

Postcode Innovation Trust

Directors' report and financial statements for the
year ended 31 December 2019

Company number: SC532119
Scottish charity number: SC046499

Postcode Innovation Trust

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Postcode Innovation Trust

Reference and administrative details

Directors and Trustees	Lang Banks Ian Knox Claire Carpenter (Resigned 28 th June 2019) Lawson Muncaster Neil Mapes
Registered office	28 Charlotte Square Edinburgh EH2 4ET
Independent Auditors	PricewaterhouseCoopers LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
Bankers	Lloyds Plc 39 Threadneedle Street London EC2R 8AU
Solicitors	MacRoberts LLP Excel House 30 Semple Street Edinburgh EH3 8BL
Gambling licence numbers	Non remote: 000-046137-N-324563 Remote: 000-046137-R-324562
Charity number	SC046499
Company number	SC532119
Executive Manager	Laura Chow

Postcode Innovation Trust

Directors' Report

The Directors (who are also trustees of the charitable company for the purposes of charity law) have pleasure in presenting their report and the financial statements of the charity (also referred to as the Trust and the Charitable Company) for the year to 31 December 2019. The information on page 1 forms part of this report.

Structure, governance and management

Governance

Postcode Innovation Trust is a company limited by guarantee and is governed by a Board of Directors in accordance with its Memorandum and Articles of Association. New Directors are elected at quarterly meetings and a Director shall hold office for a maximum period of four years from the date of appointment and shall then retire. Such persons shall not again be appointed as a Director unless the Directors resolve that there are exceptional circumstances in that such an individual possesses specific or unique skills and expertise, experience or ability of significant value to the Company. In such circumstances, a retiring Director may, if willing to act, be re-appointed by the Directors for a second and final term of a maximum of four years and shall at the end of that second term retire altogether so that no Director shall hold office as Director for more than eight years in total.

No person shall be appointed or re-appointed as Director at any general meeting unless:

- he/she is recommended by the Directors; or
- not less than fourteen or more than thirty-five clear days before the date appointed for the meeting, notice executed by a member qualified to vote at the meeting has been given to the Company of the intention to propose that person for appointment or re-appointment together with notice executed by that person of his willingness to be appointed or reappointed.
- not less than seven nor more than twenty-eight clear days before the date appointed for holding a general meeting notice shall be given to all who are entitled to receive notice of the meeting of any person who is recommended by the Directors for appointment or re-appointment as a Director at the meeting or in respect of whom notice has been duly given to the Company of the intention to propose him at the meeting for appointment or re-appointment as a Director. The notice shall give the particulars of that person which would, if he were so appointed or re-appointed, be required to be included in the Company's register of Directors.
- The Company may by Ordinary Resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.

Postcode Innovation Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

- The Directors may appoint a person who is willing to be a Director, either to fill a vacancy or as an additional Director, provided the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles as the maximum number of Directors.

Unless otherwise determined by ordinary resolution, the number of Directors shall not be subject to any maximum but shall not be less than three. The Board of Directors shall at all times comprise a majority of non-remunerated Directors.

Directors' induction & training

Directors receive an induction handbook covering all relevant policies, procedures and any other relevant information. They also have the opportunity for yearly training and continued professional development.

Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Accounting Standards, Comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgements and estimates that are reasonable and prudent;

Postcode Innovation Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

- state whether applicable UK 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 to operate.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Risk management

The Directors have a risk management strategy which comprises:

- evaluation and review of risks to the Trust and its External Lottery Manager (ELM) at each Board meeting against the Risk Register;
- the Risk Register will be managed on a day-to-day basis by the Trust management team and they will establish systems and procedures to mitigate these risks;
- in the event of a risk rising above 'high' the Directors must implement procedures to manage any potential impact.

This strategy has identified the following key risks:

- Risk of the Government changing the law in relation to Society Lotteries. A review of the law relating to Society Lotteries is on-going, and both Directors and the Trust management team keep up to date with any information in relation to this.
- Risk of losing Gambling Licence due to non-compliance with the Gambling Commission Licence Conditions and Code of Practice. Again, this is managed by adhering closely to the LCCP and being aware of anticipated changes to guidance and keeping abreast of industry best practice.

Postcode Innovation Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

- Risk of dependence on one source of income and this income being lost. If the income were to reduce, this would be on a gradual basis. The Trust management team receive daily reports regarding ticket sales, so would be aware of any issues very quickly and these would be communicated to Directors.

Management

The business of Postcode Innovation Trust is managed by the Directors who exercise all the powers of the Company. No alteration of the Memorandum or Articles and no such direction shall invalidate any prior act of the Directors. The Directors ultimately decide the procedures for selection of projects and the amounts of loans and grants involved. Directors meet quarterly. These are chaired and fully minuted to discuss and decide the following:

- Management of the Trust's Society Lottery, including social responsibility and current management by the Trust's External Lottery Manager
- Applications received
- Outcomes of completed projects
- Progress of current funding
- New funding streams/programmes
- Review of finances
- Review of Risk Register
- Any other business.

The Directors of Postcode Innovation Trust engage Postcode Lottery Limited (who operate under brand name People's Postcode Lottery) as their external lottery manager.

The Trust appointed MacRoberts LLP as its solicitor to use in all cases where legal services are required.

Staff Structure

The Board of Directors appointed an Executive Manager of Postcode Innovation Trust to oversee the day-to-day administration of the Trust. The Executive Manager is responsible for strategy advice and the day-to-day operations of Postcode Innovation Trust. The Manager appointed the Trust Team to undertake day-to-day activities including the following:

Postcode Innovation Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

- Screening of all funding proposals, preparing a list with three categories of projects: proposed for funding, not-decided, and rejected - based on approved funding criteria
- Assessing complete applications and providing short summaries for the Directors to make decisions
- Management of half-yearly Directors' meetings including consultation of Directors where desirable or needed
- Management of marketing/communication on behalf of the Trust including websites, newsletters, publicity etc.

The Directors also appointed a Trusts' Finance Manger to take responsibility for the financial management for Postcode Innovation Trust including the following:

- Monthly financial updates including income position, breakdown of costs, and awards made
- Management of holding account which will receive payments direct from People's Postcode Lottery
- Making payments to recipient projects
- Reporting of lottery proceeds to Gambling Commission

As part of services provided as outlined in the Services Agreement that exists between the Trust and Postcode Lottery Limited, staff mentioned above are employed by Postcode Lottery Limited. Salaries for key management personnel are determined by the Directors of Postcode Lottery Limited.

Objectives and activities

Postcode Innovation Trust is solely funded by the proceeds of its society lottery and awards loans and grants to good causes and charities.

Postcode Innovation Trust supports projects which fit one or more of the following purposes:

- The advancement of health;
- The advancement of environmental protection, improvement and sustainability;
- The prevention or relief of poverty;
- The advancement of education;
- The advancement of citizenship or community development;

Postcode Innovation Trust

Directors' Report *(continued)*

Objectives and activities (continued)

- The advancement of the arts, heritage, culture or science;
- The advancement of public participation in sport;
- The promotion of equality and diversity, and
- The relief of those in need by reason of age, ill -health, disability, financial hardship or other disadvantage.

Postcode Innovation Trust supports charities who wish to deliver innovative, impactful and engaging activities. The Trust intends to achieve this by awarding funds to qualifying social enterprises.

Postcode Innovation Trust operates its own society lottery which is regulated by the Gambling Commission under licence 000-046137-N-324563 and 000-046137-R-324562. The Trust engages Postcode Lottery Limited (PLL), trading as People's Postcode Lottery, as its External Lottery Manager.

Grant Making Policies

The Trust Advisor is responsible for sourcing applications from potential loan and grant beneficiaries that meet the Trust's objects. Once applications have been received the Directors make the final decisions regarding who is to be awarded funds.

Achievements and performance

During 2019 Postcode Innovation Trust provided funding through two programmes:

Social Enterprise Support Programme

This funding programme provides grants to social entrepreneurs to innovate and develop solutions to the challenges that face society, break down the barriers they face and help them to increase their revenues and achieve social impact. During 2019, nine Social Enterprise Support awards were made, totalling £845k.

An award of £60,000 was made to Cert Ltd which is a specialist social enterprise support organisation based in Barton upon Humber now offering business support to new and established social enterprises across the Humber. The new project, Social Enterprise Humber, aims to increase the number of new social enterprises started in the area and help existing enterprises to grow and prosper - benefiting communities and the local economy.

Postcode Innovation Trust

Directors' Report *(continued)*

Social Investment Programme

This funding programme provides awards which comprise 50% grant/50% loan. This programme has been created to provide sustainable funding for social enterprises that are looking to increase their social and environmental impact.

The programme supports social enterprises within Great Britain that are asset locked, have social mission embedded into their articles and are looking to achieve impact in the following areas of social inclusion, community development and environmental impact.

During 2019 Social Investment Programme awards were made to six social enterprises. This comprised £199k of grants, and £443k of loan funding. This is the first year these awards have been paid out to social enterprises. Of the loans awarded, five have an interest rate of 3%, and one has an interest rate of 3.75%. Repayment terms are between 48 months and 155 months.

An award of £200,000 (50% grant, 50% loan) was made to Urban Biodiversity, which is a not for profit social enterprise that aims to reduce social deprivation by developing urban sites into places that offer community benefit and a fair chance for all. Working with local communities they aim to create high quality, low impact, environmental urban spaces that provide social inclusion, environmental education, training and employability opportunities, food security and community events. Their designs and activities empower local communities with the skills and opportunities to improve their surroundings for the betterment of their health and wellbeing, and for the enhancement of their natural environment. Their core aim is to develop Newquay Community Orchard into a thriving community hub, run by the community for the community.

Financial review

All funds received from proceeds of People's Postcode Lottery relating to Postcode Innovation Trust have been included in the financial statements. This amounted to £8.7m (2018: £9.51m). Of this and included in expenditure on raising funds 40%: £3.5m (2018: £3.8m) is given out as prizes and 28%: £2.4m (2018: £2.67m) is retained by our External Lottery Manager which is Postcode Lottery Limited. The remaining 32%: £2.8m (2018: 32%: £3m) is managed by Postcode Innovation Trust. Postcode Innovation Trust promoted three draws during 2019 (2018: three draws).

In the year £905k (2018: £1.4m) was given out on Expenditure on Charitable activities, with £68k (2018: £57.9k) of support costs to distribute these funds. Of this, £12.9k (2018: £11.6k) was included in Governance Costs. Loans of £443k were also distributed during 2019, and these are within Debtors on the Balance Sheet.

Postcode Innovation Trust

Directors' Report *(continued)*

Reserves Policy

Reserves should be held to service an unexpected need for funds, covering unforeseen day-to-day operational costs, a shortfall in income or to fulfil its obligations.

The Trust's sole income is generated by its society lottery operated by its External Lottery Manager, People's Postcode Lottery.

Reserves are set according to our budgeted income and against our obligations for continuous funding for our supported charities. It is intended to mitigate uncertainty relating to our cash flow and to ensure that there are sufficient reserves to cover any shortfalls against income.

We aim to set general financial reserves at a maximum of 6 months' administration costs (of which the maximum can be £225,000). At 31 December 2019, reserves are £6,121,788 of which general reserves are £3,034,735. As this is above the reserves policy, this will be potentially allocated to funding in 2020. The Trust will also provide funding to charities who have been financially affected by Covid-19.

Plans for future periods

The current Covid-19 public health crisis creates significant uncertainty for the world economy. With having a single source of income, the Directors remain confident in the resilience of the subscription model of People's Postcode Lottery to protect the Trust income. In the event of a substantial change in circumstances significantly reducing revenue, the Trust holds sufficient cash reserves to ensure it can continue operations for the foreseeable future.

Postcode Innovation Trust will continue with its funding programmes to applicants focussing on offering both grants and loans to qualifying social enterprises. There will also be funding available to charities who have been affected financially by Covid-19, to apply for emergency funding.

Postcode Innovation Trust

Directors' Report *(continued)*

Approval of the Directors' report

So far as each of the Directors at the date of this report is aware, there is no relevant audit information of which the charity's auditors are unaware. Each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

The report was prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies.

The financial statements on pages 15 to 28 were approved by the directors on 21st September 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Lang Banks', written in a cursive style.

Lang Banks
Chair

Postcode Innovation Trust

Independent auditors' report to the members and trustees of Postcode Innovation Trust

Report on the audit of the financial statements

Opinion

In our opinion, Postcode Innovation Trust's (the "charitable company") financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2019 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Directors' Report (the "Directors' Report"), which comprise: the balance sheet as at 31 December 2019; the statement of financial activities (including income and expenditure account) and the statement of cash flows for the year then ended; the accounting policies; 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 charitable company 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.

Postcode Innovation Trust

Independent auditors' report to the members and trustees of Postcode Innovation Trust (*continued*)

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 charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Reporting on other information

The other information comprises all of the information in the Directors' 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.

With respect to the Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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.

Postcode Innovation Trust

Independent auditors' report to the members and trustees of Postcode Innovation Trust *(continued)*

Directors' Report

In our opinion, based on the work undertaken in the course of the audit the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Director's report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Directors' Responsibilities set out on page 3, 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 charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

We have been appointed as auditors under section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts 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.

Postcode Innovation Trust

Independent auditors' report to the members and trustees of Postcode Innovation Trust *(continued)*

Use of this report

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) 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

Matters on which we are required to report by exception

Under the Companies Act 2006 and 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
- adequate and proper accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the trustees were not entitled to: prepare financial statements in accordance with the small companies' regime; take advantage of the small companies' exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.



Matthew Kaye (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

21 September 2020

Postcode Innovation Trust

Statement of financial activities (including income and expenditure account) for the year ended 31 December 2019

	Note	Unrestricted funds			Unrestricted funds		
		2019	2019	2019	2018	2018	2018
		General £	Designated £	Total £	General £	Designated £	Total £
Income & endowments							
Other trading activities	2	8,688,508	-	8,688,508	9,505,497	-	9,505,497
Income from investments	3	37,260	-	37,260	12,078	-	12,078
Other income		-	-	-	135	-	135
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total income and endowments		8,725,768	-	8,725,768	9,517,710	-	9,517,710
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Expenditure							
Expenditure on raising funds	4	(5,911,325)	-	(5,911,325)	(6,466,508)	-	(6,466,508)
Expenditure on charitable activities	5	(110,999)	(905,798)	(1,016,797)	(131,927)	(1,007,149)	(1,139,076)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditure		(6,022,324)	(905,798)	(6,928,122)	(6,598,435)	(1,007,149)	(7,605,584)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net income/(expenditure)		2,703,444	(905,798)	1,797,646	2,919,275	(1,007,149)	1,912,126
Transfer between funds		-	-	-	(3,000,000)	3,000,000	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net movement in funds		2,703,444	(905,798)	1,797,646	(80,725)	1,992,851	1,912,126
Total funds brought forward		331,291	3,992,851	4,324,142	412,016	2,000,000	2,412,016
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total funds carried forward		3,034,735	3,087,053	6,121,788	331,291	3,992,851	4,324,142
		<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All of the above results were derived from continuing activities.

Postcode Innovation Trust

Balance sheet

as at 31 December 2019

	<i>Note</i>	2019 £	2018 £
Current assets			
Debtors	<i>8</i>		
Loans extended		400,844	-
Loan repayments		(17,245)	-
Other debtors		270,993	672,680
Cash at bank and in hand		5,985,980	4,999,926
		<u>6,640,572</u>	<u>5,672,606</u>
Creditors			
Amounts falling due within one year	<i>9</i>	(518,784)	(1,348,464)
Net current assets		<u>6,121,788</u>	<u>4,324,142</u>
Accumulated funds			
Unrestricted funds:			
General		3,034,735	331,291
Designated		3,087,053	3,992,851
Total funds	<i>10</i>	<u>6,121,788</u>	<u>4,324,142</u>

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006. Approved by the Board and authorised for issue on 21st September 2020.



Lang Banks
Chair

Company number: SC532119

Postcode Innovation Trust

Statement of cash flows

for year ended 31 December 2019

	2019	2019	2018	2018
	£	£	£	£
Cash flows from operating activities				
Net income	1,797,646		1,912,126	
Income from investments	(37,260)		(12,078)	
Decrease/(increase) in other debtors	401,687		(657,851)	
Loans extended	(400,844)		-	
Loan repayments	17,245		-	
(Decrease)/increase in creditors	(829,680)		1,333,624	
	<hr/>		<hr/>	
Cash provided by operating activities		948,794		2,575,821
Cash flows from investing activities				
Investment income	37,260		12,078	
	<hr/>		<hr/>	
Cash provided by investing activities		37,260		12,078
		<hr/>		<hr/>
Increase in cash and cash equivalents in the year		986,054		2,587,899
Cash and cash equivalents at the beginning of the year		4,999,926		2,412,027
		<hr/>		<hr/>
Total cash and cash equivalents at the end of the year		5,985,980		4,999,926
		<hr/>		<hr/>
Cash and cash equivalents comprise:				
Cash at bank		5,985,980		4,999,926
		<hr/>		<hr/>

Postcode Innovation Trust

Notes to the financial statements

1 Accounting policies

A summary of principal accounting policies, all of which have been applied consistently throughout the year is set out below.

Statement of Compliance

The financial statements of Postcode Innovation Trust have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Basis of Preparation

The financial statements have been prepared on a going concern basis in accordance with applicable accounting standards and under the historical cost convention. The charity is a Public Benefit Entity and a company limited by guarantee, incorporated in Scotland with the registered office as noted on page 1.

Going concern

These financial statements have been prepared on the going concern basis which assumes that the charity will continue its operations. The current Covid-19 public health crisis creates significant uncertainty for the world economy. With having a single source of income, the Directors remain confident in the resilience of the subscription model of People's Postcode Lottery to protect the Trust income. In the event of a substantial change in circumstances significantly reducing revenue, the Trust holds sufficient cash reserves to ensure it can continue operations for the foreseeable future. The Directors consider it appropriate to prepare financial statements on a going concern basis.

Postcode Innovation Trust

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Income

Income is recognised when the charity has entitlement to the funds, when it is probable that the income will be received, and the amount can be measured reliably. Donations, legacies and similar incoming resources are included in the period in which they are receivable, which is when the charity becomes entitled to the resource. Income from other trading activities include gross proceeds from the sale of Lottery tickets before deduction of up to 40% of proceeds for prizes and up to 28% for operations costs.

Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of expenditure in the statement of financial activities.

Grants payable

Grants awarded are recognised in full in the year in which they are approved.

Expenditure on raising funds

The cost of raising funds consists of direct expenditure including prize monies as well as operational costs including marketing and PR.

Cash

Cash at bank and in hand includes cash and highly liquid short-term investments with a maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Debtors

Other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any trade discounts due.

Postcode Innovation Trust

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Creditors and provisions

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

Financial instruments

Other than loans, the Trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Loans are assessed for impairment at the year end.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key accounting estimates and assumptions

The Trust makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Bad Debt Provision

Provision is made for loans receivable. This requires management's best estimate of the recoverability of loans receivable. This requires estimation of the future cash flows of loan recipients. The recoverable amount of the loan's receivable is a source of significant estimation uncertainty and determining this involved the use of significant assumptions.

Postcode Innovation Trust

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

Fund accounting

Unrestricted funds are available for use at the discretion of the Directors in furtherance of the general objectives of the charity.

Designated funds are unrestricted funds earmarked by the Directors for particular purposes.

2 Other trading activities

	2019	2019	2018	2018
	£	%	£	%
Total proceeds	8,688,508	100	9,505,497	100
Prizes	(3,475,403)	(40)	(3,795,980)	(40)
Operational cost	(2,432,782)	(28)	(2,667,758)	(28)
	<hr/>	<hr/>	<hr/>	<hr/>
Lottery fund allocation	2,780,323	32	3,041,759	32
	<hr/>	<hr/>	<hr/>	<hr/>

3 Income from investments

	2019	2018
	£	£
Bank interest	32,005	12,078
Loan interest	5,255	-
	<hr/>	<hr/>
	37,260	12,078
	<hr/>	<hr/>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

4	Expenditure on raising funds		
		2019	2018
		£	£
	Prizes	3,475,403	3,795,980
	Operational cost	2,432,782	2,667,758
	Gambling Commission	3,140	2,770
		<hr/>	<hr/>
		5,911,325	6,466,508
		<hr/> <hr/>	<hr/> <hr/>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

5 Expenditure on charitable activities

	General 2019 £	Designated 2019 £	Total 2019 £	General 2018 £	Designated 2018 £	Total 2018 £
Social Enterprise Support Programme						
Cert	-	60,000	60,000	-	-	-
Expert Impact	-	100,000	100,000	-	-	-
Hatch	-	230,000	230,000	-	-	-
GMCVO	-	50,000	50,000	-	-	-
Impact Hub Kings Cross	-	100,000	100,000	-	-	-
Lincolnshire Community Foundation	-	60,000	60,000	-	-	-
Plymouth VCSE	-	60,000	60,000	-	-	-
Social Enterprise UK	-	185,832	185,832	-	-	-
Business in the Community	-	(85,000)	(85,000)	-	85,000	85,000
School for Social Entrepreneurs	-	-	-	-	191,828	191,828
Social Enterprise Academy	-	-	-	-	115,026	115,026
Social Investment Scotland	-	60,000	60,000	-	51,625	51,625
UNLTD	-	-	-	-	205,170	205,170
Social Investment Programme						
Offploy	-	49,966	49,966	-	-	-
Project Scotland	-	50,000	50,000	-	-	-
Urban Biodiversity	-	100,000	100,000	-	-	-
Change Please	-	(65,000)	(65,000)	-	65,000	65,000
Cyrenians	-	-	-	-	68,500	68,500
Down to Earth	-	(50,000)	(50,000)	-	50,000	50,000
Micro Rainbow International	-	-	-	-	125,000	125,000
UK Youth	-	-	-	-	50,000	50,000
Other						
Bad Debt Provision	42,622	-	42,622	-	-	-
CEIS	-	-	-	9,000	-	9,000
Scottish Edge CIC	-	-	-	65,000	-	65,000
	<u>42,622</u>	<u>905,798</u>	<u>948,420</u>	<u>74,000</u>	<u>1,007,149</u>	<u>1,081,149</u>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

5 Expenditure on charitable activities *(continued)*

	Unrestricted	Designated	Total	Unrestricted	Designated	Total
	2019	2019	2019	2018	2018	2018
	£	£	£	£	£	£
Support costs						
Cost recharges	48,481	-	48,481	42,453	-	42,453
Travel and subsistence	331	-	331	1,052	-	1,052
Printing	-	-	-	74	-	74
Insurance	896	-	896	896	-	896
Bank charges	78	-	78	61	-	61
Consultancy fees	4,800	-	4,800	-	-	-
Charity workshop	-	-	-	1,036	-	1,036
Training	-	-	-	18	-	18
Subscriptions	937	-	937	741	-	741
Governance costs (Note 6)	12,854	-	12,854	11,596	-	11,596
	<u>68,377</u>	<u>-</u>	<u>68,377</u>	<u>57,927</u>	<u>-</u>	<u>57,927</u>
Total charitable activities	<u>110,999</u>	<u>905,798</u>	<u>1,016,797</u>	<u>131,927</u>	<u>1,007,149</u>	<u>1,139,076</u>

Cost recharges include salary, property and office costs incurred by the Postcode Lottery Limited which are recharged to the Trust under a Services Agreement.

6 Governance costs

	2019	2018
	£	£
Legal and professional fees	8,319	8,196
Accountancy fees	1,080	-
Audit fees	3,455	3,400
	<u>12,854</u>	<u>11,596</u>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

7 Staff costs

No Directors received remuneration during the year *(2018: Nil)*.

One Director received reimbursement of £120 for travel expenses during the year *(2018: Nil)*. Directors' indemnity insurance costing £896 *(2018: £896)* was purchased in the year.

The charity has no employees. All services of individuals were obtained from Postcode Lottery Limited and invoiced to the charity. The amount attributable to key management personnel for their services during the year was £2,185 *(2018: £1,951)*.

8 Debtors

	2019	2018
	£	£
Debtors due in less than one year		
Loans	52,807	-
Other debtors	270,993	672,680
	<u>323,800</u>	<u>672,680</u>
Debtors due in more than one year		
Loans receivable 2-5 years	204,005	-
Loans receivable greater than 5 years	169,409	-
Bad Debt Provision	(42,622)	-
	<u>330,792</u>	<u>-</u>
	<u>654,592</u>	<u>672,680</u>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

9 Creditors

	2019	2018
	£	£
Amounts falling due within one year:		
Trade creditors	13,949	11,325
Other creditors	501,335	1,333,739
Accruals and deferred income	3,500	3,400
	<u>518,784</u>	<u>1,348,464</u>

10 Analysis of net assets between funds

	General	Designated	Total
	2019	2019	2019
	£	£	£
Current Assets	3,295,603	3,344,969	6,640,572
Current Liabilities	(260,868)	(257,916)	(518,784)
Total net assets at 31 December 2019	<u>3,034,735</u>	<u>3,087,053</u>	<u>6,121,788</u>
	General	Designated	Total
	2018	2018	2018
	£	£	£
Current Assets	980,243	4,692,363	5,672,606
Current Liabilities	(648,952)	(699,512)	(1,348,464)
Total net assets at 31 December 2018	<u>331,291</u>	<u>3,992,851</u>	<u>4,324,142</u>

Postcode Innovation Trust

Notes to the financial statements *(continued)*

11	Accumulated funds	Unrestricted funds			Unrestricted funds		
		General	Designated	Total	General	Designated	Total
		2019	2019	2019	2018	2018	2018
		£	£	£	£	£	£
	Balance brought forward	331,291	3,992,851	4,324,142	412,016	2,000,000	2,412,016
	Net income/ (expenditure) for the year	2,703,444	(905,798)	1,797,646	2,919,275	(1,007,149)	1,912,126
	Transfers	-	-	-	(3,000,000)	3,000,000	-
	Balance carried forward	3,034,735	3,087,053	6,121,788	331,291	3,992,851	4,324,142

Designated funds comprise:

- £3,141,500 in the opening balance, which the Directors set aside in 2018 for a Social Investment Programme that has been created to provide sustainable funding for social enterprises that are looking to increase their social and environmental impact. The Programme provides low cost investment packages to social enterprises across Great Britain from £50,00 to £250,000. Of this £84,966 was used during 2019, giving a closing balance of £3,056,534.
- £851,351 in the opening balance, which the Directors set aside in 2018 for Social Enterprise support programme that collaborates with a number of partners within the wider social enterprise ecosystem to deliver programmes including enterprise training, capacity support, accelerators, incubators, mentoring and peer support. Of this £820,832 was awarded during 2019, leaving a closing balance of £30,519.

Postcode Innovation Trust

Notes to the financial statements *(continued)*

12 Related party transactions

Postcode Lottery Limited is considered to be a related party.

During 2019 £2,432,782 (2018: £2,667,758) was retained by Postcode Lottery Limited as their external lottery management fee.

A Services Agreement also exists between Postcode Innovation Trust and Postcode Lottery Limited, whereby staff costs and running expenses of the Trusts are paid by Postcode Lottery Limited. All staff are employed by Postcode Lottery Limited, and the total of these costs are recharged on a monthly basis. In the year to 31 December 2019 £48,481 (2018: £42,453) was due to Postcode Lottery Limited, with £9,715 (2018: £10,992) being outstanding at the year end.

13 Commitments

During 2018 and 2019 the Directors approved the following 50% grant, 50% loans, which are due to be paid out during 2020 upon successful completion of the loan terms:

- Brighton & Hove Food Partnership £80,000 (£40,000 grant, £40,000 loan)
- Oxford Wood Recycling £250,000 (£125,000 grant, £125,000 loan)
- UK Youth £100,000 (£50,000 grant, £50,000 loan)
- Vehicles for Change £160,000 (£80,000 grant, £80,000 loan)
- YMCA Plymouth £250,000 (£125,000 grant, £125,000 loan)