

THE CORPORATION OF THE CHURCH HOUSE
AND ITS SUBSIDIARY



2018

The one hundred and thirty first annual report

Registered Charity No. 213252

PRESENTED AT THE ANNUAL GENERAL MEETING

THURSDAY 25 JULY 2019

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The Corporation of the Church House and its Subsidiary

The Council, Officers, Senior Staff and Advisors

T H E C O U N C I L	Elected members	Co-opted members	Nominated members
	David Barnett, <i>Treasurer</i> (retired 26 July 2018)	Canon Dr Christina Baxter CBE, <i>Chair of the Council</i>	Ven Sarah Bullock (appointed 26 July 2018)
	Canon Lucy Docherty	Andrew Penny Hywel Rees-Jones, <i>Treasurer</i> (appointed 26 July 2018) Christopher Smith CBE	David Kemp Ven Norman Russell (retired 26 July 2018) Anne Toms

O F F I C E R S , S E N I O R S T A F F A N D A D V I S O R S	<i>Treasurer</i> David Barnett (retired 26 July 2018)
	Hywel Rees-Jones (appointed 26 July 2018)
	<i>Secretary/Chief Executive Officer</i> Christopher Palmer CBE
	<i>Facilities Manager and Deputy Secretary</i> Ian Bessant
	<i>Head of Finance</i> Adrian Smith
	<i>General Manager of the Conference Centre</i> Robin Parker
	Professional Advisors
	<i>Independent Auditor</i> Buzzacott LLP 130 Wood Street, London, EC2V 6DL
	<i>Principal Bankers</i> Coutts & Company 440 Strand, London, WC2R 0QS
	Nationwide Building Society Kings Park Road, Northampton, NN3 6NW
<i>Solicitors</i> BDB Pitman LLP 50 Broadway, London, SW1H 0BL	
<i>Investment Managers</i> Cazenove Capital Management Limited 1 London Wall Place, London, EC2Y 5AU	

C O M M I T T E E S A N D B O A R D S	Audit Committee Keith Robinson, <i>Chairman</i> Canon Lucy Docherty John Hughesdon
	Investment Committee David Barnett, <i>Chairman</i> (retired 26 July 2018) Hywel Rees-Jones, <i>Chairman</i> (appointed 26 July 2018) John Booth David Kemp Andrew Penny
	Remuneration Committee Christopher Smith CBE, <i>Chairman</i> Canon Lucy Docherty
	Church House Conference Centre Limited – Board of Directors
	Non-Executive Directors Peter Thackwray OBE, <i>Chairman</i> David Barnett (retired 26 July 2018) Mary Burley Tony Harding (retired 31 January 2018) Dr Michaela Jordan Hywel Rees-Jones (appointed 26 July 2018)
	Executive Directors Christopher Palmer CBE Robin Parker Adrian Smith (appointed 24 July 2018)
	Church House 27 Great Smith Street London SW1P 3AZ

Registered number: 213252

Chair's report to the members of The Corporation of the Church House

Welcome to my report for 2018. This has been a significant year in the history of The Corporation. In my report for last year I stated that changes had been made to the Royal Charter to enable The Corporation to make grants in favour of the National Church Institutions of the Church of England. Working with the Secretary General of the Archbishops' Council, William Nye, the trustees have identified areas for support in 2019. Two substantial grants amounting to £2,252,000 have been made to the burgeoning Safeguarding effort and increased Ordinand training. In addition, the trustees have agreed to consider continued support of the Safeguarding effort in 2020 and 2021 at a similar level.

Our consideration of further grants in 2020 and beyond will remain conservative due to the current uncertainty in the investment markets, which has had an impact on the value of The Corporation's portfolio. The Council is determined to remain prudent in its grant-making, recognising that this is a new direction for The Corporation.

In income generating areas, I am pleased to report that Church House remains fully occupied with tenants, all of whom contribute towards the running costs of this magnificent building. I welcome the decision of the Archbishops' Council, on behalf of the National Church Institutions of the Church of England, in agreeing to return to normal rental terms following a four-year waiver period. Our trading subsidiary, Church House Conference Centre Limited, is a key source of income for The Corporation

through the marketing of the spare capacity available at Church House when this is not being fully utilised by the General Synod. The new Non-Executive Directors, led by Peter Thackwray, have settled in to their role, with the express intention of increasing the profit to be covenanted to The Corporation.

I am pleased to report that the trustees have selected a successor to David Barnett as Treasurer. Hywel Rees-Jones, until recently a member of the Church Commissioners Audit Committee, joined the Council after the Annual General Meeting in July. He will serve also as the trustee representative on the Conference Centre Board. We also welcomed the Venerable Sarah Bullock, Archdeacon of York, as replacement for retiring trustee, the Venerable Norman Russell. Norman was an outstanding trustee who made a strong contribution to Council debate.

This year's Annual General Meeting will see the retirement of another long serving trustee, Anne Toms. Anne has been a most active participant in trustee discussions bringing her significant intellect to bear on some important and decisive issues. I thank Anne for her service on the Council. In her place, the Archbishops' Council has nominated Keith Cawdron, a member of the House of Laity from Liverpool.

I am most grateful for the contribution by our independent advisors. John Booth, who sits on the Investment Committee, is well known to Church House and his wise counsel in the oversight of our

Investment Managers, Cazenove Capital Management, is much appreciated. Keith Robinson and John Hughesdon bring significant experience to our independent Audit Committee.

The programme of deep maintenance and improvement continues with the refurbishment of the five lightwells surrounding the Assembly Hall completed during the summer months.

Like much of the Church, The Corporation is blessed with individuals who have committed many years faithful service to the Church of England. This is the case in the Maintenance Department which this year saw the retirement of Michael Anderson after 20 years. Michael served in The Corporation Maintenance Department as an electrician.

The senior management team, led by Chris Palmer, continues to support the Council and Non-Executive Directors with a firm hand on the tiller.

Church House is rightly held in high regard both in the local community and in the wider arc of key London establishments. I welcome the new initiative of offering tours of this historic building to interested parties

Canon Dr Christina Baxter CBE
Chair

Report of the Council of The Corporation of the Church House

The Council presents its annual report and audited consolidated financial statements for the year ended 31 December 2018.

The financial statements have been prepared in accordance with the accounting policies set out on pages 13 to 16 of the attached financial statements and comply with the charity's Royal Charter, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Objects and activities

The primary object of The Corporation, as laid down in the Royal Charter, is to own and maintain the building called Church House for the use of the National Church Institutions of the Church of England (NCIs). Following amendment of the of the Royal Charter in February 2018, The Corporation is now also permitted to award grants for the benefit of the NCIs.

The Corporation may manage such business as it thinks fit and expedient to undertake for the promotion of the objects of The Corporation.

The Corporation aims to provide office and meeting space for the NCIs at a cost below the market rent for the area; the annual rent charged in the year represents a substantial saving when compared to the costs of equivalent commercial property. The rent reflects an appropriate annual share of the governance costs and provides funds to be used towards the anticipated costs of

future refurbishment and improvement of the building.

The Corporation seeks to generate income from the operation of its wholly owned commercial subsidiary, Church House Conference Centre Limited, which markets the spare capacity when the large meeting rooms in the building (whose listed status precludes radical alteration), are not required for use by the the General Synod. The Conference Centre clients include commercial companies, charities, church organisations, government bodies, trade associations and research organisations. Any taxable profit created by the Conference Centre is usually covenanted directly to The Corporation.

Building on the decision reached by the Council in 2017 to provide financial support to the National Church Institutions through the award of grants, and following the necessary amendment to the Royal Charter to permit such activity, the Council, with support from the senior management team and external advisors, introduced the inaugural grant-making policy in the year. This enabled the Council to consider grant applications from the National Church Institutions and, ultimately, approve the award of two grants amounting to £2,252,000 for payment in 2019.

The Corporation's operational objectives during the year under review have been to continue to run the building efficiently for the benefit of the National Church Institutions, and to complete the major cyclical maintenance project of refurbishing the lightwells surrounding the Assembly Hall on time and within budget.

In reviewing its aims and objectives and in planning its future activities we confirm The Corporation has complied with the Charity Commission's general guidance on public benefit: 'Charities and Public Benefit'.

Review of achievements and performance for 2018

The Corporation will receive a payment under deed of covenant from the Conference Centre of £57,168 (2017: £168,433) in respect of its performance in 2018.

Operational performance

The building remained fully occupied throughout the year. The principal tenants of the building are the National Church Institutions. All facilities and services operated well throughout the year.

Grant-making policy

The Corporation will from time to time accept grant applications from the National Church Institutions dependent upon the financial performance of The Corporation.

Financial review

The consolidated statement of financial activities for the year is set out on page 10. A summary of the results and of the work of The Corporation is set out below.

The charity's principal sources of income are rent, investment income and covenanted profit from its trading subsidiary, Church House Conference Centre Limited. The group's expenditure during the year exceeded income by £2,745,983 (2017: £2,905,665) before losses on investments and other recognised losses. The level of net expenditure reflects the Council's decision to continue the waiver of annual rent payable by the National Church

Report of the Council of The Corporation of the Church House

Institutions for a fourth consecutive year. Additionally, the two grants awarded for work in the areas of Safeguarding and Ordinand training amounting to £2,252,000 have been recognised in the year, although the actual payments will not commence until 2019. After taking into account the net expenditure for 2018, together with recognised gains and losses, the group's total funds decreased by £4,389,529 to £23,332,147 (2017: £2,097,831 to £27,721,676).

Church House Conference Centre Limited

The Conference Centre is the wholly owned subsidiary of The Corporation and carries out trading activities for the benefit of The Corporation, paying rent and service charge which in 2018 amounted to £1,129,000 (2017: £988,106). For 2018, the company reported a profit on ordinary activities before payment of deed of covenant and taxation of £22,962 (2017: £211,625). Any taxable profit is normally transferred to The Corporation by means of covenanted payments and £58,274 (representing £57,168 in relation to 2018 plus £1,106 in relation to an under provision for 2017) (2017: £168,433) will be covenanted to The Corporation.

A summary of the trading results of the Conference Centre is shown in note 17 to the financial statements.

Investment policy

The Council has adopted a long-term and medium-risk policy to achieve a balance of income and capital growth from its investments. As permitted by The Corporation's Royal Charter, the Council has given its investment managers discretion to manage the portfolio within an agreed risk profile.

The purpose of The Corporation's investments is to provide the necessary stability and financial backing to enable periodic improvement and refurbishment of Church House. To achieve this, it is the intention to manage the portfolio in such a way that the value of the investments more than matches inflation over the longer term. Given the investment horizon, it has been decided in consultation with the investment managers that the portfolio should consist substantially of equities both in the UK and overseas.

It is the Council's policy to take note of the guidance of the Church of England's Ethical Investment Advisory Group.

Investment performance

Performance of the investments is measured against a bespoke benchmark. The benchmark is based on the agreed asset allocation: 55% to relate to the FTSE All Share index, 20% to the FTSE World index (excluding UK), 20% to the FTSE Government All Stocks index and 5% to CPI+2%.

The Corporation's investments delivered an overall return of minus 5.84% (2017: plus 10.89%) compared with the bespoke benchmark of minus 5.46% (2017: plus 10.92%). UK equities returned minus 9.54% (2017: plus 15.54%) against the FTSE All Share index return of plus 9.51% (2017: plus 13.06%), overseas equities returning minus 4.75% (2017: plus 14.98%) against the FTSE World index (excluding UK) return of minus 2.68% (2017: plus 13.45%). UK bonds returned plus 0.50% (2017: plus 3.17%) and international bonds plus 0.65% (2017: plus 0.17%) against the FTSE All Stock Gilts index of plus 0.57% (2017: plus 1.83%).

Overall, 2018 was an extremely challenging period for markets, with 90% of asset classes providing a negative return over the calendar year, presenting few places for investors to shield themselves from the volatility. Although the performance of the portfolio was marginally behind the benchmark this year, the Council is satisfied with the longer-term performance and positioning of the investment portfolio.

No funds were withdrawn from the portfolio in the year (2017: £250,000). The Corporation did not transfer any capital (2017: none) to Cazenove Capital Management Limited for investment during the year. The market value of listed investments at 31 December, excluding cash held with the investment managers, was £18,534,446 (2017: £20,414,737), a decrease of £1,880,291 (2017: £2,209,411 increase) when compared to the position at the end of 2017.

The Council, upon the recommendation of the Investment Committee, agreed that the investment managers should be instructed to hold a higher balance of cash to ensure funds would be available to meet the different profiles of planned grant and capital expenditure under discussion. Consequently, the value of cash held by the investment managers at 31 December 2018 was £926,910 (2017: £258,973).

Reserves

The free/expendable reserves of The Corporation, predominantly represented by its investment portfolio, are held to meet the primary charitable objective of The Corporation which is to own and maintain the building called Church

Report of the Council of The Corporation of the Church House

House for the use of the National Church Institutions of the Church of England. Of the group's total funds at 31 December 2018 amounting to £23,332,147 (2017: £27,721,676), the free reserves amounted to £3,281,286 (2017: £21,787,905). Free reserves consist of the general funds excluding the pension reserve.

When undertaking the annual review of free reserves, the Council determined that the present level is more than sufficient to meet The Corporation's objectives, including periodic refurbishment and improvement of the building and to provide contingency funds. After the creation of a designated fund of £7 million to meet future refurbishment/improvement expenditure, the Council determined that the balance of unrestricted reserves (including all unrealised gains on the investment portfolio) should be transferred to a designated fund to be used for long-term grant-making.

The balance transferred to the grant-making fund in 2018 was £10,709,484 from which the two grants awarded amounting to £2,252,000 have been funded. The balance of the grant-making fund at 31 December 2018 was therefore £8,457,484.

Future plans

The Corporation's primary objective is to plan to run an efficient office building for the National Church Institutions of the Church of England and examine its running costs with a view to saving expenditure wherever possible.

The Council expects to receive further applications for grants from the National Church Institutions. The suitability of all grant applications for

funding will be considered on the basis of the benefits they will deliver across the Church and for the wider public. Once suitability has been established, the appropriate level of any funding will be determined with reference to The Corporation's own financial position, general economic conditions and, in particular, anticipated future investment performance.

As from 1 January 2019, it has been agreed that that National Church Institutions of the Church of England will resume payment of rent on normal terms following a four-year waiver period.

Structure, governance, management and external professional advisors

The Corporation of the Church House ("The Corporation") was established in 1888 by Royal Charter (charity registration number 213252) and its principal office is 27 Great Smith Street, London, SW1P 3AZ.

During the year The Corporation was governed by a Royal Charter dated 22 November 2002, which was last amended on 5 November 2008. Following a successful application, The Corporation was granted an amendment to the Royal Charter by the Privy Council on 8 February 2018. The new amendment gives an additional Object permitting grants to be awarded for the benefit of the National Church Institutions of the Church of England.

It has a wholly owned, commercial trading subsidiary, Church House Conference Centre Limited (company registration number 02869220 (England and Wales)). The company's trading name is Church House Westminster and its principal activity is that of running a conference centre.

The Council of the Corporation comprises of up to nine members. Each member is appointed for an initial term of five years, renewable for a further term of the same length. Following resolutions carried at the 2008 Annual General Meeting and the approval of the Privy Council and the Charity Commission, two members are elected from amongst the members of The Corporation, who are members of the General Synod and other individuals, by the members of The Corporation; three members are nominated by the Appointments Committee of the Church of England and four members are co-opted by the Council. Currently there is a vacancy for one co-opted member. Every member of the Council must be and continue to be a member of the Church of England. The names of the members of the Council at 31 December 2018 (and up to the date of this report) are given on page 1.

New Council members are inducted into the workings of The Corporation and its subsidiary, including Council policy and procedures, at an initial meeting with the Secretary and also receive a copy of the Charity Commission guidance on the roles and responsibilities of trustees.

Members of the Council, as The Corporation's trustees, are legally responsible for the overall management and control of The Corporation and its subsidiary and the Council meets at least four times a year. The Council appoints the senior staff of The Corporation who, in turn, are responsible for its day to day running. The Council is responsible for the approval of the annual budget and cash flow forecasts and is responsible for the preparation of the financial statements of The Corporation and

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its subsidiary. It also monitors the financial and operational activities of The Corporation.

The Council has an Audit Committee with an independent Chairman, one independent member and one member co-opted from the Council. The Committee meets at least twice a year and, inter alia, monitors The Corporation's external audit arrangements and risk management systems. The spring meeting is principally concerned with the annual audit including a confidential meeting with the auditor, while the autumn meeting concentrates on governance, personnel matters and the scrutiny of risk management. The Committee has met twice during the year under review.

Details of The Corporation's professional advisors are given on page 1. The Corporation maintains a relationship and regular dialogue with its advisors in addition to obtaining expert advice and assurance when required.

Risk management

The Council has identified and reviewed the major risks to which The Corporation and its subsidiary are exposed, in particular those related to their operations and finance, and is satisfied that systems are in place to mitigate The Corporation's exposure to those major risks.

The primary risks faced by The Corporation and Church House Conference Centre Limited are those that would significantly disrupt the availability and operation of the building. The Corporation and Conference Centre have comprehensive policies of insurance, reviewed annually, that provide

financial compensation for such occurrences. Additionally, The Corporation has a business continuity plan that will enable it to maintain and recover its operations in the event of significant disruption.

Any significant reduction in the value of The Corporation's investment portfolio could place at risk The Corporation's ability to fund future improvements to Church House in the longer-term. This risk is managed through the setting of an appropriate Investment Policy (see the Investment policy section of the Report of the Council on page 4 for more information) and continuous review of investment performance by the Investment Committee (see page 4 for more information).

Notwithstanding the potential impact arising from the availability and operation of Church House being significantly disrupted as outlined above, the most significant financial risk to which Church House Conference Centre Limited is exposed is that of a deterioration of trading conditions. The financial performance of the company is reported against budget continuously throughout the year, levels of future bookings monitored and the five year business plan updated and reviewed annually. This information enables the Board of directors to react quickly to any unforeseen trading patterns. In 2010, The Corporation agreed to a request from the Board of directors of the company to provide a £500,000 loan facility to be used to provide short-term financial support to the company to mitigate the financial impact of any significant decrease in the level of bookings (see note 16).

Key management personnel

In addition to The Corporation's

unremunerated Council members, the Senior Management Team are defined as key personnel.

The Council has delegated responsibility and authority for managing the day-to-day activities of The Corporation and, through the Board of directors of Church House Conference Centre Limited, to the Senior Management Team which consists of the Secretary, Facilities Manager, Head of Finance and Conference Centre General Manager.

The Corporation's Remuneration Committee remains satisfied that salary levels for members of the Senior Management Team continue to be within appropriate ranges commensurate to the roles performed.

In 2018, with support from The Corporation's Remuneration Committee, the Council agreed a uniform percentage cost-of-living pay award for all staff.

No additional bonus or other incentive schemes apply to the Senior Management Team.

No member of the Council received any remuneration from either The Corporation or Church House Conference Centre Limited.

Fundraising

The Corporation does not actively engage in fundraising activities and does not employ a professional fundraiser or commercial participator. No complaints in respect to fundraising activity were received by The Corporation during the year.

Statement of the Council's responsibilities

The Council is responsible for

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preparing the Report of the Council and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the group and the charity and of the income and expenditure of the charity and the group for that year.

In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);

- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in business.

The Council is responsible for keeping accounting records that are sufficient to show and explain the group and charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and the group and enable them to ensure that the financial statements comply with the Charities Act 2011, the applicable Charity (Accounts and Reports) Regulations and the provision of the Royal Charter. It is also responsible for safeguarding the assets of the group and the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the group and the charity financial information included on the group and the charity's websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved and signed on behalf of the Council

Canon Dr Christina Baxter CBE
Chair

Hywel Rees-Jones
Treasurer

16 May 2019

Independent auditor's report to the Council of The Corporation of the Church House

Opinion

We have audited the accounts of The Corporation of the Church House and its subsidiary for the year ended 31 December 2018 which comprise the group and parent charity statement of financial activities, the group and charity balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2018 and of their income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the accounts section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Council members' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- the Council members have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The Council members are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the Council of The Corporation of the Church House

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Chair's report and Report of the Council is inconsistent in any material respect with the accounts; or
- sufficient accounting records have not been kept; or
- the accounts 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.

Responsibilities of the Council

As explained more fully in the Council's responsibilities statement, the members of the Council are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the Council members determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the Council members are responsible for assessing the group's and the parent charity'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 Council either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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



Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

4 June 2019

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities

for the year ended 31 December 2018

	Note	2018 £	2017 £
Income from:			
Investments and bank deposits	3	506,141	494,775
Other trading activities – Conference Centre	17(b)	4,195,165	4,036,200
Charitable activities			
Rental income and service charge		1,718,583	1,350,461
Other			
Management fees receivable		6,667	6,667
Miscellaneous		—	7,417
Total income		6,426,556	5,895,520
Expenditure on:			
Raising funds			
Investment management fees		104,457	91,954
Conference Centre costs	17(b)	3,035,321	2,815,905
Charitable activities			
Grants awarded to the National Church Institutions of the Church of England	4	2,252,000	—
Corporation operating costs	5	3,766,251	3,432,917
Other			
Interest payable	8(a)	14,510	—
Loss on disposal of tangible fixed assets	9	—	269,356
Impairment charge on re-evaluation of tangible fixed assets	9	—	2,191,053
Total expenditure		9,172,539	8,801,185
Net expenditure before (losses) gains on investments		(2,745,983)	(2,905,665)
Net (losses) gains on investments	10	(1,587,546)	1,667,834
Net expenditure		(4,333,529)	(1,237,831)
Other recognised losses			
Actuarial losses on defined benefit pension scheme	8(a)	(56,000)	(860,000)
Net movement in funds	6	(4,389,529)	(2,097,831)
Reconciliation of funds:			
Fund balances brought forward at 1 January	13	27,721,676	29,819,507
Fund balances carried forward at 31 December	13	23,332,147	27,721,676

All of the group's activities derived from continuing operations during the above two financial periods. The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure of the charity was unrestricted during the above two financial periods. Fund balances at 31 December 2017 and 2018 include restricted funds of £9,254.

The notes on pages 13 to 28 form part of the financial statements.

Balance sheets

as at 31 December 2018

	Note	Group		The Corporation	
		2018 £	2017 £	2018 £	2017 £
Fixed assets					
Tangible assets	9	5,811,190	7,248,716	5,408,123	6,784,517
Investments	10	19,461,356	20,673,710	19,961,356	21,173,710
Total fixed assets		25,272,546	27,922,426	25,369,479	27,958,227
Current assets					
Debtors	11	1,842,751	1,341,312	1,392,407	825,691
Cash at bank and in hand		1,386,950	956,671	547,532	253,998
Total current assets		3,229,701	2,297,983	1,939,939	1,079,689
Liabilities					
Creditors: amounts falling due within one year	12	(4,346,100)	(1,638,733)	(3,434,557)	(772,838)
Net current (liabilities) assets		(1,116,399)	659,250	(1,494,618)	306,851
Total assets less current liabilities		24,156,147	28,581,676	23,874,861	28,265,078
Provisions for liabilities and charges	8(a)	(824,000)	(860,000)	(824,000)	(860,000)
Net assets		23,332,147	27,721,676	23,050,861	27,405,078
The funds of the charity					
Restricted income funds	13	9,254	9,254	9,254	9,254
Unrestricted income funds	13				
Tangible fixed assets fund		5,408,123	6,784,517	5,408,123	6,784,517
Designated funds					
Refurbishment reserve		7,000,000	—	7,000,000	—
Grant-making reserve		8,457,484	—	8,457,484	—
General funds					
Free reserves		3,000,000	21,471,307	3,000,000	21,471,307
Pension reserve		(824,000)	(860,000)	(824,000)	(860,000)
Non-charitable trading funds		281,286	316,598	—	—
Total charity funds	14	23,332,147	27,721,676	23,050,861	27,405,078

The financial statements which comprise the consolidated statement of financial activities, the balance sheets, the consolidated statement of cash flows and the related notes on pages 13 to 28 were approved by the Council on 16 May 2019 and signed on its behalf by

CANON DR CHRISTINA BAXTER CBE *Member of Council and Chair of the Council*

HYWEL REES-JONES *Member of Council and Treasurer*

CHRISTOPHER PALMER CBE *Secretary*

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	A	<u>444,303</u>	<u>591,057</u>
Cash flows from investing activities			
Income from listed investments		498,449	491,074
Interest received		7,692	3,701
Purchase of tangible fixed assets		(144,973)	(1,180,892)
Purchase of fixed asset investments		(2,214,975)	(3,452,027)
Proceeds from the disposal of fixed asset investments		2,507,720	2,910,450
Net cash generated by (used in) investing activities		<u>653,913</u>	<u>(1,227,694)</u>
Change in cash and cash equivalents		1,098,216	(636,637)
Cash and cash equivalents at 1 January	B	1,215,644	1,852,281
Cash and cash equivalents at 31 December	B	<u>2,313,860</u>	<u>1,215,644</u>

Notes to the consolidated statement of cash flows for the year to 31 December 2018

A Reconciliation of net movement in funds to net cash provided by operating activities

	2018 £	2017 £
Net movement in funds (as per consolidated statement of financial activities)	(4,389,529)	(2,097,831)
Adjustments for:		
Depreciation of tangible fixed assets	1,582,499	1,703,105
Losses (gains) on investments	1,587,546	(1,667,834)
Loss on disposal of tangible fixed assets	—	269,356
Impairment charge on re-evaluation of tangible fixed assets	—	2,191,053
Investment income	(506,141)	(494,775)
Increase in debtors	(501,439)	(335,843)
Increase in creditors other than finance leases	2,707,367	163,826
(Decrease) increase in provisions	(36,000)	860,000
Net cash provided by operating activities	<u>444,303</u>	<u>591,057</u>

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	1,386,950	956,671
Cash held by investment managers	926,910	258,973
Total cash and cash equivalents	<u>2,313,860</u>	<u>1,215,644</u>

Notes to the financial statements

for the year ended 31 December 2018

1 Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

a) Basis of accounting

These financial statements have been prepared for the year to 31 December 2018 with comparative information given for the year ended 31 December 2017.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in Sterling (£) and are rounded to the nearest pound.

b) Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Council members and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- estimating the useful economic life of tangible fixed assets for the purposes of determining the annual depreciation charge;
- determining the recoverability of outstanding debtors;
- estimating accrued expenditure; and
- assessing the appropriateness of the underlying assumptions made by the actuary in the valuation of the defined benefit pension scheme.

c) Assessment of going concern

The Council members have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Council members have made this assessment in respect of a period of one year from the date of approval of these financial statements.

The Council members have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the group and charity to continue as a going concern. The Council members are of the opinion that the group and the charity will have sufficient resources to meet their liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 December 2019, the most significant areas that affect the carrying value of the assets held by the group and charity are the nature of trading conditions in respect to Church House Conference Centre Limited and the performance of investment markets and the resultant level of investment return (see the risk management and investment policy sections of the Report of the Council for more information).

Notes to the financial statements

for the year ended 31 December 2018

1 Principal accounting policies (continued)

d) Consolidated financial statements

The consolidated financial statements include The Corporation and its wholly owned subsidiary undertaking, Church House Conference Centre Limited (company registration number 02869220). Intra-group transactions and balances are eliminated fully on consolidation. No separate statement of financial activities has been presented for The Corporation within these financial statements. The net expenditure for the year to 31 December 2018 for The Corporation only, including the £2,252,000 (2017: £Nil) provision for grants payable, £56,000 (2017: £860,000) of actuarial losses in relation to the provision made for future funding payments in respect of the deficit on the Defined Benefits pension scheme as at 31 December 2018 (see note 8a), but excluding investment gains, was £2,766,671 (2017: net expenditure of £3,808,856 after one-off impairment charge; £1,617,803 excluding one-off impairment charge).

e) Income recognition

Income is recognised in the period in which the group is legally entitled to the income, where the amount can be measured reliably and it is probable that the income will be received.

Income comprises rental income, investment income, income generated by the Conference Centre activities and other income including management fees.

Rental income is recognised when it becomes contractually due under the relevant lease or tenancy agreement.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Interest on cash balances held with banks and investment managers are included when receivable and the amount can be measured reliably by the group; this is normally upon notification of the interest paid or payable by the bank or the investment manager.

Income generated by the Conference Centre activities comprises income from room hire, equipment hire and commission on catering provision. It is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and value added tax.

Other income including management fees is measured at fair value and accounted for on an accruals basis.

f) Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the group to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and inclusive of irrecoverable VAT. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- Cost of raising funds includes investment management fees and the operating costs of Church House Conference Centre Limited.
- Charitable expenditure represents all costs associated with furthering the charitable purposes of the Corporation. This includes the direct and indirect costs of running Church House and grant-making activities. The allocation of costs to charitable activities, including support costs, is based upon the calculation of the service charges recoverable from The Corporation's tenants.
- Other expenditure includes losses on the disposal of tangible fixed assets.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are treated as liabilities.

Notes to the financial statements

for the year ended 31 December 2018

1 Principal accounting policies (continued)

g) Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Tangible fixed assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic life of the assets concerned.

The annual rates used for this purpose are:	%
Freehold buildings	5.00 – 10.00
Furniture and fittings	6.50 – 15.00
Telephone and office equipment	10.00 – 33.33
Plant and equipment	5.00 – 20.00
Freehold land is not depreciated.	

An impairment review is carried out in respect to a particular class of asset if events, or changes in circumstances, indicate that the carrying amount of any tangible fixed asset may not be recoverable.

h) Heritage assets

Heritage assets have historic, artistic, scientific, technological, geophysical or environmental qualities and are held and maintained principally for their contribution to knowledge and culture.

The Corporation holds a collection of heritage assets which consist mainly of paintings. These paintings, gifted to The Corporation over many years, all represent various aspects of Church heritage and, therefore, relate to the Objects of the charity.

The Corporation commissioned a professional valuation of these paintings for insurance purposes. The wide range of potential values suggested by the valuation, highlighted the difficulty of attaching an accurate financial value to such assets. For this reason, these assets have not been included in the financial statements.

i) Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The group and charity do not acquire put options, derivatives or other complex financial instruments.

Realised gains (or losses) on listed investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

The investment in the subsidiary undertaking is stated at cost less any provision for permanent diminution in value.

j) Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Notes to the financial statements

for the year ended 31 December 2018

1 Principal accounting policies (continued)

k) Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

l) Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement is known or can be estimated reliably. Creditors and provisions are recognised at the amount the group or charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

m) Fund structure

The tangible fixed assets funds represent the net book value of the charity's tangible fixed assets.

Free reserves represent those monies which are freely available for application towards achieving any charitable purpose that falls within the group and charity's charitable objects.

The refurbishment reserve has been established to ensure that the charity holds a level of net assets that would enable it to undertake future refurbishment and improvement works to support its primary charitable objective of maintaining Church House for the use of the National Church Institutions of the Church of England (NCIs).

The grant-making reserve represents the value of net assets designated and available for distribution to the NCIs in the form of grants to support the charitable objectives of the Church of England.

The pension reserve represents the actuarial deficit on the defined pension scheme.

Non-charitable trading funds comprise of the value of cumulative retained earnings by Church House Conference Centre Limited.

Restricted funds are funds with their use restricted to a specific purpose as described in note 13.

n) Leased assets

Rentals applicable to operating leases where the benefits and risks of ownership remain substantially with the lessor are charged to the statement of financial activities on a straight-line basis over the term of the lease.

The group had no finance leases during the year ended 31 December 2018 and 31 December 2017.

o) Pension scheme arrangements

The Corporation participates in the Church of England Defined Benefit Scheme (DBS) and the Church of England Pension Builder Scheme (PBS), both part of the Church Workers Pension Fund. Both schemes are administered by the Church of England Pensions Board. Employees appointed prior to 1 April 2009 were eligible for membership of the DBS. The Corporation closed the scheme to new membership applications on this date. Membership of the PBS has been available to all employees appointed from 1 April 2009 onwards. Both schemes are defined benefit pension schemes.

The charity is unable to identify its share of the underlying assets and liabilities of the schemes on a reasonable and consistent basis. Therefore in accordance with FRS102, it has accounted for its normal contributions as if the schemes were defined contribution schemes. Normal contributions are charged to the statement of financial activities when payable. The present value of any expected deficit recovery contributions is recognised as a liability at the balance sheet date. The amount is reviewed annually taking into account any changes to the deficit contribution rate or the implicit rate of interest used in discounting the liability.

Notes to the financial statements

for the year ended 31 December 2018

2 Taxation

The Corporation is registered as a charity with the Charity Commission for England and Wales (charity registration number 213252) and, therefore, is not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

Retained profits of Church House Conference Centre Limited, if any, are subject to corporation tax calculated on the basis of tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

3 Investment income

	2018 £	2017 £
Income from listed investments	498,449	491,074
Bank interest receivable	7,692	3,701
	<u>506,141</u>	<u>494,775</u>

4 Grants payable

	2018 £	2017 £
Grants awarded in the year		
Archbishops' Council – National Safeguarding Team	1,752,000	—
Archbishops' Council – Ministry Division	500,000	—
	<u>2,252,000</u>	<u>—</u>

At 31 December 2018, the above grants were unpaid (note 12) and will be paid by instalments during 2019.

5 Corporation operating costs

	2018 £	2017 £
Staff costs (note 7)	863,367	865,513
House expenses and cleaning	389,789	378,554
Rates, insurance and heating	283,334	267,738
Office and administrative expenses	48,760	35,607
Repairs and maintenance	686,279	267,795
Marketing	4,119	3,906
Professional fees	29,319	22,044
Depreciation – owned assets	1,450,509	1,581,235
Auditor's remuneration – The Corporation	10,750	10,500
Donations and presentations	25	25
	<u>3,766,251</u>	<u>3,432,917</u>

For the year ended 31 December 2018, no support costs have been allocated to The Corporation's secondary charitable objective of grant-making. The additional time resources and costs associated with this activity were minimal.

6 Net movement in funds

The net movement in funds is stated after including the following charges:

	2018 £	2017 £
Auditor's remuneration		
Audit	21,500	21,000
Non-audit services	3,150	2,100
Depreciation	1,582,499	1,703,105
Hire of equipment	11,170	11,961

Notes to the financial statements

for the year ended 31 December 2018

7 Staff costs and remuneration of key management personnel

The average number of persons employed by The Corporation and its subsidiary during the year is analysed below:

	Group		The Corporation	
	2018	2017	2018	2017
	Number	Number	Number	Number
Maintenance and security	11	11	11	11
Administration	24	24	6	6
	35	35	17	17

Staff costs during the year were as follows:

	Group		The Corporation	
	2018	2017	2018	2017
	£	£	£	£
Wages and salaries	1,346,874	1,286,266	678,774	657,932
Social security costs	139,050	134,773	72,698	69,870
Other pension costs	291,703	233,596	111,895	137,711
	1,777,627	1,654,635	863,367	865,513

Employee information for the group includes employees who are on full time secondment to the Conference Centre. The cost of these employees is included within the cost of raising funds.

The number of employees earning £60,000 pa or more (excluding employer's pension and national insurance contributions but including taxable benefits) was:

	Group		The Corporation	
	2018	2017	2018	2017
	Number	Number	Number	Number
£60,000 to £69,999	1	2	—	1
£70,000 to £79,999	2	1	2	1
£80,000 to £89,999	1	1	—	—
£90,000 to £99,999	1	1	1	1

Retirement benefits under a defined benefit pension scheme are accruing to 5 (2017: 5) employees earning more than £60,000 per annum. Employer pension contributions totalling £112,022 (2017: £90,154) were paid in respect to these employees.

The key management personnel of the group in charge of directing and controlling, running and operating the group on a day to day basis comprise the Council and the Senior Management Team of the charity. The total remuneration (including employer's national insurance contributions, taxable benefits and employer's pension contributions) of the key management personnel for the year was £459,904 (2017: £432,690).

During the year ended 31 December 2018, expenses of £1,350 (2017: £840) were reimbursed to 7 (2017: 5) members of the Council. The expenses related to the costs of travelling to Council meetings. No member of the Council received any remuneration in respect of their services as members of the Council (2017: £nil).

Notes to the financial statements

for the year ended 31 December 2018

8 Pensions

The Church Workers Pension Fund (CWPF) has a section known as the Defined Benefit Scheme (DBS) and a section known as Pension Builder Scheme (PBS) (comprising both the deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014). The Corporation of Church House participates in both DBS and PBS schemes.

Employees appointed prior to 1 April 2009 were eligible for membership of the DBS. The Corporation closed the scheme to new membership applications on this date. Membership of the PBS has been available to all employees appointed from 1 April 2009 onwards. Both schemes are non-contributory defined benefits pension schemes.

a) *Defined Benefit Scheme*

The DBS section of the CWPF provides benefits for lay staff based on final pensionable salaries. The Scheme is administered by the Church of England Pensions Board (CEPB), which holds the assets of the schemes separately from those of The Corporation and the other participating employers.

For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the statement of financial activities in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the CEPB on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent having been completed as at 31 December 2016. In this valuation, the Life Risk Section was shown to be in deficit by £2.6m and £2.6m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the DBS was £26.2m.

Following completion of the 31 December 2016 funding valuation on 29 March 2018, The Corporation agreed to pay deficit recovery contributions of £142,013 per annum for a period of seven years commencing on 1 April 2018. From the same date, The Corporation has also paid an increased regular contribution rate of 41% (2017: 29.3%) of pensionable salaries in respect of the future accrual of benefits, together with increased annual administration costs of £12,200 (2017: £7,600) per annum.

During the year to 31 December 2018, The Corporation made total contributions of £190,111 (2017: £140,803). No pension contributions were prepaid or outstanding at 31 December 2018.

Notes to the financial statements

for the year ended 31 December 2018

8 Pensions (continued)

a) Defined Benefit Scheme (continued)

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision in relation to the deficit payment plan is set out below:

	2018 £	2017 £
Balance sheet liability at 1 January	860,000	—
Deficit contribution paid	(106,510)	—
Charged (credited) to the statement of financial activities		
Interest cost	14,510	—
Change to the balance sheet liability	56,000	860,000
Balance sheet liability at 31 December	<u>824,000</u>	<u>860,000</u>

This liability represents the present value of the deficit contributions agreed in the 31 December 2016 valuation and has been valued using the following assumptions, set by reference to the duration of the deficit recovery payments:

	31 December 2018 %	31 December 2017 %	31 December 2016 %
Discount rate	<u>2.10</u>	<u>1.70</u>	<u>0.00</u>

Other available information relating to the valuation as at 31 December 2016 is given below:

Financial assumptions:	
Price inflation	3.50% pa
Rates of investment return:	
prior to retirement	4.20% pa
post retirement	2.35% pa
Pension increases:	
5% pa cap	3.30% pa
2.5% pa cap	2.20% pa
Future salary increases	CPI plus 1.20% pa
Market value of DBS	£183.7m
Market value of The Corporation's sub-pool	£4.0m
Market value of Life Risk Pool	£195.0m

The number of deferred and active members for the DBS as at 31 December 2018 is as follows:

	Total Scheme members	The Corporation's members
Deferred members	1,669	42
Active members	<u>272</u>	<u>12</u>

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Notes to the financial statements

for the year ended 31 December 2018

8 Pensions (continued)

b) Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund (CWPF) is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board (CEPB) from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the CEPB before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the CEPB to grant any bonuses. The account, plus any bonuses declared, is payable from members' normal pension age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme. The Scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and contributions are accounted for as if the Scheme were a defined contribution scheme. The pension costs are charged to the statement of financial activities in the year contributions are payable.

A valuation of the Scheme is carried out once every three years. The most recent scheme valuation was carried out as at 31 December 2016. This revealed, on the ongoing assumptions used, a deficit of £14.2m. There is no requirement for deficit funding payments at the current time.

Pension Builder 2014 is valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. The most recent scheme valuation was carried out as at 31 December 2016. This revealed, on the ongoing assumptions used, a surplus of £1.8m.

Regular employer contributions vary between 9% and 15.5% of pensionable salary for each member. The exact contribution rate is determined by the age of a member as at 1 April, the Scheme review date, each year.

Although the Scheme is non-contributory, employees can elect to make Additional Voluntary Contributions (AVCs). For each 1% AVC paid by a member, The Corporation pays an additional employer contribution of 1% up to a maximum of 3%.

During the year to 31 December 2018, The Corporation paid employer contributions of £101,592 (2017: £92,793) and this has been included in the pension costs in these financial statements. No pension contributions were prepaid or outstanding at 31 December 2018.

The number of deferred and active members for the PBS as at 31 December 2018 is as follows:

	Total Scheme members	The Corporation's members
Deferred members	1,880	21
Active members	1,874	29

Notes to the financial statements

for the year ended 31 December 2018

9 Tangible fixed assets

	Freehold land and buildings	Furniture and fittings	Telephone and office equipment	Plant and equipment	Total
Group	£	£	£	£	£
Cost					
At 1 January 2018	6,161,900	7,140,466	1,018,737	7,602,619	21,923,722
Additions	55,135	30,332	55,281	4,225	144,973
At 31 December 2018	6,217,035	7,170,798	1,074,018	7,606,844	22,068,695
Depreciation					
At 1 January 2018	2,431,814	5,391,740	636,988	6,214,464	14,675,006
Charge for the year	800,971	428,317	120,343	232,868	1,582,499
At 31 December 2018	3,232,785	5,820,057	757,331	6,447,331	16,257,505
Net book values					
At 31 December 2018	2,984,250	1,350,741	316,687	1,159,512	5,811,190
At 31 December 2017	3,730,086	1,748,726	381,749	1,388,155	7,248,716
The Corporation					
Cost					
At 1 January 2018	6,161,897	6,734,038	421,637	7,602,619	20,920,191
Additions	55,135	14,755	—	4,225	74,115
At 31 December 2018	6,217,032	6,748,793	421,637	7,606,844	20,994,306
Depreciation					
At 1 January 2018	2,431,816	5,109,006	380,388	6,214,464	14,135,674
Charge for the year	800,971	391,081	25,589	232,868	1,450,509
At 31 December 2018	3,232,787	5,500,087	405,977	6,447,331	15,586,181
Net book values					
At 31 December 2018	2,984,245	1,248,706	15,660	1,159,512	5,408,123
At 31 December 2017	3,730,081	1,625,032	41,249	1,388,155	6,784,517

In the opinion of the Council, Church House is worth substantially more than the book value reported in these financial statements.

The Corporation holds a collection of heritage assets which consist mainly of paintings. These paintings, gifted to The Corporation over many years, all represent various aspects of Church heritage and, therefore, relate to the Objects of the charity.

The Corporation commissioned a professional valuation of these paintings for insurance purposes. The wide range of potential values suggested by the valuation, highlighted the difficulty of attaching an accurate financial value to such assets. For this reason, these assets have not been included in the financial statements.

Notes to the financial statements

for the year ended 31 December 2018

10 Investments

Group	Listed	Cash	2018	2017
	investments		Total	Total
	£	£	£	£
Cost or valuation				
At 1 January	20,414,737	258,973	20,673,710	18,869,071
Additions	2,214,975	—	2,214,975	3,452,027
Disposals at opening book value (proceeds £2,507,720; gains £198,049)	(2,309,671)	—	(2,309,671)	(2,831,003)
Net unrealised (losses) gains	(1,785,595)	—	(1,785,595)	1,588,387
Net movement in year	—	667,937	667,937	(404,772)
At 31 December	18,534,446	926,910	19,461,356	20,673,710

The Corporation	Investment	Listed	Cash	2018	2017
	in subsidiary			investments	Total
	£	£	£	£	£
Cost or valuation					
At 1 January	500,000	20,414,737	258,973	21,173,710	19,369,071
Additions	—	2,214,975	—	2,214,975	3,452,027
Disposals at opening book value (proceeds £2,507,720; gains £198,049)	—	(2,309,671)	—	(2,309,671)	(2,831,003)
Net unrealised gains	—	(1,785,595)	—	(1,785,595)	1,588,387
Net movement in year	—	—	667,937	667,937	(404,772)
At 31 December	500,000	18,534,446	926,910	19,961,356	21,173,710

The interest in the subsidiary undertaking represents the cost to The Corporation of wholly owning the share capital of Church House Conference Centre Limited. The principal activity of that company is the operation of a conference centre at Church House and it covenants its taxable profits to The Corporation. A summary of the trading results and balance sheet of Church House Conference Centre Limited is shown in note 17.

Listed investments held at 31 December 2018 comprised:

Group	2018	2017
	£	£
UK bonds	1,739,841	1,638,443
International bonds	1,542,724	1,611,004
UK equities	7,724,971	9,485,461
International equities	5,875,016	5,848,133
Private equity and alternatives	1,651,894	1,831,696
Total listed investments	18,534,446	20,414,737
Cash with investment managers	926,910	258,973
	19,461,356	20,673,710
Historic cost of listed investments (excluding cash)	15,261,331	14,838,880

Notes to the financial statements

for the year ended 31 December 2018

10 Investments (continued)

At 31 December 2018, the following individual holdings were deemed material:

	2018		2017	
	Value £	% of investment portfolio	Value £	% of investment portfolio
Findlay Park American Fund	825,042	4.45	923,455	4.98
CG Portfolio Funds Plc Dollar Fund	669,750	3.61	702,491	3.79
JP Morgan US Equity Income	649,000	3.50	810,013	4.37
Merian UK Smaller Companies Fund	600,325	3.24	729,080	3.93
Stewart Investors Asia Pacific Fund	564,261	3.04	597,406	3.22
Vontobel Absolute Return Credit Fund	482,084	2.60	498,213	2.69
Franklin Templeton UK Mid Cap Fund	468,973	2.53	550,175	2.97
Royal Dutch Shell Plc	446,917	2.41	530,222	2.86
Egerton Sterling Investment Fund	425,053	2.29	418,841	2.26
Jupiter European Special Situations	400,570	2.16	475,699	2.57

All listed investments were dealt in on a recognised stock exchange.

11 Debtors

	Group		The Corporation	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	593,629	711,925	73,220	71,677
Rental debtors	892,199	366,411	892,199	366,411
Amounts owed by subsidiary undertaking	—	—	117,780	165,944
Other debtors	24,929	27,520	24,929	27,520
Prepayments and accrued income	331,994	235,456	284,279	194,139
	1,842,751	1,341,312	1,392,407	825,691

12 Creditors: amounts falling due within one year

	Group		The Corporation	
	2018 £	2017 £	2018 £	2017 £
Trade and expense creditors	677,609	609,200	199,651	189,263
Taxation and social security costs	49,488	46,102	49,488	46,102
Other creditors	14,206	54,662	14,206	54,662
Deposits held	303,298	289,912	—	—
Grants payable to the National Church Institutions of the Church of England	2,252,000	—	2,252,000	—
Accruals	134,249	166,075	83,861	90,808
VAT payable	177,216	81,037	97,317	258
Deferred income (see below)	738,034	391,745	738,034	391,745
	4,346,100	1,638,733	3,434,557	772,838

Notes to the financial statements

for the year ended 31 December 2018

12 Creditors: amounts falling due within one year (continued)

	Group		The Corporation	
	2018 £	2017 £	2018 £	2017 £
Deferred income:				
At 1 January 2018	391,745	341,733	391,745	341,733
Released in the year	(391,745)	(341,733)	(391,745)	(341,733)
Deferred in the year	738,034	391,745	738,034	391,745
At 31 December 2018	738,034	391,745	738,034	391,745

Deferred income represents rental income and service charge received from tenants in advance of the financial year end but relating to the period commencing 1 January 2019.

13 Net funds

Group	At 1 January 2018 £	Net income (expenditure) for the year £	Net gains on revaluation of incstments £	Actuarial losses £	Transfers £	At 31 December 2018 £
Restricted funds	9,254	—	—	—	—	9,254
Unrestricted income funds						
Tangible fixed assets fund	6,784,517	(1,582,499)	—	—	206,105	5,408,123
Designated funds						
Refurbishment reserve	—	—	—	—	7,000,000	7,000,000
Grant-making reserve	—	(2,252,000)	—	—	10,709,484	8,457,484
General funds						
Free reserves	21,471,307	1,138,338	(1,587,546)	—	(18,022,099)	3,000,000
Pension reserve	(860,000)	(14,510)	—	(56,000)	106,510	(824,000)
Non-charitable trading funds	316,598	(35,312)	—	—	—	281,286
Total	27,721,676	(2,745,983)	(1,587,546)	(56,000)	—	23,332,147

The Corporation	At 1 January 2018 £	Net income (expenditure) for the year £	Net gains on revaluation of incstments £	Actuarial losses £	Transfers £	At 31 December 2018 £
Restricted funds	9,254	—	—	—	—	9,254
Unrestricted income funds						
Tangible fixed assets fund	6,784,517	(1,582,499)	—	—	206,105	5,408,123
Designated funds						
Refurbishment reserve	—	—	—	—	7,000,000	7,000,000
Grant-making reserve	—	(2,252,000)	—	—	10,709,484	8,457,484
General funds						
Free reserves	21,471,307	1,138,338	(1,587,546)	—	(18,022,099)	3,000,000
Pension reserve	(860,000)	(14,510)	—	(56,000)	106,510	(824,000)
Total	27,405,078	(2,710,671)	(1,587,546)	(56,000)	—	23,050,861

A proportion of the general funds is represented by endowment funds which arose from the original appeals for the construction of Church House in 1885. These funds can no longer be separately identified but the Council is of the opinion that they are immaterial.

Restricted funds totalling £9,254 (2017: £9,254) are retained for the specific purpose of maintaining the portrait of Archbishop Davidson including periodic restoration and repair works as required.

Notes to the financial statements

for the year ended 31 December 2018

14 Analysis of net assets between funds

Group	Tangible fixed assets fund	Designated funds and restricted funds	Free reserves	Pension reserve	Non-charitable trading funds	Total funds
	£	£	£	£	£	£
Fund balances at 31 December 2018 are represented by:						
Tangible fixed assets	5,408,123	—	—	—	403,066	5,811,190
Investments	—	15,457,484	4,003,872	—	—	19,461,356
Net current assets (liabilities)	—	9,254	(1,003,872)	—	(121,780)	(1,116,399)
Provisions for liabilities	—	—	—	(824,000)	—	(824,000)
Total net assets	5,408,123	15,466,738	3,000,000	(824,000)	281,286	23,332,147

The Corporation	Tangible fixed assets fund	Designated funds and restricted funds	Free reserves	Pension reserve	Total funds
	£	£	£	£	£
Fund balances at 31 December 2018 are represented by:					
Tangible fixed assets	5,408,123	—	—	—	5,408,123
Investments	—	15,457,484	4,503,872	—	19,961,356
Net current assets	—	9,254	(1,503,872)	—	(1,494,618)
Provisions for Liabilities	—	—	—	(824,000)	(824,000)
Total net assets	5,408,123	15,466,738	3,000,000	(824,000)	23,050,861

The total unrealised gains as at 31 December 2018 constitutes movements on revaluation and are as follows:

	2018	2017
	£	£
Unrealised gains included above:		
On investments	3,273,114	5,575,856
Reconciliation of movements in unrealised gains (losses)		
Unrealised gains at 1 January	5,575,856	4,546,438
Less: in respect to disposals in the year	(517,148)	(558,969)
	5,058,709	3,987,469
Net (losses) gains arising on revaluation	(1,785,595)	1,588,387
Total unrealised gains at 31 December	3,273,114	5,575,856

Notes to the financial statements

for the year ended 31 December 2018

15 Financial Commitments

Operating leases

The Corporation and its subsidiary have financial commitments in respect of non-cancellable operating leases. The minimum rentals payable under these leases are as follows:

	2018	2017
	£	£
Equipment		
Within one year	7,350	7,086
Between one and two years	14,700	1,817
Between three and five years	8,198	909
	30,248	9,812

Other financial commitments

The group and The Corporation had the following financial commitments at 31 December of:

	Group		The Corporation	
	2018	2017	2018	2017
	£	£	£	£
Authorised and contracted for:				
Capital expenditure: Equipment and plant	37,000	—	7,500	—
	Group		The Corporation	
	2018	2017	2018	2017
	£	£	£	£
Authorised but not contracted for:				
Capital expenditure: Equipment and plant	640,500	76,170	550,000	27,725
Revenue expenditure: Cyclical maintenance	70,000	505,000	70,000	505,000

16 Related party transactions

All related party transactions between The Corporation and its trading subsidiary, Church House Conference Centre Limited, are disclosed in note 17b.

Loan facility provided to Church House Conference Centre Limited

Following a request received towards the end of 2010 from the directors of the charity's trading subsidiary, Church House Conference Centre Limited, the Council put in place a loan facility to be used to provide short-term financial support to the company to mitigate the financial impact of any significant decrease in the level of bookings resulting from a deterioration of trading conditions.

The loan facility was made available to the company on 1 February 2011 and, subject to six monthly reviews, provided for a maximum of £500,000 to be advanced during the period to 31 December 2012. This was subsequently extended and, at the request of the directors of the company, the Council has agreed to extend the date to which the loan facility will remain available to 31 December 2020.

As at 16 May 2019, the date these financial statements were approved by the Council, no amounts had been advanced from the loan facility and having reviewed the company's five year business plan to the end of 2020 and other information, the Council does not anticipate that the company will be required to draw down any amounts from the facility in the year from the date of these financial statements.

Any amounts advanced to the company from the facility will attract interest at 0.5% above the bank base rate prevailing at the time the amounts were originally borrowed until repayment is received

Notes to the financial statements

for the year ended 31 December 2018

17 Trading subsidiary – Church House Conference Centre Limited

	2018	2017
	£	£
a) Summary of results of trading subsidiary		
Turnover	4,203,166	4,043,331
Operating costs	<u>(4,183,976)</u>	<u>(3,833,506)</u>
Operating profit	19,190	209,825
Bank interest receivable	3,772	2,347
Loss on disposal of fixed assets	—	(547)
Profit on ordinary activities before taxation	22,962	211,625
Taxation	—	—
Profit for the financial year	22,962	211,625
Payments under deed of covenant		
Provision for payment under deed of covenant	(57,168)	(168,433)
Under provision for payment under deed of covenant in prior year	<u>(1,106)</u>	—
Movement in retained earnings for the year	(35,312)	43,192
b) Inter group transactions		
Turnover	4,203,166	4,043,331
Less: sales to The Corporation	<u>(8,001)</u>	<u>(7,131)</u>
Net turnover	<u>4,195,165</u>	<u>4,036,200</u>
Operating costs	4,183,976	3,833,506
Less: sales from The Corporation	<u>(19,655)</u>	<u>(29,495)</u>
Less: rent and service charge paid to The Corporation	<u>(1,129,000)</u>	<u>(988,106)</u>
Net operating costs	<u>3,035,321</u>	<u>2,815,905</u>
c) Net assets of trading subsidiary		
Total assets	1,810,609	1,848,437
Total liabilities	<u>(972,155)</u>	<u>(1,031,839)</u>
Net assets	<u>838,454</u>	<u>816,598</u>





Incorporated by Royal Charter 1888

The Corporation of the Church House

Church House 27 Great Smith Street London SW1P 3AZ

Registered Charity Number: 213252