



THE CHURCH OF SCOTLAND INVESTORS TRUST

Constituted by Act of Parliament 1994

Trustees' Report for the Year ended 31 December 2017

1. Reference and Administrative Details

Name: - The Church of Scotland Investors Trust

Reg. No. : - Scottish Charity No. SC022884

Address: - The Church of Scotland Offices
121 George Street
Edinburgh EH2 4YN

Trustees: - The Trustees who served at any time during the year and up to the date of signing the financial statements were:-

Catherine Y Alexander (Chairman)

Brian J Duffin (Vice Chairman)

Alan A Aitchison

Robert D Burgon

David D Campbell

Elaine Crichton

Jane Henderson

Rodger H Nisbet

F Donald Tosh

Thomas M Walker

J Grant Wilson

Gordon R Young

Michael G S Yuille

Investment Managers: - Growth Fund Newton Investment Management Limited
160 Queen Victoria Street, London EC4V 4LA

Income Fund Royal London Asset Management Limited
55 Gracechurch Street, London EC3V 0UF

Deposit Fund Thomas Miller Investment Limited
90 Fenchurch Street, London EC3M 4ST

Investment Consultant: - Mercer Limited
Quartermile One, 15 Lauriston Place,
Edinburgh, EH3 9EP

Bankers and Safe Custody Agent: - Growth Fund
The Bank of New York Mellon Corporation
1 Piccadilly Gardens, Manchester M1 1RN

Income Fund
HSBC Securities Services,
8 Canada Square, Canary Wharf,
London, E14 5HQ

Staff: - Treasurer Anne F Macintosh
Secretary Nicola Robertson (January 2017 - May 2017)
Acting Secretary Jennifer Urquhart (June 2017 – December 2017)

Independent Auditors: - PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow G2 7EQ



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2. Structure, Governance and Management

The Church of Scotland Investors Trust is a statutory corporation, established by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994.

It is a component element of the Church of Scotland which has Designated Religious Charity status. The Church of Scotland consists of the Unincorporated Councils and Committees of the General Assembly of the Church of Scotland, The Church of Scotland General Trustees and The Church of Scotland Investors Trust, none of which are controlled by each other but all of which are related parties and report individually to the General Assembly.

The Act permits the appointment of a maximum of twenty Trustees. Individuals who are suitably qualified and experienced in investment are identified by the existing Trustees or may apply to an advertisement in the Church's Life and Work magazine. They are provided with copies of the Act, the Statement of Investment Policy, the most recent Annual Report and Financial Statements, the General Assembly Report and Minutes of meetings. Trustee appointments are approved by the General Assembly and all Trustees are regularly offered opportunities to keep themselves up to date on investment and charity matters.

The Trustees meet four times per year to receive performance reports from the Managers of the three funds who also submit regular written reports. The Trustees have engaged a consultant to report and advise on the performances of the Growth and Income Fund Managers.

There is a Chairman's Sub-Committee which deals with issues of policy for presentation to full Trustees' meetings and acts as an Interviewing and Nominating Sub-Committee for potential Trustees. Additionally there is an Audit Sub-Committee which considers the Annual Report and Financial Statements prior to submission to the Trustees for approval.

The Church of Scotland Investors Trust has no employees and day to day administration is delegated to the Secretary and, in respect of financial matters, to the Treasurer, both of whom are employees of the Central Services Committee of the Church of Scotland. During the year, the Unincorporated Councils and Committees charged £110,000 (2016 - £110,000) to the Investors Trust for management services, including staff costs. These costs are charged proportionally to the three investment funds.

The Chairman reports annually to the General Assembly in May. The Annual Report and Financial Statements are made available to Commissioners to the General Assembly and are available to download from the Church of Scotland website. Quarterly reports, monthly dealing dates, unit prices and historic unit prices are also available on the website.

A formal risk management process is in place and a regular review of the risk matrix is undertaken by the Audit Sub-Committee.

The Church of Scotland Investors Trust is a member of the Church Investors Group, an organisation which represents institutional investors from many mainstream Church denominations and church related charities. The Vice Chairman is a member of the Steering Committee for the Church Investors Group. The Church Investors Group encourages the formulation of investment policies based on Christian ethical principles. The Chairman has been actively involved in the discussions with the Church of Scotland Church and Society Council on potential divestment from oil and gas companies as well as engaging on other social and environmental issues.

None of The Church of Scotland Investors Trust Trustees declared any personal connection to the Fund Managers of the Church of Scotland Investors Trust or indeed any other service providers. It should be noted however that some of the component elements and also some of the congregations of which Trustees are members have deposits/investments with the Investors Trust and receive interest/dividends. These were all on an arm's length basis in line with agreements with all other investors.



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3. Objectives and Principal Activities

The Investors Trust exists to provide to Congregations, Councils and Committees of the Church of Scotland and to bodies within or connected to the Church, a range of economical facilities for investment of their funds. Investors enjoy the benefits of professional management, with continuous portfolio supervision, spread of investment risk and economies of scale. The Investors Trust has wide powers of investment and is exempt from UK income and capital gains tax. All income distributions to investors are paid gross of tax, thus relieving investors from the requirement to reclaim tax.

Three professionally managed investment funds, with the following objectives, are available to meet the varying needs of Church investors;

The **Growth Fund** is intended to provide a growing annual income and to provide an increase in the value of capital over the longer term.

The **Income Fund** is intended to provide consistent high income and to protect the nominal value of capital in the medium-long term.

The **Deposit Fund** is intended for short-term investment, ideally of no longer than eighteen months, and seeks to provide a competitive rate of interest whilst spreading risk and preserving nominal capital value.

The achievement of the objectives of the three investment funds assists individual Congregations, Councils and Committees of the Church of Scotland, which are investors, in undertaking activities to further their own charitable purposes. Investing parties, such as congregations, remit monies to the Investors Trust along with written instructions to invest in one or more of the three funds offered by the Investors Trust. The Trustees of the Investors Trust are responsible for appointing and monitoring the performance and activities of the Fund Managers.

The risk of fluctuations in capital values and income distributions rests solely with individual investors. The Managers of the Growth and Income Funds are set income earnings targets annually, to enable the Trustees to forecast income distribution levels.

Ethical considerations form an integral part of the investment management process and the Income and Growth Fund managers employ the screens from EIRIS in arriving at an appropriate investment universe. Additionally the Trust looks to the Church Investors Group for guidance. Investment is avoided in any company whose management practices are judged by the Trustees to be unacceptable. In particular, investment is avoided in any company substantially involved in gambling, tobacco products, alcohol, armaments and other activities which are felt to harm society more than they benefit it. "Substantially" is interpreted as resulting in 15% or more of total turnover being derived from these sectors. In addition to the foregoing exclusions, in 2016 the Trustees agreed to avoid investment in companies who derive more than 15% of their turnover from extraction and/or sale of thermal coal and/or oil extracted from tar sands.

In general, investment is sought in companies that demonstrate responsible employment and good corporate governance practices, have regard to environmental performance and human rights and act with sensitivity to the communities in which they operate. Whilst the Trustees have not agreed a specific social investment policy, principally as the Managers have full discretion as to the day-to-day investment decisions, it should be noted that assets held include social enterprise bonds within pooled funds.



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Trustees' Report for the Year ended 31 December 2017

4. Achievements and Performance and Financial Review

The Trustees continued to monitor the performance of the Fund Managers, receiving monthly and quarterly reports, meeting regularly with the Managers and bi-annually with investors. The overall performance of the Investors Trust was consistent with its objectives for 2017.

The net total value of funds due to investors increased from £416.7 million at 31 December 2016 to £443.4 million at 31 December 2017. Investment values saw an increase in 2017 due to the generally positive market returns.

Growth Fund (£284.0 million (2016 - £260.8 million))

In order to allow objective assessment to be made of investment performance, an internal benchmark reflecting ethical constraints has been agreed with the Managers. Total return in 2017 was 11.3% against the composite benchmark of 11.3%. Income received was 17.10p per unit (2016 – 17.20p per unit), exceeding the 16.0p per unit target, with the Trustees agreeing to pay a distribution of 17.0 per unit and add the balance to reserves.

Income Fund (£71.4 million (2016 - £66.1 million))

An internal benchmark has been agreed with the Managers in order to allow objective assessment to be made of investment performance. In 2017 the total return was 9.7% against the composite benchmark of 5.5%. Income received was 51.76p per unit (2016 – 50.26p per unit), exceeding the 50.0p per unit target. The Trustees agreed to distribute 50.00p per unit, with the balance added to reserves.

Deposit Fund (£88.0 million (2016 - £89.8 million))

The Fund is invested in short-term deposits with Banks and Building Societies. The average annual rate of interest paid for 2017 was 0.49% (2016- 0.69%).

5. Plans for Future Periods

The Investors Trust will continue to provide an investment service in accordance with the Objectives and Principal Activities stated in Section 3.

6. Risk Management

The Trustees maintain a Risk Register which is reviewed annually by the Audit Sub-Committee in order to ensure that the main risks to which the Trust is exposed are being effectively managed. The principal risk relates to the management of the performance of the Fund Managers. This is mitigated by the investment expertise of the Trustees and their regular monitoring of the performance of the investment managers. In addition, an external investment consultant is retained to provide independent advice on the relative performance of the Growth and Income Fund Managers.

Within the Funds themselves, the Trustees have confirmed with the Fund Managers that none of the Trusts' funds are exposed to complex instruments such as derivatives or interest rate swaps. The statement of investment policy is also reviewed annually and issued to each Manager to ensure the objectives of each fund are clear and any restrictions complied.

The risk of fluctuations in capital values and income distributions rests with individual investors and not with the Investors Trust.



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7. Reserves Policy

The Trustees maintain a small capital reserve with a market value £68,000 as at 31 December 2017 (2016 - £ 64,000), which is invested in the Growth Fund. The income from which is used to offset administration costs.

Within the investment funds themselves, the Trustees maintain reserves which have been achieved by accruing undistributed income. The balances of these reserves as at 31 December 2017 was;

Deposit Fund £ 8,519 (£ 9,185 - 2016)
Growth Fund 3.35 pence per unit (3.25p per unit 2016)
Income Fund 11.00 pence per unit (9.21p per unit 2016)

The level of reserves is considered to be appropriate for the purposes of the Investors Trust and is reviewed annually.

8. Independent Auditors

A resolution dated 14 March 2017 to re-appoint PricewaterhouseCoopers LLP, as auditors, was approved.

9. Statement of Trustees' Responsibilities in Respect of the Trustee's Report and the Financial Statements

The Trustees are responsible for preparing the Trustee's Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in Scotland 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 charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



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

Catherine Y Alexander, Chairman

Jennifer Urquhart, Acting Secretary

Edinburgh
6th March 2018

Independent auditors' report to the trustees of The Church of Scotland Investors Trust

Report on the audit of the financial statements

Opinion

In our opinion, The Church of Scotland Investors Trust's financial statements (the financial statements"):

- give a true and fair view of the state of the charity's affairs as at 31 December 2017 and of its incoming resources and application of resources, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Trustee's Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2017; the statement of financial activities, the cash flow statement and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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 charity'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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charity's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Trustees' Report

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion the information given in the Trustees' Report is inconsistent in any material respect with the financial statements. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustee's Responsibilities set out on page 5, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We are eligible to act and have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with the Act and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charity's trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulations made under that Act (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended)) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Charities Accounts (Scotland) Regulations 2006 (as amended) exception reporting

Under the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
6 March 2018

- (a) The maintenance and integrity of The Church of Scotland Investors Trust website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



THE CHURCH OF SCOTLAND INVESTORS TRUST
STATEMENT OF FINANCIAL ACTIVITIES
For the year ended 31 December 2017

Note	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total Funds 2017 £'000	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total Funds 2016 £'000
Income from:						
3 Investments	2	12,885	12,887	2	13,022	13,024
Total Income	2	12,885	12,887	2	13,022	13,024
Expenditure on:						
4 Managing Funds	-	1,176	1,176	-	1,053	1,053
5 Charitable Activities	-	167	167	-	154	154
6 Other	-	12,782	12,782	-	12,440	12,440
Total Expenditure	-	14,125	14,125	-	13,647	13,647
Gains on Investment Assets						
Realised Gains on Investment Assets	4	12,774	12,778	5	4,819	4,824
Unrealised Gains on Investment Assets	-	10,828	10,828	-	21,474	21,474
13 Total Gains on Investment Assets	4	23,602	23,606	5	26,293	26,298
Net Income	6	22,362	22,368	7	25,668	25,675
Transfers	(2)	2	-	(2)	2	-
	4	22,364	22,368	5	25,670	25,675
14 Increase in Liability to Investors	-	(22,364)	(22,364)	-	(25,670)	(25,670)
Net Movement in Funds	4	-	4	5	-	5
Reconciliation of Funds						
Total Funds Brought Forward at 1 January	64	-	64	59	-	59
Total Funds Carried Forward at 31 December	68	-	68	64	-	64

All results derive from continuing operations

All gains and losses recognised in the year are included in the Statement of Financial Activities



THE CHURCH OF SCOTLAND INVESTORS TRUST
BALANCE SHEET
For the year ended 31 December 2017

Note		2017 £'000	2016 £'000
	Fixed Assets		
8,13	Investments	342,671	311,365
	Total Fixed Assets	<u>342,671</u>	<u>311,365</u>
	Current Assets		
9	Debtors	2,727	3,335
8	Investments	87,000	88,500
10	Cash at bank and in hand	15,850	18,079
	Total Current Assets	<u>105,577</u>	<u>109,914</u>
11	Creditors: Amounts falling due within one year	(448,180)	(421,215)
	Net Current Assets	<u>(342,603)</u>	<u>(311,301)</u>
	Net Charity Assets	<u>68</u>	<u>64</u>
	The Funds of the Charity:		
	Unrestricted Income Funds	68	64
	Total Funds of the Charity	<u>68</u>	<u>64</u>

The Financial Statements on pages 9 to 17 were approved by the Trustees on 6th March 2018

Catherine Y Alexander

Anne F Macintosh BA CA Treasurer

Edinburgh

6th March 2018



THE CHURCH OF SCOTLAND INVESTORS TRUST
CASH FLOW STATEMENT
For the year ended 31 December 2017

	2017 £'000	2016 £'000
Cash Flows from operating activities		
<i>Net cash provided by operating activities</i>	1,309	3,998
Cash flows from investing activities		
Purchase of investments	(92,383)	(46,578)
Proceeds from sale of investments	84,683	41,974
Amounts received on creation of units/deposits	47,428	44,321
Amounts paid on cancellation of units/deposits	(43,266)	(36,771)
	(3,538)	2,946
<i>Net cash (used in)/provided by investing activities</i>	(3,538)	2,946
<i>Change in cash and cash equivalents in the reporting year</i>	(2,229)	6,944
Cash and cash equivalents at the beginning of the reporting year	18,079	11,135
<i>Cash and cash equivalents at the end of the reporting year</i>	15,850	18,079
Reconciliation of net income for the reporting year (as per the statement of financial activities)		
<i>Net income for the reporting year (as per the statement of financial activities)</i>	22,368	25,675
Gains on investments	(23,606)	(26,298)
Decrease/(Increase) in debtors	608	(1,449)
Increase in creditors (excluding amounts due to investors)	439	70
Decrease in Deposit Fund investments	1,500	6,000
<i>Net cash provided by operating activities</i>	1,309	3,998



THE CHURCH OF SCOTLAND INVESTORS TRUST
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

1 Basis of Preparation

The financial statements are prepared on the historical cost basis, as modified by the revaluation of investments, and in accordance with the accounting policies set out below.

The financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the Charities SORP'), FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The financial statements are prepared on a going concern basis using consistently applied accounting policies.

2 Accounting Policies

a) Funds

Unrestricted Funds :

The Investors Trust beneficially owned investments in the Growth Fund at 31 December 2017 with a market value of £68,000 (2016 - £64,000). The income was transferred to offset administration costs.

Amounts Due to Investors:

The Investors Trust operates three funds which are available to Councils, Committees and other Church bodies. As these units/deposits can be realised by the holders as required the total value which these represent is shown in the Balance Sheet as a short-term liability of the Investors Trust.

This figure represents the total value of units and deposits held by the Councils, Committees and other bodies of the Church at 31st December 2017 - £443,286,000 (2016 - £416,760,000).

b) Recognition of Income

Dividend income is recognised in the Statement of Financial Activities when the right to receive payment is established. All dividends on shares quoted ex dividend up to the end of the accounting year are included as income in the Statement of Financial Activities. Distributions from collective investment schemes held in the Income Fund are recognised as income in full, including any equalisation amounts.

Bank, bond and deposit interest and other income and expenses are accounted for on an accruals basis.

c) Treatment of Expenses

Expenses are recognised on an accruals basis and are charged against capital for the Growth Fund and Income Fund and against revenue for the Deposit Fund.



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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Accounting Policies (continued)

d) Valuation of Investments

Listed investments are valued at their middle market value at the close of business at the year end.

Deposits held by the Deposit Fund are stated at cost.

Realised and unrealised gains and losses are included within the Statement of Financial Activities.

e) Distributions

Distribution levels for the Growth and Income Funds are determined by the Trustees based on income received. The Trustees aim to provide a growing income from the Growth Fund, an income based on current yields in fixed interest markets from the Income Fund and a rate comparable with short-term money market rates from the Deposit Fund. Levels of distributions are detailed in Note 6.

f) Related Party Transactions

The Church of Scotland Investors Trust manages its working capital through the Church of Scotland's central banking system. The Investors Trust accounts for this as a debtor or creditor based on whether the Trust is due money from or to the central banking system at the year end.

g) Foreign Currency Transactions

All foreign currency transactions are recorded in Pounds Sterling using the market exchange rate in use on the date of the transaction. Any balances held in foreign currency at the year end are translated at the market exchange rate at the balance sheet date. Any gain/loss arising on foreign investments held at the year end is included within the gains/losses on investments.

h) Cash and Bank Balances

This figure comprises the balances held by the Investors Trust's bankers together with amounts held on call within the Deposit Fund.

i) Fixed Asset and Current Asset Investments

Fixed interest stocks and equities are managed within long-term portfolios and so are treated as Fixed Asset Investments. All the deposits held by the Deposit Fund mature during 2018 so are treated as Current Asset Investments.

j) Tax Status

The Church of Scotland Investors Trust has charitable status for tax purposes and as such is exempt from UK income and capital gains taxes. In certain circumstances fiscal law does not allow the recovery of all tax deducted from income. Distributions are paid gross to unitholders and depositors.



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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

2 Accounting Policies (continued)

k) Financial Instruments

The Trustees determine their investment strategy after taking advice from professional investment advisers. The Funds have exposure to credit and market risks because of the investments they make. The Trustees manage these investment risks within agreed risk limits which are set taking into account the Fund's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Fund's investment managers and monitored by the Trustees by regular reviews of the investment portfolio.

Credit Risk

Credit risk arising on bonds held by the Growth and Income Funds is mitigated by investing via pooled investment vehicles. Investment by the Growth Fund in corporate and overseas bonds, index linked and high yield bonds which are not investment grade (excluding pooled investments) represent less than 1% of the total portfolio. Cash held by the funds is within financial institutions which are at least investment grade credit rated.

The Trustees carry out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitor any changes to the operating environment of the pooled investment managers.

This risk does not apply to the Deposit Fund although it should be noted all deposits held are with highly rated financial institutions to which maximum investment limits are applied as advised by the Manager.

Market Risk

Currency - The Growth Fund is subject to currency risk because some of the funds' investments are held in overseas markets, either as segregated investments or via pooled investment vehicles. The Trustees have limited overseas currency exposure by setting limits for the value of the portfolio to be invested in any one geographic region. This risk does not apply to the Income or Deposit Funds.

Interest Rate - The Funds are subject to interest rate risk because some of the Funds' investments are held in bonds through pooled investment vehicles, segregated investments and cash. The Trustees monitor these investments quarterly.

Other - Other price risk arises principally in relation to the Growth Fund's return seeking portfolio which includes directly held equities. The Fund has set a target asset allocation for return seeking investments. The Growth Fund Manager's strategy should allow them the freedom to make these decisions which are monitored by the Trustees on a quarterly basis.



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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

3 Income from Investments

	2017 Total £'000	2016 Total £'000
UK dividends	5,618	5,639
Overseas dividends	3,278	3,375
Interest on fixed interest securities	3,441	3,279
Bank/deposit interest	550	731
	12,887	13,024

Investment Income was £12,887,000 (2016 - £13,024,000) of which £12,885,000 was restricted (2016 - £13,022,000) and £2,000 was unrestricted (2016 - £2,000).

4 Expenditure on Managing Funds

	2017 Total £'000	2016 Total £'000
Managers' fees	1,176	1,053

5 Expenditure on Charitable Activities

	2017 Total £'000	2016 Total £'000
Administration	154	142
Audit fee	13	12
	167	154

Costs include management services, investment consultancy, printing, insurance and IT charges. During the year, the Unincorporated Councils and Committees charged £110,000 to the Investors Trust for management services (2016 - £110,000). No staff are directly employed by the Trust. During the year £14,400 was paid to Pricewaterhouse Coopers LLP in respect of fees for the French Withholding tax reclaim (2016 - £16,200).

6 Other Expenditure

Growth Fund and Income Fund

The distributions take account of income received on the creation of units and income deducted on the cancellation of units and comprise:

	Pence Per unit	2017 £'000	Pence Per unit	2016 £'000
Growth Fund Income - Dividend Distribution	17.00	9,496	16.75	9,146
Income Fund Income - Dividend Distribution	50.00	2,859	50.00	2,690
		12,782		12,440
	% Rate		% Rate	
Deposit Fund - Interest Distribution	0.49	427	0.69	604
		12,782		12,440

7 Trustees Remuneration and Expenses

No Trustee received remuneration during the year (2016 - nil). No travelling and accommodation expenses were paid to the Trustees during the year (2016 - nil).

Note : The Trustees have a Directors' and Officers' Liability Insurance policy for £5 million. The premium was £6,875 (2016 - £6,844).



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8 Investments	2017	2016
	Total	Total
	£'000	£'000
Fixed Assets		
- Fixed Interest Stocks	27,893	22,557
- Property - Collective Investment Schemes	20,340	22,881
- Fixed Interest - Collective Investment Schemes	63,326	52,728
- Equities - Collective Investment Schemes	1,239	12,644
- UK Equities	95,399	93,392
- Overseas Equities	128,853	107,163
- Overseas Fixed Interest Stocks	5,621	-
	<u>342,671</u>	<u>311,365</u>
Current Assets		
- Short-term Deposits	87,000	88,500
	<u>429,671</u>	<u>399,865</u>

The only material investment, exceeding 5% of the total value of investments held, was the holding in the Royal London Asset Management Ethical Bond Fund, valued at £46,968,351, representing 11% of the total (2016 - Royal London Asset Management Ethical Bond Fund - £38,076,259 - 9.5%).

9 Debtors	2017	2016
	Total	Total
	£'000	£'000
Dividends and interest receivable	1,129	1,404
Income tax recoverable	-	250
Overseas tax recoverable	682	540
Foreign currency contract awaiting settlement	50	35
Due from Church of Scotland	846	1,086
Fee Rebate due	20	20
	<u>2,727</u>	<u>3,335</u>

10 Cash at bank and in hand	2017	2016
	Total	Total
	£'000	£'000
Cash in bank/on deposit	15,850	18,079

11 Creditors: Amounts falling due within one year	2017	2016
	Total	Total
	£'000	£'000
Final distributions due for 2017	4,372	4,198
Accrued expenses	472	222
Foreign currency contract awaiting settlement	50	35
Amounts due to Investors	443,286	416,760
	<u>448,180</u>	<u>421,215</u>

12 Commitments

At 31 December 2017, the Trust had no commitments (2016 - none).



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13 Movement in Investments

	2017	2016
	Total	Total
	£'000	£'000
Market value at 1 January	311,365	280,463
Add : Additions to investments at cost	92,383	46,578
Less : Disposals at Open Market Value	(84,683)	(41,974)
Net gain on revaluation	23,606	26,298
Market value at 31 December	<u>342,671</u>	<u>311,365</u>

14 Increase in Liability to Investors

	2017	2016
	Total	Total
	£'000	£'000
Total income	12,887	13,024
Total expenditure	(14,125)	(13,647)
Gains on investment assets	23,606	26,298
Funds attributable to Church of Scotland Investors Trust	(4)	(5)
	<u>22,364</u>	<u>25,670</u>

15 Related Party Transactions

The Church of Scotland Investors Trust is a component element of the Church of Scotland which has Designated Religious Charity status. This includes the Unincorporated Councils and Committees of the General Assembly of the Church of Scotland, The Church of Scotland General Trustees and The Church of Scotland Investors Trust, none of which are controlled by each other but all of which are related parties and report individually to the General Assembly.

During the year, the Unincorporated Councils and Committees charged £110,000 to the Investors Trust for management services (2016 - £110,000). At 31 December 2017, the Investors Trust had a debtor balance of £846,000 due from the Unincorporated Councils and Committees (2016 - debtor balance of £1,086,000 due from the Unincorporated Councils and Committees). This represents monies held in the internal Church of Scotland banking system.

In addition, some of these component elements and also some of the congregations of which Trustees are members have deposit/investments with the Investors Trust and received interest/dividends; these were all on an arms' length basis in line with agreements with all other investors.