



The Church of Scotland Investors Trust

Constituted by Act of Parliament 1994

Trustees' Report for the Year ended 31 December 2018

I. 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 (until 31.12.18)
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 (Isle of Man) Limited 90 Fenchurch Street, London EC3M 4ST

Investment Consultant: - Mercer Limited
Quatermile 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 (from April 2018)
	Acting Secretary	Jennifer Urquhart (Jan 2018 –March 2018)

Independent Auditors: - RSM UK Audit LLP
Third Floor, Centenary House, 69 Wellington Street
Glasgow, G2 6HG

The Church of Scotland Investors Trust
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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 (2017 - £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 (CIG), an organisation which represents institutional investors from many mainstream Church denominations and church related charities. The Vice Chairman is a Director of the Church Investors Group. The Church Investors Group encourages the formulation of investment policies based on Christian ethical principles. The Church of Scotland has no specific resource dedicated to research in Ethical, Social and Corporate Governance (ESG) matters and consequently membership of CIG is an important connection to current thinking on ESG topics by like-minded Christian organisations. Another key source of information on ESG matters is research, engagement activity and campaigns undertaken by our Investment Managers. The Chairman has engaged with Councils and Committees in the Church on ethical investment questions.

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 investment 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 the Ethical Investment Research and Information Service (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, thermal coal and tar sands 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 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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4. Achievements and Performance and Financial Review

The Trustees monitor the performance of the Fund Managers, receiving monthly and quarterly reports, meeting regularly with the Managers and annually with investors. The overall performance of the Investors Trust was consistent with its objectives for 2018.

The net total value of funds due to investors reduced from £443.3 million at 31 December 2017 to £435.1 million at 31 December 2018. Investment values saw a decrease in 2018 due to the negative market returns.

Growth Fund (£276.9 million (2017 - £284.0 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 2018 was 0.22% against the composite benchmark of -3.40%. Income received was 16.73p per unit (2017 – 17.10p per unit). The target set for the managers was 16.75p per unit. The Trustees have agreed to pay a distribution of 17.0p per unit with 0.27p per unit paid from reserves.

Income Fund (£71.8 million (2017 - £71.3 million))

An internal benchmark has been agreed with the Managers in order to allow objective assessment to be made of investment performance. In 2018 the total return was -0.08% against the composite benchmark of -1.18%. Income received was 48.76p per unit (2017 – 51.76p per unit) and the Trustees agreed to distribute 50.00p per unit with the deficit paid from reserves.

Deposit Fund (£86.4 million (2017 - £88.0 million))

The Fund is invested in short-term deposits with Banks and Building Societies. The average annual rate of interest paid for 2018 was 0.59% (2017- 0.49%).

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 regularly, and at least 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. Employment of derivatives is permitted only for efficient portfolio management purposes, for example in the case of asset allocation changes. 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.

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.

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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.

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.

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.

7. Reserves Policy

The Trustees maintain a small capital reserve with a market value £65,000 as at 31 December 2018 (2017 - £68,000), which is invested in the Growth Fund. The income from the capital reserve is used to offset administration costs.

Within the investment funds themselves, the Trustees maintain reserves by accruing undistributed income. The balances of these reserves as at 31 December 2018 was:

Deposit Fund £ 8,925 (£ 8,519 - 2017)
Growth Fund 3.08 pence per unit (3.35p per unit 2017)
Income Fund 10.15 pence per unit (11.39p per unit 2017)

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 18th October 2018 appointed RSM UK Audit LLP as auditors for the year ended 31 December 2018.

A resolution dated 19th March 2019 to re-appoint RSM UK Audit LLP, as auditors, was approved.

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Trustees' Report for the Year ended 31 December 2018

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.

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

Nicola Robertson, Secretary

**Edinburgh
19 March 2019**

The Church of Scotland Investors Trust
Constituted by Act of Parliament 1994
Independent Auditors Report to the Trustees of The Church of Scotland Investors Trust

Opinion

We have audited the financial statements of the Church of Scotland Investors Trust for the year ended 31st December 2018 which comprise of the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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 FRS 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 charity's affairs as at 31 December 2018 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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 charity 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 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 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.

Other information

The other information comprises the information included in the 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, 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.

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Independent Auditors Report to the Trustees of The Church of Scotland Investors Trust

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper accounting records have not been kept; 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.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on pages 5 and 6 the trustees 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 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.

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.

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). 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.

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Third Floor
Centenary House
69 Wellington Street
Glasgow, G2 6HG

Date: 22nd March 2019

The Church of Scotland Investors Trust
 Constituted by Act of Parliament 1994
Statement of Financial Activities
 For the year ended 31 December 2018

Note	Unrestricted Funds 2018 £'000	Restricted Funds 2018 £'000	Total Funds 2018 £'000	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Total Funds 2017 £'000
Income from:						
3 Investments	2	12,956	12,958	2	12,885	12,887
Total Income	2	12,956	12,958	2	12,885	12,887
Expenditure on:						
4 Managing Funds	-	1,187	1,187	-	1,176	1,176
5 Charitable Activities	-	152	152	-	167	167
6 Other	-	13,102	13,102	-	12,782	12,782
Total Expenditure	-	14,441	14,441	-	14,125	14,125
Gains on Investment Assets						
Realised Gains on Investment Assets	-	10,264	10,264	4	12,774	12,778
Unrealised (Losses)/Gains on Investment Assets	(3)	(21,748)	(21,751)	-	10,828	10,828
8 Total Gains on Investment Assets	(3)	(11,484)	(11,487)	4	23,602	23,606
Net (Expenditure)/Income	(1)	(12,969)	(12,970)	6	22,362	22,368
Transfers	(2)	2	-	(2)	2	-
	(3)	(12,967)	(12,970)	4	22,364	22,368
12 Reduction/(Increase) in Liability to Investors	-	12,967	12,967	-	(22,364)	(22,364)
Net Movement in Funds	(3)	-	(3)	4	-	4
Reconciliation of Funds						
Total Funds Brought Forward at 1 January	68	-	68	64	-	64
Total Funds Carried Forward at 31 December	65	-	65	68	-	68

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
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Balance Sheet
as at 31 December 2018

Note	2018 £'000	2017 £'000
Fixed Assets		
8 Investments	335,074	342,671
Total Fixed Assets	335,074	342,671
Current Assets		
9 Debtors	2,206	2,727
8 Investments	86,000	87,000
10 Cash at bank and in hand	16,639	15,850
Total Current Assets	104,845	105,577
11 Creditors: Amounts falling due within one year	(439,854)	(448,180)
Net Current Liabilities	(335,009)	(342,603)
Net Charity Assets	65	68
 The Funds of the Charity:		
Unrestricted Income Funds	65	68
Total Funds of the Charity	65	68

The Financial Statements on pages 9 to 17 were approved by the Trustees on 19 March 2019

Catherine Y Alexander

Anne F Macintosh BA CA Treasurer

Edinburgh

19 March 2019

The Church of Scotland Investors Trust
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Cashflow Statement
For the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash Flows from operating activities		
<i>Net cash (used in)/provided by operating activities</i>	(63)	1,309
Cash flows from investing activities		
Purchase of investments	(57,888)	(92,383)
Proceeds from sale of investments	53,998	84,683
Amounts received on creation of units/deposits	48,065	47,428
Amounts paid on cancellation of units/deposits	(43,323)	(43,266)
	<hr/>	<hr/>
<i>Net cash provided by/(used in) investing activities</i>	852	(3,538)
<i>Change in cash and cash equivalents in the reporting year</i>	789	(2,229)
Cash and cash equivalents at the beginning of the reporting year	15,850	18,079
	<hr/>	<hr/>
<i>Cash and cash equivalents at the end of the reporting year</i>	16,639	15,850
	<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net income for the reporting year (as per the statement of financial activities)		
<i>Net (expenditure)/income for the reporting year (as per the statement of financial activities)</i>	(12,970)	22,368
Losses/(gains) on investments	11,487	(23,606)
Decrease in debtors	521	608
(Decrease)/increase in creditors (excluding amounts due to investors)	(101)	439
Decrease in Deposit Fund investments	1,000	1,500
	<hr/>	<hr/>
<i>Net cash (used in)/provided by operating activities</i>	(63)	1,309
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The Church of Scotland Investors Trust
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Notes to the Financial Statements
For the year ended 31 December 2018

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 Church of Scotland Investors Trust is a statutory corporation, established by the Church of Scotland (Properties and Investments) Order Confirmation Act 1994. It is recognised as a charity for tax purposes by HMRC, registered with the Office of the Scottish Regulator (OSCR) under charity number: SC022884 and meets the definition of a public benefit entity under FRS 102. Details of the Trust's registered office can be found on page 1 and details of the Trust's principal activities on page 3.

These Financial Statements are presented in pounds sterling (GBP) as that is the currency in which the Trust's transactions are denominated.

2 Accounting Policies

a) Funds

Unrestricted Funds:

The Investors Trust beneficially owned investments in the Growth Fund at 31 December 2018 with a market value of £65,000 (2017 - £68,000). 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 2018 - £435,061,000 (2017 - £443,286,000).

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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For the year ended 31 December 2018

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) Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than twelve months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

j) 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 2019 so are treated as Current Asset Investments.

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For the year ended 31 December 2018

2 Accounting Policies (continued)

k) 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.

l) Financial Instruments

Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provisions of the instrument and are offset only when the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debtors - Debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price.

A provision for impairment of debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in income and expenditure for the excess of the carrying value of the debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in income and expenditure.

Creditors - Creditors payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially and subsequently measured at the present value of future payments discounted at a market rate of interest for a similar instrument.

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3 Income from Investments	2018	2017
	Total	Total
	£'000	£'000
UK dividends	5,367	5,618
Overseas dividends	3,398	3,278
Interest on fixed interest securities	3,548	3,441
Bank/deposit interest	645	550
	12,958	12,887

Investment Income was £12,958,000 (2017 - £12,887,000) of which £12,956,000 was restricted (2017 - £12,885,000) and £2,000 was unrestricted (2017 - £2,000).

4 Expenditure on Managing Funds	2018	2017
	Total	Total
	£'000	£'000
Managers' fees	1,187	1,176

5 Expenditure on Charitable Activities	2018	2017
	Total	Total
	£'000	£'000
Administration	139	154
Audit fee	13	13
	152	167

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 (2017 - £110,000). No staff are directly employed by the Trust.

The fee accrued in respect of audit fees is £12,800 (2017 £12,900)

During the year there were no fees paid in respect of fees for the French Withholding tax reclaim (2017 - £14,400).

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	2018	Pence	2017
	Per unit	£'000	Per unit	£'000
Growth Fund Income - Dividend Distribution	17.00	9,595	17.00	9,496
Income Fund Income - Dividend Distribution	50.00	2,984	50.00	2,859
	% Rate		% Rate	
Deposit Fund - Interest Distribution	0.59	523	0.49	427
		13,102		12,782

7 Trustees Remuneration and Expenses

No Trustee received remuneration during the year (2017 - nil). Travelling and accommodation expenses totalling £315 were paid to one Trustee during the year (2017 - nil).

Note : The Trustees have a Directors' and Officers' Liability Insurance policy for £5 million. The premium was £7,000 (2017 - £6,875).

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8 Investments	2018	2017
	Total	Total
	£'000	£'000
Fixed Assets		
- Fixed Interest Stocks	27,051	27,893
- Property - Collective Investment Schemes	20,899	20,340
- Fixed Interest - Collective Investment Schemes	63,585	63,326
- Equities - Collective Investment Schemes	1,303	1,239
- UK Equities	85,640	95,399
- Overseas Equities	126,057	128,853
- Overseas Fixed Interest Stocks	10,539	5,621
	<u>335,074</u>	<u>342,671</u>
Current Assets		
- Short-term Deposits	86,000	87,000
	<u>421,074</u>	<u>429,671</u>

Movement in Investments	2018	2017
	Total	Total
	£'000	£'000
Market value at 1 January	342,671	311,365
Add : Additions to investments at cost	57,888	92,383
Less : Disposals at Open Market Value	(53,998)	(84,683)
Net (loss)/gain on revaluation	(11,487)	23,606
Market value at 31 December	<u>335,074</u>	<u>342,671</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 £44,752,887, representing 13.4% of the total (2017 - Royal London Asset Management Ethical Bond Fund - £46,968,351 - 11%).

9 Debtors	2018	2017
	Total	Total
	£'000	£'000
Dividends and interest receivable	1,055	1,129
Overseas tax recoverable	798	682
Foreign currency contract awaiting settlement	-	50
Due from Church of Scotland	340	846
Fee Rebate due	13	20
	<u>2,206</u>	<u>2,727</u>

10 Cash at bank and in hand	2018	2017
	Total	Total
	£'000	£'000
Cash in bank/on deposit	<u>16,639</u>	<u>15,850</u>

11 Creditors: Amounts falling due within one year	2018	2017
	Total	Total
	£'000	£'000
Final distributions due for 2018	4,542	4,372
Other creditors and accrued expenses	244	-
Accrued expenses	7	472
Foreign currency contract awaiting settlement	-	50
Amounts due to Investors	435,061	443,286
	<u>439,854</u>	<u>448,180</u>

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12 (Decrease)/Increase in Liability to Investors	2018	2017
	Total	Total
	£'000	£'000
Total income	12,958	12,887
Total expenditure	(14,441)	(14,125)
Gains on investment assets	(11,487)	23,606
Funds attributable to Church of Scotland Investors Trust	3	(4)
	<u>(12,967)</u>	<u>22,364</u>

13 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 (2017 - £110,000). At 31 December 2018, the Investors Trust had a debtor balance of £340,000 due from the Unincorporated Councils and Committees (2017 - debtor balance of £846,000 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.