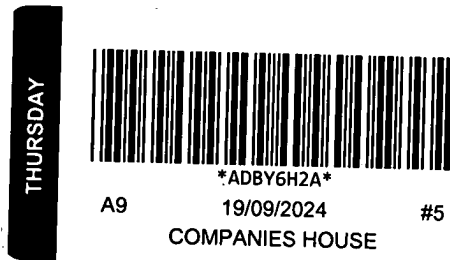


Charity registration number SC046499 (Scotland)

Company registration number SC532119 (Scotland)

POSTCODE INNOVATION TRUST
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023



POSTCODE INNOVATION TRUST

LEGAL AND ADMINISTRATIVE INFORMATION

Directors

Carolyn Sims
Lang Banks (Resigned 9 April 2024)
Aidan Connolly (Resigned 22 March 2024)
Lawson Muncaster
Emma Colenbrander
Richard Dixon (Appointed 9 April 2024)
Megan Virrels (Appointed 31 May 2024)

Executive Manager

Laura Chow

Charity number (Scotland)

SC046499

Company number

SC532119

Gambling Licence numbers

Non remote: 000-046137-N-324563
Remote: 000-046137-R-324562

Registered office

28 Charlotte Square
Edinburgh
Scotland
EH2 4ET

Independent auditors

PricewaterhouseCoopers LLP
Atria One
144 Morrison Street
Edinburgh
United Kingdom
EH3 8EX

Bankers

Lloyds PLC
39 Threadneedle Street
London
UK
EC2R 8AU

Santander
301 St Vincent Street
Glasgow
UK
G2 5HN

Solicitors

MacRoberts LLP
10 George Street
Edinburgh
UK
EH2 2PF

POSTCODE INNOVATION TRUST

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POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their annual report and audited financial statements for the year ended 31 December 2023.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019).

Objectives and activities

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

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

- The prevention or relief of poverty;
- The advancement of education
- The advancement of health;
- The saving of lives;
- The advancement of human rights, conflict resolution or reconciliation;
- The promotion of equality and diversity;
- The advancement of environmental protection and improvement; The relief of those in need by reason of age, ill health, disability, financial hardship or other disadvantage.

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

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

Grant making policy

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

Achievements and performance

During 2023, Postcode Innovation Trust provided funding through the following programmes:

Social Enterprise Support Programme

Five awards were made through the social enterprise programme totalling £578,750.

ASSETS (Assisting Social Enterprises to Succeed), funded through the Social Enterprise Support Programme, is an innovative business support programme designed to help social enterprises in the construction industry supply chain to scale their operations nationally and secure larger contracts.

The programme provides social enterprises with reviews of their business development plans; expert-led workshops on topics such as productivity, procurement, and accessing investment; and peer support from other social enterprises to share challenges, best practices, and expertise of the sector.

Since its inception 3 years ago, ASSETS has supported 17 social enterprises, worked with 56 mentors, and delivered over 1,000 hours of support. On average, 25% growth was measured across participants, and since being on the programmes the enterprises have collectively contributed to the creation of 43 new jobs.

POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Social Investment Programme

This funding programme provides awards which comprise of mainly 50% grant/50% loan as well as 100% loans for social enterprises who have previously received funding. This programme has been created to provide sustainable funding for social enterprises that are looking to increase their social and environmental impact.

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

During 2023 Social Investment Programme awards were made to sixteen social enterprises. This comprised £1.4m of grants, and £2.1m of loan funding.

Dream Fund

1 projects were awarded funding totalling £5m during 2023.

Other funding

Other funding was provided to other a variety of charities amounting to £5.6m.

Financial review

The Directors are closely monitoring performance and remain confident in the resilience of the subscription model to protect the Trust's revenues and amounts raised for good causes in 2023 and beyond.

All funds received from proceeds of Postcode Lottery Limited relating to Postcode Innovation Trust have been included in the financial statements. This amounted to £29,788,412 (2022: £27,749,458). Of this, and included in expenditure on raising funds, 40%: £11,915,365 (2022: 40%: £11,099,783) is given out as prizes and 27%: £8,042,871 (2022: 27%: £7,492,354) is retained by our External Lottery Manager which is Postcode Lottery Limited. The remaining 33%: £9,830,176 (2022: 33%: £9,157,321) is managed by Postcode Innovation Trust. Postcode Innovation Trust promoted twelve draws during 2023 (2022: twelve draws).

£13,324,757 (2022: £5,645,089) was given out in grants for charitable activities in the year with £159,612 (2022: £161,461) of costs to support these activities. Of this, £34,317 (2022: £31,809) was included in Governance Costs.

Directors consider new beneficiaries of funds regularly, depending on the level of funds forecast to be received in the year.

Going concern

These financial statements have been prepared on the going concern basis which assumes that the charity will continue its operations. With having a single source of income, the Directors remain confident in the resilience of the subscription model of People's Postcode Lottery to protect the Trust income. In the event of a substantial change in circumstances significantly reducing revenue, the Trust holds sufficient cash reserves to ensure it can continue operations for the foreseeable future.

The Trust only awards grants and loans once there is a level of certainty in the income due to be received. With any downturn in income, the Trust is in a position to adjust award levels accordingly to ensure that the Trust remains to be a going concern.

The Directors have also considered the recoverability of all outstanding loans, and where relevant have made a provision for bad debts. Should any significant changes occur in the financial health of the borrowers the Directors will re-assess the recoverability of these loans.

The Directors consider it appropriate to prepare financial statements on a going concern basis.

POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Reserves policy

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

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

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

The Trust only awards grants once there is a level of certainty in the income due to be received. With any downturn in income, the Trust is in a position to adjust award levels accordingly to ensure that the Trust remains to be a going concern.

We aim to set general financial reserves at a minimum of £250,000 in and a maximum of £500,000. These figures do not include designated funds for loan balances, loan defaults, and Dream Fund. At 31 December 2023, reserves were at £10,018,083 of which £10,018,083 related to general reserves. This is an increase in general reserves of £3,286,499 from the prior year. This level is above the reserves policy. Of this general reserve £2.96m is held within the current loan balances, and £757.5k of grants along with £877.5k of loans have been approved, but not yet drawn down. These are listed in note 16.

Major risks

The Directors have a risk management strategy which comprises:

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

This strategy has identified the following key risks:

- Risk of the Government changing the law in relation to Society Lotteries. A review of the law relating to Society Lotteries is on-going, and both Directors and the Trust executive management team keep up to date with any information in relation to this.
- Risk of losing Gambling Licence due to non-compliance with the Gambling Commission Licence Conditions and Code of Practice (LCCP). Again, this is managed by adhering closely to the LCCP and being aware of anticipated changes to guidance and keeping abreast of industry best practice.
- Risk of dependence on one source of income and this income being lost. If the income were to reduce, this would be on a gradual basis. The Trust executive management team receive daily reports regarding ticket sales, so would be aware of any issues very quickly and these would be communicated to Directors.
- Risk of loan defaults. There is a risk that some loans may not be repaid in full or on time. Loans are reported to Trustees at each meeting and there is a provisioning policy in place which will highlight any loans at risk of non-repayment.

Plans for future periods

Present economic circumstances with high inflation and the possibility of recession creates significant uncertainty for the world economy. With having a single source of income, the Directors remain confident in the resilience of the subscription model of People's Postcode Lottery to protect the Trust income. In the event of a substantial change in circumstances significantly reducing revenue, the Trust holds sufficient cash reserves to ensure it can continue operations for the foreseeable future.

Postcode Innovation Trust will continue to run the 3 main funding programmes, aiming to increase the amounts given out in all 3 programmes.

POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Structure, governance and management

Governance

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

Recruitment and appointment of directors

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

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

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

Organisational structure

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

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

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

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

POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Induction and training of directors

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

Staff Structure

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

- Screening of all funding proposals;
- Assessing complete applications and providing short summaries for the Directors to make decisions;
- Management of Director meetings including consultation of Directors where desirable or needed;
- Management of marketing/communication on behalf of the Trust including websites, newsletters, publicity etc.

The Trust finance team provide financial management services for Postcode Innovation Trust including the following:

- Management of the bank account which will receive payments direct from Postcode Lottery Limited;
- Monthly financial updates including income position, breakdown of costs, and awards made;
- Making payments to recipient projects;
- Reporting of lottery proceeds to Gambling Commission.

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

The Trustees take recommendations from the Investment Panel which meets 4 times per year.

POSTCODE INNOVATION TRUST

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of Directors' responsibilities

The Directors (who are also Trustees of Postcode Innovation Trust for the purposes of company law, and references to the Directors' hereafter also refer to Trustees) are responsible for preparing the Directors' Annual Report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2019);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

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

Directors' Confirmations

In the case of each director in office at the date the directors' report is approved so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Directors' report was approved by the Board of Directors.



Richard Dixon
Chair

12 September 2024

POSTCODE INNOVATION TRUST

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors present their strategic report on the Trust for the year ended 31 December 2023.

Business Review

The description under the headings "Achievements and performance" meet the company law requirements for the Directors to present a strategic report.

Performance Analysis and Financial KPIs

The description under the headings "Financial review" meet the company law requirements for the Directors to present a strategic report.

Key Business Objectives and Strategy

The description under the headings "Objectives and activities" meet the company law requirements for the Directors to present a strategic report.

Principal Risks and Uncertainties

The description under the headings "Financial review" meet the company law requirements for the Directors to present a strategic report.

On behalf of the board



Richard Dixon
Director

12 September 2024

POSTCODE INNOVATION TRUST

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS AND TRUSTEES OF POSTCODE INNOVATION TRUST

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2023 and of its incoming resources and application of resources, including its income and expenditure, and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We have audited the financial statements, included within the Annual Report and Financial Statements for the year ended 31 December 2023 (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2023; the Statement of financial activities including income and expenditure account and the Statement of cash flows for the year then ended and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

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

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

POSTCODE INNOVATION TRUST

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF POSTCODE INNOVATION TRUST

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report and the Strategic Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 and The Charities Accounts (Scotland) Regulations 2006 (as amended) require us also to report certain opinions and matters as described below.

Directors' Report and Strategic Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the charitable company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

POSTCODE INNOVATION TRUST

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF POSTCODE INNOVATION TRUST

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

Based on our understanding of the charitable company and industry, we identified that the principal risks of non-compliance with laws and regulations related to charity regulations, gambling regulations and UK company law, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended). We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the inappropriate use of charitable funds, for example through fraudulent application for awards. Audit procedures performed included:

- enquiring of management and the directors to identify any instances of non-compliance with laws and regulations, fraud or inappropriate use of charitable funds;
- understanding the approach taken by management and the directors to monitor compliance with laws and regulations, and to prevent fraud or inappropriate use of charitable funds;
- validating, for a sample of charitable payees that appropriate and sufficient evidence over bank details was obtained by management, and that proper controls are in place over payee details;
- testing that payments recorded within the financial statements can be traced to appropriate supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditors responsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the charitable company's members and trustees as a body in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and the Companies Act 2006 and regulations made under those Acts (regulation 10 of The Charities Accounts (Scotland) Regulations 2006 (as amended) and Chapter 3 of Part 16 of the Companies Act 2006) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

POSTCODE INNOVATION TRUST

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF POSTCODE INNOVATION TRUST

Other required reporting

Matters on which we are required to report by exception

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate and proper accounting records have not been kept by the charitable company or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Thomas Kendall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
12 September 2024

POSTCODE INNOVATION TRUST

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unrestricted funds general 2023 £	Unrestricted funds designated 2023 £	Total 2023 £	Unrestricted funds general 2022 £	Unrestricted funds designated 2022 £	Total 2022 £
Income from:							
Other trading activities	3	29,788,412	-	29,788,412	27,749,458	-	27,749,458
Investments	4	753,013	-	753,013	186,993	-	186,993
Total income		30,541,425	-	30,541,425	27,936,451	-	27,936,451
Expenditure on:							
Raising funds	5	(19,967,422)	-	(19,967,422)	(18,596,507)	-	(18,596,507)
Charitable activities	6	(7,516,335)	(5,968,034)	(13,484,369)	(1,381,550)	(4,425,000)	(5,806,550)
Total expenditure		(27,483,757)	(5,968,034)	(33,451,791)	(19,978,057)	(4,425,000)	(24,403,057)
Net income/(expenditure)		3,057,668	(5,968,034)	(2,910,366)	7,958,394	(4,425,000)	3,533,394
Transfers between funds		228,831	(228,831)	-	(4,967,281)	4,967,281	-
Net movement in funds		3,286,499	(6,196,865)	(2,910,366)	2,991,113	542,281	3,533,394
Reconciliation of funds:							
Fund balances at 1 January		6,731,584	6,196,865	12,928,449	3,740,471	5,654,584	9,395,055
Fund balances at 31 December		10,018,083	-	10,018,083	6,731,584	6,196,865	12,928,449

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

POSTCODE INNOVATION TRUST

BALANCE SHEET

AS AT 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Current assets					
Debtors	10	4,060,823		3,473,931	
Cash at bank and in hand		11,577,545		13,324,147	
		<u>15,638,368</u>		<u>16,798,078</u>	
Creditors: amounts falling due within one year	11	<u>(5,620,285)</u>		<u>(3,869,629)</u>	
Net current assets		<u>10,018,083</u>		<u>12,928,449</u>	
The funds of the Company					
Unrestricted funds - general	13	10,018,083		6,731,584	
Unrestricted funds - designated	12	-		6,196,865	
		<u>10,018,083</u>		<u>12,928,449</u>	

The financial statements were approved by the Directors on 12 September 2024



Richard Dixon

Chair

Company registration number SC532119 (Scotland)

POSTCODE INNOVATION TRUST

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £	£	2022 £	£
Cash flows from operating activities					
(Deficit)/surplus for the year		(2,910,366)		3,533,394	
Investment income received		(753,013)		(186,993)	
Decrease/(increase) in debtors		1,004,114		(1,360,628)	
Loans extended		(2,021,288)		(1,108,944)	
Loan repayments		430,282		236,742	
(Decrease)/increase in creditors		1,750,656		1,707,463	
			(2,499,615)		2,821,034
Investing activities					
Bank interest received		695,830		145,874	
Loan interest received		57,183		41,119	
Net cash generated from investing activities			753,013		186,993
Net (decrease)/increase in cash and cash equivalents			(1,746,602)		3,008,027
Cash and cash equivalents at beginning of year			13,324,147		10,316,120
Cash and cash equivalents at end of year			<u>11,577,545</u>		<u>13,324,147</u>

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies

Charity information

Postcode Innovation Trust is a private company limited by guarantee incorporated in Scotland. The registered office is 28 Charlotte Square, Edinburgh, EH2 4ET, Scotland.

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The Company is a Public Benefit Entity as defined by FRS 102.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

These financial statements have been prepared on the going concern basis which assumes that the charity will continue its operations. With having a single source of income, the Directors remain confident in the resilience of the subscription model of People's Postcode Lottery to protect the Trust income. In the event of a substantial change in circumstances significantly reducing revenue, the Trust holds sufficient cash reserves to ensure it can continue operations for the foreseeable future.

The Trust only awards grants and loans once there is a level of certainty in the income due to be received. With any downturn in income, the Trust is in a position to adjust award levels accordingly to ensure that the Trust remains to be a going concern.

The Directors have also considered the recoverability of all outstanding loans, and where relevant have made a provision for bad debts. Should any significant changes occur in the financial health of the borrowers the Directors will re-assess the recoverability of these loans.

The Directors consider it appropriate to prepare financial statements on a going concern basis.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Directors in furtherance of their charitable objectives.

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

1.4 Income

Income is recognised when the charity has entitlement to the funds, when it is probable that the income will be received, and the amount can be measured reliably. Income from other trading activities include gross proceeds from the sale of Lottery tickets before deduction of up to 40% of proceeds for prizes and up to 27% for operations costs.

1.5 Expenditure

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

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

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

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

1 Accounting policies (Continued)

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Basic financial assets

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

Basic financial liabilities

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.8 Bad debt provision

Specific provisions against loans are recognised when a risk of non-recoverability is identified. Provisions made during the year, less amounts released are charged to the Statement of Financial Activities and are netted off against loans in the Balance Sheet.

2 Critical accounting estimates and judgements

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

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

The recoverability of loan debtors is determined using a risk profile matrix to calculate the risk of default for each loan issued. The risk of default determines the level of bad debt provision.

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

3 Income from other trading activities

	Unrestricted funds		Unrestricted funds	
	2023	2023	2022	2022
	£	%	£	%
Total proceeds	29,788,412	100.00%	27,749,458	100.00%
Prizes	(11,915,365)	(40.00)%	(11,099,783)	(40.00)%
Operational costs	(8,042,871)	(27.00)%	(7,492,354)	(27.00)%
Lottery fund allocation	9,830,176	33.00%	9,157,321	33.00%

4 Income from investments

	Unrestricted funds	Unrestricted funds
	2023	2022
	£	£
Bank interest	695,830	145,874
Loan interest	57,183	41,119
	753,013	186,993

5 Expenditure on raising funds

	Unrestricted funds	Unrestricted funds
	2023	2022
	£	£
Fundraising and publicity		
Prizes	11,915,365	11,099,783
Operational costs	8,042,871	7,492,354
Gambling Commission	9,186	4,370
	19,967,422	18,596,507

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

6 Expenditure on charitable activities

	Expenditure on charitable activities 2023 £	Expenditure on charitable activities 2022 £
Direct costs		
Grant funding of activities (see note 7)	13,324,757	5,645,089
Share of support and governance costs (see note 8)		
Support	125,295	129,652
Governance	34,317	31,809
	<u>13,484,369</u>	<u>5,806,550</u>
Analysis by fund		
Unrestricted funds - general	7,516,335	1,381,550
Unrestricted funds - designated	5,968,034	4,425,000
	<u>13,484,369</u>	<u>5,806,550</u>

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7 Grants payable and loan expenditure

		Unrestricted	Designated	Total	Unrestricted	Designated	Total
		2023	2023	2023	2022	2022	2022
		£	£	£	£	£	£
Grants to institutions (28 grants):							
Social Enterprise Support Programme	Type of project						
Hatch	Social enterprise support	100,000	-	100,000	80,000	-	80,000
Impact Hub Kings Cross	Social enterprise support	100,000	-	100,000	78,089	-	78,089
Scottish Edge CIC	Social enterprise support	78,750	-	78,750	47,000	-	47,000
Social Investment Scotland	Social enterprise support	100,000	-	100,000	70,000	-	70,000
Social Enterprise Academy	Social enterprise support	100,000	-	100,000	75,000	-	75,000
Hatch with Capacity	Social enterprise support	100,000	-	100,000	-	-	-
Social Investment Programme							
Goldfinger	Social inclusion	-	-	-	-	100,000	100,000
RSPB	Environmental improvement	-	-	-	-	125,000	125,000
Arkbound	Social inclusion	-	-	-	-	50,000	50,000
Jericho Foundation	Social inclusion	-	-	-	-	125,000	125,000
Blackburne House	Community development	-	-	-	-	50,000	50,000
Seable	Social inclusion	-	-	-	-	50,000	50,000
Football Beyond Borders	Social inclusion	-	-	-	-	125,000	125,000
Newcastle YMCA	Social inclusion	-	-	-	-	125,000	125,000
WYK Group	Social inclusion	25,000	-	25,000	-	75,000	75,000
Purple Shoots	Social inclusion	-	-	-	-	100,000	100,000
Habitat for Humanity	Social inclusion	-	125,000	125,000	-	-	-
Offpoy	Social inclusion	-	90,000	90,000	-	-	-
Down to Earth	Social inclusion	-	75,000	75,000	-	-	-
Growing for Good	Social inclusion	-	96,500	96,500	-	-	-
National Migraine Centre	Social inclusion	-	91,141	91,141	-	-	-
London Early Years	Community development	-	125,000	125,000	-	-	-
Bannockburn	Community development	-	75,000	75,000	-	-	-
Urban Biodiversity	Social inclusion	-	25,000	25,000	-	-	-
We are Juno	Social inclusion	-	125,000	125,000	-	-	-

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

7 Grants payable and loan expenditure		(Continued)					
Goldfinger	Social inclusion	-	25,000	25,000	-	-	-
School for Social Entrepreneurs	Social inclusion	-	100,000	100,000	-	-	-
Social Enterprise UK	Social inclusion	84,607	15,393	100,000	-	-	-
Eco Cascade	Environmental improvement	96,400	-	96,400	-	-	-
Nairn River	Community development	78,534	-	78,534	-	-	-
Bloomsbury Football Foundation	Social inclusion	125,000	-	125,000	-	-	-
Dream Fund							
Surrey Wildlife Trust	Environment and conservation	-	-	-	-	1,250,000	1,250,000
Duchenne Uk	Social inclusion	-	-	-	-	1,250,000	1,250,000
Ellen MacArthur Foundation	Sustainability	-	-	-	250,000	1,000,000	1,250,000
Alzheimer's Society	Health and wellbeing	-	5,000,000	5,000,000	-	-	-
Other							
UK Youth	Social inclusion	100,000	-	100,000	-	-	-
Terrance Higgins	Health and wellbeing	-	-	-	250,000	-	250,000
Nordoff Robbins	Health and wellbeing	-	-	-	250,000	-	250,000
PDSA	Animals	1,000,000	-	1,000,000	-	-	-
The Trussell Trust	Anti-poverty	2,000,000	-	2,000,000	-	-	-
Cash for Kids	Anti-poverty	2,000,000	-	2,000,000	-	-	-
Whitaker Peace & Development Initiative	International development	500,000	-	500,000	-	-	-
Emsee Fairbain Trust	Environmental improvement	(50,000)	-	(50,000)	-	-	-
Increase in Bad Debt Provision							
Bad Debt Provision		818,432	-	818,432	120,000	-	120,000
		<u>7,356,723</u>	<u>5,968,034</u>	<u>13,324,757</u>	<u>1,220,089</u>	<u>4,425,000</u>	<u>5,645,089</u>

The increase in bad debt provision of £818,432 is due to a larger number of specific debts which are at higher risk of non-payment due to economic conditions.

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

8 Support costs allocated to activities

	2023	2022
	£	£
Cost recharges	118,496	113,123
Travel	1,967	1,149
Consultancy	-	12,178
Bank charges	165	217
Subscriptions	3,248	1,566
Insurance	1,419	1,419
Governance costs	34,317	31,809
	<u>159,612</u>	<u>161,461</u>
Analysed between:		
Expenditure on charitable activities	<u>159,612</u>	<u>161,461</u>

	2023	2022
	£	£
Governance costs comprise:		
Audit fees	11,880	5,030
Accountancy	600	552
Legal and professional	21,837	26,227
	<u>34,317</u>	<u>31,809</u>

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

9 Staff costs

No Directors received remuneration during the year (2022: £nil).

Three Directors received reimbursement of travel expenses totalling £1,657 during the year (2022: £1,170). Directors' indemnity insurance costing £1,419 (2022: £1,419) was purchased in the year.

The charity has no employees (2022: none). All services of individuals were obtained from Postcode Lottery Limited and invoiced to the charity. The amount attributable to key management personnel and recharged through the Services Agreement during the year was £2,720 (2022: £2,543).

10 Debtors

	2023	2022
	£	£
Amounts falling due within one year:		
Loans	574,835	367,297
Other debtors	1,100,282	1,385,617
	<u>1,675,117</u>	<u>1,752,914</u>

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

10 Debtors	(Continued)	
	2023	2022
	£	£
Amounts falling due after more than one year:		
Loans receivable 2-5 years	2,348,469	1,458,225
Loans receivable >5 years	1,055,669	462,792
Bad debt provision	(1,018,432)	(200,000)
	<u>2,385,706</u>	<u>1,721,017</u>
Total debtors	<u><u>4,060,823</u></u>	<u><u>3,473,931</u></u>

There are 42 (2022: 26) loans which make up the loans receivable balance. The repayment terms on the loans range from 3 to 9 years. The rate of interest on the loans is either 0% or 3%.

The bad debt provision is set aside to cover debts which may not be recoverable. It is based on assessment of recoverability of specific debts.

With a substantial increase in the number of loans receivable and challenging economic conditions a detailed review of loan recoverability was carried out in line with the stated bad debt policy. An increase in the size of the required provision was identified in the current year, however it was concluded that the prior year provision was fairly stated on the basis that loan performance was in line with expectations at the time of the 2022 review, thus there is no evidence of misstatement as at this time. We consider the current year provision to be fairly stated on the basis of facts and circumstances which have arisen over the course of this financial year.

11 Creditors: amounts falling due within one year	2023	2022
	£	£
Trade creditors	11,333	3,027
Other creditors	5,599,172	3,848,977
Accruals and deferred income	9,780	17,625
	<u>5,620,285</u>	<u>3,869,629</u>

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

12 Unrestricted funds - designated

These are unrestricted funds which are material to the Company's activities.

	At 1 January 2023	Resources expended	Transfers	At 31 December 2023
	£	£	£	£
Designated	6,196,865	(5,968,034)	(228,831)	-
	<u>6,196,865</u>	<u>(5,968,034)</u>	<u>(228,831)</u>	<u>-</u>
Previous year:	At 1 January 2022	Resources expended	Transfers	At 31 December 2022
	£	£	£	£
Designated	5,654,584	(4,425,000)	4,967,281	6,196,865
	<u>5,654,584</u>	<u>(4,425,000)</u>	<u>4,967,281</u>	<u>6,196,865</u>

Opening designated funds comprise:

- £968,034 is the opening balance of a fund, which the Directors set aside in 2018 for a Social Investment Programme that has been created to provide sustainable funding for social enterprises that are looking to increase their social and environmental impact. The Programme provides low-cost investment packages to social enterprises across Great Britain from £50,000 to £250,000. The whole balance was used during 2023, giving a closing balance of £nil.
- £5,000,000 set aside during 2022 for the 2023 Dream Fund which offered charitable organisations to deliver projects within Great Britain from 2023-2026. The full amount was awarded to Alzheimer's Society during 2023.
- £228,831 was set aside during 2022 for potential loans defaults. This is made up of current loan balances. This reserve was written back to general funds.

13 Unrestricted funds - general

	At 1 January 2023	Incoming resources	Resources expended	Transfers	At 31 December 2023
	£	£	£	£	£
General funds	6,731,584	30,541,425	(27,483,757)	228,831	10,018,083
	<u>6,731,584</u>	<u>30,541,425</u>	<u>(27,483,757)</u>	<u>228,831</u>	<u>10,018,083</u>
Previous year:	At 1 January 2022	Incoming resources	Resources expended	Transfers	At 31 December 2022
	£	£	£	£	£
General funds	3,740,471	27,936,451	(19,978,057)	(4,967,281)	6,731,584
	<u>3,740,471</u>	<u>27,936,451</u>	<u>(19,978,057)</u>	<u>(4,967,281)</u>	<u>6,731,584</u>

POSTCODE INNOVATION TRUST

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

14 Analysis of net assets between funds

	Unrestricted funds general 2023 £	Unrestricted funds designated 2023 £	Total 2023 £
Fund balances at 31 December 2023 are represented by:			
Current assets/(liabilities)	10,018,083	-	10,018,083
	<u>10,018,083</u>	<u>-</u>	<u>10,018,083</u>
	<u><u>10,018,083</u></u>	<u><u>-</u></u>	<u><u>10,018,083</u></u>
	Unrestricted funds general 2022 £	Unrestricted funds designated 2022 £	Total 2022 £
Fund balances at 31 December 2022 are represented by:			
Current assets/(liabilities)	6,731,584	6,196,865	12,928,449
	<u>6,731,584</u>	<u>6,196,865</u>	<u>12,928,449</u>
	<u><u>6,731,584</u></u>	<u><u>6,196,865</u></u>	<u><u>12,928,449</u></u>

15 Related party transactions

Postcode Lottery Limited is considered to be a related party.

During 2023 £8,042,871 (2022: £7,492,354) was retained by Postcode Lottery Limited as their external lottery management fee.

A Services Agreement also exists between Postcode Innovation Trust and Postcode Lottery Limited, whereby staff costs and running expenses of the Trusts are paid by Postcode Lottery Limited. All staff are employed by Postcode Lottery Limited, and the total of these costs are recharged on a monthly basis. In the year to 31 December 2023 £118,496 (2022: £113,123) was due to Postcode Lottery Limited, with £9,764 (2022: £9,517) being outstanding at the year end.

16 Commitments

During 2022 and 2023 the Directors approved the following awards, which are due to be paid out during 2024 upon successful completion of the loan terms:

- Lighthouse Futures Trust £250,000 (50% grant/50% loan)
- Neurokinex £250,000 (50% grant/50% loan)
- Family Psychology £250,000 (50% grant/50% loan)
- Furniture Cab £100,000 (50% grant/50% loan)
- MiMe Heuristics £250,000 (50% grant/50% loan)
- Fashion Enter £250,000 (50% grant/50% loan)
- Eat sleep ride £60,000 (50% grant/50% loan)
- Volunteer it Yourself £225,000 (23% grant/77% loan)