CCLA Investment Management Limited

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended 31 March 2019

CCLA

GOOD INVESTMENT

CCLA provides investment management products
and services to charities, religious organisations
and the public sector.

Our purpose is to help our clients maximise their impact
on society by harnessing the power of investment markets.
This requires us to provide a supportive and stable
environment for our staff and deliver trusted, responsibly
managed and strongly performing products and services
to organisations, irrespective of their size.

CCLA

GOOD INVESTMENT

Contents

* These sections comprise CCLA's Strategic Report

Disability Discrimination Act 1995

Extracts from the Annual Report & Audited Financial Statements are available in large print and audio formats.

Activities and Objectives

CCLA provides investment management products and services to charities, Church of England organisations and the public sector. We were established over sixty years ago to provide both large and small investors in these sectors access to investment markets in an efficient and professional manner. CCLA is predominately owned by funds managed on behalf of our clients.

Our client base is as follows:

Type of client	Funds under management at 31 March 2019	Funds under management at 31 March 2018
Charities	£5,015m (55.4%)	£4,354m (55.5%)
Church of England organisations	£2,347m (25.9%)	£2,183m (27.8%)
Local authority and public sector	£1,691m (18.7%)	£1,305m (16.6%)
Total	**£9,053m**	**£7,842m**

Our products and services are designed to address the investment needs of our clients and help them maximise the return on their short and long-term funds.

Fund type	Funds under management at 31 March 2019	Funds under management at 31 March 2018
Mixed funds	£5,911m	£4,846m
Short-term cash funds	£2,232m	£1,962m
Property funds	£1,752m	£1,500m
Other specialist funds	£524m	£497m

Cross-holding by funds and segregated clients' use of in-house funds means that fund type totals exceed total funds under management.

A combination of strong investment performance, attractive products and effective marketing and sales has resulted in good net new fund flows. This represents one of our core Key Performance Indicators (KPIs).

Fund flows by fund type	Year to 31 March 2019 £m	Year to 31 March 2018 £m
Mixed funds	419	378
Short-term cash funds	245	(69)
Property funds	188	233
Other specialist funds	(4)	(24)
Total	**848**	**518**

As well as managing investments for large investors, we also look after many small charities, recognising that they would find it difficult, if not impossible, to address their needs elsewhere.

Size of client	Number of clients	Funds under management	Average client size
£0 to £10,000	12,500	£44m	£3,490
£10,000 to £500,000	20,400	£1,620m	£79,600
£500,000 to £5,000,000	1,620	£2,460m	£1,520,000
Over £5,000,000	334	£5,370m	£16,100,000

Client numbers exclude nil balances and have been rounded to three significant figures.

Type of client	Number of clients	Number of client accounts
Charities	22,300	37,800
Church of England organisations	11,900	43,400
Local authority and public sector	675	1,130
Total	**34,900**	**82,400**

Client and account numbers exclude nil balances, and have been rounded to three significant figures, including the totals.

The majority of our clients invest with us though our pooled funds. We also provide segregated portfolio management for a small number of large clients. Further details about our products and services are available on our website www.ccla.co.uk.

Our approach to investment management

Our clients require us to deliver strong total returns that are consistent with their cash flow, risk tolerance and ethical requirements. For clients with a short-term perspective, preservation of nominal capital is paramount. For those with a long-term timescale, the preservation of real, after inflation capital dominates. For most of our clients, the delivery of good income flows and distributions are a core part of their requirements, allowing them to fund their day-to-day purposes. For most of our mixed funds, distributions are delivered on a total return basis, whereas for our property and cash funds distributions are delivered on a traditional income basis.

The distribution rate varies between individual funds, but for our largest long-term funds is as follows:

Year to 31 December 2018	Fund size at 31 December 2018 £m	Distribution for the year £m	Fund yield 31 December 2018 %
Income and accumulation			
COIF Charities Investment Fund	2,157	72.5	3.50
The CBF Church of England Investment Fund	1,350	44.7	3.40
COIF Charities Ethical Investment Fund	583	17.9	3.63
Income			
Local Authorities Property Fund	1,099	43.6	4.21
COIF Charities Property Fund	601	30.8	5.34
Diversified Income Fund	126	3.4	3.35**

**Dividend yield on price relates to unit class 2 and has been annualised.

In respect of the year to 31 December 2018, CCLA long-term and cash funds distributed a total of £238m (year to 31 December 2017: £232m) to our clients to support their work. The maintenance and growth of long-term fund distributions per share for our mixed funds is a core KPI.

Our flagship pooled mixed funds for charities and Church of England organisations have performed strongly against comparators and competitors.

This outperformance has meant that our clients have significantly more capital than if they had invested in the average charity mixed fund. The performance of these funds is a core KPI.

Fund performance	2018 %	Year to 31 December 2017 %	2016 %	2015 %	2014 %	Cumulative five year performance %
COIF Charities Investment Fund	0.58	12.45	14.36	5.17	9.00	48.29
The CBF Church of England Investment Fund	1.81	12.76	15.28	5.46	9.51	52.85
COIF Charities Ethical Investment Fund	0.48	11.80	14.43	4.71	7.96	45.33
ARC Steady Growth Charity Index***	(4.85)	9.44	12.59	2.12	4.38	24.98

Source: CCLA

***The ARC Steady Growth Charity Index is one of four indices compiled by Asset Risk Consultants (ARC) and incorporates portfolio performance data from over 30 leading charity investment managers.

Performance shown after costs and charges. Past performance is not a reliable indicator of future results.

To deliver these returns, we invest in good businesses being managed on a sustainable basis and avoid taking uncompensated risks. Except where we wish to gain exposure to specialist areas such as infrastructure, we manage our funds by investing directly in underlying securities and property. This reduces costs and allows us to manage investment and ethical risk more accurately. We are committed active managers, taking a global approach to equity investment and are comfortable to be at significant variance with market capitalisation indices where it is in the best interests of clients.

For some of our clients, ethics is core to their purpose, but for all clients it is an important part of protecting their reputation. Whatever the motivation, we aim to deliver strong and competitive investment returns whilst respecting these ethics.

Improving corporate behaviour through engagement is an important part of maximising long-term sustainable investment returns as well as supporting the work of our clients. Through the reporting year, we engaged with 426 companies (2018: 268) on topics including childhood obesity, modern day slavery in supply chains, the risk of stranded fossil fuel assets and poorly aligned executive pay.

CCLA is a signatory to the Principles of Responsible Investment (PRI). The PRI is a United Nations-backed initiative that aims to be the world's leading proponent of responsible investment.

All PRI signatories are assessed annually on their approach to integrating Environmental, Social and Governance (ESG) factors into their investment process and their approach to being an active owner of the companies they invest in. Scores are awarded from A-E and released at the end of the second quarter of the year. The assessment process requires PRI signatories to provide a detailed on-line submission on every aspect of their policies, how they have been implemented, and what has been achieved during the year. It also requires supporting evidence for the claims made and verification. Some signatories are audited every year on their responses. Due to its detail and rigour the PRI Assessment process is widely considered to be the best benchmark for assessing investors and managers commitment and capabilities in responsible investment.

In 2018, CCLA were awarded the highest grade (A+) for our responsible investment strategy, our approach to considering ESG issues in our listed equity investment process and our approach to active ownership; we received a median 'B' grade in Property Investment. Our full assessment report is available on our website. Our PRI grades are a core KPI.

CCLA recognises the ability for climate change to affect the value of investments and publicly supports the findings of the Taskforce on Climate Related Financial disclosure. We publish details of our approach to managing the risks and opportunities associated with the transition to a low carbon economy in our annual Responsible Investment Report. CCLA is a tier one signatory to the Stewardship Code and we disclose comprehensive details in our annual Responsible Investment Report.

Client service and administration

To serve our clients well we need to have a good understanding of their circumstances, aims and challenges. Whilst investment performance dominates their interest, our clients also require efficient administration and an effective and satisfying relationship.

With such a large client base, we provide a differentiated service depending upon the needs of the clients. For those with the simplest requirements, we have an experienced in-house team of client service staff able to answer all client questions. We have 14 members of staff available to talk to these clients, and a further 9 members of staff processing their instructions. Over the last twelve months, we have processed 75,276 client instructions.

Whilst we do our best to avoid errors, from time to time they occur and sometimes lead to complaints. These are closely monitored to identify whether there are any themes which identify areas where controls need to be improved.

Over the last twelve months there were a total of 141 errors, which equates to approximately 1 error for every 533 instructions (0.2%). As a result of these errors, CCLA received 25 upheld complaints (as defined in the Financial Conduct Authority (FCA) Handbook), which equates to approximately 1 complaint for every 3,011 instructions (0.03%). Of the errors, 17 required compensation totalling £28,000. Additionally, over the same period, CCLA had 2 breaches that required notification to the FCA. Our error, complaint and breach levels are core KPIs.

For the largest number of our clients, we have an execution only relationship, where we provide information and guidance about our pooled funds. For those with more than £2m to invest, we can provide a discretionary investment management service limited to our own funds. For those with more than £10m to invest, we are able to provide a fully segregated portfolio management service.

We also provide one-off advice about our funds for clients where they need more than guidance about their circumstances.

Our shareholders

CCLA's shareholders are dominated by the funds we manage.

Owner of Voting and Non-Voting Ordinary Shares as at 31 March 2019	Number of shares	Percentage of shares
The CBF Church of England Investment Fund	130,000	53.69%
COIF Charities Investment Fund	54,167	22.37%
The Local Authorities Mutual Investment Trust (LAMIT)	32,500	13.42%
Current and former Executive Directors	20,002	8.26%
CCLA Employee Share Trust	5,468	2.26%
Total	**242,137**	**100.00%**

Current and former Executive Directors acquired their shares under a Long Term Incentive Plan which is disclosed in detail on page 67. Employees granted deferred bonuses have the option of linking the value of their deferred bonus to CCLA shares, in which case they receive CCLA shares when they vest. This scheme is disclosed in more detail on pages 59 to 60.

During the financial year, CCLA has established an Employee Share Trust in order to provide a mechanism to satisfy sales and grants under the deferred bonus scheme and Long Term Incentive Plan without calling on the three major shareholders.

For the major shareholders, their investment in CCLA is small compared with the size of their funds. For The CBF Church of England Investment Fund, it represents 2.59% and for the COIF Charities Investment Fund 0.65%. This means that their principal financial focus is on delivering what is in the long-term interests of the clients, rather than maximising the value of CCLA.

Since our incorporation, the major shareholders have put in place arrangements to ensure that, despite the size of their individual shareholding, no one of them could control CCLA. This was designed to protect minority shareholders, ensure that CCLA is not dominated by the interests or perspective of any one shareholder and to protect CCLA's long-term independence. This independence and self-determination has enabled CCLA to operate in a manner that is in the long-term best interests of all its clients irrespective of their size.

Our ability to deliver the service and long-term returns required by clients requires predictability and stability. Our ownership is a major contributor to this, as is the strength of our financial position. We are keen to ensure that our position and activities would not be compromised in difficult circumstances such as an extended bear market. This requires a secure level of profitability and a strong capital buffer.

CCLA has a target minimum regulatory capital of 2.4 times our minimum regulatory capital plus £2m. This target has been set to ensure that under all reasonable circumstances, CCLA would not be required to ask its shareholders for more capital. A core KPI is the level of our regulatory capital compared with our target minimum regulatory capital, and this position has remained strong over the last year as detailed below:

Position as at 31 March	2019 £'000	2018 £'000
Shareholder funds	27,614	29,174
Regulatory capital following the audit	25,168	25,626
Regulatory capital requirement	6,571	5,279
Surplus over minimum regulatory capital	18,597	20,347
Target minimum regulatory capital	17,770	14,670
Surplus over target minimum regulatory capital	7,398	10,956

The regulatory capital requirement stated above is calculated to be the Group's Pillar 1 capital requirement (as defined in the FCA's rules). The Pillar 2 capital requirement has been calculated as £3,912,000 (2018: £2,458,000). Our Pillar 1 capital requirement has therefore been used as it is the greater of the two. The relationship between our Pillar 1 and Pillar 2 capital requirement is a core KPI. Shareholder funds and regulatory capital fell during the year as a result of the redemption of £4.95m of P Ordinary Shares, which is described in more detail in note 14.

Business Environment and Performance

Our market share and trends in our markets

All our clients are charities, religious organisations or part of the public sector. As all our clients who are religious organisations are also charities, they are included in the charity analysis below. These comments are based on our analysis of the markets we operate in.

The most recent Charity Finance survey as at 30 June 2018 showed CCLA as the second largest charity fund manager in the UK, but with by far the largest number of clients. The total charity funds captured by this survey are £76bn, and whilst there will be other charity funds not captured by the survey, it is a useful indication of the size of the market for charity investment management. Based on this total, CCLA has a market share of approximately 9%. Analysing the market in more detail indicates that we have a market share of approximately 35% for mixed charity pooled fund investments, which is our principal product focus.

Whilst the total investments held by charities, adjusted for market movements, do not appear to be growing, there is a trend towards investment in pooled funds out of segregated portfolios. We believe that improved investment outcomes and cost efficiencies are contributing to this trend.

There is also a market trend away from equity and bond single asset class funds towards mixed funds. We believe this results from a recognition that investment management needs to become more sophisticated and global, combined with concerns about the increasing concentration of the UK stock market and uncertainty about long-term domestic economic growth.

The trend towards index tracking that is so dominant in parts of the investment management market is not evident in the charity market. We believe this is largely because most charities are looking for a managed mix of investments rather than a single asset class approach where they take responsibility for asset allocation. In addition, index tracking brings with it reputational concerns, as, whilst an index tracking approach can include ethical restrictions, it inevitably results in investors holding a long tail of investments which are more likely to include companies whose behaviour is contrary to the purposes of many charity investors.

Our public sector clients largely comprise local authorities investing their treasury balances. These balances were approximately £32bn in total as at December 2018, the most up to date data we have, and are broadly unchanged over the past three years. Based on this total, our market share is approximately 4.7%.

Local authority allocations to money market funds and other collective investment schemes rose to £8.3bn from £7.1bn in 2018, continuing the steady increase in this category since 2013 at the expense of bank and building society deposits. The increase in money market funds reflects an increased desire from local authorities for diversification across the banking sector as banking reform legislation seeks to protect individuals at the expense of wholesale depositors.

The increase in bond, equity and property funds reflects continuing financial pressures on local authorities and a recognition that short-term interest rates will remain low for some time to come.

Whilst the contribution we make to the work of our clients is dominated by our ability to deliver strong investment performance and consistent distributions, we also provide a significant level of financial and in-kind support to a wide range of organisations. We develop long-term, sustainable relationships with key sector infrastructure bodies, provide core funding and event sponsorship, co-producing awards programmes to recognise achievement, resourcing research and policy related activity, as well putting our offices and hospitality at their disposal without charge. As well as supporting these organisations, this engagement enables us to keep abreast of sector developments and ensures that we maintain a deep understanding of the issues facing our core markets. In addition, we continued our rolling programme of investment seminars for trustees.

Over the last twelve months, we ran or supported 361 events, of which 189 took place at our offices involving over 4,000 people and 172 took place at various locations throughout the UK. The value of this support is a core KPI, which was in excess of £2m in the year to 31 March 2019.

Our stakeholders

Compliance with s172 of the Companies Act 2006 requires Directors to promote the success of the company for the benefit of its members as a whole and in doing so, have regard to the interests of stakeholders including clients, employees, suppliers, regulators and the wider society in which it operates.

Throughout this report we have set out how we have engaged with our key stakeholders and how the Board has considered their interests during the year.

Our people

The success of CCLA is dependent on the skills and qualities of our staff and their ability to work constructively together to achieve our aims. The quality and behavior of our staff is what drives the performance of our funds, the relationship with our clients, manages our risks and therefore drives our purpose. With this in mind, CCLA has committed to strong employee engagement, providing a clear sense of corporate purpose and direction within a fair, supportive and transparent working environment. We are firmly committed to evolving our people policies and practices and having continued high levels of employee engagement. We promote a culture where we recruit and retain individuals whose values match those of our business. CCLA wants to be an employer of choice in our industry.

By way of example, the Executive team held a number of interactive seminars with staff in December 2018 and January 2019. Staff were encouraged to consider CCLA's future at a time of substantial growth and were given the opportunity to provide their input on change and transition. The seminars further strengthened CCLA's Purpose Statement in "providing a supportive and stable environment for its staff". In February 2019 we conducted an employee survey with an 84.3% participation rate. The full survey results, together with the issues raised at the seminars, were highlighted to the Board of Directors. Some very positive messages came out of the Staff Satisfaction Survey. These include that staff take pride in working for CCLA and feel supported by their managers and colleagues. Weekly briefings with all staff continue to be held with the aim of keeping employees engaged and informed on a variety of business matters.

In the year to 31 March 2019, our full time equivalent average headcount was 132, which compares with 121 in the previous year. Unintentional staff turnover (excluding, for example, redundancies, end of fixed term contracts and retirements) is a core KPI, and for the year to 31 March 2019 this was 12%, compared with 10% in the previous year.

Our gender mix as at 31 March 2019 was 54% male and 46% female compared with 53% and 47% respectively in the previous year. Our gender pay gap statistics as at 31 March 2019 were as follows:

	2019 %	2018 %
Mean gender pay gap in hourly pay	27.7	28.2
Median gender pay gap in hourly pay	32.0	10.4
Mean bonus gender pay gap	63.0	60.1
Median bonus gender pay gap	54.5	47.5

All males and females received a bonus payment.

The proportion of males and females in each pay quartile:

	2019		2018	
	Male %	Female %	Male %	Female %
First quartile	72.7	27.3	70.0	30.0
Second quartile	56.3	43.8	48.3	51.7
Third quartile	50.0	50.0	50.0	50.0
Fourth quartile	39.4	60.6	41.9	58.1

Gender pay gap reporting has been designed for larger companies than CCLA and some of the disclosures result in volatile figures for a firm of CCLA's size. Mean figures are heavily influenced by small groups of higher earners. Median figures are meant to show a view of the pay of typical or middle earning staff, but are a crude measure, just taking the pay of the 'middle person' in each gender. CCLA has a male pay gap, with no men earning between £60,000 and £75,000 per annum (with a similar gap in the prior year), so that small changes in the patterns of pay have resulted in the median gender pay gap increasing from 10.4% to 32%, as a result of male median pay being measured just above rather than just below the pay gap described above. This does not represent any significant change in the pattern of male and female pay overall.

Notwithstanding the above, however, we recognise that our gender pay gap is currently too high. One of the main contributors to the gap is that there are a higher number of females being recruited into junior roles, as well as more males that females into managerial roles. Our gender pay gap is a core KPI. To address the gender pay gap, we are committed to ensuring there are balanced shortlists in recruitment, implementing unconscious bias training, and facilitating a cross-CCLA diversity focus group to support and promote change to help us move forward. Over the long term, we are committed to developing performance potential and working with external organisations in broadening the diversity of our talent pipeline.

Proactive and effective succession planning is a central part of ensuring continuity of performance, service and administration for clients. Long-term planned succession is a useful opportunity to develop talent and potential within the organisation, and wherever possible and appropriate we promote from within. As well as ensuring that we have a deeper understanding of an individual's strengths and weaknesses before putting them into a position of greater authority and responsibility, internal promotion provides a mechanism to broaden diversity in areas where it is more difficult to achieve through external recruitment.

It is also important that we are ready for unplanned succession, and to reduce this impact, we aim to ensure that all our activities are based on the skills of a team rather than any single individual. In the event of an unplanned succession where there is no natural successor, a team is well placed to provide effective cover during the recruitment of an external replacement.

Training and Development

	2019 £	2018 £
Training and development spend	118,449	94,449

The past few years have seen an increase in CCLA's headcount and therefore an increase in training and development expenditure. Our focus is in ensuring our staff are fully trained and developed to efficiently and effectively carry out their roles and to progress their career within our business. We need exceptional staff and leaders who champion our culture, live our values and facilitate high performance, and a highly talented, diverse and motivated workforce who are empowered and engaged through working in a collaborative inclusive and supportive working environment. CCLA is committed to developing its talent potential. CCLA wants to be an employer of choice in our industry.

Employee Share Trust

The settlement of the CCLA Employee Share Trust ('the Trust') was made on 30 May 2018. The objective of this Trust is to buy and sell shares in the Company in order to provide an internal market for shares in connection with shareholdings arising from the CCLA Long Term Incentive Plan and deferred bonus plans. No benefits are provided to employees or ex-employees by the Trust apart from the provision of liquidity in the Company's shares.

The Trust is established in Jersey. The trustee is RBC cees Trustee Limited in Jersey.

Slavery Act

We are committed to respecting human rights in all our operations and, whilst CCLA is a small business with a limited number of suppliers, we are aware that modern slavery[1] is likely to be present in the supply chain of nearly every company. For this reason, we assess potential suppliers' approach to addressing modern slavery prior to us entering into a business arrangement. We also regularly review the approach taken by our existing suppliers and pay particular attention to the 20 largest. Where we have questions or concerns, we meet with the management of the supplier in question.

Whilst our direct operations are limited to the UK, we invest our clients' assets in businesses that have global operations and supply chains. As a consequence, we believe that our highest exposure to modern slavery is likely to be through the companies and assets held in client portfolios. To address this, we have developed an active engagement programme that encourages prioritised investee businesses to develop strong governance mechanisms to identify, and then address, instances of modern slavery. During 2019, we will further develop this programme, contact all companies in our client portfolios and report on the number of instances of modern slavery that have been disclosed to us.

CCLA's Chief Executive is responsible for the implementation of this policy and our wider adherence with the UN Guiding Principles on Business and Human Rights and the ILO Core Labour Standards. He is assisted in this by the company's Modern Slavery Working Group, which includes members from each of our major business areas.

[1]For the purposes of this statement modern slavery is defined as modern slavery, servitude, forced or compulsory labour and human trafficking.

Our environmental impact

CCLA considers its environmental impact as an organisation and the impact of the investments that we make for clients.

CCLA has ISO 14001:2015 certification which provides us with a framework to protect the environment and respond to changing environmental conditions in balance with socio-economic needs. As part of our certification, we have reviewed our targets for reduced paper and energy consumption and increased recycling to show continuous improvement. We report monthly to staff on our progress and provide reminders and encouragement to help contribute to these targets. Maintaining ISO 14001:2015 certification is a core KPI.

During the year to the end of March 2019, client portfolios have been managed in a way that have a carbon footprint, and wider environmental, social and governance ratings, that are substantially lower and better than that of the world stock market indices.

Principal risks and uncertainties

CCLA has a well-developed risk management framework which is regularly reviewed by management and CCLA's Audit Committee. Where possible, we mitigate our risks through management actions and controls and ensure that we have sufficient capital and insurance cover to address unpredictable risks. CCLA has a dedicated Assurance department that provides monitoring and advice to the organisation and we have also appointed Grant Thornton to provide internal audit support.

Many of CCLA's risks are common to most investment management businesses and the principal risks and uncertainties are as follows:

Market risk: The level of asset prices, in particular equities and property, have a direct impact on CCLA's income, and a significant reduction in equity and property markets would result in a material reduction in CCLA's profitability.

Technology risk: financial services technology is constantly evolving, impacting on existing systems and requiring development of new solutions. CCLA is currently updating and enhancing its Transfer Agency system and is developing client reporting. These technology projects require significant resources in terms of contractors and senior management time.

Regulatory risk: EU financial services legislation and regulatory changes has an impact on CCLA's activities, either directly or through changes to the FCA Handbook. In 2018, the EU Money Market Fund regulations required changes to CCLA's systems to ensure that its funds could continue to operate and comply with the requirements.

Volume of regulatory change: There is a significant level of regulatory change which impacts both CCLA and its products. Managing these regulatory changes and complying with ever more complex rules requires a significant level of management attention. The implementation of the Senior Managers & Certification regime coming in at the end of 2019 is an example of this. Failing to comply with the rules could result in regulatory sanction.

Financial crime: Whilst we believe that our activities are inherently low risk from a financial crime perspective, the large number of clients we look after provides many logistical challenges.

Information security (cyber) risks: Cyber-attacks are becoming more prevalent and sophisticated with many high-profile attacks occurring in recent years. We continually review our policies, procedures and controls to protect the confidentiality and integrity of our data and the availability of business services, alongside planning how to contain the impact of a potential cyber incident. An external review has been undertaken by RSM to review our information and cyber security arrangements and we engage in a constant process of improvement to develop our capabilities in this area.

Our infrastructure

The ongoing improvement to our operating infrastructure continues to be central to our change programme and builds on the successful transition to HSBC as our third-party administrator.

The largest project we are undertaking is the development of our Transfer Agency system. We had planned to implement a new 'off the shelf' Transfer Agency system during the financial year, however, the provider that we engaged withdrew from the market. To find an alternative, we have appointed an investment management specialist consultant to assist us. With their guidance, we have decided that the most effective solution for CCLA will be to upgrade the core piece of our current registration system, a bespoke tool which was specifically developed to accommodate the unique nature of our client base, and to supplement this with off the shelf industry standard products. The upgrade to our core system is underway and we will move on to implement the supplementary tools in the coming financial year.

Enhancing client interactions is another key focus. This includes improving the quality of information provided, with particular focus on client specific performance numbers and more sophisticated reporting capabilities. Our client relationship management tool is scheduled to be replaced and is being considered as part of the overarching operating model.

Our tax strategy

CCLA is not required by legislation to publish a tax strategy and, as a business exclusively operating in the UK, it does not face the tax issues of multinational groups. The Group's approach to tax issues is as follows:

1. CCLA aims to follow both the spirit and letter of the law regarding tax matters. The Group does not engage in tax evasion or contrived tax avoidance and seeks to pay the correct amount of all types of tax (including corporation tax, VAT, business rates and employment taxes). The Group's Jersey based Employee Share Trust has only been set up to provide liquidity in CCLA shares and is not used for tax avoidance purposes.

2. Governance of the firm's tax affairs sits with the Chief Financial Officer, reporting to the Chief Operating Officer. The Board and Audit Committee consider tax matters as part of their overall review of the Group's financial affairs. Advice is sought from professional advisers as appropriate.

3. Risks associated with tax relate to compliance and reporting, which may include risks of mispayments, interest charges or penalties. The Group seeks to minimise such risks by internal processes for checking tax returns and by seeking professional advice whenever needed.

4. The Group seeks to maintain an open and transparent relationship with HMRC.

Chairman's Statement

Difficult domestic and international political conditions combined with economic uncertainty, have resulted in a roller coaster year for markets and growing demands on our clients. Our job is to help them make the best of market returns to support their work, a job that we have undertaken successfully over the last year. We have grown the distributions on our core investment funds and delivered attractive total returns. The results for the last year compound the outperformance of earlier years, providing longer term investors with significantly more money than would have been delivered by market indices and most of our competitors.

There is increasing recognition that, in order to be sustainable, investing has to be undertaken in a manner that respects the broader needs of society. This has been our approach for many years, and this extensive experience puts us in a very good position to deliver strong financial returns whilst satisfying the non-financial demands of our clients. We constantly evolve our approach to reflect market conditions and the changing needs of our clients.

Our strong investment performance record and the increasing effectiveness of our marketing and sales activities resulted in record net fund inflows. These were from new and existing clients and from across the full range of our client groups.

Whilst of central importance, delivering strong and sustainable investment performance is only part of what our clients require. They also need effective administration and reporting and a relationship that is responsive to their needs. We continue to make significant investments in our people and systems to deliver these requirements and ensure that we operate in well controlled and disciplined manner. Whilst the financial returns we deliver for our clients are our most dominant contribution to their work, we also provide financial and in-kind support for a large number of their events and publications, improving their engagement with stakeholders and other interested parties.

All that we do depends upon the skill and quality of our staff and the maintenance of a strong and collegiate culture. We place great emphasis on communicating effectively with our staff, engaging them in our purpose and future plans, and in doing so helping to make CCLA a very attractive place to work. This, when combined with the positive nature of our clients' work, means that we find it relatively easy to hire and retain very good people.

We are in a period of significant change on the CCLA Board. During the year we have seen four departures and appointments. As I referred to last year, Liz Sheldon was appointed as Chief Operating Officer in November and has settled in very well to her new role. We have also seen three changes in Non-Executive Directors. Richard Williams, the CBF Funds Trustee representative, retired during the year and was replaced by Christine Johnson. Rosie Norris, the COIF Trustees representative, resigned during the year and was replaced by Glenn Newson. Trevor Salmon also resigned, having retired from the LAMIT Council. He has not yet been replaced, but we expect his replacement to be appointed during the coming year. On behalf of the Board, I would like to pay tribute to both Trevor and Rosie for their contribution to the Board during their periods of service.

After over thirteen years in post, Michael Quicke will retire as Chief Executive on 8 July and be replaced by Peter Hugh Smith. Michael's time as Chief Executive has marked a period of significant change for CCLA, during which the it has changed from an unremarkable fund manager to the strongly performing organisation we have today. We wish him well in his retirement. Peter joins us following a very thorough recruitment process and brings with him a broad range of skills and experience that will serve the organisation well in the future.

During the year, we have undertaken a review of the structure and effectiveness of the Board using an external facilitator. Their report was very positive about the operation of the Board, but we have agreed various changes that will take place over the coming year. The most significant of these will be the appointment of another independent director.

The strong net client inflows, when combined with investment outperformance, resulted in a good increase in our revenues. Costs also increased as a result of the greater resources we have applied to our activities. The net effect has been an improvement in our profitability. This, when combined with our strong capital position, allowed us to pay an increased dividend to our shareholders, as well as redeem part of our share capital that was no longer serving a useful purpose. The vast majority of the dividends paid end up contributing to the performance of our client funds, thereby further supporting their work.

Economic and market conditions are likely to remain uncertain for some time to come. Our clients' work, however, continues, and we remain committed to delivering the performance and distributions they need for their work, and the administration and relationship which satisfies their broader requirements.

Richard Horlick
Chairman
8 July 2019

Chief Executive's Review

This year has been one of continuing progress for CCLA, with the delivery of strong and competitive investment returns in tricky market conditions to an increasing number of charity and public sector clients. Our net new fund flows were £848m, which when combined with market movements and fund outperformance, resulted in a 15.4% increase in our funds under management from £7,842m to £9,053m.

New flows comprised £245m for our deposit funds and £603m into our long-term funds. The lion's share of our long-term fund flows was into our mixed funds, which now represent over half of our assets under management. Their strong long-term performance record has made them particularly attractive. By way of example, our largest fund, the COIF Charities Investment Fund, with total assets of over £2,376m, has delivered total returns over five years of 59.1% after fees and expenses, compared with 32.6% for the ARC Steady Growth Charity Index. These mixed funds are used by our charity and Church of England clients for their long-term endowments, where they require a good balance between regular distributions to pay for their ongoing work, and growth in long-term capital value to ensure that they can continue long into the future. We have seen an increasing number of large charity investors investing in these pooled funds rather taking a segregated approach. Administrative simplicity has played a part in this trend, but higher efficiency, lower costs and the capacity to have a more sophisticated investment approach have been more dominant factors.

The COIF Charities Ethical Investment Fund has seen the greatest inflows, increasing its net assets over the year from £439m to £704m. This was helped by a low-cost transfer of clients from the COIF Charities Investment Fund and reflects increasing interest by many charities in a deeper ethical approach. We have funds with different ethical policies to match client requirements, but all are managed with the same engaged and responsible approach. This ensures that we are good stewards of our clients' money, but it also reflects our strongly held belief that this will deliver enhanced and more sustainable long-term returns. In an environment where high quality financial data is available instantly to all investors, analysis of corporate strategy, philosophy and behaviour helps us to identify companies more likely to make mistakes and destroy shareholder value.

Our local authority and public sector client base also continues to expand. We have a deep understanding of their investment requirements, and the need for good levels of income whilst constraining capital volatility. We have a good range of local authority funds with different risk and return characteristics to match client's circumstances. The largest of these is the Local Authority Property Fund which over the last twelve months saw net inflows of £167m, ending the year with net assets of £1,127m.

There have been changes in regulation that impacted the Public Sector Deposit Fund and COIF Charities Deposit Fund during the year. These regulations were developed after long negotiations in the EU and were designed to reduce the systemic risk of money market funds. Their effect has been to reduce the maximum risk that could be taken by fund managers. We have always run our deposit funds in a cautious manner, and as a result, these changes have had less impact on our funds than many of our competitors. This, combined with the lower average rates being paid by banks to their depositors, meant that our funds have become even more competitive, which has led to good inflows.

It is a part of our purpose to provide services to very small charities. As a result, we have more than 34,000 clients with over 82,000 individual accounts carrying out a large number of instructions and transactions every day. This places operational demands on the organisation, requiring able and experienced staff using specialised systems and processes. We had hoped to implement a new transfer agency system during the financial year, but the provider that we were working with has withdrawn from the market, delaying our plans somewhat. We have now decided to upgrade the core of our existing system, and supplement it with off the shelf industry standard products, and expect this to be delivered in phases, starting in the current financial year.

As we have grown our client base, so we have further developed and deepened our organisational infrastructure, increasing capacity and improving our resilience. Our cost base has risen accordingly which is likely to slow the growth in our profitability over the coming year.

The maintenance of a healthy level of profitability and solid capital position is an important contributor to the delivery of our purpose. Capital and profit support continuing investment in our activities, allow us to pay competitive but not excessive remuneration to our staff and to ensure that the service we provide to our clients would not be disrupted, even in adverse market conditions. We have a target minimum regulatory capital which is considerably in excess of our FCA minimum to ensure that there is always a significant buffer to address extreme or unpredictable events. We set the dividend paid to our shareholders at a level which ensures that, after the payment of the dividend, we will exceed our target minimum capital for at least three years under stressed conditions.

This is my last report to you as Chief Executive. It has been a great privilege to have this role since 2006, and to have been supported by such an able group of colleagues. CCLA has done well to appoint Peter Hugh Smith as my successor. He is committed to our purpose and continuing our progress and will bring a new perspective that will help to maintain and improve what we do. CCLA is very well placed for the future.

Michael Quicke
Chief Executive
8 July 2019

Directors' Report

The Directors submit their report and audited consolidated financial statements for the year ended 31 March 2019. The consolidated financial statements for CCLA include the results of the Company and its wholly-owned subsidiary, CCLA Fund Managers Limited ('CCLA FM').

The Company is a private company limited by shares, registered in England and Wales and incorporated in the United Kingdom.

Viability Statement

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects of the Company over a three-year period to March 2022. This takes into account the Company's current position, strategic aims, risk appetite and principal risks. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this three-year period.

Dividends

Distributions of £2,893,728 and £148,500 were declared on 1 October 2018 and paid on 31 October 2018 on 242,137 Ordinary and 4,950,000 'P' Ordinary Shares respectively in this financial year (2018: £2,179,233 and £148,500 on 242,137 Ordinary and 4,950,000 'P' Ordinary Shares respectively).

Share capital

During the year the Company redeemed all of the £4,950,000 'P' Ordinary Shares in issue at par. This capital was making a limited and reducing contribution to the Company's overall regulatory capital, and was redeemed following a formal external valuation and with the agreement of the shareholders.

There were no other changes in the Company's issued share capital (2018: an increase of 835 Ordinary Shares due to the purchase of shares by four Executive Directors under the Long Term Incentive Plan, as explained in note 14. These shares were issued at a net share premium of £111,000).

Qualifying Third Party Indemnity Provision

The Company provides qualifying Professional Indemnity and Directors and Officers Liability Insurance with a number of Lloyds underwriters through its brokers Blackmore Borley. The policy was in force during the financial year and a renewed policy was in place at the date of approval of the financial statements.

The Directors are not aware of any issues giving rise to a claim at the date of signing these financial statements.

FCA Remuneration Code Disclosures

CCLA's FCA Remuneration Code disclosures are available on our website www.ccla.co.uk.

Directors

Biographical details of the Directors are shown on pages 28 to 30. The Directors of the Company who served throughout the year and up to the date of signing were:

* Richard Horlick – Chairman (and Chairman of the Remuneration Committee)
* Christine Johnson [a] [1]
* Rosemary Norris [a] [2]
* Trevor Salmon [a] [2]
* John Tattersall [a] (Chairman of the Audit Committee)
* Glenn Newson [a] [1]
* Richard Williams [a] [2]

Michael Quicke – Chief Executive
James Bevan – Chief Investment Officer
Elizabeth Sheldon [1] – Chief Operating Officer
Adrian McMillan [2] – Chief Operating Officer
Andrew Robinson – Director, Market Development

[1] Christine Johnson was appointed as a Non-Executive Director on 8 June 2018. Glenn Newson was appointed as a Non-Executive Director on 29 October 2018. Elizabeth Sheldon was appointed as an Executive Director on 4 December 2018.

[2] Richard Williams a Non-Executive Director resigned on 8 June 2018. Rosemary Norris a Non-Executive Director resigned on 17 October 2018. Trevor Salmon a Non-Executive Director resigned on 1 January 2019. Adrian McMillan an Executive Director resigned on 19 November 2018.

* Non-Executive Directors. All Non-Executive Directors are members of the Remuneration Committee.

[a] Member of the Audit Committee.

During 2011, the Company implemented a Long Term Incentive Plan. Under this Plan, Executive Directors are given permission to purchase a specified number of CCLA Ordinary Shares with the support of loans granted by CCLA. Under the Plan, shares are bought and sold at the same independent valuation used by the other major shareholders. There are significant restrictions on the sale of shares by the Executive Directors which in practice means that their shares remain under the long-term control of the major shareholders.

On 1 June 2018, 1,895 Ordinary Shares belonging to Colin Peters, a former Executive Director, were purchased by three Executive Directors and the CCLA Employee Share Trust. Mr Peters retired from CCLA on 25 June 2015 and in accordance with the Good Leaver provisions in CCLA's Articles of Association, Mr Peters is permitted to retain his CCLA Ordinary Shares for up to five years after his retirement.

Directors (continued)

On 14 November 2018, 4,475 Ordinary Shares belonging to Adrian McMillan, a former Executive Director, were purchased by the CCLA Employee Share Trust.

The CCLA Employee Share Trust was set up on 30 May 2018.

The revised holdings of current and former Executive Directors were as follows:

	Holding as at 31 March 2019 Ordinary Shares £1 each	Holding as at 31 March 2018 Ordinary Shares £1 each
Michael Quicke	8,228	7,832
James Bevan	5,253	5,000
Andrew Robinson	5,253	5,000
Adrian McMillan	–	4,475
Colin Peters	1,268	3,163
Total	20,002	25,470

The revised ownership structure of CCLA at 31 March 2019 was as follows:

Shareholder	Holding as at 31 March 2019 Ordinary Shares £1 each	Interest in Ordinary Shares %
The CBF Church of England Investment Fund	130,000	53.69
COIF Charities Investment Fund	54,167	22.37
The Local Authorities' Mutual Investment Trust (LAMIT)	32,500	13.42
Current and former Executive Directors	20,002	8.26
CCLA Employee Share Trust	5,468	2.26
Total	242,137	100.00

Directors (continued)

As at 31 March 2019, there were 5,500,000 £1 'P' Ordinary Shares which were authorised but not issued.
The ownership structure was as follows:

	Holding as at 31 March 2019 'P' Ordinary Shares £1 each	Holding as at 31 March 2018 'P' Ordinary Shares £1 each
The CBF Church of England Investment Fund	–	1,417,000
COIF Charities Investment Fund	–	3,533,000

On the 26 February 2019, 4,950,000 £1 'P' Ordinary Shares were redeemed at par.

Employees

Details of the Company's employment policies can be found on pages 38 to 39 in the Corporate Governance Report.

Charitable Donations

During the year the Company made charitable donations of £3,065 (2018: £2,040) which were paid either as part of CCLA's policy to match the amount a staff member raises for a sponsored event up to £250 per staff member per year, or as voluntary Church Rates. This does not include other forms of support to organisations listed on page 71, as highlighted on page 12.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the 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 Group and Company financial statements 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). 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 affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;

Statement of Directors' responsibilities in respect of the financial statements (continued)

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Company are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial risk management (audited)

The Group's activities expose it to a variety of financial risks that include the effect of:

- Credit risk – the Group's holdings of sterling cash deposits expose it to the risk that the counterparty will not repay the deposit. To minimise this, the Company only deals with counterparties with good credit ratings. Deposits are also spread amongst different counterparties. CCLA invests in The Public Sector Deposit Fund, the triple-A rated money market fund, and places deposits with counterparties that have a minimum short term Fitch credit rating of at least F1. Amounts placed with counterparties are reported monthly to the Executive Committee. Debtors are generally due from funds managed by the Company and the risk of default is deemed minimal.
- Liquidity risk – financial instruments held by the Group consist of short-term sterling cash deposits and deposit funds designed to ensure the Group has sufficient available funds for operations, which enable it to meet its objectives.
- Interest rate risk – the Group invests its surplus funds in fixed and floating rate deposits. Changes in the interest rates will result in income increasing or decreasing; however, the proportion of the Company's income that comes from interest income is small.
- Pensions obligation risk – to minimise this risk, CCLA holds sufficient capital to allow it to fund pension obligations without impacting on its day to day operations.

The principal risks and uncertainties for the Group are highlighted in the Strategic Report.

Policy and practice on payment of creditors

It is the policy of the Company to abide by agreed terms of payment, provided that the supplier performs according to the terms of the contract and that the invoice is duly authorised.

Provision of information to the Auditors

So far as each person who was a Director at the date of the signing of this Report is aware, there is no relevant audit information of which the Auditors are unaware. The Directors confirm that they have taken all the steps they ought to have taken as Directors to establish that the Auditors are aware of that information.

Independent Auditors

In accordance with Section 485 and 492 of the Companies Act 2006, resolutions proposing the appointment of PricewaterhouseCoopers LLP as Auditors of the Company and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Pillar 3 disclosures

Pillar 3 disclosures are available on CCLA's website www.ccla.co.uk.

Approved by the Board of Directors and signed by order of the Board by:

Jackie Fox
Company Secretary
8 July 2019

Board Profiles

Non-Executive Directors

Richard Horlick – Chairman

Richard has 35 years investment management experience in both the UK and the US. After spending three years in Corporate Finance at Samuel Montagu & Co, Richard joined Newton Investment Management Ltd in 1984 as Director of Pension Portfolios. In 1994, Richard became President of Institutional Business at Fidelity International Ltd (UK) until 2001, where he was made Chief Executive and President of Fidelity Management Trust Co, the Trust Bank of the Fidelity Mutual Funds in the US and the US institutional business. He then became a main Board Director of Schroders plc following his appointment as Chief Executive of Schroder Investment Management Ltd from 2002 to 2005. Richard has held previous Non-Executive Director roles with Pensato Capital LLP, Tau Capital plc and Pacific Assets Trust plc and has recently stepped down as a member of the Investment Committee at Pembroke College, Cambridge. Richard was appointed a Non-Executive Director and Chairman of CCLA in January 2017.

Christine Johnson (appointed 8 June 2018)

Christine was the Senior Fund Manager and Head of Fixed Income at Old Mutual Global Investors until 2017. Previous fund manager appointments include HSBC and Investec. She was appointed to the Board of Invesco Enhanced Income Limited in January 2019. Christine was appointed as a Trustee Director to the CBF Funds Trustee Board in November 2017. She joined the Board of CCLA as a Non-Executive Director in June 2018.

Glenn Newson (appointed 29 October 2018)

Glenn Newson is a Chartered Surveyor, with over 35 years investment experience on behalf of Institutional, Private and Family Office clients. Prior to forming his own business he was Managing Director of UK Property of Aberdeen Asset Management from 2007-2008, and Head of UK Property for Credit Suisse Asset Management from 2003-2007. Glenn has a 1st Class BSc (Hons) degree in Valuation and Estate Management. Glenn joined the COIF Charity Funds as a Director in October 2008. He was appointed a Non-Executive Director of CCLA in October 2018.

Non-Executive Directors (continued)

John Tattersall

John worked for 34 years for PwC specialising in the financial services sector. Rising to partner, he took particular responsibility for the establishment of the firm's financial services regulatory practice and in this period worked with a range of UK regulators. His influence on the sector has been significant and in 2008 he received the accolade 'Compliance Personality of the Decade' awarded by Complinet. After retiring from PwC in 2009 he worked as a member of the Implementation Advisory Group, established to advise the Government on reform of financial services regulation and later on the Government's Equitable Life Payments Commission. He has also served as Chair of the Gibraltar Financial Services Commission. He is currently Chairman of UK Asset Resolution (incorporating Bradford and Bingley plc and NRAM Limited). He was Chairman of UBS Limited until 1 March 2019 but continued thereafter as a Board member of UBS Business Solutions AG. In 2014 John was appointed Chair of The Oxford Diocesan Board of Finance and also Chair of Retail Charity Bonds plc. He was ordained as a non-stipendiary minister in the Church of England in 2007. He is a trustee of a number of charities including The Royal Foundation of St Katharine, where he is Chairman of the Court, St. Augustine's College of Theology, where he is Chair of Council and the Community of St Anselm. He was appointed as a Non-Executive Director of CCLA in 2011.

Executive Directors

Michael Quicke OBE – Chief Executive

Before joining the Company Michael was the Chief Executive of Leopold Joseph Holdings PLC, the private banking and asset management group which was quoted on the London Stock Exchange. Until September 2012, he was a Trustee of the National Trust and Chairman of its Audit Committee. Michael was awarded an OBE for his services to national heritage in 2013. He was appointed an Executive Director and Chief Executive of CCLA in 2006.

James Bevan – Chief Investment Officer

Before joining the Company James was the Head of Asset Management at Abbey. He joined Abbey in 1999 to create Inscape, the multi-manager based service for the mass affluent market and trusts. In 2002, he was appointed Abbey's overall Chief Investment Officer and became Head of Asset Management in 2004 for all Abbey companies. Prior to Abbey, he was Chief Investment Officer for Barclays Stockbrokers and Barclays Personal Investment Management, having joined BZW in 1988 from research at Cambridge University. During his time at Barclays, James was Head of Investment for Charities. He was appointed an Executive Director of CCLA in 2006.

Executive Directors (continued)

Elizabeth Sheldon – Chief Operating Officer (appointed 4 December 2018)
Elizabeth is responsible for all financial and operational matters at CCLA on behalf of clients. She was appointed Chief Operating Officer of CCLA in November 2018. Prior to this Elizabeth was Head of Change at CCLA responsible for leading the change programme, including implementing an effective governance structure. After qualifying as a Chartered Accountant with an audit practice specialising in the 'not for profit' sector, Elizabeth joined the financial services audit team at Ernst and Young. From there she moved on to Man Group working in a number of areas including operations and a large outsourcing project. Elizabeth is a Fellow of the Institute of Chartered Accountants and has a BSc in Geography from University College London. She was appointed an Executive Director of CCLA in December 2018.

Andrew Robinson MBE – Director Market Development
Prior to joining the Company, Andrew was Head of Community Development Banking for RBS and NatWest, responsible for the not-for-profit and social enterprise sectors. Before joining NatWest, he was the founding Executive Director of the UK's first community development finance institution to provide loan finance to voluntary and community sector organisations working in the most disadvantaged communities in England. Prior to these roles he worked for the Royal Bank of Canada, a foundation and a health related charity. Currently Andrew is a trustee of RBS Social and Community Capital and an Advisor to Switchback. Previously he was: the Chairman of the Community Development Foundation; Vice Chairman of the Lankelly Chase Foundation; a Trustee of the Local Trust; and a Trustee of Locality, having been a trustee of both the Development Trusts Association and Bassac. Andrew is also a Fellow of the Royal Society for the Arts and was awarded an MBE for services to social and community enterprise in 2003. He was appointed an Executive Director of CCLA in 2006.

Corporate Governance Report

The Company is not required to comply with the UK Corporate Governance Code ('the Code') published by the Financial Reporting Council, but, in view of its support for good corporate governance, has decided to include those aspects of the Code which it believes to be relevant. This report describes the policies and arrangements in place by the Company for the year ended 31 March 2019.

Leadership

Our Board of Directors

At 31 March 2019, the Board comprised four Executive and four Non-Executive Directors including the Chairman. The Board is responsible for the direction of the Company's and the Group's business, its strategy and overall financial management and acts in accordance with the Schedule of Matters Reserved for the Board as adopted by the Board.

Independence of Directors

The Board recognises that CCLA does not comply with the recommended number of independent Non-Executive Directors within the Code. Under the Company's Articles of Association, each holder of 10 per cent or more of the Ordinary Shares or Non-Voting Shares (other than an Employee Shareholder) is entitled to appoint one person to be a Non-Executive Director of the Company. Board Membership is therefore determined by the constitutional framework of the Company.

Given the size and structure of the CCLA Board, the appointment of a Senior Independent Director has, to date, been considered unnecessary. The Chairman of the Audit Committee, who is an independent Non-Executive Director, has assumed the responsibilities of the role of Senior Independent Director.

Performance Evaluation

In 2019, following a formal tender process, an external consultant, Independent Audit, was selected to undertake an independent Board evaluation of the Chairman, Board, Audit and Remuneration Committees. The Board considered their report on 29 April and as a result, have decided to make various changes, including in due course the appointment of a further independent Non-Executive Director.

The Board is considered to have the appropriate balance of skills, experience, independency and knowledge of the Company to discharge their fiduciary duties and responsibilities effectively.

Frequency of Meetings

The Board met formally four times in the year ended 31 March 2019. In addition, the Executive Directors regularly meet to review matters relating to the day to day management of the Company.

Election and Succession of Directors

The Board allocates significant time to discuss succession planning for both the Board of Directors and Management, focusing on the future plans and requirements of the business. Under the Company's Articles of Association, the Directors are not subject to retirement by rotation.

Election and Succession of Directors (continued)

In lieu of an assigned Nominations Committee, the Board actively engages in the appointment of Executive leadership with the help of external recruitment agencies. On the 21 November 2018, Michael Quicke formally announced his proposed retirement from CCLA as Chief Executive. Following an extensive recruitment consultancy interviewing process, Ridgeway Partners were officially appointed to carry out an Executive search in December 2018. The Board approved the appointment of Peter Hugh Smith as Chef Executive with effect from 9 July 2019.

CCLA has a clear policy on the recruitment and remuneration of new Executive Directors taking into consideration a number of elements:

- Service Contract: All Executive Directors have contracts of employment which may be terminated by CCLA or the individual by giving notice between six and twelve months (dependent on role);
- Base Salary: Salaries are set by the Remuneration Committee, taking into consideration a number of influential factors such as experience and skills against industry benchmarks; and
- Discretionary Bonus: Bonuses are set by the Remuneration Committee, based on an assessment of the individual's contribution, the Company's performance and industry benchmarks. A proportion of all bonuses over an agreed level are deferred for three years.
- Performance Share Plan: To encourage greater Management/Shareholder alignment and to retain talent within the business, a discretionary long-term incentive scheme is offered to Executive Directors.

Board Diversity Policy

The CCLA Board continues to recognise the importance of diversity in its membership and appointments are based on merit, measured against objective criteria and the skills and experience the individual can bring to the Board. The CCLA Directors agree that boards perform best when they include people with a diverse range of skills, perspectives and backgrounds. At CCLA, these differences are considered in determining the optimum composition of the Board and when possible should be balanced appropriately.

The appointment of Christine Johnson as the CBF representative on the CCLA Board, together with the appointment of Elizabeth Sheldon as COO in November 2018 means that at year end, a quarter of CCLA's Directors were women.

Board and Committee Attendance

	CCLA Board Meetings held: 4 Attendance:	Audit Committee Meetings held: 2 Attendance:	Remuneration Committee Meetings held: 3 Attendance:
Richard Horlick	4	2	3
Christine Johnson (appointed 8 June 2018)	4	2	3
Glenn Newson (appointed 29 October 2018)	1	1	3
Rosemary Norris (resigned 17 October 2018)	3	1	0
Trevor Salmon (resigned 1 January 2019)	3	1	1
John Tattersall	4	2	3
Richard Williams (resigned 8 June 2018)	1	2	0
Michael Quicke*	4		
James Bevan*	4		
Adrian McMillan (retired 19 November 2018)*	3		
Andrew Robinson*	4		
Elizabeth Sheldon (appointed 4 December 2018)*	3		

*The Executive Directors are not members of the Audit Committee and Remuneration committee therefore the attendance has been left blank.

Share ownership

The Ordinary Shares are owned by The CBF Church of England Investment Fund, the COIF Charities Investment Fund, LAMIT, the CCLA Employee Share Trust and the Executive Directors as detailed on pages 64 to 65.

The Non-Voting Ordinary Shares are owned by the COIF Charities Investment Fund.

Audit Committee

The Audit Committee meets at least twice a year and its membership is the Non-Executive Directors of CCLA excluding the Chairman of the Company, who attends by invitation. The Chairman of the Audit Committee is John Tattersall.

Core Activities

The duties of the Audit Committee are to:

- review the annual financial statements of the Company;
- perform oversight of principal risks;
- monitor and review annually the terms of appointment and remuneration of the external Auditors and their independence;

Core Activities (continued)

- monitor the engagement of the external Auditors to supply non-audit services;
- receive regular reports from the Head of Assurance;
- receive a summary of major issues from Assurance and internal audit work and to review the internal audit function; and
- report the Audit Committee's proceedings and any recommendations it may make to the Board of Directors.

External Auditors

PwC continued as our external auditors, with Tom Norrie as the engagement leader for the 2018/2019 financial year. The Committee considers the effectiveness of the external auditor on an ongoing basis, reviewing its independence, objectivity and professionalism through its own observations and interactions with the external auditor.

Remuneration Committee

The Remuneration Committee's membership comprises the Non-Executive Directors and it is chaired by Richard Horlick. The Committee develops CCLA's Remuneration Policy and Remuneration Philosophy for approval by the Board.

The duties of the Remuneration Committee are to:

- Set a strategy that ensures the best talent is recruited, retained and motivated to deliver results. Where necessary, it utilises external consultants and independent surveys for market benchmarking.
- Actively engage with the Company's Remuneration Policy and amend its Terms of Reference when necessary.
- Determine the terms of employment and remuneration for the Senior Executive Management team, including recruitment and termination arrangements.
- Approve performance related pay schemes and employee incentive structures operated by the Company, in line with the Company policy and philosophy.

Executive Committee

The Executive Committee is the Chief Executive and Executive Directors' forum for information sharing, discussion, challenge and decision making. Its activities include:

- development and approval of recommendations to be made to the Board;
- approval of major decisions within the powers delegated by the Board;
- approval of major policies;
- monitoring of all areas of activity including operating and financial performance, client investment performance, marketing and net new client flows;
- assessment and control of risk and compliance with legal and regulatory duties; and
- monitoring of HR, legal, company secretarial and administrative issues.

Internal control

The Directors and Senior Management of CCLA are responsible for internal controls within the Group and Company. The control environment is based upon a culture of sound corporate governance, and key aspects of the system of internal control include:

- Non-Executive Directors, Executive Directors and Departmental Managers;
- management and financial controls;
- operational controls, including authorisation limits and segregation of duties;
- documented procedures and operations manuals;
- an operational risk management framework embedded throughout the business;
- a staff training and competence regime;
- compliance and internal audit monitoring and reporting;
- an investment risk function independent of the front office;
- information system security;
- change management protocols;
- monitoring of outsourced service providers; and
- business continuity arrangements.

Internal control (continued)

The Directors of CCLA are responsible for the design, implementation and maintenance of the control framework to ensure, with reasonable assurance, on an ongoing basis, that suitable controls exist. In carrying out these responsibilities, the Directors have regard not only to the interests of clients, but also to those of the owners of the business and the general effectiveness and efficiency of the relevant operations, together with compliance with applicable laws and regulations.

In establishing and reviewing the system of internal control, the Directors have regard to the materiality of relevant risks, the likelihood of a loss being incurred or objectives failing to be achieved, and the cost of control. It follows, therefore, that the system of internal control can only provide reasonable, not absolute, assurance that specified control objectives will be achieved on an ongoing basis.

Operational risk management

The Board is responsible for risk and oversight of the risk management process within the Group and Company.

An Assurance Committee has been established by the Executive Directors, which meets quarterly and is chaired by the Chief Executive. Its purpose is to review and monitor the adequacy of CCLA's Compliance, Internal Audit, Investment Risk and Operational Risk management and control arrangements.

The Committee reviews the key (high and borderline) operational risks facing the Company and receives regular risk management reports setting out the status of each of these risks. The Committee also reviews the results of the Company's Compliance and Internal Audit Monitoring programmes, and the work of the investment risk function.

The Group and Company has an operational risk management process which is embedded within the business. The system is designed to provide a consistent methodology for the identification, assessment, mitigation and reporting of risks, and to ensure a high quality of risk management and control in all areas of the Company. Departmental Managers are responsible for the identification and management of risks, largely operational, reputational and regulatory, arising in their respective areas of responsibility. Positive assurance as to the status of their risks and management of them is obtained from Business Managers on a regular basis. Any issues giving rise to concern are discussed and resolved with the relevant Business Manager.

Formal risk management reports are considered at Executive, Assurance and Audit Committee meetings, as well as at Board Meetings.

Disaster recovery and business continuity

A disaster recovery and business continuity committee has been established by the Executive Directors to ensure that appropriate arrangements are in place for business continuity. This includes a documented business recovery plan and periodic testing. The disaster recovery and business continuity committee consists of a number of senior employees from departments throughout the Company and meets regularly to review and update procedures and review the outcomes of the testing.

Directors' Remuneration Report

This report describes the Company's overall remuneration policy and the compensation arrangements for Directors for the year ended 31 March 2019.

Remuneration philosophy, policy and compensation arrangements

Remuneration for CCLA staff should be reasonably competitive compared with the market, with the aim of being able to hire and retain the best people. We will regularly benchmark remuneration levels against those being paid in the market as a whole. There will not be a mechanical link between individual quantitative targets and remuneration. Individual remuneration will depend upon the broad success of the individual, team and organisation in achieving CCLA's short and long-term objectives. We seek to have a good balance between fixed and variable remuneration, bearing in mind the nature of the role. We will defer part of the bonus for the most highly paid members of staff. We will ensure that our benefits are reasonably competitive.

The Board and Remuneration Committee set the context and high level limits for the annual remuneration review and specifically approves the remuneration level for the Executive Directors and Head of Assurance. Remuneration for the rest of the staff will be set by the Executive Directors with oversight by the Remuneration Committee. No individual has the ability to set their own remuneration.

Directors' remuneration and fees (audited)

Fees for the Non-Executive Directors are determined annually by the Board having regard to both the level of fees payable to Non-Executive Directors generally in the industry and to their responsibilities. For the year ended 31 March 2019 the Non-Executive Directors' fees were set at £55,000 p.a. for the Chairman (2018: £55,000 p.a.), £34,000 p.a. for the Chairman of the Audit Committee (2018: £34,000 p.a.) and £30,000 p.a. for the other Non-Executive Directors (2018: £30,000 p.a.).

Three Executive Directors participated in the Group Personal Pension Scheme provided by Legal and General. Details of this Scheme are set out in notes 1(f) and 5 of the notes to the financial statements. No Directors participated in other schemes (2018: nil).

The benefits-in-kind provided to the Executive Directors include season ticket loans, private healthcare and life assurance protection, which is partly provided through the pension schemes and partly through separate life assurance policies. These benefits are also available to all employees under their terms and conditions of employment.

Directors' remuneration and fees (audited) (continued)

During the year four (2018: four) Directors participated in the Long Term Incentive Plan. Note 18 contains details of the plan.

Directors' remuneration and fees in the year were as follows:

	2019 £'000	2018 £'000
Emoluments paid to Executive Directors	2,654	1,897
Emoluments paid to Non-Executive Directors	171	179
Company pension scheme contributions in respect of Directors	60	50

The highest paid Director received remuneration, excluding pension contribution, of £857,668 (2018: £738,212). Pension contributions were nil (2018: £nil) and at the year-end nil (2018: £nil) was payable to a pension scheme in respect of the Director.

Employee Policies

Diversity and Inclusion

CCLA is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. It is in the Company's best interests to ensure that all the talents and skills available are considered when employment opportunities arise. We take every practicable step to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, conditions of work, promotion, career management and every other aspect of employment are based solely on objective and job-related criteria.

Learning and development

CCLA operates in a competitive and changing environment. CCLA is keen to develop a pipeline of high-calibre talent to ensure appropriate skills and succession planning for the future. The staff are highly competent, skilled and knowledgeable and we support them in meeting our business objectives. Learning and development at CCLA is a continuous and important process which enables individuals to perform their current jobs more effectively, understand regulatory changes and take on new responsibilities to achieve their own aspirations and contribute to CCLA's continuing success.

Employee Relations

Engagement with our employees is crucial to the continuing success of CCLA. We communicate regularly and openly with them on matters affecting them and on the issues that have an impact on the performance of the business and actively seek their feedback on these matters.

Communication

Employees are kept fully informed about decisions and developments and the reasons for them through communication, consultation and involvement by appropriate methods. This is achieved through information meetings, weekly staff briefings, seminars, structured meetings or by formal or informal discussions between Managers and their departments, written communication and notice boards.

Health, safety and security

CCLA regards the management of health and safety as an integral part of its business and as a management priority. It is our policy that all activities and work will be carried out in a safe manner and we will ensure the health, safety and welfare of our employees and others who may be affected by our activities. Proper management of health and safety issues is seen as an integral part of the efficient management of the organisation's activities, and critical to developing the professional culture of the organization and establishing and maintaining a solid reputation with all of our clients. CCLA will provide appropriate training and make available competent health and safety advice and adequate resources including time and money so that legal obligations may be met. CCLA reviews its processes, policies, procedures and specific training on an ongoing basis and in accordance with legislation, industry standards, best practice and the operational needs of the organisation.

Jackie Fox
Company Secretary
8 July 2019

Independent Auditor's Report

to the members of CCLA Investment Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, CCLA Investment Management Limited's group financial statements and company financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2019 and of the group's profit 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.

We have audited the financial statements, included within the Annual Report & Audited Financial Statements (the 'Annual Report'), which comprise: the Consolidated Statement of Financial Position and Company Statement of Financial Position as at 31 March 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity 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 group 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

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Conclusions relating to going concern (continued)

- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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 in respect of the financial statements set out on pages 25 to 26, 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 group's and the 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. 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 company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 July 2019

- The maintenance and integrity of the CCLA Investment Management Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	*3*	39,058	35,097
Administrative expenses	*4*	(29,194)	(26,003)
Operating profit before exceptional items		9,864	9,094
Exceptional items:			
Defined benefit pension scheme charge	*6*	–	(1,399)
Project costs	*6*	(1,368)	(657)
Operating profit		8,496	7,038
Interest receivable and similar income		176	88
Profit before taxation		8,672	7,126
Tax on profit	7	(1,699)	(1,542)
Profit for the financial year		6,973	5,584

The notes on pages 50 to 68 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2019

		2019		2018	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	*8*		1,196		381
Tangible assets	*8*		506		610
			1,702		991
Current assets					
Debtors	*9*	7,069		6,108	
Cash at bank and in hand	*11*	13,710		11,595	
Cash equivalents	*12*	15,979		19,839	
		36,758		37,542	
Creditors	*13*	10,846		9,359	
Net current assets			25,912		28,183
Total assets less current liabilities			27,614		29,174
Net assets			27,614		29,174
Capital and reserves					
Called up share capital	*14*		242		5,192
Share premium account			1,594		1,594
Other reserves			1,724		897
EST share reserve			(1,499)		–
Profit and loss account			25,553		21,491
Total equity			27,614		29,174

The notes on pages 50 to 68 form part of these financial statements.

These financial statements on pages 44 to 68 were approved and authorised for issue by the Board of Directors on 8 July 2019 and signed on its behalf by:

Richard Horlick
Chairman
Registered number: 02183088

Michael Quicke
Chief Executive

Company Statement of Financial Position

as at 31 March 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Subsidiary undertaking	*19*		2,700		2,700
Intangible assets	*8*		1,196		381
Tangible assets	*8*		506		610
			4,402		3,691
Current assets					
Debtors	*9*	5,553		4,834	
Cash at bank and in hand	*11*	6,233		7,039	
Cash equivalents	*12*	9,836		13,741	
		21,622		25,614	
Creditors: amounts falling due within one year	*13*	9,453		8,176	
Net current assets			12,169		17,438
Total assets less current liabilities			16,571		21,129
Net assets			16,571		21,129
Capital and reserves					
Called up share capital	*14*		242		5,192
Share premium account			1,594		1,594
Other reserves			1,724		897
EST share reserve			(1,499)		–
Profit and loss account			14,510		13,446
Total equity			16,571		21,129

The Company has elected to take the exemption under s408 of the Companies Act 2006 not to present the Company statement of comprehensive income. The profit for the Company for the year was £3,975,000 (2018: £3,357,000).

The notes on pages 50 to 68 form part of these financial statements.

These financial statements on pages 44 to 68 were approved and authorised for issue by the Board of Directors on 8 July 2019 and signed on its behalf by:

Richard Horlick
Chairman

Michael Quicke
Chief Executive

Registered number: 02183088

Consolidated Statement of Changes in Equity

for the year ended 31 March 2019

	Ordinary Share capital £'000	Share premium account £'000	'P' Ordinary Shares £'000	Profit and loss account £'000	EST share reserve £'000	Other reserves £'000	Total £'000
Balance as at 1 April 2017	241	1,484	4,950	18,192	–	333	25,200
Profit for the financial year	–	–	–	5,584	–	–	5,584
Issuance of shares	1	110	–	–	–	–	111
Equity dividends paid	–	–	–	(2,328)	–	–	(2,328)
Amortisation of equity-settled awards	–	–	–	–	–	564	564
Tax movement relating to equity-settled awards (note 7)	–	–	–	43	–	–	43
Transactions with shareholders, recognised directly in equity	1	110	–	(2,285)	–	564	(1,610)
Balance as at 31 March 2018	242	1,594	4,950	21,491	–	897	29,174
Profit for the financial year	–	–	–	6,973	–	–	6,973
Redemption of shares	–	–	(4,950)	–	–	–	(4,950)
Equity dividends paid	–	–	–	(3,042)	–	–	(3,042)
Purchase of shares by Employee Share Trust	–	–	–	–	(1,499)	–	(1,499)
Amortisation of equity-settled awards	–	–	–	–	–	827	827
Tax movement relating to equity-settled awards (note 7)	–	–	–	131	–	–	131
Transactions with shareholders, recognised directly in equity	–	–	(4,950)	(2,911)	(1,499)	827	(8,533)
Balance as at 31 March 2019	242	1,594	–	25,553	(1,499)	1,724	27,614

The notes on pages 50 to 68 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 March 2019

	Ordinary Share capital £'000	Share premium account £'000	'P' Ordinary Shares £'000	Profit and loss account £'000	EST share reserve £'000	Other reserves £'000	Total £'000
Balance as at 1 April 2017	241	1,484	4,950	12,374	–	333	19,382
Profit for the financial year	–	–	–	3,357	–	–	3,357
Issuance of shares	1	110	–	–	–	–	111
Equity dividends paid	–	–	–	(2,328)	–	–	(2,328)
Amortisation of equity-settled awards	–	–	–	–	–	564	564
Tax movement relating to equity-settled awards (note 7)	–	–	–	43	–	–	43
Transactions with shareholders, recognised directly in equity	1	110	–	(2,285)	–	564	(1,610)
Balance as at 31 March 2018	242	1,594	4,950	13,446	–	897	21,129
Profit for the financial year	–	–	–	3,975	–	–	3,975
Redemption of shares	–	–	(4,950)	–	–	–	(4,950)
Equity dividends paid	–	–	–	(3,042)	–	–	(3,042)
Purchase of shares by Employee Share Trust	–	–	–	–	(1,499)	–	(1,499)
Amortisation of equity-settled awards	–	–	–	–	–	827	827
Tax movement relating to equity-settled awards (note 7)	–	–	–	131	–	–	131
Transactions with shareholders, recognised directly in equity	–	–	(4,950)	(2,911)	(1,499)	827	(8,533)
Balance as at 31 March 2019	242	1,594	–	14,510	(1,499)	1,724	16,571

The notes on pages 50 to 68 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Net cash from operating activities	16	10,551	10,829
Corporation tax paid		(2,076)	(2,235)
Net cash generated from operating activities		8,475	8,594
Cash flows from investing activities			
Purchases of intangible assets	8	(2,488)	(381)
Intangible assets written off	8	1,672	–
Purchases of tangible assets	8	(89)	(211)
Interest received		176	88
Net cash used in investing activities		(729)	(504)
Cash flows from financing activities			
Proceeds from issue of Ordinary Shares	14	–	111
Redemption of Ordinary Shares	14	(6,449)	–
Dividends paid	15	(3,042)	(2,328)
Net cash used in financing activities		(9,491)	(2,217)
Net (decrease)/increase in cash at bank and in hand		(1,745)	5,873
Cash and cash equivalents at the beginning of the year		31,434	25,561
Cash and cash equivalents at the end of the year		29,689	31,434
Cash and cash equivalents consist of:			
Cash at bank and in hand	11	13,710	11,595
Cash equivalents	12	15,979	19,839
Cash and cash equivalents		29,689	31,434

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, paragraph 1.12(b) not to present the Company Statement of Cash Flows.

The notes on pages 50 to 68 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting policies

(a) Basis of accounting

The Group financial statements consolidate the financial statements of CCLA Investment Management Limited and its subsidiary undertaking, CCLA Fund Managers Limited. The Group and Company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. These financial statements are prepared on the going concern basis and under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual statement of comprehensive income.

(b) Turnover

The Group's primary source of turnover is fee income from investment management activities. The fees are generally based on an agreed percentage of the valuation of the assets under management and are recognised as the service is provided and it is probable that the fee will be received.

(c) Administrative expenses

Administrative expenses represent amounts incurred by the Group in the conducting of its business.

(d) Interest income

Interest income comprises interest on cash, bank balances and short-term money market deposits and is accounted for on an accruals basis.

(e) Fixed assets

The Group's fixed assets are stated at cost less accumulated depreciation or accumulated amortisation. Depreciation and amortisation are calculated, using the straight line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows.

Notes to the Financial Statements
for the year ended 31 March 2019

1. Accounting policies *(continued)*

(e) Fixed assets (continued)

(i) Intangible Assets – Software

The expected useful life of software is to the end of the contract with the software supplier, subject to the following:

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised as an expense as incurred.

(ii) Tangible assets: Leasehold Improvements

The expected useful life of leasehold improvements is to the end of the lease term.

(iii) Tangible assets: General Equipment

The expected useful life of general equipment is three to five years.

The carrying values of fixed assets are reviewed when events or changes in circumstances indicate that the carrying values of assets may not be recoverable. Depreciation and amortisation expenses are included in administrative expenses in the statement of comprehensive income.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting policies *(continued)*

(f) Pension schemes

During the year most staff were either members of the Church of England Pension Builder 2014 Scheme ('CEPB') or the Group Personal Pension Scheme ('GPP'), which is operated by Legal and General. The CEPB is a hybrid scheme for which bonuses are declared each year based on investment performance. The GPP is a defined contribution scheme. The Company also has obligations in respect of its sub-pool of the Church of England Defined Benefit Scheme ('DBS'), which is closed to future accrual.

(i) Open pension plans

The GPP covers employees over the age of 18 who earn more than £30,000 per annum. Pension contributions payable by the Company are charged to profit and loss within the statement of comprehensive income as they fall due. The CEPB covers employees over the age of 18 who earn less than £30,000 per annum. The CEPB is a multi-employer hybrid pension scheme and the Company has insufficient information about its assets and liabilities within the CEPB to carry out defined benefit pension accounting. Accordingly, the Company accounts for the scheme as a defined contribution plan and pension contributions payable by the Company are charged to profit and loss within the statement of comprehensive income as they fall due.

The Company has no further payment obligations beyond the ongoing contributions related to the above schemes. The contributions are recognised as an expense when they are due. Amounts not paid, if any, are shown in creditors in the statement of financial position. The assets of the plans are held separately from the Group and Company in independently administered funds.

(ii) Multi-employer defined benefit pension scheme

From 1 October 2012, participation in accrual of benefits in the DBS ceased. The DBS is a multi-employer defined benefit pension scheme and the Company has insufficient information about its assets and liabilities within the DBS to carry out defined benefit pension accounting. Accordingly, the Company accounts for the scheme as a defined contribution plan and only accounts for scheme administrative expenses on an ongoing basis unless contributions are required to the DBS, in which case the contribution is accounted for as an exceptional expense.

The contributions required by CCLA are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The Church of England Pensions Board administers both the DBS and the CEPB and is independent of the Company and the Company's finances.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting policies *(continued)*

(g) Share based payments

(i) Cash-settled awards

The Company has made awards of deferred bonuses to certain employees based upon the total return from its shares or its managed funds over vesting periods, to be settled in cash. The liability in respect of these awards is recognised over service periods, which includes the bonus period over which the awards were earned and runs until the earlier of the date of vesting or the date upon which the employee is entitled to retire as a good leaver, whichever is earlier.

As at each reporting date, the fair value of the liability which has been accrued to date is included in creditors, and the resulting expense in each period is recognised in the income statement within administrative expenses. The fair value is independently reviewed annually by an independent valuer, taking account of factors including sales, funds under management, and a price/earnings multiple. On vesting, liabilities are paid out as cash to settle the awards.

(ii) Equity-settled awards

The Company has made awards of deferred bonuses to certain employees based upon the total return from its shares over vesting periods, to be settled in the equity of the Company. The charge in respect of these awards is recognised over service periods, which includes the bonus period over which the awards were earned and runs until the earlier of the date of vesting or the date upon which the employee is entitled to retire as a good leaver, whichever is earlier.

The amount to be charged over service periods in respect of equity-settled awards is the fair value at the date the awards were granted. As at each reporting date, the charge to date is recognised in the income statement within administrative expenses, with the other side of the accounting entries being taken to other reserves. The fair value is independently reviewed annually by an independent valuer, taking account of factors including sales, funds under management and a price/earnings multiple. On vesting, the other reserves are replaced by other categories of equity, reflecting the award of shares to settle the awards.

(h) Taxation

Taxation expense for the period comprises current tax recognised in the reporting period. Tax is recognised in profit and loss within the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Amounts recognised directly in equity in the current and prior year are deferred tax credits on revaluations of equity-settled awards, which are themselves not accounted for as the charge in the income statement is based upon fair values at grant date.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting policies *(continued)*

(h) Taxation (continued)

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated based on tax rates and laws that have been enacted or are substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the reporting date, where transactions or events have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax. Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at rates expected to apply in the periods in which timing differences reverse, based on rates and laws enacted or substantively enacted at the reporting date.

(i) Operating leases

Rentals payable under operating leases are charged to profit and loss within the statement of comprehensive income on a straight-line basis over the period of the lease. Incentives received to enter an operating lease are credited to profit and loss within the statement of comprehensive income, to reduce lease expense, on a straight-line basis over the full period of the lease.

(j) Basis of consolidation

The Group consolidated financial statements for the year ended 31 March 2019 include the financial statements of the Company and its subsidiary undertaking. A subsidiary is an entity controlled by the Group. Control is exercised when the Company has the power to determine the financial and operating policies of an entity so as to benefit from its activity. All intra-Group transactions, balances, income and expenses are eliminated upon consolidation.

Notes to the Financial Statements

for the year ended 31 March 2019

1. Accounting policies *(continued)*

(k) Financial instruments

(i) Basic financial assets and liabilities, including debtors, directors' loans, cash at bank and in hand, cash equivalents and creditors are initially recognised at transaction price. Such assets are subsequently carried at amortised cost.

(l) Investment in subsidiary

Investment in the subsidiary company is held at cost less accumulated impairment losses.

(m) Exceptional items

Exceptional items are those non-recurring and one-off charges or credits that, in the Directors' view, are required to be disclosed separately by virtue of their nature, materiality or incidence to enable a full understanding of the Group's financial performance. They include exceptional charges arising after triennial pension funds valuations as described in Note 1(f)(ii). Details of these items are provided in note 6.

(n) EST share reserve

Shares of the Company held within the CCLA Employee Share Trust are accounted for at cost in the EST share reserve, a negative offsetting reserve within the Group's and Company's equity.

2. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and may be categorised as:

(a) Critical judgements in applying the Group's accounting policies

The Group participates in a multi-employer defined benefit plan (see note 1(f)). In the judgement of the Directors, the Group does not have sufficient information on the plan assets and liabilities to be able to account reliably for its share of the defined benefit obligation and plan assets. The plan is closed to future accrual, so charges relate to expenses charged to profit and loss and payments to contribute to plan deficits, which will be accounted for as exceptional charges.

(b) Critical accounting estimates and assumptions

(i) The annual depreciation and amortisation charge for tangible and intangible assets is sensitive to changes in estimated useful economic lives and residual values, if any, of the assets. These are re-assessed annually. Fixed assets are shown in note 8.

Notes to the Financial Statements

for the year ended 31 March 2019

2. Critical accounting judgements and estimation uncertainty *(continued)*

(b) Critical accounting estimates and assumptions *(continued)*

(ii) The charge for share-based payments to be settled in cash and the employer's national insurance provision in respect of all share-based payments are both sensitive to changes in the fair value of the Company's shares. The charge for all share-based payments is also sensitive to changes to service periods. These are re-assessed annually. The charge, liability, and equity movements are disclosed in note 5.

3. Turnover

The turnover of the Group was made entirely in the United Kingdom and derives from the class of business as noted in the Strategic Report.

	Note	2019 £'000	2018 £'000
Fees from pooled funds	*18*	36,798	32,922
Other fees		2,260	2,175
		39,058	35,097

4. Administrative expenses

	Note	2019 £'000	2018 £'000
Administrative expenses included:			
Staff costs	*5*	19,237	17,429
Other administrative costs		9,178	7,759
Depreciation of tangible assets		193	218
Amortisation of intangible assets		1	13
Operating lease costs for premises		455	430
Auditors remuneration:			
Fees payable to the Company's auditors for the audit of the Company and the Group's consolidated financial statements		36	35
Fees payable to the Company's auditors for other services:			
– Audit of the Company's subsidiary		10	10
– Audit-related assurance services of the Company and the Company's subsidiary		49	48
– Tax compliance services of the Company and the Company's subsidiary		26	45
Foreign exchange		9	16
		29,194	26,003

Notes to the Financial Statements

for the year ended 31 March 2019

5. Employees and Directors

The monthly average number of full time equivalent staff including temporary staff employed by the Company, including Executive Directors, by function was:

	2019	2018
Administration and Finance	64	56
Investment Management and Research	31	29
Business Development and Client Service	30	26
Company Secretarial and Assurance	7	10
	132	121

All of the Group's employees are employed by the Company.

The costs incurred in respect of these employees were:

	2019 £'000	2018 £'000
Wages and salaries	13,776	13,024
Share-based payments	1,507	1,019
Social security costs	2,021	1,783
Other pension costs	1,118	1,045
	18,422	16,871
Other staff costs	815	558
	19,237	17,429

Details of Directors' remuneration can be seen on pages 37 to 38 within the Directors' Remuneration Report. The Executive Directors and Head of Assurance are considered to be the Group's Key Management Personnel.

Pension costs

Open Pension Schemes

During the year, the Company operated two pension schemes, the Church of England Pension Builder 2014 Scheme (CEPB) and the Group Personal Pension Scheme (GPP) operated by Legal and General.

Notes to the Financial Statements

for the year ended 31 March 2019

5. Employees and Directors ***(continued)***

Pension costs *(continued)*

Open Pension Schemes (continued)

The cost of contributions payable by the Company to the CEPB administered by the Church Workers Pension Fund amounted to £129,000 (2018: £105,000). Contributions amounting to £13,000 (2018: nil) were outstanding at the year end. Life assurance costs for this Scheme amounted to £9,000 (2018: £7,000).

The cost of contributions payable by the Company to the GPP amounted to £969,000 (2018: £898,000). Contributions amounting to £128,000 (2018: £nil) were outstanding at the year end.

Life assurance costs for members outside the Church Workers Pension fund amounted to £31,000 (2018: £31,000).

Defined Benefit Pension Scheme

Until 1 October 2012, some staff participated in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Scheme. The Group now only accounts for annual administration expenses charged from the DBS unless an exceptional expense arises following an actuary's valuation (see below and note 1(f)). Expenses charged amounted to £12,000 in the year to 31 March 2019 (2018: £8,000).

During the year to 31 March 2018, the results of the triennial actuarial valuation for the Company's section of the DBS as at 31 December 2016 was made available to the Company, showing an exceptional expense of £1,399,000. As a result the Company and the DBS agreed to a deficit funding plan, whereby one half of the deficit was paid in April 2018 and the remainder is to be paid monthly over ten years. During the year, the company made repayments amounting to £791,000 (2018: nil) which included an interest charge of £38,000 (2018: nil) in relation to this plan. As at 31 March 2019, there was an outstanding balance of £646,000 (2018: 1,399,000) which represents the present value of future contributions.

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 Scheme into sub-pools is notional and is for the purpose of calculating ongoing contributions. It does not alter the fact that the assets of the Scheme 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, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

Notes to the Financial Statements
for the year ended 31 March 2019

5. Employees and Directors ***(continued)***

Pension costs *(continued)*

Defined Benefit Pension Scheme (continued)

Information relating to the valuation as at 31 December 2016 is as follows:

Market value of the DBS in total	£378.7m
Market value of the CCLA sub-pool	£10.8m
Market value of the Life Risk Pool	£195.0m

The Life Risk Pool cannot be apportioned to each employer's sub-pool.

As at 31 March 2019, the Company's section of the DBS had 50 deferred members, 19 pensioner members, 3 beneficiary members and no active members. As at 31 March 2018, there were 51 deferred members, 18 pensioner members, 4 beneficiary members and no active members.

Other Pension costs

The Company incurred other pension costs of £7,000 (2018: £34,000) during the year. These comprised payments into defined contribution pension schemes not administered by the Company.

Share Based Payments

As at 31 March 2016, the Company granted to the Executive Directors deferred bonus awards linked to the total return of CCLA shares over vesting periods. In addition, as at 31 March 2017, 31 March 2018 and 31 March 2019, certain staff were granted deferred bonus awards linked to the performance of CCLA managed funds over vesting periods. All of these awards are due to be settled in cash. The charge for these awards in the year was £774,000 (2018: £516,000), including employer's National Insurance. The liability in respect of these awards is included in accruals. As at 31 March 2019, the liability totalled £1,834,000 (31 March 2018: £1,060,000), including employer's National Insurance.

As at 31 March 2017, the Company granted to the Executive Directors further deferred bonus awards linked to the total return of CCLA shares over vesting periods. As at 31 March 2018 and 31 March 2019, such awards were granted not only to the Executive Directors but also to certain other staff. These awards are due to be settled in the equity of the Company. The charge for these awards in the year was £1,040,000 (2018: £665,000), including employer's National Insurance. The amortisation in respect of these awards is reflected in the Statement of Changes in Equity and shown as Other Reserves. As at 31 March 2019, Other Reserves totalled £1,724,000 (31 March 2018: £897,000), with a provision of £371,000 (31 March 2018: £158,000) for employer's National Insurance on these awards included as a liability within accruals.

Notes to the Financial Statements

for the year ended 31 March 2019

5. Employees and Directors *(continued)*

Share Based Payments *(continued)*

The equity-settled awards have been granted in the form of nil-cost options. During the year to 31 March 2019, options were awarded at the year over the equivalent of 3,957.76 (2018: 3,708.38) shares in the Company and a further 285.80 options were awarded in the year as equivalent awards following the declaration of a dividend (2018: 188.51). As at 31 March 2019, the total number of options outstanding were 12,380.31 (31 March 2018: 8,136.75). There were no option exercises during the year (2018: none).

The expenses (including employer's National Insurance) for all of these awards are included as staff costs within administrative expenses.

Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in administrative expenses in the statement of comprehensive income when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

The total charges for cash and deferred bonuses were:

	2019 £'000	2018 £'000
Cash bonuses	4,848	4,026
Deferred bonuses	1,507	1,019
Total Charge	6,355	5,045

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

6. Exceptional items

This comprises two charges as follows:

a) The charge arising from the pension deficit and the recognised in triennial actuarial valuation as described in Note 5 above of nil (2018: £1,399,000).

b) This charge for the Group relates to non-recurring project costs of £1,368,000 (2018: £657,000) arising in relation to costs of upgrading and replacing CCLA's operational processes and infrastructure. The charge includes an expense of £815,000 in relation to a project to upgrade CCLA's transfer agency system which will not be completed as planned.

Notes to the Financial Statements

for the year ended 31 March 2019

7. Tax on profit

(a) The charge for tax on the profit for the Group is made up as follows:

	2019 £'000	2018 £'000
Current tax:		
UK corporation tax on the profit for the year	1,915	1,867
Total current tax	1,915	1,867
Deferred tax	(218)	(453)
Total deferred tax	(218)	(453)
Adjustments in respect of prior periods	2	128
Tax on profit on ordinary activities	1,699	1,542

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK and the difference is made up as follows:

	2019 £'000	2018 £'000
Profit before taxation	8,672	7,126
UK corporation taxation on profits at 19% (2018: 19%)	1,648	1,353
Effects of:		
Expenses not deductible for tax purposes	80	62
Pension deficit timing differences	(142)	266
Depreciation below capital allowances	(38)	(65)
Provisions tax adjustment	367	251
Movements in deferred tax	(218)	(453)
Adjustments in respect of prior periods	2	128
Tax on profit	1,699	1,542

Notes to the Financial Statements

for the year ended 31 March 2019

7. Tax on profit *(continued)*

(b) Deferred tax asset

	2019 £'000	2018 £'000
At beginning of year	901	405
Amounts credited to profit and loss	218	453
Amounts credited to statement of changes in equity (see note 1(h))	131	43
At end of year	1,250	901
Deferred tax consists of the following timing differences:		
Accelerated capital allowances	154	146
Other timing differences	1,189	811
Effects of change in tax rate	(93)	(56)
	1,250	901

8. Intangible and Tangible Assets

In the Group and the Company financial statements, Leasehold Improvements and General Equipment are classified as tangible assets and IT Software as intangible assets.

Group and Company	Intangible IT Software £'000	Tangible Leasehold Improve-ments £'000	General Equipment £'000	Total Tangible £'000	Total £'000
Cost					
At 1 April 2018	4,401	823	1,791	2,614	7,015
Additions	2,488	–	89	89	2,577
Written off	(1,672)	–	–	–	(1,672)
At 31 March 2019	5,217	823	1,880	2,703	7,920
Accumulated amortisation/depreciation					
At 1 April 2018	4,020	483	1,521	2,004	6,024
Charge for year	1	75	118	193	194
Written off	–	–	–	–	–
At 31 March 2019	4,021	558	1,639	2,197	6,218
Net book value					
At 31 March 2018	381	340	270	610	991
At 31 March 2019	1,196	265	241	506	1,702

Notes to the Financial Statements

for the year ended 31 March 2019

9. Debtors

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Trade debtors	3,715	1,646	3,271	1,497
Amounts due from subsidiary undertaking	–	553	–	500
Other debtors	124	124	57	57
Deferred tax	1,250	1,250	901	901
Prepayments and accrued income	1,352	1,352	1,022	1,022
Directors' loans	628	628	857	857
	7,069	5,553	6,108	4,834

With the exception of deferred tax, all debtors are receivable within one year.

Amounts due to the Company from CCLA FM are unsecured, interest free, have no fixed date of repayment and are repayable on demand. These intercompany balances eliminate upon consolidation.

10. Investments

The investment in Worthstone Limited is held at £1 (2018: £1), being cost less impairment, as the fair value cannot be measured reliably.

11. Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

12. Cash equivalents

Cash equivalents comprise the deposits held in the Public Sector Deposit Fund ('PSDF'). The deposits held in the PSDF are highly liquid investments with an average maturity of less than three months.

13. Creditors

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Accruals and deferred income	4,290	4,247	3,195	3,155
Trade creditors	1,296	1,296	609	609
Other creditors	652	652	1,399	1,399
Corporation tax	824	461	986	704
Other taxation and social security	3,784	2,797	3,170	2,309
	10,846	9,453	9,359	8,176

Notes to the Financial Statements

for the year ended 31 March 2019

13. Creditors *(continued)*

Within other creditors £589,000 (2018: £643,000) for both the Group and Company is due over one year. This relates to the exceptional pension cost in the year to 31 March 2018 (see note 5 and 6a).

14. Called up share capital

Group and Company	2019 £'000	2018 £'000
Authorised:		
440,000 (2018: 440,000) Ordinary Shares of £1	440	440
60,000 (2018: 60,000) Ordinary Non-Voting Shares of £1	60	60
5,500,000 (2018: 5,500,000) 'P' Ordinary Shares of £1	5,500	5,500
	6,000	6,000

	2019 £'000	2018 £'000
Allotted and fully paid:		
216,137 (2018: 216,137) Ordinary Shares of £1	216	216
26,000 (2018: 26,000) Ordinary Non-Voting Shares of £1	26	26
Nil (2018: 4,950,000) 'P' Ordinary Shares of £1	–	4,950
	242	5,192

During the year the Company did not issue any Ordinary Shares (2018: an increase of 835 in respect of a Long Term Incentive Plan for a net share premium of £110,629). The Company did not issue Ordinary Non-Voting Shares. During the year the Company redeemed 4,950,000 'P' Ordinary Shares at par.

Shareholders as at 31 March 2019 were as follows:

130,000 Ordinary Shares are owned by The CBF Church of England Investment Fund.
28,167 Ordinary Shares are owned by the COIF Charities Investment Fund.
32,500 Ordinary Shares are owned by LAMIT.
18,734 Ordinary Shares are owned by the current Executive Directors.
5,468 Ordinary Shares are owned by the CCLA Employee Share Trust
1,268 Ordinary Shares are owned by a retired Executive Director.
26,000 Non-Voting Ordinary Shares are owned by the COIF Charities Investment Fund.

The Non-Voting Ordinary Shares are non-voting, but otherwise all other rights attached to the Ordinary Shares also apply to the Non-Voting Ordinary Shares.

Notes to the Financial Statements

for the year ended 31 March 2019

14. Called up share capital *(continued)*

As at 31 March 2018, 1,417,000 'P' Ordinary Shares were owned by The CBF Church of England Investment Fund and 3,533,000 'P' Ordinary Shares were owned by the COIF Charities Investment Fund.

It is confirmed that CCLA has no ultimate controlling party.

15. Equity dividends

	2019 £'000	2018 £'000
Interim Dividend		
'P' Ordinary Shares	148	148
£0.03 (2018: £0.03) per £1 share		
Ordinary Shares	2,894	2,180
£12.00 (2018: £9.00) per £1 share		
Total dividend paid	3,042	2,328

16. Reconciliation of cash flows from operating activities

	2019 £'000	2018 £'000
Profit for the financial year	6,973	5,584
Interest receivable	(176)	(88)
Tax on profit on ordinary activities	1,699	1,542
Operating profit	8,496	7,038
Depreciation expense	193	218
Amortisation expense	1	13
Increase in creditors	1,646	3,388
Increase in debtors	(612)	(435)
Amortisation of equity settled awards	827	607
Net cash from operating activities	10,551	10,829

17. Commitments

The Group and Company had commitments under operating leases as set out below:

	2019 £'000	2018 £'000
Within one year	560	560
Between one and five years	918	1,478
	1,478	2,038

Notes to the Financial Statements

for the year ended 31 March 2019

17. Commitments *(continued)*

These commitments relate to the lease for Senator House, 85 Queen Victoria Street which commenced on 16 February 2012 and terminates on 15 February 2022.

18. Related party transactions

During the year CCLA, as manager of the Funds listed below, carried out transactions which related to management fees and other services charged to the Funds by CCLA in the normal course of its business. The names of the related parties and the analysis of turnover from related funds was as follows:

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
The Church of England Investment Fund and other CBF Funds	10,494	10,400	9,927	9,927
COIF Charities Investment Fund and other COIF Charity Funds	18,689	94	17,113	–
LAMIT and The Local Authorities Property Fund	6,800	–	5,368	–

The above mentioned related parties are shareholders in the Company.

At the year ended 31 March 2019 there were outstanding related party transactions as follows: £1,013,000 due to the Group and Company from the CBF Funds (2018: £905,000) and £2,128,000 due to the Group from the COIF Funds (2018: £1,774,000).

Please refer to note 5 and the Directors' remuneration report, pages 37 and 38, for details of Directors' remuneration and key management personnel compensation for the Group.

Notes to the Financial Statements

for the year ended 31 March 2019

18. Related party transactions *(continued)*

Loans were made to Executive Directors during the year to assist them in purchasing new Ordinary Shares in CCLA as follows:

	Loan and interest due at 1 April 2018 £	Loans made during the year £	Loans repaid during the year £	Interest charged during the year £	Written off during the year £	Loan due at 31 March 2019 £
Michael Quicke	400,785	80,563	(25,317)	1,867	–	457,898
James Bevan	272,613	51,472	(17,052)	1,265	–	308,298
Andrew Robinson	272,613	51,472	(17,052)	1,265	–	308,298
Adrian McMillan	376,609	–	(174,115)	1,651	(204,145)	–
Total	1,322,620	183,507	(233,536)	6,048	(204,145)	1,074,494
Amortisation[i]	(465,586)	–	–	–	19,483	(446,103)
Total	857,034	183,507	(233,536)	6,048	(184,662)	628,391

[i] 50% of the value of the initial loan values are amortised by CCLA over the five years from the date of issue.

Features of these loans to Executive Directors are as follows:

(a) Repayments of 5% of the original loan are made per annum.

(b) The loans carry an interest rate which is variable, based upon published rates.

(c) The loans are not included in Directors' emoluments disclosed on page 38, except for the beneficial interest benefit declared for tax purposes; and any write-off applied to the Directors' loans.

The loans are accounted for: at transaction price on initial recognition; and thereafter at amortised cost using the effective interest method.

During the year, John Tattersall, a Non-Executive Director was a Director of UBS Limited. CCLA has made payments during the year of £61,224 to UBS group entities (with no outstanding balance due at the year end) for research and portfolio analysis.

Notes to the Financial Statements

for the year ended 31 March 2019

19. Subsidiary and related undertakings

CCLA Fund Managers Limited is the lone wholly-owned subsidiary undertaking of the Company, which holds 100% of Ordinary Shares. CCLA FM operates in the United Kingdom where it is registered and incorporated and is stated in the CCLA IM financial statements at cost less, where appropriate, provisions for impairment. CCLA FM acts as the manager of eight Alternative Investment Funds, being six COIF Charities Funds, The Local Authorities' Property Fund and the CCLA Diversified Income Fund.

The investment in subsidiary company is held at cost less accumulated impairment losses, where applicable. This investment in subsidiary company is eliminated upon consolidation.

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000	Company 2018 £'000
Investment in subsidiary	–	2,700	–	2,700
	–	2,700	–	2,700

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are set out above in note 18.

The registered office of all related undertakings is Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Longer term trends in performance (unaudited)

Funds under management

Value of funds at year end managed by CCLA Investment Management Limited and CCLA Fund Managers Limited, and fund flows for each year.

		Net Fund Flows		
Years to 31 March	*Funds under management £ million	Long-term funds £ million	Cash funds £ million	Total fund flow £ million
2015	5,674	+457	+5	+462
2016	6,009	+449	-75	+374
2017	7,161	+451	+183	+635
2018	7,842	+587	-69	+518
2019	9,053	+603	+245	+848

*Changes in total funds under management represent the effect of net new fund flows and market movements.

Financial performance

Years to 31 March	Turnover £'000	Pre-tax profit before exceptional items £'000	Exceptional non-recurring and one off items £'000	Pre-tax profit/ (loss) £'000	Capital and reserves £'000	Minimum Regulatory capital requirement £'000
2015	22,196	4,525	(182)	4,343	16,739	3,741
2016	26,034	6,020	(313)	5,707	20,615	4,267
2017	29,908	7,465	(642)	6,823	25,200	4,674
2018	35,097	9,182	(2,056)	7,126	29,174	5,279
2019	39,058	10,040	(1,368)	8,672	27,614	6,571

Longer term trends in performance (unaudited)

Share valuation and dividends per share

CCLA is valued annually as at 30 June based on the results for the previous financial year and the budget for the following year. This share price is used to value the CCLA holding by the CBF Church of England Investment Fund and the COIF Charities Investment Fund. This valuation is also used by the Long Term Incentive Plan and Deferred Bonus Scheme.

The CCLA Board approves the payment of dividends at its Board meeting in October based on the results for the previous financial year, the budget for the current financial year and the results for the year to date.

	Share valuation	Dividend per share
2014	£84.49	£1.50
2015	£114.18	£3.00
2016	£133.49	£6.00
2017	£202.42	£9.00
2018	£290.00	£12.00

List of organisations that we have supported during the year

CCLA has provided financial or in-kind support to the following organisations during the year.

ABF – The Soldiers Charity
Advice UK
Africa Advocacy
Association of Chairs
Association of Charitable Foundations
Association of Charitable Organisations
Association of Charity Independent Examiners
Association of Chief Executives of Voluntary Organisations
Association of Chief Officers of Scottish Voluntary Organisations
Association of Church Accountants and Treasurers
Association of English Cathedrals
Association of Provincial Bursars
Bible Society
BlindAid
Bloodwise
Business Benchmark of Farm Animal Welfare
Brainwave
Cambridge Endowment for Research in Finance
Campaign to Protect Rural England
Carbon Disclosure Project
Carbon Limiting Technologies
Caritas Social Action Network
Cathedrals Administration Finance Association
Catholic Charities Conference
Centre for Enterprise Markets & Ethics
Chartered Institute of Public Finance and Accountancy
Charity Investors Group
Christian Aid
Church of England
Church Investors Group
Churches Conservation Trust
Civil Society
County Councils Network
County Officers Forum
District Councils Network
Dominican Friars – England & Scotland
Ecumenical Council for Corporate Responsibility
Ella Foundation
Enabling Enterprise
Feed the Minds
Headway
Honorary Treasurers Forum
Independent Schools Bursars Association
Innovation for Agriculture
Institute for Voluntary Action Research
Institutional Investors Group on Climate Change
Koestler Trust
Lancaster Foundation
League of Remembrance
Local Government Association
Local Government Information Unit
Local Trust
London Funders
Mission Housing
Natashas project
National Association of British Market Authorities
National Association of Local Councils
National Churches Trust
National Council for Voluntary Service
National Federation of Women's Institutes
Northern Ireland Local Government Association
Prison Advice and Care Trust
Quakers in Britain
Royal Air Force Benevolent Fund
Responsible Finance
Room 151
Royal Naval Benevolent Trust
St Vincent de Paul Society
Scottish Charity Finance Group
Scottish Council for Voluntary Organisations
ShareAction
Small Change
Society of Local Council Clerks
Society of Municipal Treasurers
Society of Unitary Treasurers
Soldiers Sailors Airmen and Families Association
Switchback
Theos
Together for Short Lives
Together for the Common Good
United Reformed Church
Worthstone UK
Young Women's Trust
UK Community Foundations

Company Information

Registered number	2183088
Registered Office	Senator House, 85 Queen Victoria Street, London EC4V 4ET T: 0844 561 5000 www.ccla.co.uk
Independent Auditors	PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT
Solicitors	Farrer & Co LLP, 66 Lincoln's Inn Fields, London WC2A 3LH
Bankers	HSBC Bank Plc, 60 Queen Victoria Street, London EC4N 4TR

CCLA

www.ccla.co.uk

CCLA is the trading name for CCLA Investment Management Limited (Registered in England No. 2183088)
and CCLA Fund Managers Limited (Registered in England No. 8735639).
Both companies are authorised and regulated by the Financial Conduct Authority.
Registered address: Senator House, 85 Queen Victoria Street, London EC4V 4ET.

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