

**THE AGED CHRISTIAN FRIEND
SOCIETY OF SCOTLAND**

**DIRECTORS' ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Charity Number: SC016247
Company Registration No: SC238297**



**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

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**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

DIRECTORS' ANNUAL REPORT

Objectives and Activities

The objects of the company are of a charitable nature, specifically to prevent or relieve poverty, and to provide relief for those in need by reason of age, ill-health, disability, financial hardship or other disadvantage. The company may support any individuals resident in Scotland (and any individuals who are not resident but have a connection with Scotland) through the provision of retirement housing and related amenities for the benefit of those individuals, and the company may award grants and other forms of payment to such individuals. In order to be eligible for the support of the company an individual shall normally be 65 years of age or older, although the company may support individuals who have not attained 65 years of age if the individuals meet the other criteria set out and if the directors feel it is appropriate in the circumstances for support to be provided. The Society provides a small number of grants in Scotland, but its principal activity is the provision of retirement housing at the Colinton Cottage Homes, Colinton, Edinburgh.

Grant Making Policy

Grants are distributed half-yearly to the two remaining long-standing beneficiaries at the rate of £500 per annum. Additionally, the directors appointed Elizabeth Finn Care (trading name Turn2us) in 2012 to identify further beneficiaries all of which receive £500 per annum.

Achievements and Performance

The Society has had another satisfactory year. There have been changes to the Board with the appointment of Revd Margaret Dineley, Gillian Gray and David Miller and the resignation of Laura Chapman, Margaret Baxendine, Hilary Peppiette and Revd Nicola McNelly. The Board would like to thank Laura, Margaret, Hilary and Nicola for their contribution to the successful running of the Society during their time with us.

Throughout the year, the day to day management of Colinton Cottage Homes has been in the hands of our manager who has set high professional standards in ensuring the smooth running of the complex. He has been well supported by his assistant manager. The grounds and gardens have also been maintained in good order. All members of the team are held in high regard by our tenants and the directors would like to express their appreciation of the work of our manager and his team over the last twelve months.

Social activities organized by the social committee during 2020 have been limited due to the Covid-19 pandemic. The tenants at Colinton Cottage Homes enjoyed a New Year celebration in January and later on in the month an enjoyable Burns lunch took place. In February, Shrove Tuesday was celebrated with pancakes in the hall. A musical evening was also enjoyed. Other activities, including the regular activities which usually take place throughout the year and external outings sadly had to be cancelled. It is hoped these will resume once again in 2021 when Covid-19 restrictions allow.

Grants continue to be paid half yearly to a number of people meeting our eligibility criteria and who would benefit from some additional financial support.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

DIRECTORS' ANNUAL REPORT (cont'd)

Achievements and Performance (cont'd)

The financial situation shows income from donations and legacies, charitable activities and investments decreasing from £336,208 to £322,966 reflecting a fall in investment income which was partly offset by receipt of a grant of £10,000. There have however been good occupancy levels. This has allowed the Board to continue to invest significant sums in the properties at Colinton Cottage Homes with £65,685 spent on renovations, upkeep, repairs and cleaning. It is very much part of the Board's ongoing plan to maintain our accommodation at a high standard. Largely due to an increase in investment valuations of £42,585, there was a net increase in funds of £35,329 (£270,077 in 2019).

The Balance Sheet as at 31 December 2020 remains in a strong position with net assets of £7,513,634 reflecting an increase in the value of investments at year-end to £1,670,340 (2019: £1,637,988). This was partly offset by an increased provision for the staff pension liability of £29,000 (2019: Reduction in provision to £1,000).

Investment performance of the portfolio which is managed by Rathbone Investment Management Limited is monitored on a quarterly basis and is measured against an agreed benchmark. The Directors remain satisfied with the performance.

Throughout the year, day to day Secretarial and Treasurer duties of the Society are carried out by our Secretaries and Treasurers, Johnston Smillie Ltd. We would like to thank them for their work and to record our appreciation of the attention they give to matters relating to the Society.

Finally, the Board would like to thank Colinton Parish Church and St Cuthbert's Church for their support given to the society and its tenants over the last twelve months.

Financial Review

The Society had an operating surplus of £27,744 for the year (2019: £40,278). After accounting for a gain on investments of £42,585 (2019: £213,820), and losses on the pension scheme there was a net surplus of £35,329 (2019: £270,077).

The market value of the investments at the year-end was £1,670,340 (2019: £1,637,988).

It should be noted that the method of accounting for the Defined benefit pension scheme was changed in 2019 as more information became available from the pension provider. The liability is £29,000 in 2020 (£1,000 in 2019).

The funds are all unrestricted and they showed an increase from £7,478,305 to £7,513,634 largely as a result of the operating surplus and investment gains which were in part offset by the movement in the defined benefit pension scheme liability.

Reserves Policy

The Directors review the need for a reserves policy on a regular basis to ensure that the charity can continue to provide relief through the provision of retirement housing and related amenities, and to award grants and other forms of payment. Funds at the 31 December 2020 were £7,513,634. Of this £5,650,162 was held in assets used by the organisation and its beneficiaries and £1,670,340 in investments used to generate regular income and help ensure longevity of the organisation.

The Directors aim to retain free reserves to meet the costs of its charitable activities and contractual obligations for a period of approx. 6 months. As of the 31 December 2020 this would amount to £147,611. The free reserves can also be used to provide for unforeseen

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

DIRECTORS' ANNUAL REPORT (cont'd)

Reserves Policy (cont'd)

operational costs and repairs bills. Shortfalls in revenues due to a decline in investment income or rentals or any other eventualities that require funding can also be met from reserves or sourced from unrestricted capital funds. The free reserves are the net current assets of the charity and at 31 December 2020 these were £222,132 which is considered adequate.

Risk Policy

The directors have assessed the risks to which the Society is exposed, in particular those related to the operations and future of the Society, and are satisfied that systems are in place to mitigate exposure to major risks. The directors consider variability of investment returns as one of the major risks, and therefore the Society used the services of Rathbone Investment Management during the year as investment advisers. The investment policy is designed to produce growth in both capital and income with a medium risk profile. The directors additionally engaged the services of advisers in the matter of staff pensions when required.

The Covid-19 pandemic has had a significant effect on the activities and financial positions of organisations in the UK. The principal effect of the pandemic on the Society has been fluctuations in the value of the investment portfolio due to the disruption in global markets. As the investments are held with a view to the long term this volatility is not a matter of significant concern to the Trustees. The Society has been able to continue the delivery of its charitable activities.

Future Plans

The Society plans to continue to provide retirement housing and grants in line with its objectives. There is an ongoing plan to continue to upgrade and maintain the houses to the existing high standard.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Incorporation of the Society

The company 'The Aged Christian Friend Society of Scotland', founded as a Friendly Society on 20 December 1889 was incorporated in Scotland and registered on 17 October 2002 as a Private Company Limited by Guarantee (Registration No. SC238297). On 1 January 2003 all the assets and liabilities of the original Friendly Society were transferred to the new company (hereinafter referred to as "the Society"). The Society's governing documents are the Memorandum and Articles of Association.

Directors' meetings and appointment

New directors are appointed by the existing directors, and are briefed on the Society's aims, objectives, grant making policy and purposes.

At the quarterly directors' meeting, the directors agree the broad strategy and areas of activity for the Society, including budgets, consideration of grant making, investment, reserves and risk management policies and performance. Reports are received from the Manager (not a formal director) of the Cottage Homes regarding the day to day running of the Homes, and regarding the fabric of the buildings. The remuneration of the manager is set by the Directors as part of an annual review process.

There is also a Finance Committee which again reports to the Board of Directors and considers all financial, including investment, matters.

The Society confirms that it has directors and officers indemnity insurance in place.

Share Capital

The Society is a private company limited by guarantee and is without share capital.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

DIRECTORS' ANNUAL REPORT (cont'd)

Reference and Administration Information

| | |
|---|--|
| Company Registration no: | SC238297 |
| Scottish Charity Number | SC016247 |
| Registered Office, Secretaries and Treasurers | Johnston Smillie Ltd Chartered Accountants 6 Redheughs Rigg Edinburgh EH12 9DQ |
| Directors | Mr John Cameron (Chairperson) Mrs Gwen Baird Ms Hilary Peppiette (resigned 20.5.20) Rev Margaret Dineley (appointed 5.3.21) Mrs Margaret Baxendine (resigned 20.5.20) Mr Paul Davies Ms Gillian Gray (appointed 7.5.21) Mr David Miller (appointed 7.5.21) Mr Jason Rust Rev Nicola McNelly (resigned 3.6.20) Ms Laura Chapman (resigned 18.11.20) |
| Manager | Mr John Buchanan |
| Auditor | Azets Audit Services Exchange Place 3 Semple Street Edinburgh EH3 8BL |
| Bankers | Bank of Scotland plc PO Box 1000 BX2 1LB |
| Solicitors | Balfour + Manson 54-66 Frederick Street Edinburgh EH2 1LS |
| Investment Advisors | Rathbone Investment Management Ltd 28 St Andrew Square Edinburgh EH2 1AF |

Disclosure of Information to Auditor

As far as each of the directors at the time of the report is approved are aware:

- There is no relevant information of which the Society's auditor is unaware and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

Small Company Exemptions

The above report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors (who are also trustees for the purposes of charity law) are responsible for preparing the Directors' Annual Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the incoming resources and application of resources, including the income and expenditure of the Society for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Memorandum and Articles of Association of the company. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Approved by the board on 23 August 2021
And signed on behalf of the board by

John Cameron

.....
John Cameron
Chairperson

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS

Opinion

We have audited the financial statements of Aged Christian Friend Society for the year ended 31 December 2020 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cashflows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2020 and of its income and expenditure 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS (cont'd)

Other information (continued)

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- 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
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Annual Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of the Directors

As explained more fully in the Directors responsibilities statement set out on page 5, the Directors (who are the directors for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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 Directors 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 Directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS (cont'd)

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the charitable company through discussions with directors and other management, and from our commercial knowledge and experience of the sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, anti-bribery, employment and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 1m were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND DIRECTORS (cont'd)

***The extent to which the audit was considered capable of detecting irregularities including fraud
(continued)***

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the board and other management and the inspection of regulatory and legal correspondence, if any.

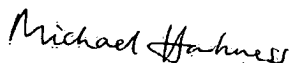
Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: 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 charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's members and Directors, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the charitable company's members and Directors, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company's members and Directors, as a body, for our audit work, for this report, or for the opinions we have formed.



**Michael Harkness (Senior Statutory Auditor)
For and on behalf of
Azets Audit Services, Statutory Auditor
Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006
Chartered Accountants
Exchange Place 3
Sample Street
Edinburgh, EH3 8BL**

Date: 23 August 2021

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

**STATEMENT OF FINANCIAL ACTIVITIES
(Including Income & Expenditure Account)**

| | Note | Total Funds 2020 £ | Total Funds 2019 £ |
|--|-------------|---------------------------------------|---------------------------------------|
| Income and Endowments from: | | | |
| Donations and legacies | 4 | 10,437 | 11,555 |
| Charitable activities | 5 | 249,179 | 251,117 |
| Investments | 6 | 53,350 | 73,536 |
| Grants | 7 | 10,000 | - |
| Total | | 322,966 | 336,208 |
| Expenditure on: | | | |
| Raising funds | 8 | 10,274 | 10,557 |
| Charitable activities | 8 | 284,948 | 285,373 |
| Other | 8 | - | - |
| Total | | 295,222 | 295,930 |
| Net gains on investments | | 42,585 | 213,820 |
| Net income | | 70,329 | 254,098 |
| Other recognised gains/(losses): | | | |
| Gain on transition in method for accounting for defined benefit pension scheme | 18 | - | 15,979 |
| Actuarial loss on defined benefit pension scheme | 18 | (35,000) | - |
| Net movement in funds | | 35,329 | 270,077 |
| Reconciliation of funds: | | | |
| Total funds brought forward | | 7,478,305 | 7,208,228 |
| Total funds carried forward | | 7,513,634 | 7,478,305 |

The notes on pages 13 to 23 form part of these financial statements.

All funds of the Society are unrestricted and all the results of the Society relate to continuing activities.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

**BALANCE SHEET
As at 31 December 2020**

| | Note | 2020 £ | 2019 £ |
|--|-------------|-------------------------|-------------------------|
| Fixed Assets | | | |
| Heritable property | 12 | 5,500,000 | 5,500,000 |
| Other fixed assets | 12 | <u>150,162</u> | <u>176,661</u> |
| | | <u>5,650,162</u> | <u>5,676,661</u> |
| Fixed Asset Investments | | | |
| Investments at market value | 13 | <u>1,670,340</u> | <u>1,637,988</u> |
| Current Assets | | | |
| Sundry Debtors | 14 | 7,750 | 7,020 |
| Cash at bank | | 243,751 | 184,990 |
| Cash in hand | | <u>261</u> | <u>211</u> |
| | | <u>251,762</u> | <u>192,221</u> |
| Creditors | | | |
| Amounts falling due within one year | 15 | <u>29,630</u> | <u>27,565</u> |
| Net Current Assets | | <u>222,132</u> | <u>164,656</u> |
| Total Assets less current liabilities | | 7,542,634 | 7,479,305 |
| Defined benefit pension scheme liability | 18 | <u>29,000</u> | <u>1,000</u> |
| Net Assets | | <u><u>7,513,634</u></u> | <u><u>7,478,305</u></u> |
| Represented by: | | | |
| Unrestricted funds | | <u><u>7,513,634</u></u> | <u><u>7,478,305</u></u> |

These accounts have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

The financial statements were approved and authorised for issue by the Board on the 23 August 2021 and signed on behalf of the board by;

John Cameron

..... John Cameron
Chairperson

The notes on pages 13 to 23 form part of these financial statements.

Registered Company Number: SC238297

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

STATEMENT OF CASH FLOWS

| | Note | Total Funds 2020 £ | Total Funds 2019 £ |
|---|-------------|---------------------------------------|---------------------------------------|
| Cash flows from operating activities: | | | |
| Net cash (used in)/provided by operating activities | 20 | <u>(4,772)</u> | <u>49,921</u> |
| Cash flows from investing activities: | | | |
| Interest and dividends | | 53,350 | 73,536 |
| Proceeds from sale of investments | | 142,805 | 126,304 |
| Purchase of investments | | (155,326) | (134,148) |
| Purchase of Property, Plant and Equipment | | <u>-</u> | <u>(72,500)</u> |
| Net cash used by/cash provided by investing activities | | <u>40,829</u> | <u>(6,808)</u> |
| Change in cash and cash equivalents in the year | | <u>36,057</u> | <u>43,113</u> |
| Cash and cash equivalents brought forward | | <u>213,105</u> | <u>169,992</u> |
| Cash and cash equivalents carried forward | 21 | <u>249,162</u> | <u>213,105</u> |

The notes on pages 13 to 23 form part of these accounts.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

The Aged Christian Friend Society of Scotland is a private company limited by guarantee. The contribution of the members is restricted to a maximum of £1. The company is registered in Scotland with registration number SC238297. The registered office is c/o Johnston Smillie, 6 Redheughs Rigg, Edinburgh, EH12 9DQ.

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note to these accounts. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing accounts in accordance with the Financial Reporting Standards applicable in UK and Republic of Ireland (FRS102) – (Charities SORP (FRS 102), the Financial Reporting Standard applicable in UK and Republic of Ireland (FRS102), the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Charity constitutes a public benefit entity as defined by FRS102.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated. Amounts are shown to the nearest £.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates.

The directors have considered the impact of Covid 19 and consider that there are no material uncertainties about the charity's ability to continue as a going concern.

b) Incoming Resources

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest which are measured at fair value, generally the transaction value. These are included when receivable and the amount can be measured reliably.

c) Debtors

Short term debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

1. Accounting Policies (cont'd)

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balance with banks and cash balance with investment manager repayable without penalty on notice of not more than 24 hours.

e) Resources Expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. They are recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the investment management fee
- Expenditure on charitable activities which include all support and governance costs.
- The charity considers that they have only one charitable activity and therefore no allocation of support costs is required.
- Other expenditure represents the interest on the unwinding of the pension deficit discount.

f) 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 the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

g) Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the Company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at the market rate of interest for similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

h) VAT

The Society is not registered for VAT and accordingly expenditure includes VAT where appropriate.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Accounting Policies (cont'd)

i) Fixed Assets and Depreciation

All fixed assets are initially recorded at cost. Cost includes costs directly attributable to making the asset capable of operating as intended.

The Society's policy is to capitalise all fixed assets with a value greater than £500.

The rates of depreciation are calculated so as to write off the cost less residual value of each asset evenly over its expected useful life as follows:

| | |
|-------------------|-----------------------|
| Plant & Equipment | -15% Reducing balance |
| Furniture | -15% Reducing balance |

Depreciation is not provided on heritable properties. The trustees consider that the residual value of the properties is not less than the carrying value.

j) Staff Pension Scheme

The charitable society contributed to a defined benefit pension scheme in the UK until 30 September 2013. This scheme is a multi employer scheme. For previous financial years up to 2018, it was not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, therefore the company had accounted for it as a defined contribution scheme. However, in 2019 the company obtained sufficient information to allow it to account for the scheme as a defined benefit scheme and chose early adoption of the amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans. (May 2019)

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for the accounting year end 31 December 2019. The liabilities are compared, at the relevant accounting date, with the company's fair share of the scheme's total assets to calculate the company's net deficit or surplus. Again similarly, to inform the net deficit for the accounting year end 31 December 2020.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2018. This valuation revealed a deficit of £121m. A Recovery Plan has been put in place to eliminate the deficit which will run to either 30 September 2022 or 31 March 2023 (depending on funding levels) for the majority of employers, although certain employers have different arrangements. The company continues monthly payment towards the deficit, with a plan for this to continue until 2023 with a review and possible break in 2022.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

1. Accounting Policies (cont'd)

j) Staff Pension Scheme (cont'd)

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

As this is a multi-employer scheme which provides benefits to some 150 non-associated employers the directors consider it highly improbable that such a liability will ever fall to the Society.

The Society now contributes to a defined contribution multi-employer pension scheme. Contributions to the scheme are charged to the Statement of Financial Activities in the year in which they become payable.

k) Investments

Investments within the accounts are recognised at fair value which in this case is at market value. All realised and unrealised gains on disposals are added to the Unrestricted Fund. The shares were acquired in accordance with the powers given to the directors in the Articles of Association and are all quoted on the UK Stock Exchange with the exception of the shares in Edinburgh Crematorium Ltd which are unquoted.

l) Heritable property

Heritable properties are included in the balance sheet at their open market value, the valuation is considered by the directors each year and is professionally valued once every five years.

m) Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

2. Unrestricted Funds

The Fund consists of cottages providing sheltered housing for men and women, together with investments and bank deposits which provide for the upkeep and maintenance of the cottages and the payment of pensions and the general administration of the Society. There are no restricted funds.

3. Pensions

Pensions are grants awarded to individuals and are recognised upon award, which is normally upon payment.

Pensions were paid at the rate of £500 per annum.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

| | Total Funds 2020 £ | Total Funds 2019 £ |
|---|---------------------------------------|---------------------------------------|
| Analysis of Income | | |
| 4. Donations and legacies | | |
| Donations | 10,250 | 11,525 |
| Legacies | <u>187</u> | <u>30</u> |
| | 10,437 | 11,555 |
| 5. Income from Charitable Activities | | |
| Rents and charges | <u>249,179</u> | <u>251,117</u> |
| 6. Investment Income | | |
| Dividends and interest | <u>53,350</u> | <u>73,536</u> |
| 7. Grant | | |
| Government grant | <u>10,000</u> | <u>-</u> |
| Total | <u>322,966</u> | <u>336,208</u> |
| 8. Analysis of Expenditure | | |
| Raising Funds | | |
| Investment management costs | <u>10,274</u> | <u>10,557</u> |
| Cost of Charitable Activities | | |
| Remuneration costs | 60,406 | 56,322 |
| Garden upkeep | 16,327 | 18,135 |
| Property upkeep, repairs and cleaning | 65,685 | 70,071 |
| Telephone & computer costs | 6,903 | 7,144 |
| Heat, light & power | 35,382 | 30,286 |
| Rates and insurance | 16,531 | 16,314 |
| Depreciation | 26,499 | 31,231 |
| Loss on disposal of assets | - | 436 |
| Pension granted | 7,000 | 7,000 |
| Printing, postage & stationery | 1,316 | 967 |
| Secretarial fees and expenses | 39,338 | 38,192 |
| Sundries | 2,286 | 2,367 |
| Audit fee | 5,890 | 3,820 |
| Professional fees | <u>1,385</u> | <u>3,088</u> |
| | <u>284,948</u> | <u>285,373</u> |
| Total | <u>295,222</u> | <u>295,930</u> |

All expenditure relates to the one charitable activity of the society, that of relieving the needs of the elderly.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

9. Audit and Accountancy Fees

| | 2020 | 2019 |
|------------|--------------|--------------|
| | £ | £ |
| Audit Fees | <u>5,890</u> | <u>3,820</u> |

No other services have been provided by the auditor during the year (2019: none).

10. Staff Numbers and Costs

The average number of staff employed during the year was 3 (2019: 3) and the total cost of their remuneration was £60,406 including the holiday pay accrual (2019: £56,322) as detailed below:

| | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Wages and Salaries | 56,429 | 51,818 |
| Social Security Costs | 1,206 | 1,381 |
| Employer's Pension Contributions | <u>2,771</u> | <u>3,123</u> |
| | <u>60,406</u> | <u>56,322</u> |

No employee, in either year, received emoluments of more than £60,000.

The directors consider the manager to be "key management personnel". The manager's remuneration was £38,890 (2019: £37,542) which included employer's pension contributions of £2,000 (2019: £1,933).

11. Related Party Transactions

The directors received no remuneration or reimbursement of expenses (2019: £nil). There were no transactions with related parties that require disclosure.

12. Fixed Assets

| Heritable Property | 2020 | 2019 |
|--|------------------|------------------|
| | £ | £ |
| Valuation at 31 December 2020 and 31 December 2019 | <u>5,500,000</u> | <u>5,500,000</u> |
| Historical cost at 31 December 2020 and 31 December 2019 | <u>2,459,995</u> | <u>2,459,995</u> |

The properties were valued on 5 December 2018 by DHKK Chartered Surveyors. In line with the policy on fixed assets, the property is professionally revalued every five years.

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

12. Fixed Assets (Cont'd)

Tangible fixed assets

| | Plant £ | Fixtures £ | Total £ |
|-----------------------|--------------------|-----------------------|--------------------|
| Cost | | | |
| At 1 January 2020 | 266,541 | 4,991 | 271,532 |
| Additions/Disposals | - | - | - |
| At 31 December 2020 | <u>266,541</u> | <u>4,991</u> | <u>271,532</u> |
| Depreciation | | | |
| At 1 January 2020 | 92,175 | 2,696 | 94,871 |
| Charge for the year | 26,155 | 344 | 26,499 |
| At 31 December 2020 | <u>118,330</u> | <u>3,040</u> | <u>121,370</u> |
| Net book value | | | |
| At 31 December 2020 | <u>148,211</u> | <u>1,951</u> | <u>150,162</u> |
| At 31 December 2019 | <u>174,366</u> | <u>2,295</u> | <u>176,661</u> |

13. Investments

| | 2020 £ | 2019 £ |
|--|-------------------|-------------------|
| Market value, excluding cash, at 1 Jan 20 and 1 Jan 19 | 1,610,084 | 1,388,420 |
| Acquisitions at cost | 155,326 | 134,148 |
| Disposals at open market value | (136,978) | (98,474) |
| Unrealised gains/(losses) | <u>36,758</u> | <u>185,990</u> |
| Market value, excluding cash, at 31 Dec 20 and 31 Dec 19 | 1,665,190 | 1,610,084 |
| Cash | <u>5,150</u> | <u>27,904</u> |
| Market value at 31 Dec 20 and 31 Dec 19 | <u>1,670,340</u> | <u>1,637,988</u> |
| Historical cost at 31 Dec 20 and 31 Dec 19 | <u>1,062,307</u> | <u>1,044,256</u> |

14. Debtors

| | 2020 £ | 2019 £ |
|--------------------------------|-------------------|-------------------|
| Prepayments and accrued income | 6,735 | 6,615 |
| Other debtors | <u>1,015</u> | <u>405</u> |
| | <u>7,750</u> | <u>7,020</u> |

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

15. Creditors

| | 2020 | 2019 |
|---------------------------------|---------------|---------------|
| | £ | £ |
| Accruals and Deferred Income | 28,704 | 26,442 |
| Social Security and Other Taxes | 926 | 1,123 |
| | <u>29,630</u> | <u>27,565</u> |

16. Financial assets and liabilities

| | 2020 | 2019 |
|--|-------------|-------------|
| | £ | £ |
| Financial assets at fair value through Statement of Financial Activities | 1,665,190 | 1,610,484 |

Financial assets at fair value comprise of quoted and unquoted investments which are measured at market value at the year end.

17. Indemnity Insurance

Premiums were paid during the year which provide insurance cover for the Society as shown below:

| | |
|------------------------|-----|
| Public Liability | £2m |
| Professional Indemnity | £1m |

18. Staff Pension Liability

The Aged Christian Friend Society of Scotland participates in the Scottish Housing Association's Pension Scheme ('the Scheme'). This is a multi-employer scheme which provides benefits to over 150 non-associated employers. The Scheme is a defined benefit scheme in the UK. See note 1 (j).

In the comparative year it was possible for the first time for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. The company chose early adoption of the amendments to FRS102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Multi-employer defined benefit plans. (May 2019)

The net defined benefit liability relating to the scheme at 31 December 2020 was £29,000 (2019:£1,000). Made up of the fair value of plan assets of £195,000 (2019:£209,000) less the present value of the defined benefit obligation of £224,000 (2019:£210,000).

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Staff Pension Liability (cont'd)

During the year £6,475 (2019 £8,080) was paid to the defined benefit scheme, £6,273 (2019 £7,843) in deficit contributions and £202 (2019 £237) in scheme expenses.

The loss arising from the change in the liability of the pension scheme of £35,000 can be seen in other recognised gains and losses.

Defined Benefit Obligation reconciliation

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | (£ 000s) | (£ 000s) |
| Defined benefit obligation at start of period | 210 | 198 |
| Interest expense | 4 | 5 |
| Actuarial losses (gains) due to scheme experience | (4) | (2) |
| Actuarial losses (gains) due to changes in demographic assumptions | (2) | 1 |
| Actuarial losses (gains) due to changes in financial assumptions | 25 | 17 |
| Benefits paid and expenses | (9) | (9) |
| Defined benefit obligation at end of period | <u>224</u> | <u>210</u> |

Fair Value of Assets reconciliation

| | 2020 | 2019 |
|--|-------------------|-------------------|
| | (£ 000s) | (£ 000s) |
| Fair value of plan assets at start of period | 209 | 189 |
| Interest income | 4 | 5 |
| Experience on plan assets (excluding amounts in interest income) | (16) | 16 |
| Contributions by the employer | 7 | 8 |
| Benefits paid and expenses | (9) | (9) |
| Fair value of plan assets at end of period | <u>195</u> | <u>209</u> |

The actual return on the plan assets (including any changes in shares of assets) over the period ended 31 December 2020 was (£12,000) (2019 - £21,000).

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

18. Staff Pension Liability (cont'd)

| Assets | 31 December 2020 (£000s) | 31 December 2019 (£000s) |
|-------------------------------|---|---|
| Global Equity | 32 | 49 |
| Absolute Return | 9 | 10 |
| Distressed Opportunities | 6 | 4 |
| Credit Relative Value | 4 | 5 |
| Alternative Risk Premia | 7 | 14 |
| Fund of Hedge Funds | - | - |
| Emerging Markets Debt | 8 | 7 |
| Risk Sharing | 7 | 6 |
| Insurance-Linked Securities | 4 | 5 |
| Property | 3 | 4 |
| Infrastructure | 10 | 11 |
| Private Debt | 4 | 4 |
| Opportunistic Illiquid Credit | 5 | 3 |
| High Yield | 5 | - |
| Opportunistic Credit | 5 | - |
| Cash | 4 | - |
| Corporate Bond Fund | 14 | 18 |
| Liquid Credit | 3 | 3 |
| Long Lease Property | 4 | 4 |
| Secured Income | 7 | 7 |
| Over 15 Year Gilts | - | 3 |
| Index Linked All Stock Gilts | - | - |
| Liability Driven Investment | 53 | 51 |
| Net Current Assets | 1 | 1 |
| Total assets | 195 | 209 |

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions

| | 31 December 2020 % per annum | 31 December 2019 % per annum |
|---|---|---|
| Discount rate | 1.22 | 1.93 |
| Inflation (RPI) | 3.06 | 3.06 |
| Inflation (CPI) | 2.43 | 2.06 |
| Salary Growth | 3.43 | 3.06 |
| Allowance for commutation of pension for cash at retirement | 75% of max. allowance | 75% of max. allowance |

The mortality assumptions adopted at 31 December 2020 imply the following life expectancies:

| | Life expectancy at age 65 (Years) |
|-------------------------|--|
| Male retiring in 2020 | 21.5 |
| Female retiring in 2020 | 23.2 |
| Male retiring in 2040 | 22.8 |
| Female retiring in 2040 | 24.5 |

**The Aged Christian Friend Society of Scotland
For the Year Ended 31 December 2020**

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

19. Contingent Liability

The Aged Christian Friend Society of Scotland has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scottish Housing Association's Pension Scheme based on the financial position of the Scheme as at 30 September 2020 which is the most recent information. As of this date the estimated employer debt for The Aged Christian Friend Society of Scotland was £111,746 (2019: £107,350).

The Directors confirm that the Society has no intention of withdrawing from the scheme at this time; however, the Society has moved to the defined contribution scheme, provided by the Scottish Housing Association's Pension Scheme, as from 1 October 2013, thereby limiting employer obligations from that date to the amount of employer pension contributions.

20. Reconciliation of net movement in funds to net cash flow from operating activities

| | 2020 | 2019 |
|---|-------------|-------------|
| | £ | £ |
| Net movement in funds | 35,329 | 270,077 |
| Add back depreciation charge | 26,499 | 31,231 |
| Add back loss on disposal of assets | - | 436 |
| Deduct dividends and interest | (53,350) | (73,536) |
| Deduct (gain)/add back loss on investments | (42,585) | (213,820) |
| Decrease/(Increase) in debtors | (730) | 60,188 |
| Increase/(Decrease) in creditors | 2,065 | (676) |
| Increase/(Decrease) in pension provision | 28,000 | (23,979) |
| Net cash (used)/generated in operating activities | (4,772) | 49,921 |

21. Cash and Cash equivalents

| | 2020 | 2019 |
|---------------------------------|-------------|-------------|
| | £ | £ |
| Cash in hand | 261 | 211 |
| Cash in bank | 243,751 | 184,990 |
| Cash held in investments | 5,150 | 27,904 |
| Total Cash and cash equivalents | 249,162 | 213,105 |

22. Analysis of changes in net debt

There are no borrowings, obligations under finance leases or loans. The movement on net debt is therefore the movement on cash and cash equivalents and can be seen in the Statement of Cash Flows.