

The Lancashire Foundation

Financial Statements and Trustees' Report

for the year ended 31 December 2019

Registered Charity in England and Wales number 1149184

The Lancashire Foundation

Contents

• Reference and Administration Information	3
• Trustees' report	4
• Statement of trustees' responsibilities	10
• Independent auditor's report	11
• Statement of financial activities	14
• Statement of financial position	15
• Cash flow statement	16
• Notes to the financial statements	17

The Lancashire Foundation

Reference and Administrative Details of the Lancashire Foundation

Trustees

Michael Connor (Chair)
Derek Stapley
Louise Wells
Emma Grimes

Registered Office

29th Floor
20 Fenchurch Street
London
EC3M 3BY

Bankers

HSBC Bank Plc
2nd Floor
62-76 Park Street
London
SE1 9DZ

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Solicitor

Bates Wells Braithwaite London LLP
2-6 Cannon Street
London
EC4M 6YH

Registered Charity in England and Wales Number 1149184

The Lancashire Foundation

Trustees' report for the year ended 31 December 2019

Report of the trustees for the year ended 31 December 2019

The trustees present their report and the audited financial statements of The Lancashire Foundation ("the Charity") for the year ended 31 December 2019. The financial statements have been prepared in accordance with the accounting policies set out in Notes 2 and 3 to the accounts and comply with the Charity's Trust Deed, the Charities Act 2011 and the Statement of Recommended Practice: Accounting and Reporting by Charities published in 2016.

Structure, Governance and Management

Governing Document

The Charity is structured as a charitable trust governed by a Trust Deed dated 27 September 2012 and is a charity registered by the Charity Commission, number 1149184, operating from the registered office shown on page 3.

Organisation

The Charity is managed by the trustees who hold quarterly meetings.

Decisions are taken at meetings when a quorum of at least one third of the number of trustees or two trustees, whichever is greater, are present.

Decisions may also be taken without a meeting on a unanimous basis through written resolution or other communication between the trustees.

The day to day management of the affairs of the charity has been delegated to the Donations Committee ("the Committee").

The role and activity of the Committee can be summarised as follows:

- To receive and analyse requests for donations from charitable bodies and where appropriate recommend to the trustees that a donation be made;
- To seek to build relationships with those charities that the Foundation supports and through developing strong and long term relationships be able to provide assurance that the Foundation's funds are spent in a manner that leads to their effective use; and
- To support the Foundation in achieving its purpose through its core aims and objectives.

For the year ended 31 December 2019, the following trustees were members of the the Committee:

Emma Grimes

Other members of the Committee for the year ended 31 December 2019 were as follows:

Adam Goldsmith-King
Christopher Wilkinson (Chair)
Daniel Warburg
Jennifer Wilson

The Lancashire Foundation

Mark Carvalho

The composition of the Committee is reviewed from time to time by the trustees in order to make such changes as are necessary to ensure that it remains reflective of and responsive to the needs of the Charity.

Appointment of trustees

The founder of the Charity, Lancashire Holdings Limited ("the Founder"), may appoint new or additional trustees by deed provided that if the number of trustees falls to less than three and the Founder fails to appoint new trustee(s) within six months thereof, the remaining trustees may appoint new or additional trustees by written resolution so as to bring the number up to three.

The trustees who have served during the year are set out on page 3. The number of trustees shall not be permitted to fall below three.

All trustees give of their time freely and no trustee may receive any remuneration or other benefit in money or money's worth from the Charity.

On appointment, all new trustees receive information and training as appropriate to ensure that they are familiar with all aspects of the Charity including its finances, future plans and objectives.

Risk management

The trustees have, within the year under review, assessed the risks that the Charity faces and can confirm that systems are in place to minimise those risks. The trustees will continue to monitor and re-consider the risks the Charity is exposed to during the coming year.

The principal uncertainty facing the Charity is the level of future income. Due to the discretionary and annual nature of donations made by the Charity and its strong financial position the trustees believe that this can be effectively managed.

The Foundation received a donation of £384,586 from the Founder during 2019 (2018: £Nil)

Impact of Covid 19

The trustees have identified the following potential impacts of Covid 19 which increase the level of uncertainty about the future financial position of the Charity:

- Impact of economic conditions on level of future funding from Founder;
- Impact of financial market volatility on valuation of investments held;
- Potential failure of banking institutions holding funds; and
- Impact of economic conditions on borrowers ability to repay concessionary loans through Kiva.

The trustees are satisfied that the level and diversification of reserves held is sufficient to mitigate these.

Objectives and Activities

The Charity and its Trust Fund is administered and managed by the trustees. The objects of the Charity are to hold the Trust Fund and its income upon trust and to apply them for all purposes which are exclusively charitable under the laws of England and Wales from time to

The Lancashire Foundation

time by the making of grants to any individual, group, organisation or institution in the United Kingdom, Bermuda and worldwide.

The Charity is committed to channelling its resources in an effective way to meet community needs, particularly focussed on helping the severely disadvantaged in society.

The Charity's strategy is to provide grants to charities or organisations, whose work reflects and is aligned to the values and interests of the people and businesses within the Lancashire group of insurers. In certain cases, these grants may be renewed for a number of years, subject always to an annual review of the proposed grant at the discretion of the Charity.

The Charity also invites applications for grants from members of staff of The Lancashire Group to charities with which they have an interest or involvement.

The Charity continues to fund its key partnerships with International Care Ministries, St Giles Trust, Tomorrow's Voices, Médecins Sans Frontières and The Family Centre.

The trustees review the success of the Charity's activities through:

- analysis of levels of staff engagement with charities;
- analysis of the allocation of donations to different types of charities; and
- analysis of the performance of the underlying charities.

Reserves policy

The trustees have assessed the availability of resources to provide ongoing support to the majority of the charitable organisations currently supported based on the level of funds held, anticipated investment income and future donations from the Founder and are satisfied that sufficient reserves are held.

Restricted Funds

At 31 December 2019 the Charity held restricted funds of £8,492 (2018: £4,042) in relation to staff fundraising for Project Transform. See note 11 for further details.

Public benefit

The Charity is a public benefit entity and the trustees have paid due regard to the public benefit guidance published by the Charities Commission.

Investment policy

The Charity holds shares in the Founder which it received when exercising share warrants gifted by the Founder. The policy of the Charity is to hold these shares to receive dividend income to fund donations and to sell shares if required to provide additional cash.

Cash balances are held in liquidity funds, term deposit and interest-bearing current accounts.

Achievements and Performance

The trustees have considered each application made to the Charity.

During the year the Charity distributed £376,690 (2018: £456,615) to 28 (2018: 31) charities. The 10 largest donations during 2019 were to The Family Centre, St Giles Trust, Médecins Sans Frontières, Tomorrow's Voices, International Care Ministries, Cancer Research, Kiva Microloans, Vauxhall City Farm, The London Air Ambulance and KnowledgeQuest.

The Lancashire Foundation

During the year, the Charity matched individual employee fundraising up to a limit of £2,000, resulting in donations of £8,528 (2018: £15,339)

Details of grants made can be found in the notes to the financial statements. The trustees ensure that grants are made in accordance with the Charity's objectives.

The level of the annual donation from the Founder is dependent on its results for the year and the circumstances of the Charity. In 2019 the Founder donated £384,586 (2018: £ Nil).

Financial Review

During 2019 the Charity received donations of £389,036 (2018: £4,042) including a donation from the Founder of £384,586 (2018: \$Nil) and investment income of £207,775 (2018: £71,398) giving total incoming resources of £596,811 (2018: £75,440).

During the year donations of £376,690 were made (2018: £456,615) and an allocation of the cost of the Lancashire Group graduate internship scheme of £19,644 (2018 £126,778). After including governance costs and share sale costs of £20,609 (2018: £8,578), a loan impairment charge of £38,283 (2018: reduction of £3,622) and foreign exchange loss of £15,263 (2018: gain of £19,916) total resources expended were £470,489 (2018: £568,433).

Taking into account a gain on the revaluation of investments of £263,870 (2018: Loss of £240,092) total funds increased in 2019 by £390,192 (2018: decrease of £733,085).

At 31 December 2019, the Charity had net assets of £2,237,030 (31 December 2018: £1,846,838).

Related parties

As noted above, the Founder at its discretion has the power to provide donations to the Charity and has the power to appoint trustees. The Charity holds an investment in the shares of the Founder.

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates and the Charity received an allocation of costs of £19,644 during 2019 (2018: £126,778). The total allocation of £146,422 was due to Lancashire Insurance Services Limited at 31 December 2019 (2018: £126,778).

Future Plans

The Charity will continue to encourage staff to take part in charitable activities, often by matching sums raised, or by direct grants to charities or organisations in which staff have an interest or involvement. The trustees encourage involvement from staff in the charities or organisations supported by the Charity.

The Charity is committed to, where appropriate, developing long term relationships with those to whom it makes grants.

The Charity has implemented a plan to diversify investments and sold 132,113 shares held in the Founder during December 2019, realising a total of £1,003,926. These funds are to be invested in a diversified portfolio of investment funds during 2020 which is managed by a third-party provider. The performance of the funds will be carefully monitored by the trustees.

The Lancashire Foundation

The Charity Governance code

The trustees have considered the principles of the Charity Governance Code and applied these to the operation of the charity as follows:

1. Organisational purpose

The trustees are clear about the Charity's aims which are described in the object and activities section above and ensure that these are being delivered effectively and sustainably.

2. Leadership

The Charity is led by the trustees who provide strategic leadership in line with the Charity's aims and values.

3. Integrity

The trustees act with integrity, adopting values and creating a culture which helps to achieve the organisation's charitable purposes. The trustees are aware of the importance of the public's confidence and trust in charities, and the trustees undertake their duties accordingly.

4. Decision-making, risk and control

The trustees make sure that their decision-making processes are informed, rigorous and timely and that effective control and risk assessment and management systems are set up and monitored.

5. Trustee effectiveness

The trustees work as an effective team, using the appropriate balance of skills, experience, backgrounds and knowledge to make informed decisions.

6. Diversity

The trustees are committed to embracing diversity to support the effectiveness, leadership and decision-making within the Charity.

7. Openness and accountability

The trustees manage the organisation in a transparent and accountable way.

Statement of disclosure of information to auditor

The trustees who held office at the date of approval of this trustees' report confirm that, so far as they are each aware, there is no relevant audit information of which the Charity's auditor is unaware and each trustee has taken all the steps they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

The Lancashire Foundation

Statement of trustees' responsibilities in respect of the trustees' report and the financial statements

Under the trust deed of the Charity and charity law, the trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations. The trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assess the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Charity or to cease operations or have no realistic alternative but to do so.

The trustees are required to act in accordance with the trust deed of the Charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Charity at that time, and to enable the trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision.

They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

Each person who is a trustee at the date of this report confirms that so far as the trustee is aware, there is no relevant audit information of which the auditor is unaware.

Approved by the trustees and signed on their behalf by:



Michael Connor
Trustee
16 June 2020

The Lancashire Foundation

Independent auditor's report to the Trustees of The Lancashire Foundation

Opinion

We have audited the financial statements of The Lancashire Foundation ("the Charity") for the year ended 31 December 2019 which comprise the Statement of Financial Activities, the Statement of Financial Position, Cash Flow Statement and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2019 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 145 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Charity in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the charity or to cease its operations, and as they have concluded that the charity's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the trustees' conclusions, we considered the inherent risks to the charity's business model, and analysed how those risks might affect the charity's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charity will continue in operation.

Other information

The trustees are responsible for the other information, which comprises the Trustees' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or

The Lancashire Foundation

inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Trustees' Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- the Charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on pages 8 and 9, the trustees are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Charity'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 they either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK & Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Charity's trustees as a body, in accordance with section 145 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Charity's trustees 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 Charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

The Lancashire Foundation



Rajan Thakrar
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

16 June 2020

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

The Lancashire Foundation

Statement of financial activities for the year ended 31 December 2019


	<u>Note</u>	<u>Unrestricted</u> <u>funds</u> £	<u>Restricted</u> <u>funds</u> £	<u>2019</u> <u>Total</u> <u>funds</u> £	<u>2018</u> <u>Total</u> <u>funds</u> £
Income from					
Donations	5	384,586	4,450	389,036	4,042
Investments	9	<u>207,775</u>	<u>-</u>	<u>207,775</u>	<u>71,398</u>
Total income		<u>592,361</u>	<u>4,450</u>	<u>596,811</u>	<u>75,440</u>
Expenditure on					
Charitable activities	6	(434,617)	-	(434,617)	(579,771)
Governance costs	7	(10,570)	-	(10,570)	(5,146)
Share sale costs	9	(10,039)	-	(10,039)	(3,432)
Unrealised and realised foreign exchange gains (losses)		<u>(15,263)</u>	<u>-</u>	<u>(15,263)</u>	<u>19,916</u>
Total expenditure		<u>(470,489)</u>	<u>-</u>	<u>(470,489)</u>	<u>(568,433)</u>
Net incoming (outgoing) resources before other recognised gains and losses		121,872	4,450	126,322	(492,993)
Other recognised gains/ (losses)					
Gain (loss) on revaluation of investments		<u>263,870</u>	<u>-</u>	<u>263,870</u>	<u>(240,092)</u>
Net movement in funds		385,742	4,450	390,192	(733,085)
Fund balance brought forward		<u>1,842,796</u>	<u>4,042</u>	<u>1,846,838</u>	<u>2,579,923</u>
Fund balance carried forward		<u>2,228,538</u>	<u>8,492</u>	<u>2,237,030</u>	<u>1,846,838</u>
All operations are continuing.					

The Lancashire Foundation

Statement of financial position as at 31 December 2019

	<u>Note</u>	<u>2019</u> <u>£</u>	<u>2018</u> <u>£</u>
Assets			
Fixed assets			
Concessionary loan	8	96,477	228,563
Total fixed assets		<u>96,477</u>	<u>228,563</u>
Current assets			
Investments	9	1,088,626	1,657,978
Cash and cash equivalents		1,243,743	220,550
Accrued investment income		126	1,812
Total current assets		<u>2,332,495</u>	<u>1,880,340</u>
Liabilities			
Current liabilities			
Creditors	10	191,942	262,065
Total current liabilities		<u>191,942</u>	<u>262,065</u>
Net current assets		<u>2,140,553</u>	<u>1,618,275</u>
Net assets		<u>2,237,030</u>	<u>1,846,838</u>
Funds			
Unrestricted		2,228,538	1,842,796
Restricted	11	8,492	4,042
Total funds		<u>2,237,030</u>	<u>1,846,838</u>

Approved by the trustees on 16th June 2020 and signed on their behalf by:



 Emma Grimes
 Trustee

The Lancashire Foundation

Cash flow statement for the year ended 31 December 2019

	<u>2019</u> £	<u>2018</u> £
Cash flows from operating activities:		
Net cash (used in) operating activities	(12,754)	(556,994)
Cash flows from investing activities:		
Dividends and interest from investments	38,758	84,579
Proceeds from sale of investments	993,887	339,748
Net cash provided by investment activities	<u>1,032,645</u>	<u>424,327</u>
Change in cash and cash equivalents in year	1,019,891	(132,667)
Cash at the beginning of year	220,550	349,975
Change in cash due to exchange rate movements	3,302	3,242
Cash at bank at end of year	<u>1,243,743</u>	<u>220,550</u>

Reconciliation of changes in resources to net cash outflow from operating activities

	<u>2019</u> £	<u>2018</u> £
Net incoming (outgoing) resources (as per the statement of financial activities)	126,322	(492,993)
Adjustments for:		
Dividends and interest from investments	(37,072)	(85,606)
Realised (gains) losses on investments	(170,703)	14,207
Share sale costs	10,039	3,432
(Decrease) in creditors	(69,260)	(40,498)
Decrease in Concessionary loan	112,659	64,373
Revaluation adjustments	15,261	(19,909)
Net cash (used in) operating activities	<u>(12,754)</u>	<u>(556,994)</u>

Analysis of cash and cash equivalents

	<u>2019</u> £	<u>2018</u> £
Cash at bank	1,005,356	145,550
Notice deposits	238,387	75,000
Total cash and cash equivalents	<u>1,243,743</u>	<u>220,550</u>

The Lancashire Foundation

Notes to the accounts

1. Statement of compliance

The Charity is a charitable trust. The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements for the year ended 31 December 2019.

2. Basis of preparation and accounting

Basis of preparation

The financial statements are prepared on a going concern basis. The trustees believe the going concern assumption to be appropriate as the trustees have sufficient unrestricted funds available for the ongoing use and continuing benefit of the Charity and its objectives. The going concern assessment prepared by the trustees has taken into consideration potential impacts of Covid-19 on the Charity. The Trustees are satisfied that the level and diversification of reserves held is sufficient to mitigate the related risks and have concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

The key factors considered are that the Charity has a strong balance sheet with sufficient net assets and no significant ongoing contractual obligations. Post year-end, the trustees have also taken steps to diversify the investment portfolio and have invested in a range of funds. In addition, the vast majority of the net assets held by the Charity are highly liquid and can be readily sold if required. The trustees have analysed the latest available information in relation to the net assets when assessing the impact on going concern and the fact that donation income for the year 2020 from the founder has already been approved by the founder. In addition, all outgoing donations and charitable activities are fully at the discretion of the Charity and can be withheld if needed as such there are no long-term commitments in relation to the outgoing donations. As a result of these factors, the Trustees expect that the Charity has adequate reserves to continue its operations for a period of at least 12 months from the date that the financial statements are approved.

Presentation currency

The financial statements are presented in Pounds Sterling which is the functional currency of the Charity.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities denominated in foreign currencies are translated at year end exchange rates. The resulting exchange differences on translation are recorded in the statement of financial activities.

Basis of accounting

The financial statements have been prepared under the accruals concept and provide information that is relevant, reliable, comparable and understandable.

3. Significant accounting policies

- a) The accounts are prepared under the historic cost convention as modified by the revaluation of investments, and are drawn up in accordance with the Statement of

The Lancashire Foundation

Recommended Practice (SORP) "Accounting and Reporting by Charities" published in 2017 and applicable United Kingdom accounting standards.

- b) Shares are initially recognised at cost. They are subsequently recorded at fair value. Any gain or loss on revaluation is taken to the statement of financial activities.
- c) Voluntary income is recognised in the statement of financial activities when:
 - The Charity becomes entitled to it;
 - The trustees are reasonably certain they will receive it; and
 - The trustees are reasonably certain that the value can be reliably measured.
- d) Investment income is accounted for in the year which the Charity is entitled to receipt.
- e) Grants payable are accounted for as soon as committed.
- f) Grants payable are recognised when donations are approved by the donations committee and trustees.
- g) Due to the ongoing financial support of the Charity by the Founder, there are no costs incurred in relation to generating funds.
- h) Governance costs comprise of audit fees and bank charges and are accounted for on an accruals basis. These are allocated to unrestricted funds.
- i) Restricted funds in relation to "Project Transform" are those which must be applied in accordance with the purpose for which they were raised.
- j) Unrestricted funds comprise those funds which the trustees are free to use for any purpose in the furtherance of the charitable objectives.
- k) Where the donations committee and trustees allocate unrestricted funds to a restricted purpose such as "Project Transform" then the relevant funds are transferred from unrestricted to restricted funds.
- l) Concessionary loans are recorded at the amount paid, with the carrying amount adjusted to allow for potential impairment due to non-payment.

4. Taxation

The Charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the Charity is potentially exempt from taxation in respect of income or capital gains received with categories covered by Part 10 Income Tax Act 2007 or Section 356 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

5. Donations received

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Donation from Lancashire Holdings Limited	384,586	-
Donations to Project Transform appeal (note 11)	4,450	4,042
	<u>389,036</u>	<u>4,042</u>

6. Charitable activities

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Grants to institutions made in the year	376,690	456,615
Adjustment to provision for potential loss on concessionary loan (see note 9)	38,283	(3,622)
Graduate scheme costs	19,644	126,778
	<u>434,617</u>	<u>579,771</u>

Appendix 1 lists all grants made during the year.

The Lancashire Foundation

No charge is made for the trustees' services nor are the trustees reimbursed by the Charity for any costs they may incur. There are no other staff costs and the Charity does not employ any staff.

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates and the Charity received an allocation of costs of £19,644 during 2019. This amount was due to Lancashire Insurance Services Limited at 31 December 2019 along with the balance charged in the prior year of £126,778.

7. Governance costs

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Audit fee	6,960	4,800
Legal fee	2,640	-
Bank charges	520	346
Seminar fee	450	-
	<u>10,570</u>	<u>5,146</u>

8. Concessionary loan

	Concessionary loan £	Impairment provision £	Net balance £
Balance at 31 December 2017	343,931	(68,787)	275,144
Loan repayment	(67,995)	-	(67,995)
Adjustment to impairment provision (note 6)	-	3,622	3,622
Revaluation adjustments	<u>14,175</u>	<u>3,617</u>	<u>17,792</u>
Balance at 31 December 2018	290,111	(61,548)	228,563
Loan repayment	(74,376)	-	(74,376)
Adjustment to impairment provision (note 6)	-	(38,283)	(38,283)
Revaluation adjustments	<u>(3,709)</u>	<u>(15,718)</u>	<u>(19,427)</u>
Balance at 31 December 2019	<u>212,026</u>	<u>(115,549)</u>	<u>96,477</u>

During 2014 the Charity entered into a concessionary loan agreement with Kiva, a non-profit organisation, which provides small loans to small businesses in the developing world through partnerships with a number of micro-finance organisations.

Under the terms of the agreement \$855,000 (£670,378) was loaned for a minimum period of 2 years from 8 July 2014 to enable matching loans to be made to small businesses in developing countries.

During 2016 Kiva repaid \$284,992 (£208,990) and the term of the remaining loan of \$570,008 (£462,594) was extended to 31 December 2017.

During 2017 Kiva agreed to repay \$200,000 (£147,962) as underlying loans were repaid and the term of the remaining loan of \$370,008 (£273,735) was extended to 30 June 2019.

The Lancashire Foundation

During the year ended 31 December 2017 \$105,177 (£79,565) of the agreed \$200,000 (£147,962) was repaid and the remaining \$94,823 (£67,995) was repaid in April 2018.

As the term of the remaining loan facility expired on 30th June 2019, Kiva has now stopped lending funds and are repaying the outstanding balance to the Charity in six monthly instalments when funds are received from borrowers.

During 2019 a further \$91,870 (£74,376) was repaid as shown above, and in 2020 a further \$70,623 (£53,837) was repaid.

There is no interest payable on the amount loaned.

Due to uncertainty around the recoverability of the underlying loans, a provision for impairment has been made against the carrying amount of the loan.

As the concessionary loan and provision for potential loss are denominated in United States Dollars, they have been revalued at the closing exchange rate. These revaluation adjustments have been included in the "Unrealised and realised foreign exchange gains (losses)" line in the statement of financial activities.

9. Investments

The Charity holds common shares in Lancashire Holdings Limited which are listed on the London stock exchange. These have been recorded at fair value based on the closing share price on 31 December 2019.

During 2019, 132,113 (2018: 56,667) shares were sold resulting in a realised gain of £170,703 (2018: loss of £14,207) and share sale costs of £10,039 (2018: £3,432).

	<u>2019</u>	<u>2018</u>
Number of shares held	<u>141,933</u>	<u>274,046</u>
	<u>£</u>	<u>£</u>
Fair value	<u>1,088,626</u>	<u>1,657,978</u>

Investment income included the following:

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
Dividend income on Lancashire Holdings Limited shares	32,391	84,202
Gain (loss) on sale of shares	170,703	(14,207)
Bank interest	<u>4,681</u>	<u>1,403</u>
	<u>207,775</u>	<u>71,398</u>

The Lancashire Foundation

10. Creditors

	<u>2019</u> <u>£</u>	<u>2018</u> <u>£</u>
Accrued expenses	5,520	9,600
Accrual in relation to donations for the year	40,000	125,687
Amount payable to Lancashire Insurance Services Limited (see note 12)	146,422	126,778
	<u>191,942</u>	<u>262,065</u>

11. Restricted funds

Every year, since 2010, six to eight employees from across the Lancashire Group of Companies volunteer for Project Transform and travel to the Philippines and work alongside International Care Ministries (Philippines) for a week providing aid and support to those living in extreme poverty.

During 2019, the Charity continued to raise funds from donations made by Lancashire employees in relation to Project Transform, for the benefit of the partner charity International Care Ministries (Philippines). During 2019 £4,450 (2018: £4,042) was raised.

Restricted funds are held in a separate bank account. The balance at 31 December 2019 was £8,492 (2018: £4,042).

12. Related parties

During the year the Charity received a donation from Lancashire Holdings Limited of £384,586 (2018: Nil) and investment income of £32,391 (2018: £39,090) from the Charity's holding of shares in Lancashire Holdings Limited.

During the year the Charity sold 132,133 (2018: 56,667) of Lancashire Holdings Limited shares (refer to note 9 for further details).

There were no amounts due to or from Lancashire Holdings Limited at 31 December 2019.

The Founder and the Charity have jointly sponsored an internship programme for Bermuda resident college graduates and the Charity received an allocation of costs of £19,644 during 2019 (2018: £126,778). The related amounts have not yet been paid by the Charity and £146,422 was due to Lancashire Insurance Services Limited at 31 December 2019 (2018: £126,778).

13. Subsequent events

The Founder has approved a donation to the Charity of \$750,000 for 2020 which will enable it to continue to meet its objectives in that year by supporting new and existing charities.

Covid 19 has resulted in increased volatility in financial markets which has had led to a reduction in the value of the investments held by the Charity below their valuation in the statement of financial position at some points of the year to date. The trustees continue to closely monitor the situation.

The Lancashire Foundation

Appendix 1: Grants to Institutions

	<u>2019</u>	<u>2018</u>
	<u>£</u>	<u>£</u>
The Family Centre	60,000	74,389
St Giles Trust	42,273	80,348
Médecins Sans Frontières	41,540	-
Bermuda Autism Support "Tomorrow's Voices"	40,674	49,051
International Care Ministries (Philippines)	40,000	81,847
Cancer Research UK	25,895	26,500
Kiva Microloans	20,000	40,000
Vauxhall City Farm	20,000	-
London Air Ambulance	10,000	10,000
Knowledge Quest	9,152	5,659
The Poppy Factory	8,528	-
Warwick Academy Outreach Programme	7,118	8,485
Windreach Bermuda	7,118	7,546
Child Bereavement UK	7,000	6,500
Victor Scott Primary School	5,084	4,528
Action on Addiction	5,000	25,000
Medical Detection Dogs	5,000	5,000
Mission Aviation Fellowship	5,000	5,000
Team Up	5,000	-
Care for children	5,000	-
Bermuda Cancer & Health Centre	3,838	1,989
Ahoy Centre	2,000	-
Rise2Shine	-	7,629
Women for Women	-	5,000
The Lord Mayor's appeal	-	2,500
Miscellaneous donations under £2,000	1,470	9,644
Total donations:	<u>376,690</u>	<u>456,615</u>