

Postcode Community Trust

**Directors' report and financial statements
for the year ended 31 December 2017**

**Company number: SC472798
Scottish charity number: SC044772**

Postcode Community Trust

Contents

	Page
Reference and administrative details	i
Directors' Report	2
Independent Auditors' report to the members of Postcode Community Trust	8
Statement of financial activities (including income and expenditure account)	11
Balance sheet	12
Statement of cash flows	13
Notes to the financial statements	14

Postcode Community Trust

Reference and administrative details

Directors	Michael Pratt (Chair) Aidan Connolly (Appointed 15 November 2017) Claire MacDonald (Appointed 15 November 2017, Resigned 28 April 2018) Judith Hills Robert Flett Lawson Muncaster (Resigned 30 May 2017)
Registered office	28 Charlotte Square Edinburgh EH2 4ET
Independent Auditors	PricewaterhouseCoopers LLP 141 Bothwell Street Glasgow G2 7EQ
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: 000-037612-N-318384 Remote: 000-037612-R-318383
Charity number	SC044772
Company number	SC472798
Executive Manager	Laura Chow

Postcode Community 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 charitable company for the year to 31 December 2017. The information on page 1 forms part of this report.

Structure, governance and management

Governance

Postcode Community Trust is a company limited by guarantee, constituted by the Memorandum and Articles of Association and is governed by its elected Directors. New Directors are elected at half-yearly meetings and a Director shall hold office for a maximum period of four years from the date of appointment and shall then retire. Such person 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.
- 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.

Postcode Community Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the surplus or deficit 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 charity will continue to operate.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Audit & Risk Committee meeting, and full Board meeting against the Risk Register;
- the Risk Register will be managed on a day-to-day basis by the Trust executive 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 executive 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.
- 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 executive management team receive daily reports regarding ticket sales, so would be aware of any issues very quickly and these would be communicated to Directors.

Postcode Community Trust

Directors' Report *(continued)*

Structure, governance and management (continued)

Management

The business of Postcode Community 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 grants involved. Directors meet half-yearly. 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 Community Trust engage Postcode Lottery Limited (who operate under brand name People's Postcode Lottery) as their external lottery manager.

The Trust engages 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 Community 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 Community Trust. The Manager appointed the Trust Manager to undertake day-to-day activities including the following:

- 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
- Creation of quarterly summary reports detailing all of the above. It is the responsibility of the Manager and the Chairperson to approve the list of projects proposed for funding which request funding below £10,000
- Management of 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 Trust Finance Manager to take responsibility for the financial management for Postcode Community Trust including the following:

- Monthly financial updates including income position, breakdown of costs, and awards made
- Management of the bank account which will receive payments direct from the Postcode Lottery Limited
- 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.

Postcode Community Trust

Directors' Report *(continued)*

Objectives and activities

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

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

- the prevention or relief of poverty;
- the advancement of health;
- the advancement of citizenship or community development;
- the advancement of public participation in sport;
- the advancement of human rights, conflict resolution or reconciliation;
- the advancement of environmental protection and improvement; and,
- the relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

The Trust has two main funding streams funding projects that advance health, community development, participation in sports and the relief of those in need.

- **Community Grants Programme**
Allows charities to apply for 12-month project funding ranging from £500 up to £20,000 undertaken in Great Britain. Decisions are made on a twice-yearly basis. Registered charities can apply for up to £20,000. Community groups not formally registered as a charity can apply for up to £2,000. Postcode Community Trust had two funding rounds in 2017.
- **Magic Little Grants Programme**
Local charities and community groups delivering sports or physical activity projects can apply for £250 or £500 through this programme. This grants programme is outsourced to Local Giving who provide unrestricted grants on behalf of grant makers to local charities and community groups to support their work. Magic Little Grants had one funding round in 2017.

Postcode Community Trust operates its own society lottery which is regulated by the Gambling Commission under certificate 000-037612-N-318384 and 000-037612-R-318383. The Trust engages Postcode Lottery Ltd (PLL), trading as People's Postcode Lottery, as its External Lottery Manager. In 2017 PLL operated four draws on behalf of Postcode Community Trust.

Grant making policies

Postcode Community Trust provides funding opportunities to small organisations, community groups and charities in Scotland, England and Wales, through grants ranging from £500 - £20,000. Postcode Community Trust aims to distribute funds according to areas where players of PPL are at their highest concentration.

Postcode Community Trust

Directors' Report *(continued)*

Achievements and performance

2017 Small Grants Programme Projects

The following are examples of projects that Postcode Community Trust has funded through the Small Grants Programme in 2017:

Trefnant Bowling Club (the advancement of public participation in sport) were granted £1,000 to purchase and construct a wheelchair friendly shelter with access to an existing accessible toilet for local bowling fans who watch games on a regular basis.

Open The Door (the advancement of health) achieved an award of £9,658 for weekly drama sessions, with an emphasis on building friendships and reducing loneliness which has led to Arts Award accreditation for participants.

The Laughter Specialists (the advancement of health) were awarded £3,118 to train a new 'specialist' in infection control, hospital awareness, psychological effects of illness, working with special needs children, importance of play, stress and coping management and safeguarding.

Financial review

All the funds received from the proceeds of People's Postcode Lottery relating to Postcode Community Trust have been included in the financial statements. This amounted to £9.59m (2016: £8.63m). Of this 40%: £3.83m (2016: £3.45m) is given out as prizes and 30%: £2.88m (2016: 32.5% £2.8m) is retained by our External Lottery Manager which is Postcode Lottery Limited. The remaining 30%: £2.88m (2016: 27.5% £2.37m) is managed by Postcode Community Trust. Postcode Community Trust promoted four draws throughout 2017.

£2.97m (2016: £2.36m) was given out in grants for charitable activities with £85.8k (2016: £95.5k) of costs to support these activities. Of this £7.5k (2016: £12.8k) was included in Governance costs.

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 reserves at a maximum of £500,000. At 31 December 2017, total reserves are £117,325 which entirely relate to general reserves. This level is adequate to cover day-to-day expenditure and a proportion of this will be allocated to fund grants during the first funding round of 2018.

Postcode Community Trust

Directors' Report *(continued)*

Plans for future periods

We believe that the charity has a sound financial basis upon which to build for the future.

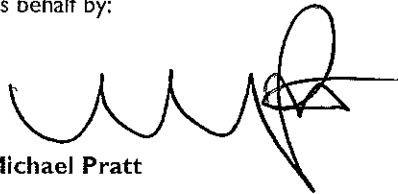
In 2018, Postcode Community Trust aims to continue to support communities through the funding of grass-roots sports, arts and recreation programmes and healthy living initiatives that improve a community's physical and mental health.

Statement of disclosure of information to auditors

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 relating to small companies.

The financial statements on pages 11 to 19 were approved by the Directors on 20th August 2018 and signed on its behalf by:



Michael Pratt

Chair

Postcode Community Trust

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

Report on the audit of the financial statements

Opinion

In our opinion, Postcode Community Trust financial statements ("the financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 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 regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Directors' report and financial statements (the "Report"), which comprise: the balance sheet as at 31 December 2017; the statement of financial activities (including income and expenditure account), the statement of cash flows for the year then ended; 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.

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 and financial statements 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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Postcode Community Trust

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

Reporting on other information *(continued)*

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 Directors' 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.

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 has 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 Community Trust

Independent auditors' report to the members and trustees of Postcode Community 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

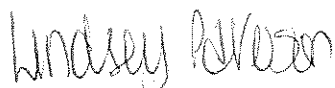
Under the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) we are required to report to you if, in our opinion:

- 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; and take advantage of the small companies exemption from preparing a Strategic Report. We have no exceptions to report arising from this responsibility.



Lindsey Paterson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

20/8/2018

Postcode Community Trust

Statement of financial activities (including income and expenditure account)

for the year ended 31 December 2017

	Note	Unrestricted funds			Unrestricted funds		2016 Total £
		2017 General £	2017 Designated £	2017 Total £	2016 General £	2016 Designated £	
Income & endowments							
Other trading activities	2	9,586,524	-	9,586,524	8,627,888	-	8,627,888
Income from investments	3	1,747	-	1,747	2,978	-	2,978
Total income and endowments		9,588,271	-	9,588,271	8,630,866	-	8,630,866
Expenditure							
Expenditure on raising funds	4	(6,714,462)	-	(6,714,462)	(6,263,661)	-	(6,263,661)
Expenditure on charitable activities	5	(2,983,351)	(71,550)	(3,054,901)	(2,258,223)	(200,852)	(2,459,075)
Total expenditure		(9,697,813)	(71,550)	(9,769,363)	(8,521,884)	(200,852)	(8,722,736)
Net income/(expenditure)		(109,542)	(71,550)	(181,092)	108,982	(200,852)	(91,870)
Transfers between funds		27,598	(27,598)	-	(200,000)	200,000	-
Net movement in funds		(81,944)	(99,148)	(181,092)	(91,018)	(852)	(91,870)
Total funds brought forward		199,269	99,148	298,417	290,287	100,000	390,287
Total funds carried forward		117,325	-	117,325	199,269	99,148	298,417

All of the above results were derived from continuing activities.

Postcode Community Trust

Balance sheet at 31 December 2017

	Note	2017 £	2016 £
Current assets			
Debtors	8	79,574	466,507
Cash at bank and in hand		1,257,228	519,240
		<u>1,336,802</u>	<u>985,747</u>
Creditors			
Amounts falling due within one year	9	(1,219,477)	(687,330)
		<u>117,325</u>	<u>298,417</u>
Net current assets			
		<u>117,325</u>	<u>298,417</u>
Accumulated funds			
<i>Unrestricted funds</i>			
General funds		117,325	199,269
Designated funds		-	99,148
		<u>117,325</u>	<u>298,417</u>
Total funds	10,11	<u>117,325</u>	<u>298,417</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 20th August 2018.


Michael Pratt
Chair

Company number: SC472798

Postcode Community Trust

Statement of cash flows for the year ended 31 December 2017

	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities				
Net expenditure	(181,092)		(91,870)	
Income from investments	(1,747)		(2,978)	
Decrease in debtors	386,933		31,903	
Increase/(decrease) in creditors	532,147		(698,859)	
	<hr/>		<hr/>	
Cash provided by operating activities		736,241		(761,804)
Cash flows from investing activities				
Investment income	1,747		2,978	
	<hr/>		<hr/>	
Cash provided by investing activities		1,747		2,978
		<hr/>		<hr/>
Increase/(Decrease) in cash and cash equivalents in the year		737,988		(758,826)
Cash and cash equivalents at the beginning of the year		519,240		1,278,066
		<hr/>		<hr/>
Total cash and cash equivalents at the end of the year		1,257,228		519,240
		<hr/> <hr/>		<hr/> <hr/>
Cash and cash equivalents comprise:				
Cash at bank		1,257,228		519,240
		<hr/> <hr/>		<hr/> <hr/>

Postcode Community Trust

Notes to the financial statements

I Accounting policies

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

Statement of Compliance

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. The financial statements of Postcode Community 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 accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Going concern

These financial statements have been prepared on the going concern basis which assumes that the charity will continue its operations. There are no material uncertainties that exist or material changes in the way the charity operates and the Directors consider it appropriate to prepare the financial statements on a going concern basis.

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 year 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 30% 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 resources expended in the statement of financial activities.

Grants payable

Grants awarded are recognised in full in the year in which they are approved. Small Grants are not noted individually.

Expenditure on raising funds

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

Cash and cash equivalents

The Trust considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Postcode Community Trust

Notes to the financial statements (continued)

1 Accounting policies (continued)

Debtors

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

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

The charity 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.

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

	2017 £	2017 %	2016 £	2016 %
Total proceeds	9,586,524	100.0	8,627,888	100.0
Prizes	(3,834,610)	(40.0)	(3,451,155)	(40.0)
Operational costs	(2,875,957)	(30.0)	(2,804,064)	(32.5)
	<u>2,875,957</u>	<u>30.0</u>	<u>2,372,669</u>	<u>27.5</u>

3 Income from investments

	2017 £	2016 £
Bank interest	<u>1,747</u>	<u>2,978</u>

4 Expenditure on raising funds

	2017 £	2016 £
Prizes	3,834,610	3,451,155
Operational costs	2,875,957	2,804,064
PR	1,125	4,301
Charity gala	-	4,141
Gambling Commission	2,770	-
	<u>6,714,462</u>	<u>6,263,661</u>

Postcode Community Trust

Notes to the financial statements (continued)

5	Expenditure on charitable activities				
		2017 Unrestricted £	2017 Designated £	2017 Total £	2016 Total £
	Small grants	2,735,778	-	2,735,778	1,818,810
	Debate Mate	-	-	-	75,000
	MyBnk	-	-	-	75,000
	Newcastle United Football Foundation	-	-	-	49,986
	Saints Foundation	-	-	-	50,000
	Gift of Kit (designated)	-	71,550	71,550	200,852
	School of Hard Knocks	39,800	-	39,800	93,944
	Local Giving Foundation	122,000	-	122,000	-
		2,897,578	71,550	2,969,128	2,363,592
	Support costs				
	Cost recharges	66,137	-	66,137	62,795
	Travel and subsistence	3,698	-	3,698	3,382
	Printing and stationery	261	-	261	-
	Insurance	896	-	896	1,273
	Internet and website	5,213	-	5,213	12,992
	Sundry	-	-	-	34
	Subscriptions and memberships	1,181	-	1,181	-
	Charity workshops	373	-	373	-
	Bank charges	94	-	94	17
	Training	433	-	433	2,148
	Governance costs (Note 6)	7,487	-	7,487	12,842
		85,773	-	85,773	95,483
		2,983,351	71,550	3,054,901	2,459,075

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

332 projects were funded by the small grants made (2016: 226) across the following geographical areas and funding themes. No grants were made to individuals.

Postcode Community Trust

Notes to the financial statements (continued)

5 Expenditure on charitable activities (continued)

Geographical split of grants	No	£
England	263	2,273,691
Scotland	32	295,804
Wales	37	181,917
Grant monies refunded	-	(8,582)
Withdrawal of prior year grants	-	(7,052)
	<u>332</u>	<u>2,735,778</u>
	<u>332</u>	<u>2,735,778</u>

Funding themes	No	£
Community	229	2,024,963
Sport	103	726,449
Grant monies refunded or withdrawn	-	(15,634)
	<u>332</u>	<u>2,735,778</u>
	<u>332</u>	<u>2,735,778</u>

6 Governance costs

	2017 £	2016 £
Legal and professional fees	3,707	8,042
Accountancy fees	540	-
Audit fees	3,240	4,800
	<u>7,487</u>	<u>12,842</u>
	<u>7,487</u>	<u>12,842</u>

7 Staff costs

No Director received any remuneration during the year (2016: £nil).

No Director received reimbursement of expenses during the year (2016: £nil). Directors' indemnity insurance costing £896 (2016: £1,273) 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 £2,308 (2016: £2,660).

Postcode Community Trust

Notes to the financial statements (continued)

8	Debtors	2017	2016	
		£	£	
	Trade debtors	-	31,155	
	Other debtors	79,574	435,352	
	Prepayments and accrued income	-	-	
		<u>79,574</u>	<u>466,507</u>	
9	Creditors	2017	2016	
		£	£	
	Amounts falling due within one year:			
	Trade creditors	11,644	40,140	
	Other creditors	1,204,593	642,390	
	Accruals and deferred income	3,240	4,800	
		<u>1,219,477</u>	<u>687,330</u>	
10	Analysis of net assets between funds			
		General	Designated	Total
		2017	2017	2017
		£	£	£
	Current Assets	1,336,802	-	1,336,802
	Current Liabilities	(1,219,477)	-	(1,219,477)
		<u>117,325</u>	<u>-</u>	<u>117,325</u>
	Total net assets at 31 December 2017			
		General	Designated	Total
		2016	2016	2016
		£	£	£
	Current Assets	886,599	99,148	985,747
	Current Liabilities	(687,330)	-	(687,330)
		<u>199,269</u>	<u>99,148</u>	<u>298,417</u>
	Total net assets at 31 December 2016			

Postcode Community Trust

Notes to the financial statements (continued)

11 Accumulated funds

	Unrestricted funds			Unrestricted funds		
	General	Designated	Total	General	Designated	Total
	2017	2017	2017	2016	2016	2016
	£	£	£	£	£	£
Balance brought forward	199,269	99,148	298,417	290,287	100,000	390,287
Net (expenditure)/income for the year	(109,542)	(71,550)	(181,092)	108,982	(200,852)	(91,870)
Transfers	27,598	(27,598)	-	(200,000)	200,000	-
Balance carried forward	117,325	-	117,325	199,269	99,148	298,417

Opening designated funds comprised:

- £49,148 set aside for the Gift of Kit Sports Grant Programme awards. £71,550 was spent on Gift of Kit during 2017, with the excess being funded using general funds
- £50,000 for the Public Affairs campaign which remains within closing designated funds. This was released back into general funds during 2017

12 Related party transactions

Each Postcode Trust transfers up to 10% of the net proceeds from every lottery draw into a separate bank account which is held in the name of People's Postcode Trust. Support costs are then paid from this account and split between each of the Trusts. M Pratt, J Hills, and R Flett and A Connolly are also directors of Postcode Local Trust, Postcode Community Trust and Postcode Dream Trust. The value of funds transferred from these Trusts to PPT and costs paid by PPT on the Trusts' behalf is set out below:

	Opening balance due to/(from) PPT	Opening share of trade creditors	Transfer of net proceeds to PPT	Support costs paid on behalf of Trusts	Monies refunded by PPT to the Trusts	Trust's share of year end trade creditors	Closing balance due to/(from) PPT
	£	£	£	£	£	£	£
Community	(31,155)	11,690	(107,000)	91,215	-	(11,644)	(46,894)

Postcode Lottery Limited is also considered to be a related party.

During 2017 £2,875,957 (2016: £2,804,064) was retained by Postcode Lottery Limited as their external lottery management fee.

A Services Agreement also exists between Postcode Community 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 2017 £66,137 (2016: £62,795) was due to Postcode Lottery Limited, with £10,447 (2016: £11,146) being outstanding at the year end.