The Salvation Army United Kingdom Territory

The Salvation Army Trust (Central Funds) Report and Financial Statements for the year ended 31 March 2017

Charity Registration No: 214779 Scottish Charity Registration No: SC009359

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CONTENTS

Trustee's Report 3

Our Mission, Vision, Values and Objectives 3

From our Territorial Commander 4

What We Do 5

Positive About Children 6

Enthusiastic About Youth 8

Supporting Adults and Families 10

Affirming Older People 11

Serving the Community 12

Welcoming Volunteers 14

Worshipping Together 15

Partnering Worldwide 16

Resourcing and Enabling 17

Preparing for the Future 18

Working Together in Mission 19

- Salvation Army Trading Company
- Reliance Bank
- Salvation Army General Insurance Corporation

Raising Funds 22

Reviewing Finances 24

Investing for the Future 29

Reserves Policy 32

Structure, Governance and Management 33

- Recruitment and Appointment of Directors
- Training and Induction of Directors
- Organisational Structure and Decision Making
- Directors' Responsibilities
- Risk Management
- Principal Risks

Directors 38

Advisers 39

Independent Auditors' Report 40

Financial Statements 42

Trustee's Report

OUR MISSION

Called to be disciples of Jesus Christ, The Salvation Army exists to save souls, grow saints and serve suffering humanity.

OUR VISION

As disciples of Jesus Christ, we will be a Spirit-filled, radical, growing movement with a burning desire to lead people into a saving knowledge of Jesus Christ, actively serve the community and fight for social justice.

OUR VALUES

- Integrity
- Accountability
- Boldness
- Passion
- Respect
- Compassion

THE SALVATION ARMY'S PRINCIPAL OBJECTIVES

The Salvation Army's principal objectives are the advancement of the Christian religion and pursuant thereto the advancement of education, the relief of poverty and other charitable objects beneficial to society or the community of mankind as a whole.

The following groups benefit from the work of The Salvation Army Trust

- those who worship or participate in other activities at Salvation Army corps (churches) and community centres
- vulnerable and disadvantaged members of society, including homeless people, older and/or lonely people, children, young people and families, people dealing with issues of substance abuse
- the wider community of society as a whole

The Salvation Army takes a holistic approach, engaging with people's physical, emotional and spiritual needs, offering its services without discrimination.

FROM OUR TERRITORIAL COMMANDER

During my time as Territorial Commander it has been my privilege and pleasure to visit many of The Salvation Army's corps (churches) and centres to experience at first hand the dynamic and exciting ways they are expressing their faith and serving their local communities.

Salvation Army officers (ministers) are not only appointed to work in a corps but also to serve the community in which it is based. As I have travelled around the United Kingdom and the Republic of Ireland I have been continually encouraged and inspired by the way those officers, and the corps they lead, have formed links with, and become a key part of, their communities, transforming the lives of people within them.

The programmes and projects that help make this possible are diverse and varied, tailored to the specific needs of the locality they serve. They are for people of all ages, backgrounds and ethnicities, and are available to all who need them without discrimination.

In this latest Annual Report you will catch a glimpse of the amazing work carried out by a dedicated army of people. Their sole motivation is to serve those in need through a Christian church that has a proud heritage of helping people in distress and changing lives for the better – worshipping God not only through songs and prayers, but through effective action. As you will see, the projects are not only confined to individual corps but are also run regionally and nationally.

I would recommend you also read our Social Work Trust Annual Report, which outlines our wide-ranging social services work, including details of our residential work with people experiencing homelessness, who often live with addictions or battle with unemployment, and those in elderly care, as well as our anti-human trafficking services.

I sincerely appreciate the vast well of goodwill and encouragement we receive from the general public, who recognise the value of our extensive community and social services work. I also gratefully acknowledge the financial assistance from our generous donors, whose support underpins the work we do as we seek to express our faith in action.

God bless you!

Clive Adams
Commissioner
Territorial Commander

WHAT WE DO

- We provide Christian worship, teach Christian principles, encourage Christians to live out their faith, and we seek to promote the Christian message through various media including literature, music, electronic media and personal evangelism.
- We provide community programmes at our corps (local churches) relevant to local needs, to help people of all ages enhance their quality of life, self-respect, personal development and engagement with others.
- We seek to influence policy-makers, providing information on social issues affecting our members and service users.
- We train and equip current and future Salvation Army officers, staff and volunteers.
- We financially support The Salvation Army Social Work Trust in the full range of services it provides.
- We support the international mission work of The Salvation Army, including development work and providing relief to those affected by disasters overseas.
- We review and adjust our strategies and programmes to respond to changing needs.
- We strive to maintain four emphases – transformation, integration, discipleship and effectiveness (TIDE) – in everything we do.

The Salvation Army in the United Kingdom currently has 667 corps: 532 in England, 74 in Scotland, 40 in Wales, 17 in Northern Ireland, 3 in the Channel Islands and 1 in the Isle of Man.

POSITIVE ABOUT CHILDREN

We aim to make a positive difference in children's lives. We provide a voice for children and children's leaders within and beyond The Salvation Army and ensure our local ministry to children and their families is effective, well-resourced and fully supported.

Each Sunday, and also during the week, most of our 667 corps will hold a Sunday school or a midweek event at which children are taught Bible stories and Christian beliefs and encouraged to worship in a manner appropriate to their age. Any child may attend. In any one week an average of 3,034 attend.

Midweek junior clubs and outreach events, including Guide and Scout activities, are a key part of our community programme for children. Games, crafts, activities and teaching can all be included, and the mix varies depending on the need and the availability and skills of leaders. On average 4,015 attended our outreach clubs weekly.

Parent and toddler groups give children the opportunity to play together in a safe environment under the watchful eyes of their carers. The children develop their emerging skills and the carers enjoy meeting one another. These groups met in 339 locations (45 in Scotland) welcoming 12,175 (1,542) children and parents/carers through their doors each week.

Holiday clubs are great ways to keep children occupied, entertained and learning during the school holidays, particularly in the summer, offering a valuable service to the community. Some corps have developed these to include meals for children, mindful of the fact that for those children receiving free school meals during term time there is very little provision during school holidays.

Residential summer camps are a key part of our overall programme. Most are organised regionally, with many focusing on providing affordable, subsidised or free places for children who might otherwise have no holiday. Supervised activities, enjoyable learning and fun are key features, giving children an opportunity to thrive in a caring environment. 19 residential camps were held during the year with over 800 children attending.

Godly Play is an engaging way of teaching Bible stories. It uses simple play materials and tries to link the stories with the children's own experiences. Our Godly Play specialist is currently working not only with children but also within the context of our elderly care services, where storytelling communicates powerfully.

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This past year we oversaw Boundless Kids, a children's programme for international delegates at The Salvation Army's worldwide congress in London, held to celebrate its 150th anniversary. It provided the opportunity for over 300 children from different countries to meet and share together.

We also organised a Guide and Scout Camp to celebrate the centenary of Guiding in The Salvation Army.

Moving Forward

- we will continue to resource our local programmes with a focus on developing children's leaders, to enable them to deliver first-class children's activities, supported by our seven regional children's specialists

At just eight years old, Max lived in constant fear of his angry, volatile father, who would fly off the handle at the slightest thing. Help came, however, when one of his school friends invited him to their local Salvation Army corps which was able to offer him a place at a Salvation Army summer camp, giving him a break from the anxiety he felt for so long.

For the first time in as long as he could remember Max was free to run about and play games with other children. He didn't need to be afraid of making noise, being shouted at, or worse. Instead, he could do all the things he'd missed out on.

Salvation Army summer camps are so much more than just a week away. They are an opportunity for children to grow in confidence and enjoy the kindness, love and fun that are so often missing. They also provide children like Max with the strength to cope.

Although life wasn't easy when he got home, and even now things can be tough, Max isn't scared or anxious like he was before. He's happy and laughs, and even persuaded his dad to come along to activities at the local Salvation Army.

ENTHUSIASTIC ABOUT YOUTH

We are enthusiastic about serving young people who are members of The Salvation Army, who attend our programmes or who are in the wider community, promoting their development – body, mind and spirit.

We want young people to:

Realise their potential

We continue to promote our residential spring and summer school programmes which include music, drama, creative arts, sport, adventure activities and Bible study. These are great occasions for building relationships, mentoring young people and identifying and developing latent abilities. 850 young people aged between 12 and 25 attended the spring and summer residential programmes.

In Aston, Birmingham, one of the most deprived areas in Britain, with incidents of gun and knife crime rising, our youth workers have a passion for local young people to reach their potential. They have now set up their own dedicated studio equipment and are delivering music production workshops in the centre, out into the local community and for young people in Salvation Army corps throughout the West Midlands. It has been encouraging to see the young people's enthusiasms, skills and energies positively channelled.

The youth workers have also been aware of the need for girls to have someone to talk to outside the family and school settings. As a response they have introduced a girls' mentoring group during the past year which the girls are really appreciating.

Develop their leadership

We give opportunities to take responsibility in the local programmes and residential events. These develop key life skills.

In Liverpool Valley, we have recently started a gap year programme for young full-time volunteers to work in the local community. It soon became apparent that the greatest group in need were older people coping with loneliness. As a response the volunteers focused their energies on working in partnership with local residential care homes and befriending their residents. Their role has taken on the character of chaplaincy. The young volunteers and the older residents have come to really appreciate each other, breaking down some of the generational stereotypes that often exist.

Enjoy each other's company

Every division (region) holds its own youth events, which are great opportunities to get together and make new friends too.

Explore Christian faith

To Serve, our biblically-based teaching materials for youth, continues to be widely used with our young people. This helps to give them a good understanding of the Christian faith and what it means to be a member of The Salvation Army.

Live as today's disciples of Jesus

We ensure that in all our church-based activities for young people there is an element of Christian biblical teaching. As a Christian church we make this a priority.

Moving Forward

- we will continue to emphasise all the priorities outlined above, helped by our divisional and UK youth specialists, with a strong focus on working with young people on the margins of society

SUPPORTING ADULTS AND FAMILIES

We believe in supporting families, whatever type, size or age those families might be. That is why The Salvation Army offers a wide variety of family-friendly programmes and events such as parent and toddler groups, Messy Church and family weekends. We aim to be intergenerational as far as we can, recognising the benefits of all ages working together for at least some, if not all, of the time.

Our ministry to adults and families saw the following average weekly attendances:

- 66,871 (8,797 in Scotland) at our various programmes, including 12,175 (1,853) at parent and toddler groups in 371 (47) locations
- 8,747 (796) at coffee mornings
- 15,801 (1,946) at a variety of worship, Bible and prayer groups, with 220 (16) people recorded as coming into Christian faith

During the past year we

- raised over £192,000 for Enriching Lives, enhancing lives of people struggling with poverty and malnutrition in the Democratic Republic of Congo
- we explored what family really means when talking about the church community, and how that looks and seems to those who might feel alienated by the word 'family'
- we reviewed our Women's Ministry resources
- we launched training in domestic abuse awareness

Moving forward

- we will raise money for Redefined, a project working with victims of domestic violent in Pakistan and Argentine, and for Waves of Transformation, a project providing fresh water and sanitation in Kenya
- we will continue to promote a positive understanding of what 'family' can mean in a church community
- we will include in our leaders' handbook resources for women's ministry, men's ministry, toddler church, and for families to use at home

You can read about the work of our Family Tracing Service in our Social Work Trust report.

AFFIRMING OLDER PEOPLE

People are living longer, active longer, productive longer, and in retirement have an enormous amount to offer in terms of skills, experience and wisdom. That is why we are keen to affirm and enhance the key role older people play as Salvation Army volunteers in our corps and community programmes. We also want our programmes to reflect the needs of older people who make up a significant proportion of those we serve each week.

During the past year we

- developed existing befriending programmes across the UK and initiated new ones
- delivered over 35 training session on dementia awareness to staff at our corps, centres and headquarters
- led a Facebook Advent campaign highlighting the issues of loneliness and isolation

Moving forward

- we will look to partner with the Bible Reading Fellowship to pilot *Messy* Vintage, an older people's version of Messy Church
- in partnership with the NHS we are looking to develop work in prisons, where older people are a growing population
- we will introduce *Journeying Home*, a resource looking at positive ways to support people responding to end-of-life care
- we will promote *Active and Useful in Retirement*, a resource highlighting the many opportunities available for early retired people
- we will launch *Age to Age*, discipleship materials written by older people for older people

You can read about our residential care of older people in our Social Work Trust report.

SERVING THE COMMUNITY

Being an integral part of the local community – working with, in and for it – is central to The Salvation Army's identity and part of its spiritual mission.

Our community engagement is led by 667 local corps (churches) responding to their local communities. This may be through a food bank, a Christmas toy appeal, a corps-run charity shop, a community café, a lunch club, a drop-in centre for people experiencing homelessness, a carers' group, a contact centre, a debt advice service or employment support. An increasing number of corps are also providing winter shelter for homeless people.

We are committed to ensuring that we offer quality services and encourage new initiatives.

We are known for providing immediate help to those in need, but we also support people in addressing the underlying causes.

New local initiatives launched during the past year

- The Easterhouse Boat Project: At Easterhouse The Salvation Army corps, in partnership with the local community, is refurbishing a boat for eventual launch
- Addiction Work in Scotland: A Scotland Drug and Alcohol Strategy worker was appointed, based at Greenock Corps, to work with people with addictions
- Manchester local pantry: Manchester Central Corps opened a local pantry on a Saturday offering friendship and refreshments where locals can buy cheap groceries

During the past year we also

- produced a Food Poverty Toolkit video helping food programmes to look at the underlying causes of poverty
- distributed Christmas presents to more than 3,000 families
- provided a week of arts-based activities for 47 people with disabilities, supported by assistants, through the annual Safe School of Arts
- gave practical aid on more than 16,900 occasion, as recorded on our Practical Assistance Database
- expanded our financial inclusion service, opening an additional two debt advice centres
- worked with about 180 clients at any one time across our 10 debt advice centres with 120 new clients introduced to our service
- provided welfare benefits and budgeting training for more than 300 people at our local corps
- supported the Strawberry Field project which, when completed, will provide programmes for people with learning disabilities

Moving forward

- we will introduce a Monitoring and Evaluation Toolkit to help local measure their impact in the community
- we will open four more debt advice centres

KL, a client at one of our debt advice centres said:

'Whilst this was a somewhat long process I am so pleased that after about 18 months I was granted, with Salvation Army help and advice, a Debt Relief Order which means I can move forward and be debt free. Their help and advice was given in a non-judgmental and impartial way and without it, achieving this debt-free status would not have been possible.'

Facts and Figures

- 5,690 (774 in Scotland) people per week attended luncheon clubs in 244 (30) locations
- 7,680 (944) people attended our drop-in centres in 166 (28) locations
- more than 80 chaplains worked in the community in settings as diverse as hospitals, schools, airports, ports, waterways, the rural community and with the fire and police services

* *Statistics based on March/April 2017 figures*

You can read more about our community work and work among the homeless, and find out about our work with victims of human trafficking in our Social Work Trust report.

WELCOMING VOLUNTEERS

Volunteers are at the heart of The Salvation Army's work. Their skills, enthusiasm and commitment make an immense contribution towards the effective running of our programmes. Some people specifically want to help The Salvation Army, while others are seeking opportunities to make a positive contribution to the community and see volunteering with the Army as a way of doing so. Their involvement is very much appreciated.

We believe that partnering with people locally enhances our work and gives the opportunity for a fulfilling role as a volunteer. That is why we are committed to promoting volunteering and increasing the quality of opportunities and support for volunteers.

Our three-year strategy for volunteering aims to ensure best practice in the induction, training, management and support of volunteers. We are keen to learn from our volunteers about the most positive aspects of volunteering and how we can make the experience as rewarding as possible. Our new volunteer satisfaction survey will ensure that volunteers' voices are heard.

At the same time we have developed links with more than ten organisations to develop corporate volunteering opportunities. This will enable us to recruit additional volunteers with a diverse skill set which will help enhance the community services we offer.

Charlotte began volunteering to tackle debilitating depression.

'If I can use volunteering to make people feel happy then it's worth it. During my last few months at sixth form I was formally diagnosed with anxiety and depression. I found social interaction extremely difficult, especially with people I didn't know. But I was 18 and needed to get out into the world and gain some work experience. I needed to face my anxiety head one.

'I took a leap of faith and began volunteering with the Salvation Army charity shop in Swinton. I remember how difficult it was. I had to deal with people on a daily basis – not just complete strangers, but colleagues that I had to build relationships with. I've now been volunteering with the shop for five years and the support of The Salvation Army and the shop team has been an incredible help. I've been able to express myself as a person and develop at my own pace. Even though I still suffer with anxiety, my experience in the shop has given me confidence in myself and in my interactions with people.

'I continue to volunteer, giving at least one shift a week. I'm actually training to be a key holder, so that I can help run the charity shop if the manager needs me to. It's brilliant to be working towards having that responsibility.

'I can honestly say that I would not be where I am today without my experience as a volunteer. About 18 months ago I went for an interview and got a job in retail. Volunteering gave me the skills I needed for my career, but it also gave me the chance to build my own self-esteem. I owe a lot to volunteering and The Salvation Army.'

WORSHIPPING TOGETHER

The Salvation Army is part of the universal Christian Church. Every Sunday, and during the week, our corps throughout the UK open their doors for Christian worship. Anyone is welcome to attend, whatever their age, ethnicity, culture, circumstances or background.

Some attenders are Salvation Army soldiers, who sign a soldier's covenant affirming the Army's articles of faith and agreeing to live according to its principles. Soldiers are encouraged to wear uniform to witness to their beliefs and are expected to actively support the Army's work. Some are adherent members who affirm their Christian beliefs. Others without any membership commitment can be regular worshippers who regard The Salvation Army as their church.

The Bible and prayer are central to our worship and the foundations of our spiritual life. We believe that music provides a powerful source of ministry, is a meaningful medium for worship and offers the opportunity to connect with non-church attenders.

We also take the gospel out on to the streets with open-air Christian worship and the distribution of our weekly newspaper, *The War Cry*.

Many congregation members also volunteer to lead or assist with the running of the various community and other programmes. This means there is a strong link between their Christian commitment and their desire to serve the community.

We currently have 25,354 soldiers (2,020 in Scotland), 8,780 (813) adherent members and 2,965 (264) junior soldiers aged under 18.

PARTNERING WORLDWIDE

In partnership with The Salvation Army in developing countries, we work to empower communities in different parts of the world to use their God-given resources to increase food security, generate income, gain access to clean water and improved sanitation, overcome gender-based violence and work to bring an end to human trafficking.

We are committed to serving suffering humanity by working alongside people to help them alleviate their poverty and enable them to live the fullest possible lives. In doing so we embrace a deep strand of biblical thought that opposes injustice and looks to the dignity and wellbeing of the poor.

Last year we provided funding support totalling £817,000, due to the generosity of many individuals and institutions, as well as funds generated from legacies and members' own giving through our Self-Denial Appeal.

During the past year our completed projects have had significant impact on thousands of lives. For example:

- 4,500 people are now being served by the Muumoni Community sand dam in Kenya, which gives easily accessed clean water and raises the water level in the area of the dam, allowing a community garden to be planted
- 313 children have been housed and cared for at the Mchinji Centre for Trafficked Children in Malawi
- an anti-trafficking education programme in Gongshan County, Yunnan Province, China has reached 1,250 pupils in school
- 85 income-generating projects including pottery-making and tailoring have been developed in a flood restoration project in Pakistan that included nine villages; additionally, awareness of health issues such as waterborne diseases has been raised
- 117 people regularly used a UK-supported adult day care centre in Vladivostok, Russia
- 40 families were supported with material and spiritual help in the wake of Tornado Dolores in Uruguay, a location where The Salvation Army was previously unknown

We were also involved with projects in Zimbabwe, Malawi and Kenya for water and food security and improved farming techniques, and we supported projects in our partner territories (Pakistan, Ghana, Mozambique, Estonia, Argentina, Paraguay and Uruguay) as well.

Moving forward

- we will continue to support community development projects in China, Nepal, Kenya, Tanzania, Malawi, Zimbabwe, Ghana, DR Congo, Pakistan, Bangladesh, the Philippines, Poland, Moldova and Argentina
- we will continue to monitor and manage projects that fight poverty, provide clean water and help improve the environment for subsistence farmers

RESOURCING AND ENABLING

Influencing and Advocacy

We promote and defend the work of The Salvation Army with politicians and policy-makers in the interest of greater social justice for those we serve. Ultimately, our voice helps their lives.

During the past year we

- highlighted to MPs and peers the negative impact of reduced housing support on our Homelessness Services and the homeless people we serve Local MPs visited Lifehouses, allowing us to highlight our fears about the future of supported housing. Our work has also been acknowledged in parliamentary debates
- made representations to MPs expressing concerns that Public Space Protection Orders might be inappropriately used by local authorities to disperse homeless people rather than to engage with them, a fear underlined by reports from our front-line locations. Our concerns were taken up by Lord Clement-Jones in the House of Lords on 8 September 2016 and expressed to Home Office officials in February 2017
- communicated to MPs our concerns about policy changes for the long-term unemployed, shifting from a large back to work initiative, The Work Programme, to a much smaller programme, The Work and Health Programme, which is designed to help those with entrenched challenges to find work
- monitored the effects of localism – the devolving of greater decision-making to local authorities over public spending including health, social care and housing

Moving forward

- we will monitor the roll-out of Universal Credit to families
- we will continue to engage with the government about funding of supported housing
- we will place more emphasis on providing non-government funded employment support, anticipating gaps in provision as policy change is implemented
- we will monitor the impact of Brexit on the ability of The Salvation Army to serve its beneficiaries

Publishing

The Salvation Army publishes three weekly periodicals. *Salvationist* is principally for members, *The War Cry* is topical and suitable for members and the general public, and *Kids Alive!* is the UK's only weekly children's Christian comic. All three include Bible-based teaching and promote positive Christian values. A combined total of over 60,000 copies are produced each week, but readership far exceeds the number of copies printed. Distributing *The War Cry* on the streets and in pubs provides an important opportunity to share Christian teaching and perspectives. As part of our mission outreach copies are also sent to prisons and our residential social services centres.

Training

Recruitment and training of officer leaders is vital to the continuing health and development of The Salvation Army. Our Candidates Unit oversees the recruitment, selection, screening and assessment of Salvation Army officers and other full-time leaders. Our School for Officer Training at William Booth College, London, provides a two-year residential course for officer cadets, with a distance-learning option available in some situations. During the past year 23 cadets from the UK commenced officer training, while 28 completed their training and were commissioned as officers.

We also provide an extensive programme of in-service training for employees and officers as well as encouraging attendance at external courses.

PREPARING FOR THE FUTURE

We introduced a wide-ranging restructuring, under the title Fit for Mission, to help us support and resource our front-line work more effectively. We moved from 18 to 22 divisions (regions) of roughly equal size, enabling support to corps across the UK to be evenly spread. Divisions now concentrate on providing enhanced strategic support and pastoral care to our corps-based officers.

The restructuring has also included developing seven new regional service centres, each employing specialists in children's work, community services, family ministries, music and creative arts, and older people's ministry, as well as providing support staff for finance, human resources and property.

We also put in place new administrative systems across the organisation relating to finance and strategic planning for mission.

The new structures came into effect in July 2016.

WORKING TOGETHER IN MISSION

The Salvation Army works in close cooperation with its three group companies, Salvation Army Trading Company Limited, Reliance Bank Limited and Salvation Army General Insurance Corporation Limited.

Salvation Army Trading Company Limited (SATCoL)

The Salvation Army Trading Company is a business with a heart, whose strapline 'Belief in Action' reflects the charity's ethos. The principal activities are the collection and sale of second-hand clothing donated by the public and the supply of Salvation Army publications and related materials.

SATCoL believes in high ethical standards of business and that it is about more than providing income for The Salvation Army. Its 232 charity shops are places where people on limited means can find affordable clothing and where a warm welcome and friendly face can provide encouragement.

SATCoL is a wholly owned subsidiary of The Salvation Army Trust (Central Funds). The year to March 2017 saw total turnover of £47.0 million compared to £44.4 million the previous year and an overall operating profit of £5.3 million (2016: £3.4 million) before the deduction of Gift Aid and tax, enabling a Gift Aid payment to Central Funds of £4.0 million. In addition, due to SATCoL's participation in the Retail Gift Aid Scheme, The Salvation Army was able to claim Gift Aid on donated goods to the value of £3.5million.

During the past year clothing collection volumes increased 1 per cent which, together with increasing export sales values per tonne, resulted in an overall export sales increase of 11 per cent. The Clothing Collection Division continues to partner with a number of national retailers, with clothing collection banks being jointly branded between The Salvation Army and the retailers' chosen charities and proceeds being divided between the two parties. As a result, payments totalling £2.6 million have been made to other charitable organisations.

The retail high street is suffering mixed trading conditions, combined with an 'overcrowding' of charity shops. Nevertheless, the SATCoL Charity Shops Division saw sales increasing by 3 per cent.

Initial signs from the opening of our first Donation Centre (in October 2016) have been extremely encouraging on both a donations and sales level. Expansion plans for the Charity Shops Division have been somewhat curtailed while this new trading concept is further evaluated, together with the trial of a Superstore, due to open in July 2017.

Reliance Bank Limited

Established since 1890, Reliance Bank is founded on Christian values with a strong ethical conscience. It aims to deliver an excellent, efficient and personal banking service to The Salvation Army and all its customers.

The bank is wholly owned by The Salvation Army: 49 per cent by The Salvation Army Trustee Company and 51 per cent by The Salvation Army International Trustee Company.

The bank provides a range of banking and related services, principally to UK customers. The majority of its business is with The Salvation Army and its related organisations, supporting these customers in their wider mission. Non-Salvation Army business has continued to grow, which includes supporting an increasing number of charities and churches with their day-to-day banking needs and providing loan funding to assist with a variety of projects in support of their charitable objectives.

In the last two years, the bank has developed a house mortgage product designed to help customers with long-term disabilities purchase their own home on a shared ownership basis, in conjunction with a number of housing associations. This allows individuals to live independently in their own homes in locations close to family members. This also frees up NHS resources and presents a more cost-effective care provision.

The bank has never had exposure to sub-prime lending, PPI or market manipulation issues and remains focused on providing quality service to personal, charity and business customers alike.

An operating profit of £412,025 was generated in the year to 31 March 2017 (2016: £465,283), with retained earnings after tax of £320,285 (2016: £85,696). The increase in retained earnings for the year reflects the fact that no Gift Aid donations were made to parent charities due to the Bank's need to increase capital and reserves in readiness for known increases in regulatory capital buffer requirements that will impact all UK banks. Whilst no direct donations have been made to parent charities in the year, the value of the shareholders' investment in the bank has increased through the increase in retained earnings.

Salvation Army General Insurance Corporation Limited (SAGIC)

Formed in 1909, the principal activity of SAGIC is transacting property insurance in the United Kingdom. SAGIC also provides home and contents insurance to officers, members, supporters of The Salvation Army and individual members of the general public either directly or through its new broker network.

Gross premium income from commercial business, including The Salvation Army, was £2,889,000 (2016: £2,730,000) representing 31.1 per cent (2016: 43.3 per cent) of total written premiums. Domestic insurance business, under the brand 'House and Home', increased 44.7 per cent, producing income of £4,150,000. The UK household insurance market remains very competitive but as a result of further expansion to the broker network SAGIC increased its number of policy-holders from 15,000 to 21,000. Total premiums net of re-insurance were £5,012,000 (2016: £2,764,000).

Net claims incurred were £2,463,000 (2016: £1,278,000), representing 46.6 per cent (2016: 46.2 per cent) of net premiums. Salvation Army reported claims totalled 386 (2016: 384), the major categories being all risks, escape of water, storm, theft and glass replacement. The number of household claims showed an increase of 19.9 per cent which is not unexpected due to the increased number of policies.

The profit on insurance activities was £1,064,000 (2016: £755,000) and the net contribution from investments is £196,000 (2016: net loss £149,000).

Operating expenses increased and included broker commissions, increased marketing activities, professional fees regarding Solvency II compliance and insurance software support. The profit before tax and distribution was £1,260,000 (2016: £607,000) and a Gift Aid payment of £944,000 (2016: £583,000) to Central Funds has been approved by the directors. Retained profit after this payment and after taxation is £266,000 (2016: £26,000).

SAGIC is a wholly owned subsidiary of The Salvation Army Trust (Central Funds).

RAISING FUNDS

Fundraising helps keep The Salvation Army alive, thriving and delivering its mission, accounting for 26 per cent of its total income.

At our heart are a respect and a passion for people which is reflected in our approach to fundraising. We have always taken every precaution to put our supporters first and to keep our appeals programmes as sensitive as possible.

Our fundraising takes place on two broad fronts; locally by our churches and community centres and centrally through coordinated programmes.

All of our 667 local church and community centres are expected and encouraged to generate funds to sustain themselves and help meet the cost of their community programmes. They also assist national fundraising initiatives. An example is the corps-based Big Collection, an annual fundraising campaign for our social services work, with each corps contributing in ways that are appropriate for them. In 2016/2017, the Big Collection raised £1.7 million.

Another local initiative is the annual Self-Denial Appeal through which corps members make sacrificial personal gifts to support The Salvation Army's international work. In 2016/2017 this raised £1.17 million, up 11 per cent over 2015/2016, the highest amount for ten years.

UK-wide, centrally coordinated public fundraising delivered £44.9 million in 2016/2017, up £2.8 million over 2015/2016, excluding legacy income.

We are constantly mindful of the continued support of individuals, foundations and groups. We are truly grateful that so many people continue to donate and willingly support our work.

Our postal appeals programme funds our community work. Our mailed and emailed appeals, sent to our supporters five or six times a year, cost £1.3 million and realised £17.6 million. This represents £13.50 generated for every £1 spent, which is a strong return on investment, the average in the larger charities sector being £4.01 *('Fundratios' Benchmark Survey 2017)*. This is an improvement over 2015/2016.

Appeals income has grown 28 per cent over three years, which is on track with our needs. It results from increased investment in new-donor acquisition activity in previous years.

The Christmas appeal to our supporters raised a staggering £9.9 million at a return on investment of £19 for every £1 spent. Net income was up by £0.56 million at Christmas, once again reflecting the immense generosity of our supporters and their willingness to fund our work.

We also carry out an extensive public appeal at Christmas across many media (TV, radio, newspaper advertisements, magazine leaflets, door-drops and postal appeals). This generated £5.8 million, almost the same as in 2016. However, noticeably more responders chose not to receive any further appeals.

Individuals also support through Direct Debits. This regular, predictable income is vitally important, enabling forward planning. In 2016/2017, we raised £7.3 million, an increase of £ 0.5 million over the previous year. The accumulated Gift Aid on these donations amounted to £6.6 million.

Overall, our public fundraising brings in a gross income of £38 million that makes a crucial contribution to our transformational work among communities across the UK and Ireland.

We received 930 individual gifts from charitable trusts and grant-making foundations totalling £1.2 million, helping fund over 120 projects. We are immensely grateful to all the contributing foundations that have generously supported us.

Gifts in wills or legacies also make a substantial contribution. Total legacy income was £50.5 million. Whilst we cannot predict legacy income, we can raise awareness of our dependency on legacies in order to encourage this form of support. Therefore, we very sensitively ensure that our church members and supporters are aware of it, and our Legacy Liaison Officer personally follows up enquiries about this form of giving. Approximately 60 per cent of our legacies now come from individuals who have been church members or supporters.

Excluding legacies, total centrally coordinated fundraising income rose from £42 million in 2016 to £44.9 million in 2017. If we add in local public fundraising, the total rises to £54.1 million.

There are challenges ahead.

We are facing a significantly more uncertain future. Increasingly, public support for charities can no longer be assumed and the public are becoming more selective in their giving. Whilst we enjoy a healthy level of donations from regular Direct Debit donors, we are still heavily reliant on less predictable income streams from legacies and appeals donations, and therefore potential downward trends in giving are a concern.

We are therefore building our investment in other forms of charitable giving and support, including challenge and mass-participation events including marathons, half-marathons, 10k runs, swimming and skydiving events. Whilst the return on investment is lower than postal appeals, it enables us to reach a younger audience who engage with us, and our brand, in different ways.

We are also developing ways to engage with companies that provide mutual benefit to their staff and to our work at a local level in order to help sustain us financially and operationally into the future.

Making Grants

The Salvation Army Trust is not a grant-making charity in the conventional sense. However, it does make grants to The Salvation Army Social Work Trust and The Salvation Army International Trust with whom it works in furtherance of its charitable objectives.

REVIEWING FINANCES

The Accounts have been prepared in accordance with the new Charities SORP and Financial Reporting Standard (FRS 102).

Our main sources of income are as follows:

	2017 £m	2016 £m
Legacies	50.5	52.0
Donations from the public	54.1	51.0
Donations from members	19.8	19.8
Grants	2.0	2.8
Trading income	73.7	67.3
Associate company	0.2	0.2
Investment income	4.1	6.2
Other income	5.3	9.7
	209.7	**209.0**

Voluntary income

Voluntary income (including legacies, donations and grants from trusts and foundations) represents 59 per cent of our total income. In 2016/2017, our appeals and fundraising activities reached or surpassed their targets and we continue to be deeply and sincerely grateful to the individuals who have remembered us in their wills, which is a crucially important, sustaining income stream. Donations from members represents the weekly or planned giving by soldiers and other members of The Salvation Army to their local Salvation Army corps (church).

Trading income

Trading income comprises:

- corps trading activities, mainly charity shops (£16.6 million). Net trading income shows a small decrease from £8.3 million to £8.0 million. Corps use the funds raised to support their local programmes
- income of trading subsidiaries: The Salvation Army General Insurance Corporation (£10.1 million) and The Salvation Army Trading Company (£47.0 million). There has been an increase in net trading income:
  - The Salvation Army General Insurance Corporation £1.1 million (2016: £0.7 million)
  - The Salvation Army Trading Company £4.7 million (2016: £2.9 million)

Associate company

This represents our share of profit in Reliance Bank.

Other income

This includes the gain on disposal of properties and VAT refunds.

Expenditure

Expenditure has decreased from £187.5 million to £186.3 million.

	2017 £m	2016 £m
Cost of raising donations and legacies	12.0	13.8
Cost of trading activities	60.1	55.5
Total cost of raising funds	**72.1**	**69.3**
Charitable activities:		
Church and evangelism programmes	41.2	43.6
Community programmes	47.6	48.6
International programmes	5.0	5.4
Training programmes	4.2	4.3
Youth and young people's programmes	2.4	2.4
Support of Social Work Trust	13.8	13.9
Total charitable activities	**114.2**	**118.2**
Total expenditure	**186.3**	**187.5**

Costs of raising donations and legacies

This represents the costs of our central Fundraising Department and the cost of our appeals and costs associated with raising funds. Our costs for 2016/2017 reduced in comparison with 2015/2016 as we reduced our public appeals at Eastertime and we reduced the cost of our Christmas campaign.

Church and Evangelism Programmes

This represents Christian worship and the teaching and promotion of the Christian message at our corps, regionally and nationally. Expenditure is at a similar level to last year.

Community Programmes

Programmes organised by our corps to meet the needs of their local community are increasing in scale and diversity, and are described elsewhere in this report.

International Programmes

This represents grants to The Salvation Army International Trust, overseas projects funded by the UK Territory and the costs of the International Development Unit.

Training Programmes

This represents the costs of William Booth College which trains people to become Salvation Army officers and runs education and learning programmes for employees and officers.

Youth and Young People's Programmes

This represents national programmes including The Salvation Army's work with young people and young adults.

Support of Social Work Trust

This represents the financial support provided to our social programmes for those in need. This includes work with the homeless, older people, unemployed people and victims of human trafficking.

Net income, including gains on investments of £22.1 million (2016: loss of £8.3 million), was £45.5 million (2016: £13.1 million). The gain on investments is a book gain only. Financial markets have recovered since the year end.

Funds

Total funds as at the year end were as follows:

	2017 £m	2016 £m
Endowment funds	**14.9**	12.9
Restricted funds:		
Property fund	303.5	291.7
Corps funds	47.6	45.8
Legacy reserves	69.9	68.0
Trust funds	2.5	2.1
Specific donations	9.4	9.2
	432.9	**416.8**
Unrestricted funds:		
Non-charitable trading funds	20.2	19.0
Designated funds	91.6	63.2
General reserve	19.2	21.3
	131.0	**103.5**
Total funds	**578.8**	**533.2**

Endowment Funds

Only the income arising on these funds is available for expenditure.

Restricted Funds

The property fund represents expenditure on properties used by The Salvation Army for operational purposes and hence is not available for expenditure.

Corps funds represents funds generated by corps. These are restricted for use in their local area.

Other restricted reserves represent funds given by donors for specific purposes.

Unrestricted Funds

Non-charitable trading funds are profits retained in the subsidiary companies and the associate company to provide working capital for their trading operations.

Designated funds are set aside by the directors for specific purposes, principally the acquisition of officers' quarters and major maintenance work on the property portfolio. Salvation Army officers (active and retired) are provided with accommodation. Funds have been set aside to enable the purchase of suitable properties as they are required. Funds have also been set aside to fund the work required on corps properties as part of our continuing planned maintenance rolling five-year programme.

The General Reserve represents funds which are freely available for the general purposes of the charity. At £19.2 million this represents approximately four months' unrestricted expenditure on charitable activities and is slightly below the optimum level of £20 million agreed by directors.

INVESTING FOR THE FUTURE

The charity holds its investments in The Salvation Army Common Investment Funds. These funds were set up under Schedule 2 of The Salvation Army Act 1980 to act as common investment schemes for certain Salvation Army Trusts.

The Salvation Army Common Investment Fund (No 1) consists of permanent endowments which are restricted by the wishes of the donor. In most cases the income is to be used for restricted purposes. The Salvation Army Common Investment Fund (No 2) is operated for those Salvation Army Trusts without permanent endowments. Both funds are managed by The Salvation Army Trustee Company. Cazenove Capital Management manages CIF1 and 56 per cent of CIF2, whilst Sarasin & Partners LLP manage 44 per cent of CIF2.

The funds are subject to The Salvation Army Act 1980 and the following guidelines:

- the principal aim is to invest in a manner consistent with the promotion of the objects of The Salvation Army
- investments should be made on longer-term considerations rather than in the pursuit of short-term gains
- investments may be held in stocks, shares, debentures and other securities quoted on a recognised stock exchange, in government, municipal and public utility stocks and in bank deposit accounts
- investments may be made in collective investment schemes, including those holding real estate assets
- no direct investment may be made in unquoted securities in the UK or overseas
- there will be no investment in companies which derive a material amount of their revenues (% indicated) from the following activities:
  - the production of alcohol (5%)
  - the sale, together with any production, of alcohol (10%)
  - the production of tobacco (5%)
  - the sale, together with any production, of tobacco (10%)
  - the manufacture of whole weapons, weapon platforms and weapon systems (no minimum limit)
  - the manufacture or sale of strategic parts for weapons systems (10%)
  - the business of gambling or providing access to such businesses (5%)
  - the production of adult entertainment services or providing access to such services (1%)
  - the publication or wholesale of pornographic magazines or newspapers (1%)
- investment managers are expected to exclude companies whose activities might reasonably be expected to increase poverty or act against the relief of poverty. The investment managers are required to monitor companies in the portfolios to ensure best practice in corporate governance, employment conditions and environmental sustainability

The Funds' benchmark and ranges of distribution are as follows:

Asset Class	Benchmark	Range
	%	%
Equities:		
UK	40	+/-10
Europe (ex UK)	15	+/-10
Emerging markets	15	+/-10
Asia Pacific	10	+/-10
United States	10	+/-10
Bonds	0	+10
Property	10	+/-10
Cash	0	+10
	100	

The aims and objectives of the Common Investment Funds are as follows:

CIF1

Fund strategy is:

- to preserve the value of the fund, adjusted for real inflation
- to maintain a steady annual income stream

The performance objective of the Fund is to achieve an annual total return which exceeds the composite benchmark below by at least 1.25 per cent per annum, gross of fees, measured over rolling three-year periods, commencing 1 January 2011.

Asset Class	Performance Benchmark
UK Equities	FTSE All-Share
Europe (ex UK) Equities	FTSE All World Developed Europe (ex UK)
Emerging Markets Equities	FTSE All World Emerging Markets
Asia Pacific Equities	FTSE All World Developed Asia Pacific
United States Equities	S&P 500
Property	AREF/IPD UK Quarterly All Balanced Property Fund

CIF2

The Fund strategy is to aim for capital growth rather than income. The performance objective of the Fund, excluding cash and gilts under lien, is to achieve an annual total return which exceeds the composite benchmark below by at least 1.25 per cent per annum, gross of fees, measured over rolling three-year periods commencing 1 January 2011.

Asset Class	Performance Benchmark
UK Equities	FTSE All-Share
Europe (ex UK) Equities	FTSE All World Developed Europe (ex UK)
Emerging Markets Equities	FTSE All World Emerging Markets
Asia Pacific Equities	FTSE All World Developed Asia Pacific
United States Equities	S&P 500
Property	AREF/IPD UK Quarterly All Balanced Property Fund
Cash and gilts under lien	FTSE Gilts under 5 years

Performance for the year compared to the benchmark was as follows:

	CIF1	CIF2
	%	%
Annual total return (gross of fees)	25.0	22.9
Benchmark return	25.9	25.9

Despite strong absolute returns, both CIF1 and CIF2 underperformed the benchmark and this was due to underperformance by Cazenove and Sarasin, rather than the property managers. The extent of the underperformance of the benchmark was greater for Sarasin and overall greater than reported in 2016. Cazenove cited stock-specific issues in European equities as the main driver for its underperformance. Sarasin stated that its underperformance was due to its cautious long-term approach, which focuses on companies with potential for long-term growth and above-average returns. Both Managers remain confident that their approach is for long-term benefit of the CIFs.

In absolute terms the performance of the Common Investment Funds for the year was as follows:

	CIF1		CIF2	
	2017	2016	2017	2016
	%	%	%	%
Increase/(Decrease) in capital value of fund	20	(6.1)	18.9	(6.5)
Average net income return	1.8	2.1	2.0	2.2

RESERVES POLICY

Our reserves policy focuses on the level of general reserves.

We rely on donations, legacies and grants to fund our activities. These can be uncertain and fluctuate from year to year. They represented 60 per cent of our total income for the year ended 31 March 2017. We need reserves to ensure that the operation of our church and community programmes can continue in the event of fluctuations in voluntary income and unexpected expenditure.

The directors have reviewed all the main income and expenditure streams and the financial risks associated with them. They consider that the charity requires general reserves of approximately £20 million to ensure continuing operations. As at 31 March 2017 the charity had general reserves of £19.2 million.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Salvation Army, founded in 1865 by William and Catherine Booth, is an unincorporated association with charitable objects, currently operating in 128 countries. Under Section 4(1) of The Salvation Army Act 1980, world leadership of The Salvation Army is provided by The General of The Salvation Army. The General is assisted by officers and staff based at International Headquarters in London.

The United Kingdom (with the Republic of Ireland) Territory is under the command of a Territorial Commander, appointed by the General and responsible to him/her for the day-to-day administration of Salvation Army work throughout the British Isles, including the Channel Islands, the Isle of Man and the Republic of Ireland.

The Salvation Army's property in the United Kingdom is held by The Salvation Army Trustee Company (SATCo, a company limited by guarantee, registered in England (No 00259322), with its registered office at 101 Newington Causeway, London SE1 6BN).

The governing instrument of The Salvation Army Trust is The Salvation Army Act 1980, as amended. Under Section 12(1)(a) SATCo is appointed as the sole ordinary trustee of the trusts listed in Schedule 5 to that Act.

The two main trusts under which The Salvation Army operates in the United Kingdom are:

- The Salvation Army Trust (Central Funds), whose accounts are contained in this report; and
- The Salvation Army Social Work Trust

Connected Trusts

SATCo is the trustee of a number of connected charitable trusts which are concerned with specific aspects of the Army's work.

The Salvation Army Social Work Trust

Governing instrument: Deed Poll dated 30 January 1891 and a supplementary deed dated 26 March 1969. Registration No 215174 in England and SC037691 in Scotland.

The objects of The Salvation Army Social Work Trust are to promote the charitable work of The Salvation Army in one or more of the following ways:

- the relief of poverty, sickness, suffering, distress, incapacity or old age
- the advancement of education
- training in Christian and moral principles
- the assistance of those in need of protection

William Booth Memorial Trust
Governing instrument: Trust Deed dated 19 September 1921. Registration No 312882.

The purpose of this trust is the establishment, maintenance and operation of a college for the instruction and training of men and women for service as officers of The Salvation Army.

Subsidiary and Associated Companies

The following companies are beneficially owned by the Central Funds (percentage held) and donate all or part of their profits to the Central Funds:

1. The Salvation Army Trading Company Limited (100%)
2. The Salvation Army General Insurance Corporation Limited (100%)
3. Reliance Bank Limited (49%)

Connected Company

The Salvation Army Trust (Central Funds) hold 20 per cent of the shares in William Leech (Investments) Limited.

Recruitment and Appointment of Directors (Trustees)

There are 15 directors, 10 by virtue of their appointments within The Salvation Army. One director is a divisional leader responsible for one of The Salvation Army's 22 divisions. There are four external non-executive directors and an additional non-executive is being recruited.

The Nominations Committee recommends appointments for the non-executive directors. Each non-executive director brings expertise in a relevant field – property, finance, fundraising/ marketing, investments or social services. The appointment of non-executive directors is made by the General on the recommendation of the Nominations Committee.

Training and Induction of Directors

The Company Secretary briefs new directors on their legal responsibilities and familiarises them with the Company's governance folder (and previous Board minutes). This includes the articles of association of SATCo, the Charity Commission's essential trustee guidance, and other key documents and policies (including the conflicts of interest policy). The Company Secretary arranges at least one training session each year for directors and delivers a verbal or written governance update on relevant issues at each board meeting.

Organisational Structure and Decision Making

SATCo's board (the "Board") is assisted by a senior management committee ("Cabinet"), an Audit Committee, a Nominations Committee, an Investment Advisory Committee and a Risk Management Committee. Cabinet comprises senior Salvation Army officers. It is responsible for considering mission-related issues. The Audit Committee comprises three external non-executive members with a remit to review The Salvation Army's internal and external audit arrangements and consider reports issued by internal and external auditors including the annual financial statements. As stated above, the Nominations Committee recommends new non-executive Board members. The Investment Advisory Committee includes four external advisers in its membership and advises on appropriate investments. The Risk Management Committee is referred to below under Risk Management.

The Board meets monthly (excluding August). In addition to its oversight and governance role, the following matters require consideration and approval by the full Board:

- annual budget
- expenditure in excess of £1 million
- investment policy, on the recommendation of the Investment Advisory Committee
- Risk Register
- key policies
- Annual Financial Statements

A sub-committee of the Board, the Territorial Finance Board, meets weekly. The Territorial Finance Board has delegated authority to authorise expenditure from £250,001 to £1,000,000, and all property purchases.

Directors' Responsibilities

The directors of SATCo are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of The Salvation Army Trust, and of the income and expenditure for that period. In preparing the financial statements, the directors are required to:

- select and consistently apply suitable accounting policies
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed
- observe the principles of the Charity SORP
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that The Salvation Army Trust will continue to operate

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of The Salvation Army Trust, and are required to ensure the financial statements comply with The Salvation Army Act 1980, the Charities Act 2011 and The Charities and Trustees Investment (Scotland) Act 2005. They are also responsible for safeguarding the Trust's assets, taking reasonable steps to prevent and detect fraud and other irregularities.

The directors confirm they have taken account of the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and planning future activities and consider how planned activities will contribute to the aims and objectives set.

Remuneration of Key Management

Key management personnel of The Salvation Army comprise Salvation Army officers and employees. As Salvation Army officers do not receive a salary, they receive an allowance based on length of service and, as ministers of religion, are provided with furnished accommodation and a motor vehicle. The allowances received by officers in positions of key management range from £13,205 to £17,753 per annum.

For employees, we are committed to ensuring a proper balance between paying salaries which will enable us to attract and retain staff of the appropriate calibre and careful stewardship of charitable funds. All senior salaries are benchmarked against senior staff salaries of comparable organisations in the not-for-profit sector.

Further information is disclosed in Notes 11 and 12 to the Accounts.

Risk Management

The Salvation Army identifies, assesses and manages risks that will impact its activities so it can better achieve its objectives, comply with relevant laws and regulations and safeguard its funds and assets.

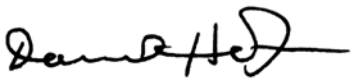
The Board (SATCo) has ultimate responsibility for overseeing risk management, in accordance with Charity Commission guidance (CC26).The Board Risk Management Committee (RMC) directs an organisation-wide risk management programme to inform decision making and ensure effective procedures to identify and evaluate risks and implement effective controls.

Risk management operates through a top-down review by the RMC and bottom-up review by individual functions, enabling us to identify and prioritise major key risks and emerging risks. The RMC reports to the Board at least twice yearly on key risks and an annual risk management review is conducted.

The RMC has continued to strengthen risk management by developing and monitoring Key Performance Indicators and Key Risk Indicators to provide early indication of changes to our risk exposure.

Principal Risks

Principal Risk	Mitigation
Financial uncertainty following the Brexit vote	
This has the potential to adversely impact voluntary income and the value of legacies and investments.	We are undertaking an ongoing review of reserves. We will monitor the funding situation and adjust our financial planning and commitments accordingly.
Risk to voluntary income	
The implications of increasing regulatory controls and public concern over charity fundraising practices could reduce the donations and other voluntary income that we receive.	We participated fully in consultations with the Fundraising Regulator regarding the new Fundraising Preference Service. We are keen to give current and future supporters choice and control over their communications with the organisation. We are developing diverse channels for voluntary income generation.
Safeguarding of children and vulnerable adults in our programmes	
Our programmes include services to children and vulnerable adults. It is important that we safeguard them all when we work with them.	The Territorial Safeguarding Committee oversees management of the risk. We have clear policies and procedures in place for safeguarding and ensure the appropriate screening, training and supervision of staff. Safe Mission, The Salvation Army's health and safety management programme, promotes safety awareness as integral to our mission activities.
Data protection and compliance	
Data protection and compliance is becoming an increasingly complex area to manage.	The Board has further strengthened its management of data protection and compliance by appointing a Compliance Officer and a Data Protection Officer.



Colonel David Hinton
On behalf of the Directors of The Salvation Army Trustee Company

DIRECTORS

The current directors of The Salvation Army Trustee Company and those who held office during the year are as follows:

Commissioner Clive Adams [2] ..... Chairman
Colonel David Hinton [2,4] ..... Deputy Chairman
Lieut-Colonel Alan Read [2,4,5,6] ..... Managing Director
Commissioner Marianne Adams [2] ..... (Resigned 15 July 2016)
Lieut-Colonel Alan Burns ..... (Appointed 9 June 2017)
Lieut-Colonel Michael Caffull [2]
Brenda Dickens [1,3] ..... (Resigned 9 December 2016)
Caroline Emerton [2,5,6] ..... (Resigned 14 August 2017)
Lieut–Colonel Melvin Fincham [2] ..... (Resigned 1 November 2017)
Lieut-Colonel Suzanne Fincham [4] ..... (Resigned 6 July 2017)
Peter Gale [1,4,6]
Lieut-Colonel Mike Highton ..... (Appointed 13 October 2017)
Major Judith Hilditch ..... (Appointed 8 September 2017)
Colonel Sylvia Hinton [2]
Lieut-Colonel David Kelly [2] ..... (Appointed 10 November 2017)
Lieut-Colonel Paul Main [2] ..... (Appointed 15 July 2016)
Keith Manners [2]
Helen O'Brien [1,5]
Lieut-Colonel George Pilkington [2] ..... (Resigned 1 June 2017)
Graham Roper [1]
Major Andrea Sawyer ..... (Resigned 15 July 2016)
Philip Sourry [1,3,5]

[1] *External non-executive director*
[2] *Directors ex officio*
[3] *Member of Audit Committee*
[4] *Member of Nominations Committee*
[5] *Member of Risk Management Committee*
[6] *Member of Investment Advisory Committee*

The Chief Secretary, Colonel David Hinton, is responsible for the day-to-day management of the charity.

Additional Committee Members 2016/17

Nominations Committee
Elliot Thomas

Risk Management Committee
Major Catherine Cotterill, Martyn Croft, Mike Eastwell, Graham Jarvis, Dean Juster, Lucy Lanham, Sade Odupelu, David Rice, Major Mark Rose, Major Howard Russell, Elliot Thomas, Julius Wolff-Ingham

Investment Advisory Committee
Mark Colton, Stephen Hammer, Philip Rotherham, William Dalziel

Company Secretary

Elliot Thomas is Company Secretary of The Salvation Army Trustee Company.

ADVISERS

Bankers
Reliance Bank Limited, Faith House, 23/24 Lovat Lane, London EC3R 8EB

Auditors
Knox Cropper, Chartered Accountants, 8/9 Well Court, London EC4M 9DN

Solicitors
England and Wales: Slaughter and May, 1 Bunhill Row, London EC1Y 8YY
Scotland: Blackadders, 5 Rutland Square, Edinburgh EH1 2AX

Investment Advisers
BWCI Consulting Limited, PO Box 68, Albert House, South Esplanade,
St Peter Port, Guernsey GY1 3BY

Investment Managers
Cazenove Capital Management, 12 Moorgate, London, EC2R 6DA
Sarasin & Partners LLP, Juxon House, 100 St Paul's Churchyard, London EC4M 8BU

Report of the Independent Auditors to the Salvation Army Trustee Company, the Managing Trustee

We have audited the financial statements of The Salvation Army Trust (Central Funds) for the year ended 31 March 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Balance Sheets, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Trustee in accordance with section 144 of the Charities Act 2011 and the regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to the Trustee in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustee for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEE AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement the Directors of The Salvation Army Trustee Company are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and Section 44 (1) (c) of the Charities and Trustees Investment (Scotland) Act 2005 and report in accordance with regulations made under these Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF AUDIT OF FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustee's Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect or materially inconsistent with the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

(a) give a true and fair view of the state of The Salvation Army Trust group and parent charity's affairs as at 31 March 2017and of the group's incoming resources and application of resources, for the year then ended;

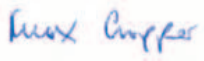
(b) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and

(c) have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustees Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Charities Act 2011 and the Charity Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- the information given in the Trustee's Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



8/9 Well Court
London EC4M 9DN

Knox Cropper
Chartered Accountants
Registered Auditors

8 December 2017

Knox Cropper is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

The Salvation Army Trust (Central Funds) Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Endowment £000	Restricted £000	Unrestricted £000	2017 Total £000	2016 Total £000
INCOME AND ENDOWMENTS FROM						
Donations, Legacies and Grants						
Legacies		-	10,095	40,388	50,483	51,974
Donations - Public		-	11,102	42,991	54,093	50,978
Donations - Members	2	-	19,484	362	19,846	19,803
Grants	3	190	1,804	-	1,994	2,761
Trading Activities	4	-	16,570	57,111	73,681	67,347
Associated Company	7	-	-	157	157	217
Investments	5	-	3,037	1,040	4,077	6,240
Other						
Gain on disposal of property		-	788	3,966	4,754	8,560
Other income		-	-	574	574	1,128
Total Income		**190**	**62,880**	**146,589**	**209,659**	**209,008**
EXPENDITURE						
Raising Funds						
Costs of raising donations, legacies and grants		-	122	11,869	11,991	13,810
Costs of trading activities	4	-	8,609	51,473	60,082	55,506
		-	8,731	63,342	72,073	69,316
Charitable Activities	8					
Church and Evangelism Programmes		-	23,294	17,906	41,200	43,639
Community Programmes		-	31,961	15,650	47,611	48,547
International Programmes		-	2,640	2,377	5,017	5,410
Training Programmes		-	-	4,251	4,251	4,329
Youth and Young People's Programmes		-	-	2,356	2,356	2,361
Support of the Salvation Army Social Work Trust		-	1,703	12,090	13,793	13,948
		-	59,598	54,630	114,228	118,234
Total Expenditure		**-**	**68,329**	**117,972**	**186,301**	**187,550**
Gains/(Losses) on Investments	17(a)	1,842	384	19,922	22,148	(8,315)
Net Income/(Expenditure)		**2,032**	**(5,065)**	**48,539**	**45,506**	**13,143**
Transfer between funds		-	21,167	(21,167)	-	-
NET MOVEMENT IN FUNDS		2,032	16,102	27,372	45,506	13,143
Fund balances brought forward		12,903	416,800	103,569	533,272	520,129
Fund balances carried forward at 31 March 2017		**14,935**	**432,902**	**130,941**	**578,778**	**533,272**

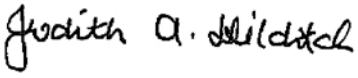
All activities reported above, in both the current and preceding years, reflect ongoing activities. Full details of prior year comparatives are reported in note 30. The annexed notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

	Notes	Consolidated 2017 £000	Consolidated 2016 £000	Trust 2017 £000	Trust 2016 £000
FIXED ASSETS					
Intangible Fixed Assets	14	5,429	6,512	-	-
Tangible Fixed Assets					
Properties	15	305,102	300,177	304,301	299,362
Property Schemes in Progress	15	3,543	1,761	3,543	1,761
Motor Vehicles and Equipment	16	6,878	6,346	781	613
Investments	17	165,290	127,759	163,094	125,903
		486,242	442,555	471,719	427,639
CURRENT ASSETS					
Short-Term Deposits		97,845	97,268	97,845	97,268
Stock		2,037	3,067	246	246
Debtors	18	22,390	18,392	21,413	16,010
Bank Balances and Cash		23,251	38,032	8,436	29,109
		145,523	156,759	127,940	142,633
CREDITORS: amounts falling due within one year	19	(22,869)	(18,808)	(10,932)	(9,143)
NET CURRENT ASSETS		122,654	137,951	117,008	133,490
TOTAL ASSETS LESS CURRENT LIABILITIES		608,896	580,506	588,727	561,129
CREDITORS: amounts falling due after one year	20	(30,118)	(47,234)	(30,118)	(46,864)
TOTAL NET ASSETS		**578,778**	**533,272**	**558,609**	**514,265**
FUNDS					
Endowment Funds	21	14,935	12,903	14,935	12,903
Restricted Funds					
Property Fund	22	303,467	291,679	303,467	291,679
Other Restricted Funds	23	129,435	125,121	129,435	125,121
Unrestricted Funds	24	130,941	103,569	110,772	84,562
TOTAL FUNDS	25	**578,778**	**533,272**	**558,609**	**514,265**

The consolidated Balance Sheet incorporates the subsidiary and associated companies.
Approved on behalf of The Salvation Army Trustee Company on 8 December 2017
The annexed notes form part of these financial statements.

Lieut–Colonel Alan Read
Director



Judith Hilditch
Director

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £000	2016 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	29	15,766	6,896
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES			
Additions to Properties		(12,980)	(14,179)
Net Additions to Property Schemes in Progress		(4,094)	157
Proceeds on disposal of Properties		5,653	11,219
Additions to Motor Vehicles and Equipment		(2,184)	(1,841)
Additions to Investments		(15,862)	(1,388)
Proceeds from disposal of Investments		479	1,393
Investment Income		4,077	6,240
Management of short-term deposits		(577)	(4,239)
		(25,488)	(2,638)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES			
Loan Repayments		(5,059)	(6,239)
Decrease in Cash and Cash Equivalents		**(14,781)**	**(1,981)**
Cash and Cash Equivalents at beginning of year		38,032	40,013
Cash and Cash Equivalents at end of year		23,251	38,032

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements and which have been consistently applied (except where indicated) are set out as follows:

(a) Basis of Accounting

The financial statements have been prepared under the historical cost convention, subject to the inclusion of investments at market value and donated properties at valuation on acquisition, and are in accordance with the Charities SORP (FRS 102) (effective 1 January 2015), Financial Reporting Standard 102, the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and the regulations issued thereunder.

The Salvation Army Trust is a public benefit entity as defined by FRS 102.

The Trustee considers that there are no material uncertainties about The Salvation Army Trust's ability to continue to operate for the foreseeable future and, therefore, continues to adopt the going concern basis in preparing these financial statements.

(b) Consolidation

The financial statements consolidate the results of the corps which, for the purposes of compliance with the Statement of Recommended Practice, are considered to be branches, and the results of the subsidiary and associated companies, and of the subsidiary trust (William Booth Memorial Trust). Reliance Bank, which is an associated company, is consolidated using the equity basis of accounting.

(c) Key judgments and estimates used in preparing these financial statements

i. Financial instrument classification

The classification of financial instruments as 'basic' or 'other' requires judgment as to whether all applicable conditions are met. This includes a review of the form of the instrument and its return. All financial instruments, including loans, are currently classified as 'basic'.

ii. Capitalisation of property improvement and development

Property improvement and development schemes are reviewed to ascertain whether expenditure should be capitalised or charged to the Statement of Financial Activities. Expenditure which enhances the social use of the property or improves its economic return is capitalised. Expenditure which repairs a property and brings it back to its original condition is written off.

iii. Useful lives of properties and other fixed assets

The useful lives of properties and other fixed assets are reviewed at each reporting date and depreciation rates adjusted accordingly.

iv. Pension obligations

The provision for contributions payable in respect of past service deficits on the Trust's defined benefit pension scheme is calculated by the appointed actuary taking into account assumptions relating to the discount rate, inflation and increases in salaries and allowances.

(d) Income

i. Donations, Legacies and Grants – Donations, including the gross equivalent of those under Gift Aid, legacies and grants are brought into account when the Trust is entitled to the income, receipt is probable and the amount receivable can be measured reliably.

ii. Investment Income – Dividends and interest are brought into account gross in the year they are due.

iii. Profits and losses on disposal of assets are reflected in the Statement of Financial Activities in the year of disposal.

iv. Funds raised by local corps including trading income, are deemed to be restricted for use in the local area.

(e) Expenditure

Expenditure is charged on the accruals basis.

i. Irrecoverable Value Added Tax is charged to the related expenditure.

ii. Resources expended
   - Costs of raising donations, legacies and grants consist of direct campaign appeal expenses and the running costs of the Fundraising Department.
   - Charitable Activities consists of all expenditure relating to the objects of the charity including the costs of supporting charitable activities and projects.
   - Support costs, including governance, have been apportioned to each category of expenditure based on the number of officers and employees involved in each area or on an estimate of the time spent by officers and employees on particular activities.

iii. The non-capital element of property schemes is written off in the year of completion, and a provision is made annually for schemes in progress. The capital element of such schemes not completed at the year end is carried forward in the Balance Sheet under the heading of Property Schemes in Progress and is disclosed as a fixed asset.

iv. Retired Officers' Allowance Fund – This is a multi-employer charitable fund which operates in the same way as a defined benefit pension fund. The assets and liabilities cannot be separately identified and therefore the amount charged in the Statement of Financial Activities represents the contribution payable during the year in respect of current service and the total contributions payable (or movement in provision thereof) in respect of past service.

v. Employees' Pension Fund – This is a multi-employer pension fund where the assets and liabilities cannot be separately identified and therefore the amount charged in the Statement of Financial Activities represents the contribution payable during the year in respect of current service and the total contributions payable (or movement in provision thereof) in respect of past service.

(f) Fixed Assets

i. Expenditure on the acquisition or improvement of property is reflected as a fixed asset, whereas costs of repairs and renewals to property are charged to the Statement of Financial Activities.

ii. Expenditure on the acquisition of vehicles is capitalised and expenditure on computer equipment and other office equipment which exceeds £15,000 in value (individually or for groups of related assets) is capitalised and depreciated over its economic life.

iii. Depreciation is provided on tangible fixed assets at the following rates:

Motor Vehicles	– 25% pa on cost
Office Equipment	– 25% pa on cost
Short Leasehold Properties	– over the term of the lease
Freehold and Long Leasehold Properties	– over 50 years

iv. Goodwill arising on acquisition is amortised on a straight line basis over the estimated useful life which has been estimated to be 10 years.

(g) Investments

To comply with the Statement of Recommended Practice investments are included at market value. Unlisted investments are valued at the share of underlying net assets which equates to fair value.

(h) Stocks

Stocks are valued at the lower of cost and net realisable value.

(i) Funds

i. The Property Fund represents monies already expended on the acquisition, construction and improvement of freehold and leasehold properties. Unrestricted designated funds which are applied for property purposes are categorised as restricted giving rise to a transfer during the year.

ii. The Endowment Funds are held for restricted purposes, where the income only is available to be used in accordance with the wishes of the donors.

iii. The Restricted Fund are held for restricted purposes, as specified by the donors.

iv. The Unrestricted Funds include: Designated Reserves held for particular purposes designated by The Salvation Army in the exercise of its discretionary powers and General Reserve representing the net assets not designated for specific purposes.

2. MEMBERS' DONATIONS

This represents Salvationists' personal giving to support their local corps (church) and the work of The Salvation Army.

3. GRANTS RECEIVABLE

	Endowments £000	Restricted £000	Unrestricted £000	2017 Total £000	2016 Total £000
Local Authority	-	1,609	-	1,609	1,642
Trusts	190	195	-	385	1,119
	190	**1,804**	**-**	**1,994**	**2,761**

4. TRADING INCOME AND EXPENDITURE

Funds generated by corps are retained by the corps for use in the local area and are regarded as restricted for that geographical region.

	2017 £000	2016 £000
Local corps charity shops and similar trading activities		
Income	16,570	16,787
Expenditure	(8,609)	(8,492)
	7,961	8,295
Trading Subsidiaries		
Income (Note 6)	57,111	50,560
Expenditure (Note 6)	(51,473)	(47,014)
	5,638	**3,546**

5. INVESTMENT INCOME

	2017 £000	2016 £000
Dividends receivable	2,692	2,538
Interest receivable	374	271
Net rental income	504	2,829
Income from connected company	343	392
Investment Income of subsidiary companies (Note 6)	164	210
	4,077	**6,240**

Net rental income primarily comprises rents received from retired officers who are provided with accommodation.

6. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARIES

The Central Funds of The Salvation Army has two wholly owned trading subsidiaries which are incorporated in the UK. The Salvation Army General Insurance Corporation Limited (SAGIC) transacts insurance business, mainly property insurance. The Salvation Army Trading Company Limited (SATCoL) deals with the collection and recycling of second-hand clothing donated by the general public and is engaged in publishing and the supply of Salvationist materials. Both companies covenant, through Gift Aid, all or part of their profits to the Central Funds. Where profits are retained, it is for working capital needs and capital for the long-term development of the business. A summary of the trading results of the subsidiary companies for the year ended 31 March 2017 is shown below. Audited accounts of the companies have been filed with the Registrar of Companies.

	SAGIC £000	SATCoL £000	2017 Total £000	2016 Total £000
Profit and Loss Account				
Trading Income	10,063	47,048	57,111	50,560
Cost of Trading Activities:				
Cost of Sales	(8,501)	(23,760)	(32,261)	(29,133)
Distribution Costs	-	(1,017)	(1,017)	(1,251)
Operating Costs	(596)	(17,024)	(17,620)	(16,229)
Other Income/(Costs) Including Taxation	(49)	(526)	(575)	(401)
Total cost of Trading Activities	(9,146)	(42,327)	(51,473)	(47,014)
Investment Income	147	17	164	210
Net Profit	**1,064**	**4,738**	**5,802**	**3,756**
Realised Losses on Investments	(30)	-	(30)	(75)
Unrealised Gains on investments	177	-	177	(139)
Net Income for the year	**1,211**	**4,738**	**5,949**	**3,542**
Payable to Central Funds (Gift Aid)	(945)	(3,999)	(4,944)	(3,139)
Retained in Subsidiary	**266**	**739**	**1,005**	**403**

7. INCOME FROM ASSOCIATED COMPANY

The Central Funds hold 49% of the shares in Reliance Bank Limited, the other 51% being held by The Salvation Army International Trust. The company is engaged in banking and related financial services. Audited accounts have been filed with the Registrar of Companies and a summary of its trading results for the year ended 31 March 2017 is as follows:

	2017 £000	2016 £000
Turnover	**2,811**	**2,958**
Share of Net Profit for the year	157	217
Payable to Central Funds (Gift Aid)	-	(174)
Share of Retained Profit for the Year	**157**	**43**
Share of Net Assets as at 31 March 2017	**5,561**	**5,405**

8. CHARITABLE ACTIVITIES

	Direct Costs £000	Pension Fund Contribution £000	Grants £000	Support Costs (Note 9) £000	2017 Total £000
Church and Evangelism Programmes	34,093	(2,650)	-	9,757	41,200
Community Programmes	41,968	(2,995)	-	8,638	47,611
International Programmes	924	-	3,378	715	5,017
Training Programmes	3,073	-	-	1,178	4,251
Youth and Young People Programmes	728	-	-	1,628	2,356
Support of Salvation Army Social Work Trust	-	-	13,793	-	13,793
	80,786	**(5,645)**	**17,171**	**21,916**	**114,228**

Church and Evangelism Programmes comprise Christian worship, teaching and promotion of the Christian message at corps, regional and national events.

Community Programmes are organised by our corps to meet the needs of their local communities. The programmes offered are available to all and include activities for children, young people, families and older people as well as assistance for those in need.

International Programmes comprise support to the work of The Salvation Army worldwide. This includes grants paid to The Salvation Army International Trust and to overseas Salvation Army territories for projects to alleviate poverty in local communities.

Training Programmes represent the cost of William Booth College which trains people to become Salvation Army officers and provides learning and development opportunities for employees and officers.

Youth and Young People Programmes represent the cost of ALOVE, an expression of The Salvation Army for young people and adults aged 12-25, and other nationally organised programmes.

Support of The Salvation Army Social Work Trust comprises grants payable to support the running of Salvation Army Life houses, care homes and other programmes and other costs incurred in supporting social programmes.

Pension Fund Contribution represents the decrease in the provision for future contributions payable to meet the past service deficit in The Salvation Army Retired Officers Allowance Fund. Full details of the pension funds are set out in note 13.

Support Costs represent centrally supplied services.

9. SUPPORT COSTS

	Finance	HR	IT	Property	Communication	Other	Reorganisation	Legal & Secretarial	Governance	2017 Total	2016 Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fundraising	674	32	40	370	203	449	-	212	79	2,059	1,174
Church & Evangelism Programmes	1,401	1,197	1,476	1,185	405	682	2,585	667	159	9,757	5,673
Community Programmes	619	1,274	1,572	915	235	497	2,922	512	92	8,638	5,049
International Programmes	307	16	20	169	93	51	-	23	36	715	539
Training Programmes	404	112	138	259	121	66	-	30	48	1,178	938
Youth & Young People Programmes	703	35	43	387	212	114	-	52	82	1,628	1,228
	4,108	**2,666**	**3,289**	**3,285**	**1,269**	**1,859**	**5,507**	**1,496**	**496**	**23,975**	
Total 2016	**2,303**	**2,746**	**3,331**	**2,651**	**1,132**	**1,406**	**-**	**563**	**469**	**-**	**14,601**

The analysis of Governance costs is set out in Note 10 below

10. GOVERNANCE COSTS

	2017 £000	2016 £000
External audit	120	120
Internal audit	228	273
Trustee expenses	2	2
Support costs allocated:		
Trustee indemnity insurance	9	9
Apportionment of directors' time	137	65
	496	**469**

11. PERSONNEL

The average number of full time equivalent officers and employees was:

	2017 No.	2016 No.
Trust		
Number of Officers	1,033	1,055
Number of Employees	1,201	1,182
	2,234	2,237
Subsidiaries	592	523
Total	**2,826**	**2,760**

	Trust £000	Subsidiaries £000	2017 Total £000	2016 £000
Personnel Costs				
Allowances and Salaries	48,934	12,567	61,501	59,446
Redundancy Costs	299	-	299	
Social Security Costs	3,822	862	4,684	4,212
Pension Fund Contributions (Current Service)	8,131	564	8,695	8,369
Pension Fund Contributions (Past Service)	(5,645)	-	(5,645)	2,912
	55,541	**13,993**	**69,534**	**74,939**

Higher Paid Employees

The number of employees whose emoluments amounted to over £60,000 in the year was as follows:

	Trust No.	Subsidiaries No.	2017 Total No.	2016 No.
£60,001 - £70,000	7	-	7	7
£70,001 - £80,000	3	3	6	8
£80,001 - £90,000	4	-	4	5
£90,001 - £100,000	5	1	6	3
£100,001 - £110,000	1	-	1	2
£110,001 - £120,000	-	-	-	2
£120,001 - £130,000	-	2	2	-
£130,001 - £140,000	-	-	-	1
£140,001 - £150,000	-	2	2	-
	20	**8**	**28**	**28**

Key Management Personnel

The key management personnel of the Trust are those persons having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly, including the directors of the Salvation Army Trustee Company as the Corporate Trustee of the Trust. The Trustee considers the key management personnel of the Trust to be the executive directors (officers and employees) of the Board. The total aggregate emoluments including pension contributions paid to key management personnel during the year was £393,959 (2016: £297,492)

12. TRUSTEES

(a) Emoluments:

The directors of The Salvation Army Trustee Company comprise Salvation Army officers and employees and other external directors with specialist expertise. All active Salvation Army officers receive an allowance based on length of service and, as ministers of religion, are provided with furnished accommodation and a motor vehicle. They are also members of the Salvation Army Retired Officers Allowance Fund. The allowances received by the officers serving as directors ranged from £13,205 to £17,753 per annum and they did not receive any additional remuneration for their duties as directors. Two directors who were employees received emoluments including pension contributions as employees of £213,712 in total. The other directors did not receive any remuneration.

(b) Expenses

Four (2016: three) directors of The Salvation Army Trustee Company were reimbursed for travelling expenses, amounting to £ 1,713 (2016: £1,627).

13. PENSION COSTS

The Salvation Army Central Funds contribute to three pension schemes in respect of its staff:

i. The Salvation Army Officers Pension Fund relating to Salvation Army officers,

ii. The Salvation Army Employees Pension Fund for other staff,

iii. A defined contribution scheme set up to offer employees who are not members of the Salvation Army Employees Pension Fund the opportunity to join a pension scheme following the closure of the Employee Pension Scheme to new members with effect from 31 December 2011.

Amounts charged in respect of pension fund contributions for the year are disclosed in Note 11 above.

(a) SALVATION ARMY RETIRED OFFICERS ALLOWANCE FUND

The Salvation Army Retired Officers Allowance Fund was established by The Salvation Army Act 1963 under the legal name, The Salvation Army Officers Pension Fund. It is a registered charity and operates on the same basis as a defined benefit scheme but the benefits are not guaranteed. It is non-contributory by the officer, but a contribution per officer, at present £4,235 per annum (2016: £4,150), is made by The Salvation Army. Officers in both principal Trusts (The Salvation Army Central Funds and The Salvation Army Social Work Funds) participate in the scheme and it is not possible to allocate the assets and liabilities of the Fund between the Trusts. Therefore the Fund is accounted for as a multi-employer pension fund.

The Salvation Army Retired Officers Allowance Fund was subject to a triennial actuarial review on 31 March 2016 and this was based on the following principal assumptions:

Post-Retirement Discount Rate	3.3% per annum
Pre-Retirement Discount Rate	4.0% per annum
Rate of Increase in Allowances and Pensions	3.5% per annum
Management Expenses	4% of future ordinary contributions
Rate of Inflation	3.0% per annum

The market value of the Fund's assets at the valuation date amounted to £173.6m whereas the value of past service ongoing liabilities amounted to £196.1m revealing a funding shortfall of £22.5m.

A recovery plan has been agreed whereby The Salvation Army Central Funds will make an annual capital contribution to the scheme of £2m increasing per annum in line with increases in officers' allowances, the cost of which is borne by The Salvation Army Central Funds. In practice capital contributions in excess of this amount are being paid in order to fund the deficit over a shorter period of time.

Although the pension benefits are not guaranteed, they do represent a constructive liability as there are expectations that the pensions will be paid. Therefore a provision has been made for the total discounted value of the future capital contributions which The Salvation Army Central Funds has agreed to pay. This amounted to £18.7m at the year end. Full details are set out in note 20.

(b) SALVATION ARMY EMPLOYEES PENSION FUND

The Salvation Army Employees Pension Fund is a funded defined benefit scheme. The contribution rate payable by members was 8% of pensionable salaries and the employer's contribution was 13.8% of pensionable salaries.

The Scheme is a multi-employer scheme incorporating six employers. It closed to new members with effect from 31 December 2011. The actuary has confirmed that it is not practical to allocate the assets and liabilities of the scheme between participating employers and therefore it is accounted for as a multi-employer scheme.

The Scheme is subject to triennial actuarial valuations. The last actuarial valuation was completed, using the Projected Unit Method, at 31 March 2015

The review was based on the following assumptions:-

Post-retirement discount rate	2.8% per annum
Pre-retirement discount rate	4.3% per annum
Rate of salary increases	3.8% per annum
Rate of pension increase	
On pensions accrued before 6 April 2006	3.1% per annum
On pensions accrued after 6 April 2006	2.1% per annum
Inflation: RPI	3.3% per annum
CPI	2.8% per annum
Deferred Pension Increases (pre 6 April 2009)	2.8% per annum
Deferred Pension increases (post 6 April 2009)	2.5% per annum

The market value of the Fund's assets on the valuation date was £139.5m and the value of technical provisions amounted to £145.2m giving rise to a funding shortfall of £5.7m.

The Trustees and employers agreed a recovery plan to eliminate the shortfall which involved lump sum payments into the Fund by each of the employers. The amount payable by The Salvation Army Central Funds amounted to £2.9m and this was fully accounted for in the previous financial year.

14. INTANGIBLE FIXED ASSETS

	£000
Goodwill	
Cost	
Balance at 1 April 2016	10,839
Balance at 31 March 2017	**10,839**
Amortisation	
Balance at 1 April 2016	4,327
Charge for the year	1,083
Balance at 31 March 2017	5,410
Net Book Value at 31 March 2017	**5,429**
Net Book Value at 31 March 2016	**6,512**

Intangible fixed assets represents the goodwill arising on acquisition, by the Trust's subsidiary company SATCoL, of the business operations and net assets of Kettering Textiles Limited. The goodwill is being amortised over 10 years.

15. PROPERTIES

(a) Consolidated

	Freehold	Long Leasehold	Short Leasehold	Total	Property Schemes In Progress
	£000	£000	£000	£000	£000
Cost					
Balance at 1 April 2016	388,268	35,568	229	424,065	1,761
Additions during the year	11,390	1,590	-	12,980	6,948
Schemes completed during the year	2,131	181	-	2,312	(2,312)
	401,789	37,339	229	439,357	6,397
Less: Disposals	(1,597)	(91)	-	(1,688)	(2,854)
Balance at 31 March 2017	**400,192**	**37,248**	**229**	**437,669**	**3,543**
Accumulated Depreciation					
Balance at 1 April 2016	114,505	9,160	223	123,888	-
Charge for the year	8,699	767	2	9,468	-
Less: Disposals	(735)	(54)	-	(789)	-
Balance at 31 March 2017	**122,469**	**9,873**	**225**	**132,567**	**-**
Net Book Value at 31 March 2017	**277,723**	**27,375**	**4**	**305,102**	**3,543**
Net Book Value at 31 March 2016	**273,763**	**26,408**	**6**	**300,177**	**1,761**

(b) Trust

	Freehold	Long Leasehold	Short Leasehold	Total	Property Schemes In Progress
	£000	£000	£000	£000	£000
Cost					
Balance at 1 April 2016	387,331	35,447	229	423,007	1,761
Additions during the year	11,390	1,590	-	12,980	6,948
Schemes completed during the year	2,131	181	-	2,312	(2,312)
	400,852	**37,218**	**229**	**438,299**	**6,397**
Less: Disposals	(1,597)	(91)	-	(1,688)	(2,854)
Balance at 31 March 2017	**399,255**	**37,127**	**229**	**436,611**	**3,543**
Accumulated Depreciation					
Balance at 1 April 2016	114,288	9,134	223	123,645	-
Charge for the year	8,687	765	2	9,454	-
Less: Disposals	(735)	(54)	-	(789)	-
Balance at 31 March 2017	**122,240**	**9,845**	**225**	**132,310**	**-**
Net Book Value at 31 March 2017	**277,015**	**27,282**	**4**	**304,301**	**3,543**
Net Book Value at 31 March 2016	**273,043**	**26,313**	**6**	**299,362**	**1,761**

Trust properties comprise primarily corps halls, divisional and Territorial Headquarters buildings and residential properties for active and retired officers. A small number of properties are sublet to maximise income, in some cases to subsidiary companies.

16. MOTOR VEHICLES AND EQUIPMENT

(a) Consolidated

	Motor Vehicles £000	Office Equipment £000	Total £000
Cost			
Balance at 1 April 2016	746	17,566	18,312
Additions	293	1,942	2,235
Disposals	(95)	(2,653)	(2,748)
Balance at 31 March 2017	944	16,855	17,799
Accumulated Depreciation			
Balance at 1 April 2016	376	11,590	11,966
Charge for the year	163	1,491	1,654
Disposals	(83)	(2,614)	(2,697)
Balance at 31 March 2017	456	10,467	10,923
Net Book Value at 31 March 2017	**488**	**6,388**	**6876**
Net Book Value at 31 March 2016	**370**	**5,976**	**6,346**

(b) Trust

	Motor Vehicles £000	Office Equipment £000	Total £000
Cost			
Balance at 1 April 2016	89	3,491	3,580
Additions	-	418	418
Disposals	-	(2,539)	(2,539)
Balance at 31 March 2017	89	1,370	1,459
Accumulated Depreciation			
Balance at 1 April 2016	41	2,926	2,967
Charge for the year	12	238	250
Disposals	-	(2,539)	(2,539)
Balance at 31 March 2017	53	625	678
Net Book Value at 31 March 2017	**36**	**745**	**781**
Net Book Value at 31 March 2016	**48**	**565**	**613**

17. FIXED ASSET INVESTMENTS

(a) Consolidated

	Salvation Army Common Investment Funds		Unlisted Investments	Subsidiaries Listed Investments	Total
	Fund 1 £000	Fund 2 £000	£000	£000	£000
Market Value at 1 April 2016	3,626	106,092	14,704	3,337	127,759
Acquisitions	-	15,000	346	516	15,862
Gains on investments	725	20,159	1,117	147	22,148
Disposals	-	-	-	(479)	(479)
Market Value at 31 March 2017	**4,351**	**141,251**	**16,167**	**3,521**	**165,290**
Historical Cost at 31 March 2017	**2,963**	**96,700**	**8,643**	**3,497**	**111,803**

(b) Trust

	Salvation Army Common Investment Funds		Unlisted Investments	Subsidiaries	Total
	Fund 1 £000	Fund 2 £000	£000	£000	£000
Market Value at 1 April 2016	3,626	106,092	12,718	3,467	125,903
Acquisitions	-	15,000	190	-	15,190
Gains on investments	725	20,159	1,117	-	22,001
Disposals					
Market Value at 31 March 2017	**4,351**	**141,251**	**14,025**	**3,467**	**163,094**
Historical Cost at 31 March 2017	**2,963**	**96,700**	**8,643**	**3,467**	**111,773**

Unlisted Investments represent a 49% holding in Reliance Bank Limited and a 20% holding in William Leech (Investments) Limited. Reliance Bank is considered to be an associated company and is accounted for at cost in the Trust Balance Sheet and on an equity basis in the consolidated Balance Sheet. William Leech (Investments) is not considered to be an associated company and is valued in both the Trust and Consolidated Balance Sheets at share of underlying net assets which equates to its fair value.

	2017 £000	2016 £000
Reliance Bank		
Cost of Shares	3,419	3,419
	3,419	3,419
William Leech (Investments) Limited	10,604	9,297
Other	2	2
	14,025	**12,718**

Subsidiaries are accounted for at cost in the Trust Balance Sheet. The Consolidated Balance Sheet includes the subsidiaries' own listed investments.

Common Investment Funds

The Salvation Army Common Investment Funds hold a wide range of investments. The principal categories of investment and the relevant percentages held at the year end were as follows:

	Fund 1	Fund 2
Cash	4%	11%
UK Equities	30%	31%
UK Property Funds	9%	8%
Overseas Investments	57%	50%

18. DEBTORS

	Consolidated		Trust	
	2017 £000	2016 £000	2017 £000	2016 £000
Connected Salvation Army Trusts and Companies	5,072	1,839	11,127	5,992
Taxation recoverable	2,631	1,186	2,631	1,186
Prepayments and accrued income	8,606	9,491	6,547	7,793
Other Debtors	6,081	5,876	1,108	1,039
	22,390	**18,392**	**21,413**	**16,010**

19. CREDITORS: amounts falling due within one year

	Consolidated		Trust	
	2017 £000	2016 £000	2017 £000	2016 £000
Loans repayable within one year (secured)	167	125	167	125
Connected Salvation Army Trusts and Companies	4,242	2,028	4,294	2,234
Tax and Social Security	1,136	852	604	590
Creditors and Accruals	17,324	15,803	5,867	6,194
	22,869	**18,808**	**10,932**	**9,143**

20. CREDITORS: amounts falling due after one year

	Consolidated		Trust	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank Loans (secured)	11,416	16,517	11,416	16,517
Pension Provision	18,702	30,347	18,702	30,347
Other Creditors	-	370	-	-
	30,118	**47,234**	**30,118**	**46,864**

Bank Loans

	Consolidated		Trust	
	2017 £000	2016 £000	2017 £000	2016 £000
Repayable by instalments				
Within one year	167	125	167	125
More than one year less than five years	386	387	386	387
More than five years	487	587	487	587
Repayable other than by instalments				
More than five years	10,543	15,543	10,543	15,543
	11,583	**16,642**	**11,583**	**16,642**

Pension Provision

	Consolidated		Trust	
	2017 £000	2016 £000	2017 £000	2016 £000
Balance Brought Forward	30,347	37,645	30,347	37,645
Contributions paid	(6,000)	(7,000)	(6,000)	(7,000)
Interest on pension obligation	930	1,058	930	1,058
Change in assumptions	(6,575)	(1,356)	(6,575)	(1,356)
	18,702	**30,347**	**18,702**	**30,347**

21. ENDOWMENTS (Consolidated and Trust)

	Balance 1 April 2016 £000	Movement in Funds Income and Gains/ (Losses) £000	Balance 31 March 2017 £000
Permanent Endowments			
E.S. Brant	1,750	349	2,099
Sir James Reckitt Trust	408	82	490
W.J. Davis Trust	900	185	1,085
Other	528	109	637
	3,586	725	4,311
Expendable Endowments			
William Leech Fund	9,317	1,307	10,624
Total	**12,903**	**2,032**	**14,935**

The E.S. Brant Fund was formerly a separate Salvation Army Trust. Its purpose is evangelical work.

The Sir James Reckitt Fund was set up in 1916 for the benefit of the work of The Salvation Army in Hull. By administrative decision, the income is allocated as to 7/8ths for corps purposes and 1/8th for Men's Social Work.

The W.J. Davis Fund was set up in 1991 to support the work of the Midnight Patrol and the annual income is transferred to the Social Trust to fund this work.

The William Leech Fund was initially set up in 1955 with annual donations thereafter. It is represented by a 20% holding of shares in William Leech (Investments) Limited, with the other shares held equally by four other Christian charities. The annual income is transferred to The Salvation Army International Trust as part of the United Kingdom Territory's contribution to the International Self-Denial Fund to help fund work in developing countries.

22. RESTRICTED PROPERTY FUND (Consolidated and Trust)

Funding of properties for charitable purposes

	Balance 1 April 2016 £000	Movement in Funds Income and Transfers £000	Expenditure £000	Balance 31 March 2017 £000
Consolidated and Trust	**291,679**	**24,095**	**(12,307)**	**303,467**

23. OTHER RESTRICTED FUNDS (Consolidated and Trust)

	Balance 1 April 2016 £000	Movement in Funds Income and Transfers £000	Expenditure and Transfers £000	Balance 31 March 2017 £000
Corps funds	45,853	52,145	(50,409)	47,589
Legacy reserves	67,958	10,642	(8,746)	69,854
Trust funds	2,094	537	(114)	2,517
Specific donations	9,216	4,102	(3,843)	9,475
Consolidated and Trust	**125,121**	**67,426**	**(63,112)**	**129,435**

24. UNRESTRICTED FUNDS (Consolidated and Trust)

	2017 £000	2016 £000
Designated Funds	91,588	63,220
General Reserve	19,184	21,342
Trust	110,772	84,562
Non-charitable Trading Funds	20,169	19,007
Consolidated	**130,941**	**103,569**

i. Designated Funds

The Unrestricted Funds of The Salvation Army include the following designated reserves which have been set aside by the directors for specific purposes:

	Balance 1 April 2016 £000	New Designations £000	Utilised/ Realised £000	Balance 31 March 2017 £000
Property Purposes	51,116	11,000	(11,432)	50,684
Unrealised Gain Reserve	18,658	-	19,775	38,433
Pension Reserve	(30,347)	-	11,645	(18,702)
Other	23,793	10,000	(12,620)	21,173
	63,220	**21,000**	**7,368**	**91,588**

ii. General Reserve

This is required to fund the day-to-day needs of The Salvation Army.

iii. Non-Charitable Trading Funds

This represents the profits retained in the trading subsidiaries and associated company to provide the working capital for their trading operations and capital for the long-term development of their businesses

25. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

Fund Balances at 31 March 2017 are represented by:

	Endowment Funds £000	Restricted Funds Property £000	Restricted Funds Other £000	Unrestricted Funds £000	Total Funds £000
Intangible assets	-	-	-	5,429	5,429
Fixed assets	-	308,645	-	6,878	315,523
Investments	14,935	-	77,940	72,415	165,290
Current assets	-	6,405	53,303	85,815	145,523
Current liabilities	-	(167)	(1,808)	(20,894)	(22,869)
Long-term liabilities	-	(11,416)	-	(18,702)	(30,118)
Total Net Assets	**14,935**	**303,467**	**129,435**	**130,941**	**578,778**

26. CAPITAL COMMITMENTS

The directors are continuing the process of refurbishing and developing Salvation Army properties. At the Balance Sheet date contractual obligations entered into by The Salvation Army Central Funds in respect of property capital schemes amounted to £7,878,833 (2016: £10,292,852).

27. FINANCIAL COMMITMENTS

As at 31 March 2017 the total annual commitments under non-cancellable operating leases on vehicles and equipment and land and buildings, are as follows:

	2017		2016	
	Land and Buildings £000	Vehicles and Equipment £000	Land and Buildings £000	Vehicles and Equipment £000
Expiring within 1 year	4,059	442	3,936	336
Expiring between 2 and 5 years	8,215	3,029	8,371	2,603
Expiring in over 5 years	36	-	33	-
	12,310	**3,471**	**12,340**	**2,939**

28. RELATED PARTY TRANSACTIONS

The Salvation Army Central Funds supports the work of other connected Salvation Army trusts through the payment of grants and these are set out in Note 8. Grants of £3.4 million were paid to The Salvation Army International Trust and overseas Salvation Army territories (2016: £3.7 million) and a grant of £13.8 million was paid to The Salvation Army Social Work Trust (2016: £12.9 million).

An overhead recharge and a further recharge for fundraising and publicity were charged to The Salvation Army Social Work Trust during the year, representing that Trust's share of central overhead costs which were incurred by The Salvation Army Central Funds. In addition recharges were charged to The Salvation Army Social Work Trust for hire of rooms at corps premises.

The Salvation Army Central Funds uses the banking services of Reliance Bank Limited which, as stated in Note 7, is an associated company of The Salvation Army Central Funds and is consolidated on an equity basis. At the year end The Salvation Army Central Funds held balances of £104.2 million with Reliance Bank (2016: £126.1 million). Interest was earned on deposit balances on a normal commercial basis.

The son of Colonels David and Sylvia Hinton, who are directors of The Salvation Army Trustee Company, provided IT consultancy services to The Salvation Army Central Funds during the year amounting to £48,970 (2016: £40,928).

The brother of Lieut-Colonel Mike Caffull, who is a director of The Salvation Army Trustee Company, is the managing director of Salvation Army Trading Company Ltd (SATCoL). His salary is paid by SATCoL and he had no direct transactions with The Salvation Army Trust (Central Funds).

29. RECONCILIATION OF NET MOVEMENT OF FUNDS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 £000	2016 £000
Net Movement in Funds	45,506	13,143
Losses/(Gains) on Investments	(22,148)	8,315
Depreciation: Properties	9,468	9,240
Depreciation: Motor Vehicles and Equipment	1,654	1,989
Amortisation of Goodwill	1,083	1,085
Gain on Disposal of Properties	(4,754)	(8,560)
Investment Income	(4,077)	(6,240)
Decrease in Stocks	1,030	(205)
Increase in Debtors	(4,000)	1,204
Increase in Creditors	3,649	(5,777)
(Decrease) in Pension provision	(11,645)	(7,298)
	(31,548)	(6,247)
Net Cash Inflow from Operating Activities	**15,766**	**6,896**

30. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITY

As required by FRS 102 the SOFA set out below is the full analysis for the 2016 comparative.

	Notes	Endowment £000	Restricted £000	Unrestricted £000	2016 Total £000
INCOME AND ENDOWMENTS FROM					
Donations, Legacies and Grants					
Legacies		-	12,540	39,434	51,974
Donations – Public		-	12,844	38,134	50,978
Donations – Members	2	-	19,803	-	19,803
Grants	3	180	2,581	-	2,761
Trading Activities	4	-	16,787	50,560	67,347
Associated Company	7	-	-	217	217
Investments	5	-	3,269	2,971	6,240
Other					
Gain on disposal of property		-	1,379	7,181	8,560
Other Income		-	-	1,128	1,128
Total Income		**180**	**69,203**	**139,625**	**209,008**
EXPENDITURE					
Raising Funds					
Costs of raising donations, legacies and grants		-	375	13,435	13,810
Costs of trading activities	4	-	8,492	47,014	55,506
		-	8,867	60,449	69,316
Charitable Activities	8				
Church and Evangelism Programmes		-	25,464	18,175	43,639
Community Programmes		-	30,409	18,138	48,547
International Programmes		-	3,021	2,389	5,410
Training Programmes		-	-	4,329	4,329
Youth and Young People's Programmes		-	-	2,361	2,361
Support of The Salvation Army Social Work Trust		-	2,842	11,106	13,948
		-	61,736	56,498	118,234
Total Expenditure		**-**	**70,603**	**116,947**	**187,550**
Gains on Investments	17(a)	(728)	(140)	(7,447)	(8,315)
Net Income/(Expenditure)		**(548)**	**(1,540)**	**15,231**	**13,143**
Transfer between funds		-	8,214	(8,214)	-
NET MOVEMENT IN FUNDS		**(548)**	**6,674**	**7,017**	**13,143**

Charity Registration No: 214779 Scottish Charity Registration No: SC009359

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