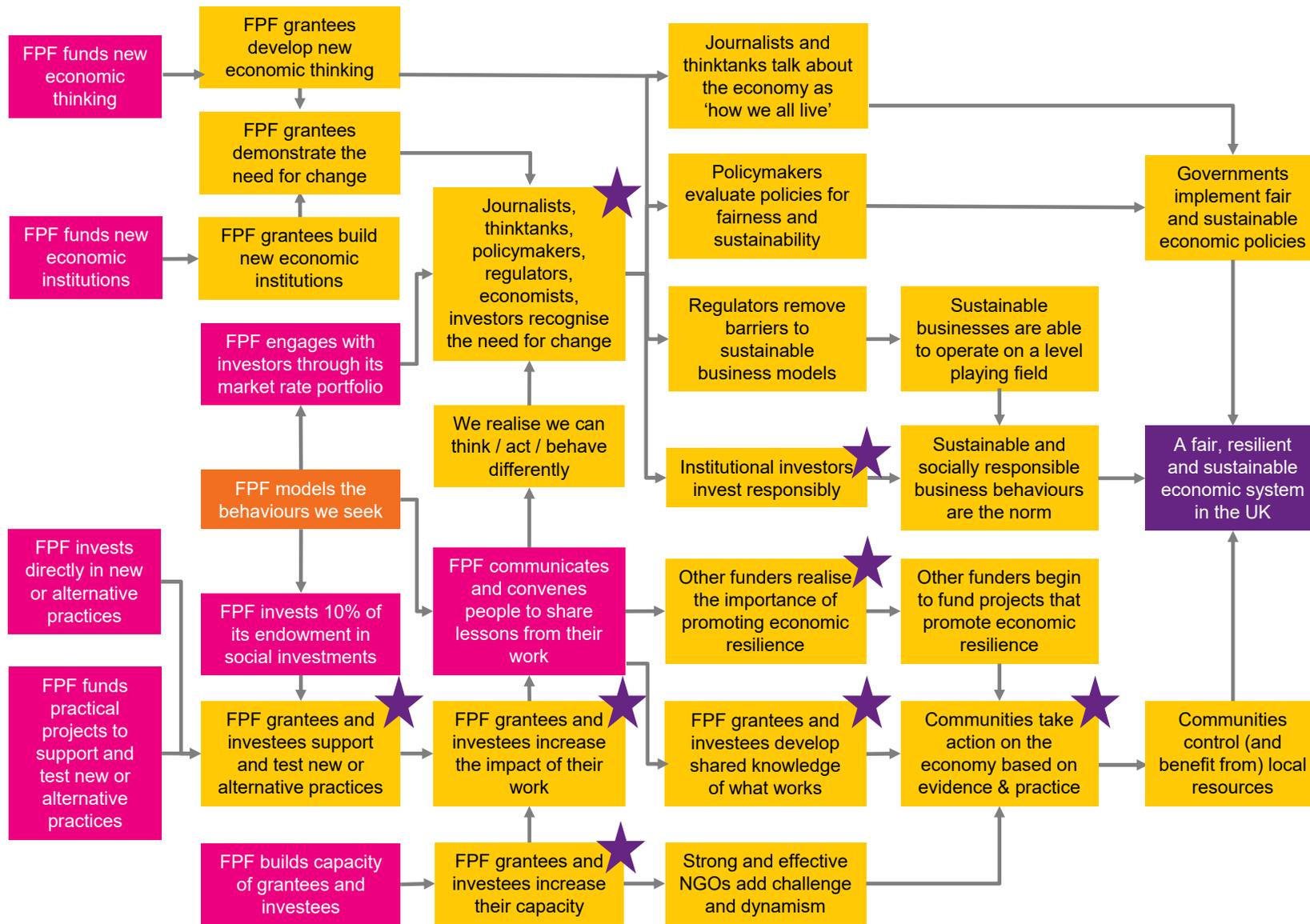
How we work to achieve our vision

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

1. Giving grants and making direct investments.
2. 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.
3. 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.

What we learnt from our programme this year

Trustees and staff wanted to understand what progress had been made toward our vision, the ways in which we might see what our impact has been on how the economy operates and is understood. In order to assess the Foundation's contribution to wider change, we commissioned an independent evaluation of our programme and strategy from New Philanthropy Capital (NPC). NPC worked with staff and Trustees to develop a theory of change that reflected our activities, assumptions and strategies over the past five years.



KEY

- Enabler
- Activity
- Outcome
- Goal
- ★ Priority outcome

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

REPORT OF THE TRUSTEES

To reflect the insights gained through the evaluation process, we have structured our Annual Report this year around the key activities, relationships and outcomes identified in the evaluation report, the full version of which is available on our [website](#).

In addition to undertaking and learning from the evaluation, we set ourselves **five further organisational goals**:

1. Grants and social investments

To review, improve and enhance the grants and social investment functions and evaluate the programme.

We learned from our programme to date and used the evaluation to further improve our programme effectiveness, focus our efforts and create ways of measuring our impact.

Fully achieved

2. Using our endowment

To further develop the investment engagement strategy for key themes.

We planned to challenge corporate behaviour through direct investment in leaders and laggards in areas of concern relating to pay and utilities as well as work on bringing some resolutions to AGMs in 2018. The Foundation will continue to develop the existing themes as well as consider the options for further areas of focus.

Partially achieved

3. Communicating and convening

To further develop the Foundation's communications strategy and brand across all Foundation operations.

We launched and expanded the use of our brand and identity materials in order to communicate more effectively with key stakeholders.

Fully achieved

4. To ensure the organisation embodies our aims

Build a strong staff team and effective Trustee body.

Given changes at board and staff levels, we wanted to create opportunities to ensure we have alignment of purpose, values and systems.

Fully achieved

5. Continuous improvement

The Foundation will continue to improve how we work across administrative, grant-making and investment systems.

We constantly look for opportunities to improve the ways in which we work with those we support, applicants and partners as well as our internal operations so that we continue to innovate and improve.

Fully achieved

How we worked through our grant giving

In total, 33 new grants were made over the year and four extensions were made to existing grants. This resulted in commitments worth just under £3.5m. 52% of these grants were

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

REPORT OF THE TRUSTEES

made to organisations that had not previously received a grant from the Foundation, with the rest being made to prior grantholders.

The themes covered by these new grants were economic ideas; investor/corporate behaviour; energy; land and food; local change; equality and diversity; tax; work and welfare. We also funded a continuation of a legacy project from our previous Financial Inclusion programme and made three grants for unrestricted funding.

161 outline (first stage) applications were submitted to the Foundation for consideration over 2017-18 at a value of £17.0m, in comparison with 118 at a value of £11.5m in 2016-17. This continues an upward trend in grant applications, with a doubling of outline applications over the last two years.

This increase has been matched with a greater number of applications being invited to stage two, and therefore a greater need for staff (and Trustee) time to be spent on the process of evaluating applications. We have sought to address this through a number of measures this year: upgrading our grants management system to improve its efficiency and employing new external grant assessors to increase capacity. In addition, next year the Foundation will reduce the number of deadlines at which we assess outline applications from four to three.

Infographic One, below, gives an overview of the nature and scale of the outline applications received over the year including the value, geographic spread, legal status of applicants and the outcome of the applications.

Unrestricted Funding

Over the year we continued to develop our strategy of providing unrestricted funding for organisations with whom we have strong working relationships and a close synergy in terms of strategy and mission. This funding aims to empower these organisations to work flexibly, to take more risks in pursuit of their mission and to have the capacity to respond to changes in the external environment.

Outline Applications: 2017/18



161

Outline applications submitted in 2017/18



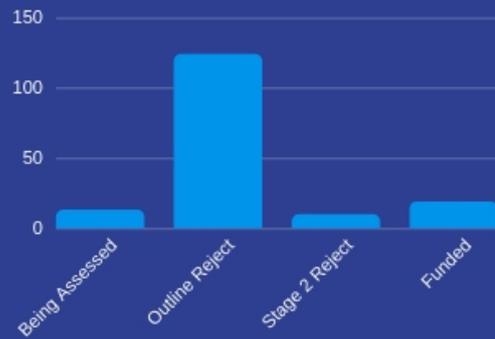
£ 17 million

Value of applications submitted

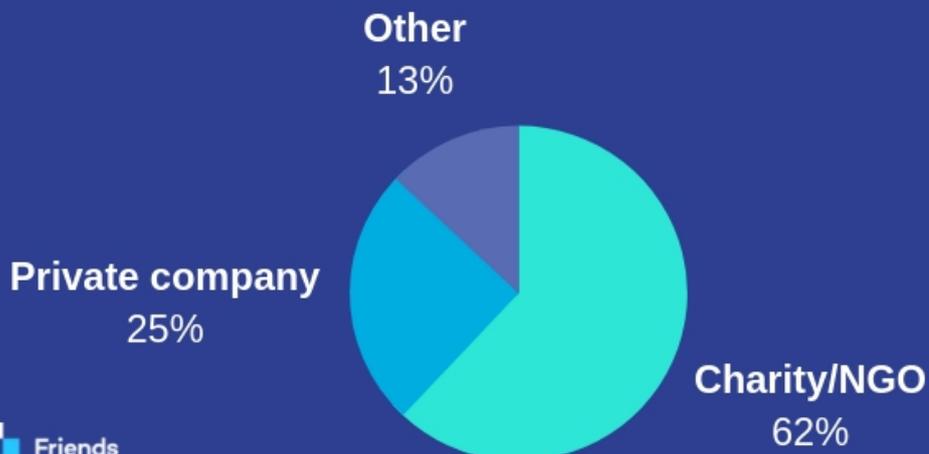
Geographic Spread of Applicants



Outcome of Applications



Legal Status of Applicants



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REPORT OF THE TRUSTEES

New Grants 2017/18



33

New grants made in 2017/18

£3.2* million

of funds committed

*with an addition £0.3m in grant increases

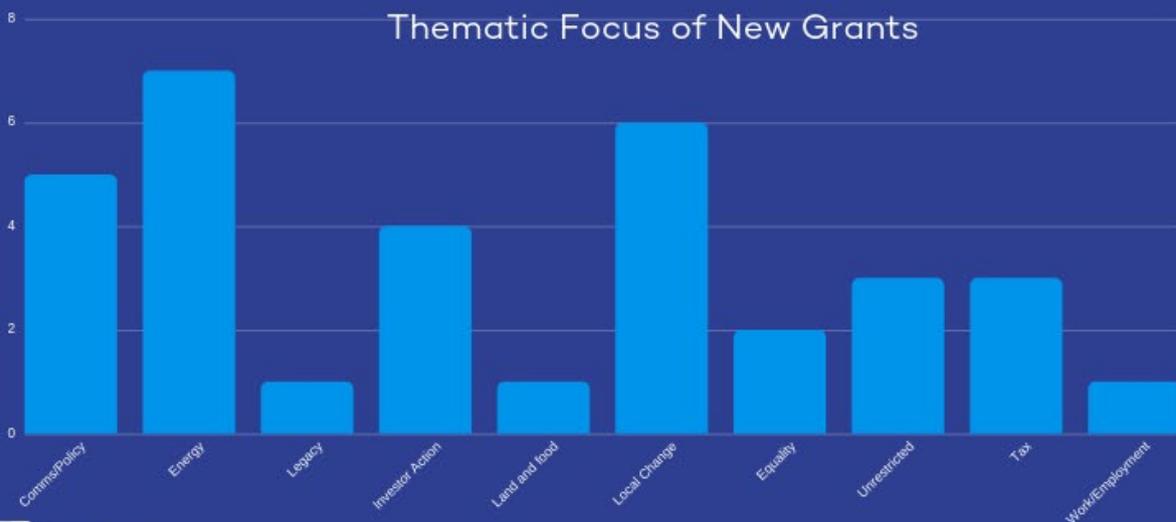
Geographic Spread of New Grants



Status of Grantholders



Thematic Focus of New Grants



FRIENDS PROVIDENT CHARITABLE FOUNDATION

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New economic thinking projects we have funded			
Institute for Public Policy Research	IPPR Commission for Economic Justice	£150,000	Following its establishment two years ago, the Commission for Economic Justice published its final report in September 2018 arguing that the UK needs to establish a new economic settlement. This funding will support a major influencing, engagement and communication campaign around the report.
Institute for Fiscal Studies	Supporting debate on a fair and sustainable UK tax system	£180,350	Promote a wider understanding that the UK is likely to need to raise taxes if we are to maintain public services over the coming decades and then to promote policy that makes the UK tax system fairer and more resilient to impending economic, demographic and technological change.
Women's Budget Group	Policies for a gender equal economy	£169,650	This funding will allow the Women's Budget Group to move beyond highlighting the impact of government policies on equality; to developing and presenting alternatives. The project will establish a commission to develop a comprehensive set of policy proposals to promote a gender equal economy.
Michael Jacobs	Rethinking Capitalism	£4,200	This provided the legal costs to constitute the project as an organisation, which unlocked further support from other funders.

New economic institutions we have funded			
Tax Justice UK Ltd	Campaign to increase the amount of tax companies pay	£91,600	Tax Justice UK will work with parliamentarians and other campaigning organisations to lobby the government to increase corporation tax rates and to launch a thorough and public review of corporate tax reliefs, analysing the costs and benefits of each and removing those that serve no useful purpose.
Fairshare Educational Foundation (Share Action)	Influencing corporates and policy-makers to push for a responsible investment system.	£180,000	Unrestricted funding in support of ShareAction's work to change the investment system.

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New Economics Foundation (NEF)	Core Funding 2	£130,000	Unrestricted funding in support of NEF's work.
Core Economics Education	Core funding	£200,000	CORE's free online introductory economics resource seeks to inform and empower learners (either as students or citizens) to debate and address the systemic challenges of financial instability, economic disparity and environmental sustainability.
B Labs UK	Be the Change Powered by B Lab	£75,000	This project seeks to engage with businesses within the B Corp movement beyond B Corp certification – through campaigns and place-based initiatives to bring more businesses into the movement for change.

Practical projects funded to demonstrate alternative practices			
Bath and West Community Energy	Neighbourhood Storage and Energy Demand Pilot	£121,000	The project will examine the options for community action within local electricity markets by testing a collective approach to electricity demand management by the integration of domestic solar PV, battery storage and, if possible, a Time of Use electricity tariff.
The Green Valleys (Wales) CIC	Project Skyline	£79,000	Feasibility work to explore the idea of the transfer of publicly-owned land surrounding some of the most deprived towns in the South Wales Valleys to community ownership or long-term management.
Regen SW	Power to Participate	£96,550	Using disruptive innovation to rethink our energy system bottom-up, enabling community energy groups to play a greater role. The decentralisation of our energy system driven by innovative technology is creating a need for local energy markets to feed into the national system. Community energy groups could play a pivotal role in this radical rethinking of our energy system, driving local social benefits and democratising energy.

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Repowering Ltd	Innovative Community Energy Demonstration Projects	£171,500	Against the backdrop of reduced government support for renewable energy the project will demonstrate innovative technologies and alternative models of generation and supply - specifically a small-scale Anaerobic Digestion system for energy recovery from local food waste and a local electricity supply model.
Society for the Reduction of Carbon	Greater Manchester Energy Empowerment and Low Carbon Retrofit communities	£193,000	Developing a city-region scale, local economic model to improve housing sustainability, energy efficiency, fuel poverty and health and wellbeing. Kickstarting a circular retrofit economy by delivering 100 deep retrofits and encouraging many more over the course of the project, to improve local housing stock, reducing fuel bills and carbon emissions.
Transition Town Totnes	Caring Town Totnes - Exploring community - centred commissioning models and services	£9,500	To co-design, implement and test specific commissioning pathways and procurement processes based around delivery of jointly designed service proposals.
Fair Tax Mark	Fair Tax Towns / Fair Tax Fortnight	£30,000	To increase the visibility, impact and influence of the Fair Tax Mark by developing and launching a Fair Tax Fortnight in the summer of 2018 and by launching a scheme whereby flagship towns and cities can be certified as Fair Tax Towns, and champion tax justice at a local level.
Development Trusts Northern Ireland (DTNI)	Creating resilient local economies through public/ social partnership	£124,900	Developing a new model of collaboration and partnership working for local government, statutory community planning partners and the voluntary and community sector in NI. The project will pilot two approaches to resilient local economies.
Joseph Rowntree Foundation	The Democracy Collaborative	£5,000	This collaboration between four UK trusts will support The Democracy Collaborative to have a Senior Fellow for the Promotion of Community Wealth Building in the UK for 1 year.

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Projects exploring transitions to greater economic resilience			
Bright Blue Campaign	Party Conference Event	£8,400	An event at the Conservative Party Conference 2018 to explore energy policy, disseminate key documents relating to the future of energy and utilities in the UK and open the debate to a key audience.
Bristol Pound	Local currencies roundtable	£5,000	A roundtable event to critically appraise the current state of play of local currencies in the UK, consider the fin-tech implications and consider directions for growth.
Green Alliance Trust	Community Energy 2.0	£65,450	Rapid advances in technology have revitalised the debate on community energy, opening new possibilities to how communities can generate, consume and trade energy. Green Alliance will publish an analysis of these possibilities and how communities can capture the economic and social value they generate.
London School of Economics	Investing in a Just Transition	£130,700	The transition to a low-carbon economy requires action to be effective and inclusive. A growing number of investors recognise the need to integrate a social dimension into their climate strategies to deliver a just transition, but there is a lack of robust analytics and guidance to enable them to play an effective role. We want to develop a strategic case for investor action for the just transition and provide best practice guidance for investors.

Journalists, thinktanks, policy-makers, regulators, economists, investors recognise the need for change			
Far Nearer	Bringing Local Economies Closer to Home	£47,500	Far Nearer is the first UK-wide map of local economies. It documents initiatives across housing, energy, food supply, money and more. This funding will help to turn Far Nearer from a public record of an emerging movement, into a network for collaboration, consolidation and conversation.

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Friends Provident Foundation	Journalist Fellowships - 2018	£180,000	Three fellowships to encourage journalists to engage in our objective to build more resilient economies by producing accessible output on key Foundation themes.
Client Earth	Mainstreaming Climate Risk	£100,000	Climate change is not simply an environmental issue, but poses financial risks to states, assets, companies and the global economy. The project will deploy a series of strategic legal interventions to mainstream awareness and management of climate risk by key professional advisors to empower them to advise businesses and investors of these risks.
Frank Bold Society	Alliance for Corporate Transparency	£100,000	The project will bring together leading organisations and experts to develop a benchmark to assess if and how large listed companies meet the new EU-wide non-financial reporting legislative requirements. The results of the project will be presented in an open-access database.
Scottish Environment Link	A Circular Economy for a Fairer Footprint	£120,000	The Circular Economy (CE) concept has potential to reduce overall consumption of natural resource and promote sustainability. This project will seek to influence the Scottish CE Bill to ensure it drives real change in the economic system and work with local stakeholders to increase circularity.
The Bevan Foundation	Building Economic Resilience in the South Wales Valleys	£70,150	To develop a programme of action to change economic resilience of the Heads of the Valleys area of South Wales, one of the most disadvantaged parts of the EU. Working with local economic actors to strengthen community assets, harness public procurement, grow local financial instruments and maximise the role of social businesses; it will create a detailed programme for change.

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The Royal Society of Arts	Future Work Centre	£100,000	The 'Future Work Centre' will present a fresh account of what 'good work' means in a modern economy and articulate how it can be realised through pragmatic but ambitious interventions in both policy and practice. This will involve a wide-reaching enquiry into the nature of the social contract and how it should evolve to ensure good and fair work prevails.
The Soil Association	High-quality, sustainable food – available and affordable through new supply-chain models.	£69,600	This project aims to address the issues of access to quality food and environmental sustainability within food supply-chains. It will research, co-design and develop innovative supply-chain solutions and work with processors and retailers to find innovative ways to get sustainably produced food to communities with less of a mark-up, helping achieve a fairer food system and driving the demand for sustainable farming.
The Equality Trust	Corporate Indicators for Fairer Pay	£123,500	A report on the FTSE 100 analysing pay ratios, union recognition, pay rises, gender pay gaps, subsidies, outsourcing and Living Wage, sector-by-sector, to provide a like-for-like comparison.
Positive Money	2 Degree Lending	£91,200	2° Lending (2DL) seeks to align banking with the Paris Climate Accord by making lending carbon neutral in North America and Europe by 2030.

The Foundation also made one grant supporting the continuation of work begun under the previous funding programme on Financial Inclusion:

Legacy Funding (Previous Programme)			
University of Birmingham	Monitoring Financial Inclusion 2018-2022	£50,000	The project will monitor trends in Financial inclusion from 2018-2022, focusing on three key components that people need in order to achieve financial inclusion: a secure income which meets a minimum standard; access to appropriate and well-regulated financial services; and access to free, appropriate advice and education.

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Building the capacity of our investees and grantees

Within our grants and investment programmes, the Foundation actively works with funded organisations. Nearly half of our grants this year were to organisations returning for further funding to continue their work; and the Foundation made three additional commitments to unrestricted funding support for grantholders with which we have a strategic alignment – New Economics Foundation, CORE (Curriculum Open-access Resources for Economics) and ShareAction (Fairshare Educational Foundation). We also increased the grant size of the Ecumenical Council for Corporate Responsibility (ECCR) as a cornerstone funder to enable them to expand their staffing capacity to grow their impact and achieve their potential.

The core funding we offer strategically aligned organisations can be vital in helping them to develop from small organisations often dependent on a single leader to stronger organisations with a broader and more substantial management structure.

For direct investments, the Foundation is an active partner in Project Snowball LLP – a unique new approach to impact investing. During the year we also worked directly with renewable energy investments such as Thrive Renewables and Our Power to maximise the inclusion of power owned by community organisations in the development of their models.

Our annual conference for partners, grant-holders, investees and friends provided a great opportunity to learn new things, share skills, create new networks and learn more about the work of others. We aim to build on these opportunities in the coming years.

What we learnt from the evaluation and our grants during the year

After a review of outputs, closing reports, project reviews, consultation with stakeholders and one-to-one interviews, New Philanthropy Capital (NPC) provided us with some useful reflections on our work that will shape our future programme.

From ‘resilience’ to sustainable transformation of the economy

What emerged from the review is that the language which resonated with society and those directly concerned with the economy – recovery and protection from economic shocks – no longer makes sense five years on. It no longer fully captures the work we do nor is clearly understood outside the Foundation. We consulted our grantholders and other stakeholders and will be considering a new framing for our work, focused on transformation toward fairer and more sustainable approaches.

Good ideas not new ideas

The programme to date has put great store on new ideas and institutions as a conduit for change. However, the evaluation found that bringing new energy and rigour to change mainstream practices and existing thinking is as valuable as “new” thought. Our strength has been in supporting the development of high-risk ideas or approaches to influence mainstream thinking. We will consider how to target this in our new strategy.

Building diversity in concepts of fairness

We began to ask ourselves questions about the diversity of organisations we supported and how those currently not well served in society would be reflected in a fairer economy. The

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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REPORT OF THE TRUSTEES

evaluation reflected our concern and we have taken up the challenge to actively address equality and justice in how the economy distributes economic goods and services. This is vital if it is to serve society well.

Balancing responsive funding against the wider economic context

There were some differences between the work the Foundation supported and the key economic issues affecting the UK identified by external experts. This might mean that being demand-led will limit the ability to influence key audiences with relevant evidence or practice. We will consider how to better scan the horizon to ensure we are able to maximise the impact of our funding in the coming years.

Long-term and dispersed support for the field is required for systems change

It is unlikely that a small UK foundation would have had discernible impact on a complex global system over the past five years. However, the Foundation has contributed to the growth of a range of interventions – from organisations bringing about economics education reform through to the monetary policy reform proposals being openly debated by national and international institutions. Lasting change requires sustained and wide-spread support from a range of funders. We will be working to build on existing alliances to draw further resources into the movement.

Over the year, 21 grants were concluded, and these have generated a source of invaluable learning points, including the following highlights:

- Our equitable approach can be valuable in allowing different approaches to develop, but we can also play a role in supporting organisations and people to work together.
- We often receive applications that make assumptions about latent or untapped consumer or citizen demand. It is important to recognise the complexity of this sort of demand and to challenge any overly simplistic models of change based on this idea.
- The flexibility of our funding approach can allow projects to adapt and try new approaches not necessarily considered at the start.
- When working in a local area it is important to take time to understand and connect to the area, to become embedded rather than try to ‘parachute in’ change.
- Replication isn’t always straightforward. What works in one context may not always work in another. In creating tools that support this sort of replication it is important to ensure that they allow users to take account of these contextual issues at an early stage. It may be more helpful to support the structural barriers that can prevent replication.
- Attracting a more diverse range of participants, supporters or volunteers, beyond the ‘usual suspects’ is a significant challenge and one not easily overcome. This can threaten the credibility of community-led organisations and reduce the impact of projects that seek to sway public opinion.

Investing directly in alternative practices

The Foundation also made several new social investments this year in line with our programme priorities: pursuing opportunities to build economic resilience through

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community renewables; and social enterprise funding that addresses inequality of pay and opportunity.

Energy Garden Ltd is a community benefit society hoping to raise funds to acquire existing commercial solar PV arrays and transfer to community ownership, the income generated will be used to transform 50 London Overground platforms and stations into thriving gardens and food growing plots, and to support maintenance, volunteers and youth training. Its intention is to support resilient communities, improve air quality and well-being, and raise awareness of community energy and its benefits. The Foundation invested £100,000 in a bond offer.

Stichting Equileap Foundation is a Dutch-based foundation that has established Equileap Information Services as a way of addressing gender equality through gender lens investing. Equileap aims to accelerate progress towards gender equality in the workplace as a powerful lever in tackling inequality and poverty. To do this they use three strategies: knowledge – providing detailed data on each company’s gender equality performance; investing – using the data to create new, gender sensitive, financial products, and building a network of well-informed gender lens investors; and finally donations – encouraging investors to share their returns and using any net profits from this work to create a sustainable source of funding to tackle the root causes of gendered economic inequality. The Foundation invested £100,000 in a ten-year loan.

Our Power was a not-for-profit energy supplier. It was owned by social housing providers, community organisations and local authorities, and aimed to make energy fairer for all members of society. It had a focus on the issue of fuel poverty alleviation, generating renewable energy, purchasing community energy, and supporting community focused energy system innovation. The Foundation invested £40,000 in a bond offer. This investment was fully impaired as at 30 September 2018, following independent advice. Our Power went into administration in February 2019, after experiencing difficult market conditions.

The Foundation’s other social investments are:

Ethex (2013)

£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.

Project Snowball LLP (2017)

The Foundation became the third partner to join Project Snowball LLP in 2017, a ground-breaking new 100% impact investment fund which has now led to three further partners coming on board. Snowball will apply a social and environmental impact lens to all of its investment analysis, reporting and decision-making. The ownership of six of our direct social investments were transferred to Snowball as part of the capital invested.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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REPORT OF THE TRUSTEES

How we engage with investors through our market rate portfolio

We take an integrated approach to our mission and capital base, and use our endowment as a tool for change, including through social investments, asset management and shareholder engagement. This year Trustees focused our efforts on two strategic themes to underpin and focus our proactive work, drawn from what we have learned so far or key developments in our programme areas:

1 Building economic resilience through community energy and engaging the utilities market

We continue to engage the energy utilities market utilising reports from grantees Forum for the Future and InfluenceMap, which concluded that: incumbent energy utilities need to embrace the transition to decarbonised, decentralised and democratised energy (the ‘3D transition’), and develop new business models if they are to have longevity; and that business models appear to be based on the current ability to maintain the status quo via regulatory influence, and that none of the Big Six’s lobbying activity is sufficiently aligned with the ‘3D transition’.

The Foundation has partnered with Royal London Asset Management to undertake shareholder engagement with incumbent energy utilities and has had meetings with Centrica, Scottish Power, EDF, RWE and Innogy to discuss business model resilience, transition strategy, lobbying and appetite to offer services to community energy and prosumers.

We have partnered with the London School of Economics Grantham Institute in its grant-funded ‘Investing in a Just Transition’ programme, which covers the need for investors to integrate a social dimension into climate strategies. It will provide investor guidance regarding shareholder engagement and capital allocation, including a focus on ‘place-based investment’ that will feature community energy. We have integrated the draft shareholder engagement recommendations into our utility market engagement.

2 Addressing inequality through portfolio-wide engagement for good work, fair pay and more transparent executive pay structures

We are one of 79 investor signatories to the ShareAction-led ‘Workforce Disclosure Initiative’ (WDI), which is calling for transparency from 500 global companies on how they manage workers, including pay and executive pay ratios. The ultimate goal is to improve the quality of jobs in the operations and supply chains of multinational companies.

The Foundation is a member of the WDI engagement working group. We cross-referenced the companies that had not responded to the 2017 WDI survey with our BMO equity fund holdings and contacted to request they engage. We also cross-referenced the WDI’s 200 priority companies and followed up with letters to 17 companies that had not been directly engaged by an investor.

We co-hosted the launch of the St Paul’s Institute report ‘Fair pay for fair work: a look at executive compensation’ at an event at St Paul’s Cathedral. The Foundation funded report makes company and investor recommendations to build on mandatory executive pay ratio

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reporting to bring about the integration of decision-making on executive pay and average employee pay.

The Foundation is currently integrating these recommendations, along with those of the grant-funded IPPR Commission on Economic Justice, into a set of company requests for portfolio-wide shareholder engagement. It is envisaged that consistent and comparable information on a sectoral basis will result from both the WDI initiative and the project underway by The Equality Trust, to enable targeted company engagement.

Convening and communicating with people to share lessons from their work

This year saw the culmination of the Foundation's work to review its brand and [website](#), both of which launched to positive feedback in the Autumn, affirming our belief that a measured approach, rooted in reflection on our values, had been the right one for us.

The timing of our annual Grantholder Conference 2017, with its full day of speakers, workshops and fitting theme of communication, offered the perfect platform to showcase the new brand to the outside world for the first time.

With the new tools in place for our communications activity we have been able to move forwards with an increased presence and voice to bring our new brand and values to life and epitomise the type of organisation that we wish to be.

Our new website is developing well as a hub of information, demonstrating our commitment to collaboration and convening, and our online [Library](#) contains resources – videos, reports and books that have been produced by the projects we have funded – for grantholders to share and use in their work. Further improvements to the website continue but the increased functionality it offers has already streamlined the process for grant applicants and allowed us to provide better online support to grantholders.

We believe that real change happens when people connect to share what they're learning and doing. The events we convene provide an opportunity to meet, collaborate and harness the power of shared thinking, so we can work together with others to shape a future economy that works for all. Furthering our commitment to bringing people together to solve problems we supported several events throughout the year, including an exchange visit with our partners Philanthropy Australia; party conference fringe events; a meeting to facilitate further discussions around the report 'Beyond neoliberalism' by Michael Jacobs and Laurie Laybourne-Langton, and convening meetings to explore collaborative funding opportunities.

This was a landmark year for our Journalist Fellowship, our programme which offers successful applicants financial and editorial support to produce a body of work that communicates alternative, economically coherent ideas in an engaging way. Our first fellowship was a resounding success and its output, the thought-provoking book 'The Growth Delusion', by author and prize-winning journalist David Pilling, was published to great acclaim in January 2018. This provided a strong springboard for the launch of the next fellowship, which was opened for application later in the year, resulting in the appointments of Martin Sandbu, Deborah Hargreaves and Aditya Chakraborty. Associated communications activity included

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release of a news story, production of a promotional film, mailings, one-to-one approaches to journalists and a sustained social media campaign. We hope that the work generated will lay the tracks for new-found thinking on how the economy can work better for people and planet.

Reports published in 2017-18

The wide dissemination of our funded work underpins our charitable aims and public benefit objectives and during 2017-18 we were pleased to support a number of publications, all of which are available in our website [library](#) as a reflection our commitment to share learning:

- Fair Pay for Fair Work: A Look at Executive Compensation – St Paul’s Institute
- Building Community Resilience - Wessex Community Assets
- Remodelling Capitalism: How Social Wealth Funds could transform Britain - Stewart Lansley, Duncan McCann & Steve Schifferes
- Creating a Social Care Trust Fund – Select Committee Report
- Friends Provident Foundation Grants and Investment Programme 2013-18
- Friends Provident Foundation Information for Grantholders
- Friends Provident Foundation Annual Report 2016/17: A year in review

Going forward, communications will continue to be central to how we deliver on our purpose **Fair economy. Better world.**

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THE FUTURE – OUR PLANS FOR 2018-19

Our objectives for the next year cascade from our purpose. These corporate objectives are intended to guide our team objectives and ultimately individual objectives.

1. To build on the findings of the 2013-2018 evaluation, the work of other funders and commissioned reviews to develop a programme strategy to guide our grants, social investment, communications and investment goals for the next five years to bring about a fair and sustainable economic system in the UK.
2. To develop our capacity and ability to synthesise and share the learning from our programme with both our partners and the wider public through the development of new communication products and approaches.
3. To review and re-launch our investment strategy – including investment management, advice, asset allocation, goals and engagement – overseen by our Investment Committee.
4. To develop metrics and monitoring methods to track progress towards our goals including input from key informants as well as the development of data sets and research tools to ensure our work is relevant and high impact.
5. To develop and implement a strategy for doubling the funding available for projects working toward a fair and sustainable economy through collaborative working with other funders.
6. To include diversity of perspective more coherently in our work.
7. To build a strong and cohesive staff team.

WHO WE ARE NOW: OUR POLICIES, GOVERNANCE AND OPERATIONS

Using our resources – spending capital as well as income

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. Trustees actively review both strategy and resources to manage the risk of this approach.

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 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

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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, Trustees are mindful of the view of a wide range of experts that climate risk is arguably the biggest risk to economies today.

We 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. 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. They 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.

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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. The Foundation joined the Responsible Engagement Overlay (REO) of BMO with the aim of working with them more intensively through our engagement themes.

Peter Jones, an independent investment advisor, continued to provide general investment advice to the Trustees, who instruct BMO to consider reflecting that advice in their management of the Foundation’s assets. Trustees are grateful for his continued support of our work.

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.

Risk management

The Trustees are responsible for overseeing the effective management of the Foundation and for safeguarding its assets. Risk management is an ongoing activity involving all Trustees and is reviewed by 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.
Foundation reputation damaged by website or publications	Low - tolerate	The Foundation website is now staff controlled and all publications are edited and reviewed in-house.
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.

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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.
Cash Management	Fair - reduce	The Foundation actively manages its cash requirements and has increased its in-house finance resource.
Strategic ambition outstrips resources	Low-tolerate	The Foundation has large aims and Trustees actively review both strategy and resources quarterly and through sub-committee processes.
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.

Reserves and going concern

The total charity funds at the year-end of £32.17m (2017: £33.75m) consist of £32.15m (2017 £33.67m) in the endowment fund and £20,000 of designated funds (2017: £80,000). 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. The trustees consider that there are no material uncertainties about the Foundation's ability to continue as a going concern.

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 £500,000. 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.

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The reserves policy was last reviewed and approved by the Trustees in September 2018. 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 derived from investment performance. Total income for the year ended 30 September 2018 was £885,046 (2017: £904,219) mainly attributable to dividends and interest received from the principal investments – open-ended investment trusts with underlying investments in equities and corporate bonds. The total expenditure for the year was £4,172,827 (2017: £2,341,864). Of this, grant commitments amounted to £3,497,643 (2017: £1,856,995) and other expenditure was £675,184 (2017: £484,869). Net expenditure for the year was £3,287,781 (2017: £1,437,645) before investment gains of £1,700,697 (2017: £2,361,621), leading to net expenditure of £1,587,084, (2017: Net income of £923,976).

As per our investment policy, trustees expect our mainstream portfolio to produce competitive market returns, as well as reflecting our investment beliefs. Regular reviews of performance by the Investment Committee and advice from our Investment Advisor indicates that performance is in line with market expectations.

Remuneration of staff

Trustees have adopted and reviewed the pay policy that is applied to all staff members.

This year, Trustees adjusted the measures against which salaries are reviewed annually to ensure a reasonable reflection of the cost of living. This is now one which reflects a cost of living measure weighted equally with average wages.

Reflecting our programme focus on pay transparency and in line with NCVO guidance, the ratio between the highest salary (£76,854) and the median salary (£31,855) in the Foundation is 2.4:1 expressed as Full Time Equivalent. The ratio of the top salary to the lowest is 3.7:1, expressed as Full Time Equivalent.

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 13%. The Foundation's auto enrolment staging date was July 2016; all compliance documentation was provided to the Pensions Regulator.

Statement of fundraising practice

The Foundation does not engage in public fundraising and does not use professional fundraisers or commercial participators. The Foundation nevertheless observes the relevant fundraising regulations and codes. During the year there were no instances of non-compliance with these regulations and codes and the Foundation received no complaints relating to its fundraising practice.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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Governance arrangements – how we organise our work

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.

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.

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 Resources Committee and Investment Committee under terms of reference approved by the Board of Trustees.

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.

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

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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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 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 12 March 2019 and signed on their behalf by

Hetan Shah
Chair of Trustees

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Independent Auditor's Report to the Members of Friends Provident Charitable Foundation

Opinion

We have audited the financial statements of Friends Provident Charitable Foundation (the 'charitable company') for the year ended 30 September 2018 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Other information

The other information comprises the information included in the trustees' annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which 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' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, 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, and for such internal control as the trustees 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 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 charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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

Helen Elliott (Senior statutory auditor)

12 March 2019

for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

STATEMENT OF FINANCIAL ACTIVITIES (INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Notes	Unrestricted and Total 2018 £	Unrestricted and Total 2017 £
INCOME			
Investment income	2	885,046	904,031
Other		-	188
		<hr/>	<hr/>
Total income		885,046	904,219
EXPENDITURE			
Raising funds		49,491	22,377
Charitable activities: Support for Resilient Economies and Right Use of Money Projects	3,4	4,123,336	2,319,487
		<hr/>	<hr/>
Total expenditure		4,172,827	2,341,864
		<hr/>	<hr/>
Net expenditure before net gains/ (losses) on investments		(3,287,781)	(1,437,645)
Net gains on ordinary investments	10	1,802,866	2,334,496
Net (losses) / gains on social investments	11	(102,169)	27,125
		<hr/>	<hr/>
Net (expenditure) / income for the year and net movement in funds		(1,587,084)	923,976
Reconciliation of funds			
Total funds brought forward at 1 October		33,752,896	32,828,920
		<hr/>	<hr/>
Total funds carried forward at 30 September	15	32,165,812	33,752,896
		<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 15 to the financial statements.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

BALANCE SHEET AT 30 SEPTEMBER 2018

	Notes	2018 £	2017 £
FIXED ASSETS			
Tangible assets	9	6,169	6,743
Investments	10, 11	36,101,729	36,869,452
		<hr/>	<hr/>
		36,107,898	36,876,195
CURRENT ASSETS			
Debtors	12	169,158	183,551
Cash at bank		516,962	530,907
		<hr/>	<hr/>
		686,120	714,458
CREDITORS: amounts falling due within one year	13	(3,145,381)	(3,018,555)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(2,459,261)	(2,304,097)
TOTAL ASSETS LESS CURRENT LIABILITIES		33,648,637	34,572,098
Creditors: amounts falling due after more than one year	14	(1,482,825)	(819,202)
		<hr/>	<hr/>
TOTAL NET ASSETS		32,165,812	33,752,896
		<hr/> <hr/>	<hr/> <hr/>
THE FUNDS OF THE CHARITY			
Unrestricted funds			
Designated funds	15	20,000	80,000
Expendable endowment fund	15	32,145,812	33,672,896
		<hr/>	<hr/>
Total charity funds	16	32,165,812	33,752,896
		<hr/> <hr/>	<hr/> <hr/>

Approved by the Board of Trustees on 12 March 2019 and signed on their behalf by:

.....
Hetan Shah
Chair of Trustees

Company No: 04228843

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2018

	2018 £	2017 £
Cash flows from operating activities:		
Net cash used in operating activities	(3,365,676)	(729,357)
Cash flows from investing activities		
Dividends, interest and rents from investments	885,046	904,031
Purchase of investments	(316,124)	(1,131,454)
Proceeds from sale of investments	2,875,436	798,491
Proceeds from sale of current asset investments	-	250,000
Purchase of fixed assets	(1,735)	(7,286)
	3,442,623	813,782
Net cash provided by investing activities		
	76,947	84,425
Change in cash and cash equivalents in the year		
Cash and cash equivalents at the beginning of the year	533,106	448,681
	610,053	533,106
Cash and cash equivalents at the end of the year	610,053	533,106

RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net (expenditure) / income for the year	(1,587,084)	923,976
Adjustments for:		
Depreciation charges	2,309	2,273
(Gains) on investments	(1,700,697)	(2,361,621)
Dividends, interest and rents from investments	(885,046)	(904,031)
Decrease in debtors	14,393	47,198
Increase in creditors	790,449	1,562,848
	(3,365,676)	(729,357)
Net cash (used in) operating activities	(3,365,676)	(729,357)

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 1 October 2017 £	Cash flows £	At 30 September 2018 £
Cash held as part of investment portfolio	2,199	90,892	93,091
Cash at bank and in hand	530,907	(13,945)	516,962
	533,106	76,947	610,053
Total cash and cash equivalents	533,106	76,947	610,053

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES

a) Statutory information

Friends Provident Charitable Foundation is a charitable company limited by guarantee and is incorporated in the United Kingdom. The registered office address and principal place of business is Blake House, 18 Blake Street, York YO1 8QG.

b) 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) (September 2015) 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.

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 income from investments is included when receivable. Investment income arising from the expendable endowment fund is credited to the expendable endowment fund.

Other income

Other income 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

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.

g) Expenditure

Charitable activities expenditure is accounted for on an accruals basis and includes 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 raising 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.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2018

1. ACCOUNTING POLICIES (CONTINUED)

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.

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.

n) Financial instruments

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.

o) Pension costs

The Foundation operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Foundation in an independently administered fund. The pension cost charge represents contributions payable under the scheme by the Foundation to the fund. The Foundation has no liability under the scheme other than for the payment of those contributions.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2018

2. INVESTMENT INCOME

	Total 2018 £	Total 2017 £
Gross dividends from investment listed on a recognised stock exchange and from open ended investment companies	868,113	871,588
Income from social investments	15,382	16,684
Loan note interest	-	15,014
Bank interest	1,551	745
	<u>885,046</u>	<u>904,031</u>

3a. EXPENDITURE ON CHARITABLE ACTIVITIES – Current year

	Funds Committed (See Note 4) £	Staff costs £	Allocation of Support costs £	Total 2018 £	Total 2017 £
Support of Resilient Economies & Right Use of Money projects	3,497,643	251,466	374,227	4,123,336	2,319,487
	<u>3,497,643</u>	<u>251,466</u>	<u>374,227</u>	<u>4,123,336</u>	<u>2,319,487</u>

3b. EXPENDITURE ON CHARITABLE ACTIVITIES – Prior year

	Funds Committed (See Note 4) £	Staff costs £	Allocation of Support costs £	Total 2017 £	Total 2016 £
Support of Resilient Economies & Right Use of Money projects	1,856,995	235,604	226,888	2,319,487	1,961,247
	<u>1,856,995</u>	<u>235,604</u>	<u>226,888</u>	<u>2,319,487</u>	<u>1,961,247</u>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS – 30 SEPTEMBER 2018

4. RESILIENT ECONOMIES AND RIGHT USE OF MONEY PROJECTS FUNDED

	Total 2018 £	Total 2017 £
Reconciliation of grants payable		
Commitments at 1 October	2,590,454	2,238,714
Commitments made in the year		
B Lab (UK)	75,000	50,000
Bath & West Community Energy	121,000	-
Bright Blue Campaign	8,400	-
Centre for Local Economic Strategies	-	6,000
City University London	-	27,630
Client Earth	100,000	-
Compass	-	33,000
Community Energy Plus	-	99,500
Core Economics	200,000	-
Demos	-	20,000
Development Trusts Northern Ireland	124,900	-
Ecumenical Council for Corporate Responsibility (ECCR)*	165,000	-
Economy (Phase 2 of Learn)*	10,000	130,000
Fair Tax Mark	30,000	-
Fairshare Educational Foundation (Share Action)	180,000	-
Far Nearer	47,500	-
Finance Innovation Lab Core Funding	-	180,000
Forum for the Future – Community Energy Asset Bank*	50,000	130,000
Forum for the Future – Wise Minds	-	24,480
FPF Journalist Fellowships 2018	180,000	-
Frank Bold Society	100,000	-
Green Alliance Trust	65,450	-
Influence Map	-	19,500
Institute for Fiscal Studies	180,350	-
IPPR – Commission for Economic Justice	150,000	-
IPPR – Commission for Social Justice	-	200,000
Joseph Rowntree Foundation	5,000	-
London School of Economics	130,700	-
Michael Jacobs – Rethinking Capitalism	4,200	6,000
New Economics Foundation	130,000	-
Open Trust*	5,000	-
Positive Money – 2 Degree Learning	91,200	-
Positive Money – Money for the Common Good	-	250,000
Public Interest Research Company	-	168,000
Pure Leapfrog – Monitoring and Evaluation project	-	38,500
Regen SW	96,550	-
REPCE	-	190,000
Repowering Ltd	171,500	-
Royal Society of the Arts – Future Work Centre	100,000	-
	<hr/>	<hr/>
c/f	2,521,750	1,572,610

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

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

	Total 2018 £	Total 2017 £
b/f	2,521,750	1,572,610
Scottish Environment Link	120,000	-
Society for the Reduction of Carbon	193,000	-
St Paul's Cathedral Foundation	-	20,500
Stir to Action	-	44,000
Tax Justice UK Ltd	91,600	-
The 10:10 Foundation	-	61,000
The Bevan Foundation	70,150	-
The Bristol Pound	5,000	-
The Equality Trust	123,500	-
The Financial Inclusion Centre	-	64,600
The Green Valleys (Wales)	79,000	-
The Soil Association	69,600	-
The Women's Budget Group	169,650	-
Transition Town Totnes	9,500	-
Transparency International	-	118,000
University of Birmingham	50,000	-
	<hr/>	<hr/>
	3,502,750	1,880,710
Grants (written back) or adjusted	(5,107)	(23,715)
	<hr/>	<hr/>
Net grants committed in the year	3,497,643	1,856,995
Grants paid	(1,615,184)	(1,505,255)
	<hr/>	<hr/>
Commitments at 30 September	4,472,913	2,590,454
	<hr/> <hr/>	<hr/> <hr/>

Details of the nature of each of the 33 new projects supported are included in the Report of the Trustees. The 4 projects marked with a * are extensions of existing projects. Where the duration of a project is over one year, the total grant commitment is recognised in the current year.

5. GOVERNANCE COSTS

	2018 £	2017 £
Auditor's remuneration	9,644	9,661
Trustees meetings and expenses	8,869	7,212
Staff costs	37,096	35,031
	<hr/>	<hr/>
	55,609	51,904
	<hr/> <hr/>	<hr/> <hr/>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

6. MOVEMENT IN TOTAL FUNDS FOR THE YEAR

	2018 £	2017 £
This is stated after charging:		
Depreciation	2,309	2,273
Auditor's remuneration (excluding VAT):		
Audit	7,250	7,000
Review of investment project	-	1,000
Payments under operating property rentals	18,100	18,000
	18,100	18,000

7. SUPPORT COSTS

	Note	2018 £	2017 £
Staff training & conferences		6,493	4,818
Grant advisory group & assessors		4,462	2,084
Performance Evaluation		75,493	-
Communication and dissemination		46,552	44,712
Website costs		30,523	14,592
Other IT costs		35,443	14,767
Rent and office costs		22,706	20,903
Depreciation		2,309	2,273
Other overheads		13,441	14,569
Investment engagement fees		66,750	14,429
Legal and professional fees		14,446	41,837
Governance costs	5	55,609	51,904
		374,227	226,888

8. STAFF COSTS

	2018 £	2017 £
Wages and salaries	190,758	180,337
Social security costs	16,544	16,961
Pension costs	40,004	36,244
Other staff costs	41,256	37,093
	288,562	270,635

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

8. STAFF COSTS continued

	2018 £	2017 £
Direct staff costs	251,466	235,604
Support staff costs	37,096	35,031
	2018 No.	2017 No.
Average number of employees during the year	4.9	4.6
	6.2	5.8
The number of employees whose emoluments (excluding employer pension contributions) exceeded £60,000 fell into the following band were:		
£70,001 - £80,000	1	0
£80,001 - £90,000	0	1

The total employee benefits, including pension contributions and employer's national insurance, paid to key management personnel during the year was £210,962 (2017: £219,018).

During the year nine (2017: eight) trustees were reimbursed a total of £3,566 (2017: £3,928) for directly incurred travel and subsistence expenses. No trustee nor any person connected with them received any remuneration during the year (2017: NIL).

9. TANGIBLE FIXED ASSETS

	Website & Software £	Equipment £	Total £
Cost			
As at 1 October 2017	32,408	13,136	45,544
Additions	-	1,735	1,735
Disposals	-	(4,044)	(4,044)
As at 30 September 2018	32,408	10,827	43,235
Depreciation			
As at 1 October 2017	32,408	6,393	38,801
Charge for the year	-	2,309	2,309
Disposals	-	(4,044)	(4,044)
As at 30 September 2018	32,408	4,658	37,066
Net book value			
As at 30 September 2018	-	6,169	6,169
As at 1 October 2017	-	6,743	6,743

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

10. INVESTMENTS

	2018 £	2017 £
Programme related investments (note 11)	2,200,000	2,070,292
Investments listed on a recognised stock exchange	33,808,638	34,796,961
Cash held as part of investment portfolio	93,091	2,199
	<u>36,101,729</u>	<u>36,869,452</u>

Investment portfolio (listed on a recognised stock exchange)

	2018 £	2017 £
Fair value of investments at 1 October	34,796,961	33,572,797
Additions at cost	15,077	-
Net gain on change in fair value	1,802,866	2,334,496
Disposal proceeds	(2,806,266)	(1,110,332)
	<u>33,808,638</u>	<u>34,796,961</u>
Fair value of investments at 30 September	<u>33,808,638</u>	<u>34,796,961</u>
Historic cost at 30 September	<u>21,405,864</u>	<u>23,255,815</u>

All non-cash investments as at 30 September 2018 are held as units in open-ended investment companies with underlying investments in equities and corporate bonds.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

11. PROGRAMME RELATED INVESTMENTS

	2018 £	2017 £
Value at start of the year	2,070,292	849,872
Additions at cost	240,000	2,241,786
Net additional funds payable to Project Snowball	61,047	-
Impairments	(41,122)	(3,458)
Disposals proceeds	(69,170)	(1,048,491)
(Loss) / gain on transfer to Project Snowball	(61,047)	61,413
Unrealised loss	-	(30,830)
	<hr/>	<hr/>
Value at end of the year	2,200,000	2,070,292
	<hr/> <hr/>	<hr/> <hr/>
Historical Cost	2,291,122	2,119,175
	<hr/> <hr/>	<hr/> <hr/>

As at 30 September 2018, programme related investments were held in the following organisations: Energy Gardens, Ethex, Equileap, Our Power and Project Snowball LLP. These investments were held at cost less impairment. Shares in the Social Impact Partnership were disposed of during the year as this project reached its end.

12. DEBTORS

	2018 £	2017 £
Accrued Income	163,142	177,890
Other debtors	1,664	1,500
Prepayments	4,352	4,161
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	169,158	183,551
	<hr/> <hr/>	<hr/> <hr/>

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

13. CREDITORS: amounts falling due within one year

	2018 £	2017 £
Grants payable	2,990,088	1,771,252
Amounts due to Project Snowball	56,482	1,201,509
Taxation and social security	5,527	-
Other creditors	10,930	7,499
Accruals	82,354	38,295
	<u>3,145,381</u>	<u>3,018,555</u>

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

	2018 £	2017 £
Grants payable (due in one-five years)	1,482,825	819,202
	<u>1,482,825</u>	<u>819,202</u>

15a. UNRESTRICTED FUNDS – Current year

	Fund balances at 1.10.17 £	Income £	Expenditure £	Transfers £	Gains and Losses £	Fund balances at 30.9.18 £
Expendable endowment	33,672,896	885,046	(4,172,827)	60,000	1,700,697	32,145,812
Designated Funds						
Journalist Fellowship 2018	60,000	-	-	(60,000)	-	-
Ideas Development Fund	20,000	-	-	-	-	20,000
	<u>33,752,896</u>	<u>885,046</u>	<u>(4,172,827)</u>	<u>-</u>	<u>1,700,697</u>	<u>32,165,812</u>

The **Journalist Fellowship 2018** funds were designated for a second Resilient Economies Journalist Fellowship. This Fellowship was awarded during the year, along with two further Fellowships, which are now being accounted for as grant commitments from the expendable endowment (See note 4 – FPF Journalist Fellowships 2018 - £180,000).

The **Ideas Development Fund** was a designated fund from which to commission research to develop programme ideas proposed by trustees at their Away Day in 2016. Four projects have been commissioned from this fund, but no payments have been made, during the current year.

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

15b. UNRESTRICTED FUNDS – Prior year

	Fund balances at 1.10.16 £	Income £	Expenditure £	Transfers £	Gains and Losses £	Fund balances at 30.9.17 £
Expendable endowment	32,808,920	904,219	(2,321,864)	(80,000)	2,361,621	33,672,896

Designated Funds

Journalist Fellowship 2018	-	-	-	60,000	-	60,000
Ideas Development Fund	-	-	-	20,000	-	20,000
Brexit proposals (Grant to Demos)	20,000	-	(20,000)	-	-	-
	<u>32,828,920</u>	<u>904,219</u>	<u>(2,341,864)</u>	<u>-</u>	<u>2,361,621</u>	<u>33,752,896</u>

16a. ANALYSIS OF NET ASSETS BETWEEN FUNDS – Current year

	Designated Funds £	Unrestricted Fund £	2018 £	2017 £
Fixed assets	-	36,107,898	36,107,898	36,876,195
Current assets	20,000	666,120	686,120	714,458
Current liabilities	-	(3,145,381)	(3,145,381)	(3,018,555)
Creditors greater than one year	-	(1,482,825)	(1,482,825)	(819,202)
	<u>20,000</u>	<u>32,145,812</u>	<u>32,165,812</u>	<u>33,752,896</u>
Net assets at 30 September 2018				

16b. ANALYSIS OF NET ASSETS BETWEEN FUNDS – Prior year

	Designated Funds £	Unrestricted Fund £	2017 £	2016 £
Fixed assets	-	36,876,195	36,876,195	34,266,564
Current assets	80,000	634,458	714,458	837,265
Current liabilities	-	(3,018,555)	(3,018,555)	(1,802,135)
Creditors greater than one year	-	(819,202)	(819,202)	(472,774)
	<u>80,000</u>	<u>33,672,896</u>	<u>33,752,896</u>	<u>32,828,920</u>
Net assets at 30 September 2017				

FRIENDS PROVIDENT CHARITABLE FOUNDATION

YEAR ENDED 30 SEPTEMBER 2018

NOTES TO THE ACCOUNTS - 30 SEPTEMBER 2018

17. COMMITMENTS

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

	2018 £	2017 £
Land and buildings:		
Within one year	19,200	16,500
Within one to five years	17,600	-
	<hr/>	<hr/>
	36,800	16,500
	<hr/> <hr/>	<hr/> <hr/>

18. RELATED PARTY TRANSACTIONS

Due to the nature of the Foundation's operations and the composition of the trustee board and staff and their charitable interests, it is possible that the Foundation will make a donation to a charity in which a trustee or staff member 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 arm's length.

In 2018 grants were made the following organisations in which a member of staff or a trustee serves on the board:

- £180,000 in grant funding was made to the Fairshare Educational Foundation (Share Action) to cover core funding. Paul Dickinson is a trustee of both organisations.
- £165,000 was provided to increase an existing grant to Ecumenical Council for Corporate Responsibility (ECCR) in support of their new strategy; Patrick Hynes is Company Secretary.

In 2017 an investment of £2,000,000 was made in Project Snowball LLP. Paul Blyth, a member of the Investment Committee, is a director of Project Snowball LLP. In addition, £61,000 was granted to the 10:10 Foundation in support of project funding; Colin Baines has since become a trustee of the 10:10 Foundation and is also a staff member of the Foundation.

The trustees mentioned above did not take part in the funding/investment decisions relating to their related parties.

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

19. 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.