

SONS & FRIENDS OF THE CLERGY

Report and Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2017

2017

Our report is printed on FSC® certified paper from well-managed forests and other controlled sources. It is produced using vegetable-based inks and the cover uses an environmentally friendly water-based laminate.

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Charity registered in England and Wales
charity number 207736

Patron:
Her Majesty the Queen

Honorary President:
The Archbishop of Canterbury

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A message from the Treasurers

This has been an exciting and significant year for Sons & Friends of the Clergy, and we are pleased to commend to our Governors, beneficiaries, supporters, partners and other stakeholders this Trustees' report for 2017.

We are first and foremost a grant-making charity, supporting Anglican clergy families in times of financial hardship or other need. The last year has seen an increased focus on clergy wellbeing, with discussions in the General Synod of the Church of England about a possible 'clergy covenant' and with several studies showing the pressures that Anglican clergy face. One study by the Church's Ministry Division suggested that a fifth of clergy are only just getting by financially, while one-in-six were regularly, often or always feeling burned out by their ministerial role. This is the context in which our charity operates.

The grant-making highlights of the last year (compared to 2016) have included the following:

- Total grant spend up almost 10% to a record level of £2.66m.
- The total number of beneficiaries supported in the year up 14% to 1,035.
- Our general welfare grants increased 15% to £1.98m.
- Our support for clergy dependants and the separated or divorced spouses of clergy increased 2% to £484k.
- Support for those training for ordained Anglican ministry increased 37% to £176k.

We were able to achieve this record level of grant making thanks in part to the strong performance of our investments, on which we continue to rely to a significant extent. Investment income in the year of £3.80m was up 4.3% on the previous year and accounted for 96% of our income. We are grateful to our investment managers for their continued efforts on our behalf.

Governance and management were key areas of focus during 2017. We are delighted that the Charity's objects were amended by an Order in Council to include work for the 'promotion of health' among Anglican clergy and their families. This expanded on our existing objects of poverty alleviation and the relief of illness, whether physical or mental. As explained in the report that follows, in the coming year Trustees will consider what this significant change in the Charity's objects might mean for our future direction and strategy, especially in the context of increased interest in clergy health and wellbeing.

We bade farewell to five trustees during the course of the year: Mrs Ann Joyce, Mr Terry Knight and the Revd John Swanton retired from the Court in November, while the Bishop of London stepped down from his ex officio position when he retired from his see in February. The Archbishop of Canterbury also stepped down as a trustee in November, but kindly agreed to continue as Honorary President. We express our thanks to these retiring trustees for their service and commitment to the Charity. It was a pleasure to welcome as a new trustee the Rt Revd Tim Thornton, Bishop of Lambeth, who was elected to the Court in November.

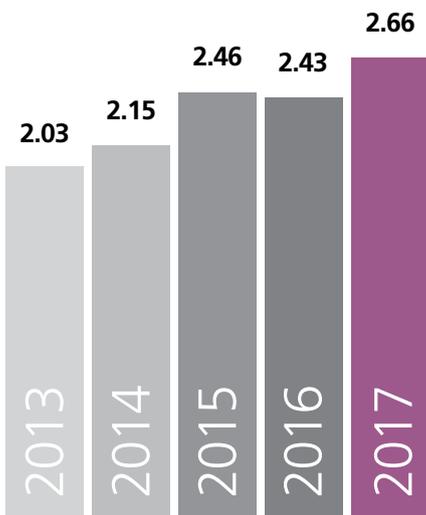
There was also change at the senior management level. Jeremy Moodey joined the Charity as its first Chief Executive in April 2017 while Sarah Crombie was recruited towards the end of the year into a new position of Director of Charitable Services, taking up her post in February 2018.

We take this opportunity to thank our fellow Trustees and Governors, the management and staff, the Festival Stewards and our other supporters for their contributions over the last year.

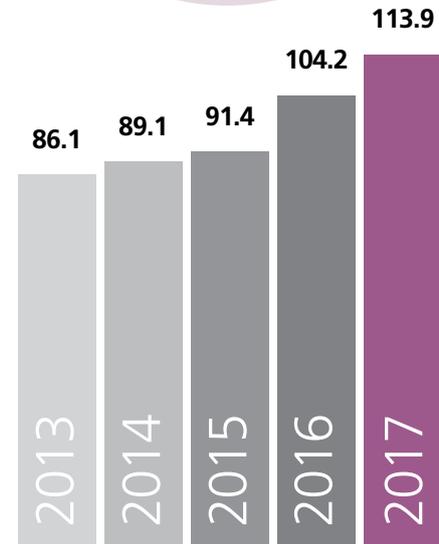
The Right Reverend D D J Rossdale Senior Treasurer	The Venerable C Allsopp Treasurer	Ms A M Brougham Treasurer
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The Charity in numbers

GRANTS EXPENDITURE (£M)



TOTAL FUNDS (£M)



2017 GRANTS SPEND BY BENEFICIARY TYPE (£K)



Clergy
£1,908k

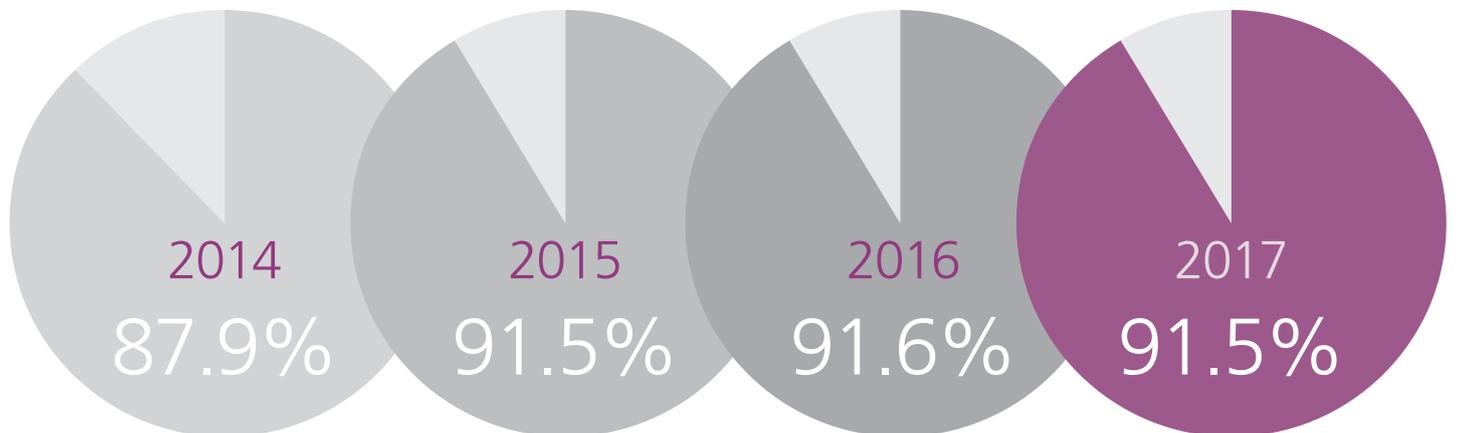
Divorced/separated
£283k

Widow(er)s
£201k

Ordinands
£176k

Organisations
£95k

CHARITABLE SPEND AS % OF TOTAL SPEND (%)



The above figures are taken from the audited results for the Charity for the years from 2013 to 2017, except for the charitable spend as a % of total spend, where the 2013 figure is excluded because it was not directly comparable given a change in accounting requirements. Further commentary on the 2017 results can be found in the 'Financial review' section on pages 9 to 10. In the pages that follow, we give details of what we achieved in 2017, and set out our plans for 2018 and beyond.

Objectives, activities and public benefit

Sons & Friends of the Clergy ("the Charity") is a charity set up by Royal Charter dated 1 July 1678 and registered in England & Wales (number 207736). The Charity is governed by a board of trustees ("the Trustees"), known under the Royal Charter as the Court of Assistants.

The Trustees are pleased to present their Annual Report, together with audited financial statements, for the year ended 31 December 2017.

OBJECTS AND PRINCIPAL ACTIVITIES OF THE CHARITY

The Charity was originally established in 1655 by sons of clergymen to raise funds for destitute Anglican clergy who had lost their livings under Oliver Cromwell. The current objects of the Charity were established in 2012 through Charity Commission Schemes and an Order in Council as part of the amalgamation, effective 1 January 2013, of the Corporation of the Sons of the Clergy and the Friends of the Clergy Corporation, which itself was incorporated by Act of Parliament in 1849. The objects were further amended by an Order in Council effective 15 November 2017 and now read as follows:

'The Charity shall apply the clear yearly income and at its discretion the whole or part of the property of the Charity for the public benefit in providing assistance to beneficiaries, whether directly or indirectly, in such manner as and by such means as the Court of Assistants from time to time in their absolute discretion think fit for the relief or prevention of poverty or hardship or for the relief of illness, and the promotion of health, whether physical or mental.

"Beneficiaries" means members of the clergy, ordinands and the spouses, former spouses, children and dependants of living or deceased members or former members of the clergy or ordinands.

- a) *"children" includes adopted children, step-children and persons treated as the children of a marriage or civil partnership.*
- b) *"civil partners" means the members of a civil partnership within the meaning of Section 1 (1) of the Civil Partnership Act 2004.*
- c) *"clergy" and "members of the clergy" means bishops, priests and deacons of the Anglican Communion.*
- d) *"ordinands" means persons who are preparing for ordination as members of the clergy.*
- e) *the "spouse" of a person means his or her wife, husband, civil partner, widow, widower or surviving civil partner.*

The main focus of the Charity is to provide assistance in the form of discretionary cash grants to retired and serving clergy in the Church of England, the Church in Wales, the Episcopal Church of Scotland and the Church of Ireland, together with the dependants of such clergy. In addition we provide limited financial support to those training for ordained Anglican ministry (ordinands).

Grants are considered as gifts and are made at the full discretion of the Charity to beneficiaries in the furtherance of the above objects. Applicants for financial hardship grants are asked to complete an application form giving details of their household's financial circumstances and the Charity takes this information into account when considering applications and awarding grants. Applications for health-related grants are assessed by the Charity's medical adviser, a retired General Practitioner.

Clergy wellbeing is increasingly in focus within the Anglican Communion, and especially the Church of England, whose General Synod debated the subject in July 2017. A report produced by the Church of England in June 2017 suggested that over 20% of those in ordained ministry and over 34% of ordinands were struggling financially, while some 17% of ordained respondents said they felt regularly, often or always burned out by their ministerial role.

PUBLIC BENEFIT

In carrying out these activities the Trustees have complied with the duty under section 17(5) of the Charities Act 2011 to have regard to the Charity Commission's guidance on public benefit and they are satisfied that the Charity fulfils its fundamental objects and so provides public benefit.

VOLUNTEERS

The Trustees are the only volunteers directly involved in the work of the Charity. All the Trustees give their time voluntarily and receive no personal benefit from the Charity. Further information on the Trustees is included in the Governance section below. Details of Trustees' expenses reclaimed from the Charity are set out in Note 9 to the financial statements.

Achievements, performance and future plans

GRANT-MAKING

Our principal charitable activity in 2017 continued to be the making of financial gifts to Anglican clergy or ordinands, or their dependants, in times of hardship or other difficulty. All grants are provided at the absolute discretion of Trustees. We gave out a record sum of £2,663k in grants (2016: £2,431k) as follows:

General welfare - £1,981k (2016: £1,720k) – Most of the grants under this category were financial hardship gifts made to serving or retired clergy families where the stipend, pension and other household income were insufficient to cover outgoings. We means-test such applications using an in-house benchmarking methodology, based on the stipend, which we are currently reviewing. This heading also included £283k (2016: £320k) in grants given to the divorced or separated spouses of Anglican clergy.

Educational grants - £285k (2016: £349k) – The Charity provides support for the school fees of Anglican clergy families where there is a special educational need. In addition, until the end of 2017, the Charity provided support (£1,500 per child per annum) for clergy children in higher education when the family as a whole was eligible for our financial hardship assistance. In view of the wide availability of student finance, the university maintenance grants were discontinued for new applicants from 1 January 2018.

Ordinand grants - £176k (2016: £129k) – The Charity continues to support with modest grants those training for ordained Anglican ministry whose personal income is below the National Minimum Stipend (£23,800 in 2017/18). We gave 504 such grants in 2017 (2016: 368 grants).

Nursing and care home fees - £81k (2016: £67k) – The Charity provides support for the nursing or care home costs of a limited number of retired clergy or their spouses. Given the increasing challenges in social care funding, this is an area which Trustees expect to review in the coming year.

Other support - £140k (2016: £166k) – This includes support for retired and serving Anglican clergy, or their dependants, in relation to needs including medical costs, resettlement and housing expenses, debt relief, accessibility modifications, relationship counselling and bereavement support.

Included in the above figures are grants to four partner organisations. Further details can be found in Note 7 to the Financial Statements on page 22.

In September 2017 Trustees adopted a new approach to grant-making whereby the vast majority of financial hardship grants were delegated for decision and processing to management on the basis of an agreed grant-making policy, and only exceptional or unusual grant applications, or those for a special purpose, came to Trustees for approval.

Unlike many grant-making and benevolent charities, the Charity has not in recent years applied a maximum savings limit to those applying for help. This was in recognition of the fact that some clergy families in tied housing did have significant savings, but these were often effectively a fund for a home in retirement. However, from 1 January 2018 it was decided to phase in a new criterion,

whereby gifts will not normally be made to any applicant, whether serving or retired clergy or current or former dependant, where the household has savings in excess of £16,000 and where there is also an owned property.

As mentioned above, most of our financial support goes to serving clergy families where the stipend is inadequate to cover outgoings. This is especially true of clergy with dependent children where the spouse or partner is unable to take paid employment and welfare benefits are also insufficient. In the course of 2017 the Charity commissioned two pieces of research looking at the financial wellbeing of Anglican clergy families. The first, building on research undertaken by the Ministry Division of the Archbishops' Council, looked at subjective measures of financial wellbeing among different categories of clergy and ordinands. It confirmed that those households with dependent children were the most likely to experience financial hardship. The second study looked at how the UK 'Minimum Income Standard' (MIS) produced annually by the Centre for Research in Social Policy for the Joseph Rowntree Foundation, as the basis for the UK's 'Living Wage', might relate to the financial needs of clergy and their dependants. Trustees plan to develop this work in the course of 2018.

CHARITABLE OBJECTS

As stated in last year's report, Trustees were concerned that the objects of the Charity presented some challenges in the context of the needs of our potential beneficiaries. Trustees were therefore very pleased when, on 15 November 2017, the charity's objects were amended by an Order in Council approved by Her Majesty The Queen. With immediate effect, the Charity was empowered to work for the 'promotion of health' among the Anglican clergy and their families, as well as its previous objects of poverty alleviation and the relief of illness, whether physical or mental. In the course of 2018 Trustees will consider what this significant change in the Charity's objects might mean for its future direction and strategy, especially in the context of increased interest in clergy health and wellbeing.

GOVERNANCE

We reported last year that Trustees had commissioned in 2016 an extensive independent review of our governance framework. During the course of 2017 Trustees developed new governance guidelines in response to the various recommendations contained in the review. These were agreed by the Court at its meeting in October 2017 and implementation is underway. Included within the agreed guidelines are changes to the process for recruitment of the Senior Treasurer, maximum terms of office for Trustees and the regulation of Trustee meetings and related committees.

As part of this process, it was recognised that the Charity's formal governance framework may no longer be fully relevant to the Charity and the Court has initiated discussions with its lawyers to consider the implications of enhancements to our Royal Charter and the development of a broader formal governance framework. This work is expected to continue into 2019.

Achievements, performance and future plans (cont.)

SENIOR MANAGEMENT

As noted in last year's report, Jeremy Moodey joined the Charity as its first Chief Executive in April 2017. Towards the end of the year a new post, Director of Charitable Services, was created. Sarah Crombie joined from a similar role at Bank Workers Charity and took up her position in February 2018.

MARKETING AND COMMUNICATIONS

At present the main marketing focus of the Charity is on the annual Festival Service which takes place at St Paul's Cathedral each May. The 363rd Festival was held on 9 May 2017 and was well attended by Stewards, Livery Companies, representatives of the Church and other supporters. The choirs of Chichester and Chester Cathedrals joined the Choir of St Paul's in some magnificent choral singing, and the preacher was the Archbishop of York. At the Festival Dinner at Merchant Taylors' Hall which followed the Service, the after-dinner speaker was the Revd Richard Coles. The Trustees wish to record their gratitude to the Dean and Chapter of St Paul's Cathedral and to the Master and Wardens of the Merchant Taylors' Company for all their assistance and support in helping to make the Festival the splendid occasion that it is. Trustees and management are reviewing how future Festivals can be better used to promote the mission of the Charity.

PENSION FUND

Trustees have made further progress during the year towards the winding up of the Charity's defined benefit pension scheme (The Corporation of the Sons of the Clergy Retirement Benefit Scheme). There are no active or deferred members remaining in the Scheme and, subject to the successful resolution of one remaining issue, the formal winding up process and associated communication with The Pensions Regulator should commence in 2018. The estimated direct costs of completing this work have been provided for in the accounts; further information can be found in Note 18 of the Financial Statements.

PLANS FOR THE FUTURE

With our objects now enlarged to include the promotion of health, and supported by our strong financial position, Sons & Friends of the Clergy is uniquely placed to become the leading UK charity focused exclusively on promoting the wellbeing of Anglican clergy and their families. This is timely, as recent debates in the General Synod of the Church of England have shown that clergy wellbeing is increasingly in focus within the Church. Particular emphasis has been placed on the impact of stress, isolation and loneliness on the lives and ministries of Anglican clergy. As a result, a working group has been established by General Synod to consider a possible 'clergy covenant', similar to the Military Covenant, and this will report back to General Synod in July 2019.

While the Church is considering carefully how it should exercise its duty of care to those who serve in ordained ministry, at the same time there is an important role for independent charities such as Sons & Friends, especially at times of personal crisis in clergy households, whether financial or health-related. In the course of 2018 the Charity will therefore be reviewing its **overall strategy** to see how it can better focus its work, and make it more effective.

The Charity will also be reviewing its approach to **branding and communications**, including our website, to ensure that we are reaching all our potential beneficiaries. It is likely that **partnership** with other charities and agencies involved in clergy wellbeing will also be increasingly important in the work of the Charity. Finally, we will be continuing to review the Charity's **governance**, especially in the light of the Charity Commission's Governance Code for Larger Charities, published in July 2017. Trustees will be monitoring the working of our informal governance guidelines, adopted by the Court in October 2017, and considering to what extent these should be embodied in a more comprehensive review of our Royal Charter in the course of 2018 and 2019.

Governance

COURT OF ASSISTANTS

The overall management of the Charity is vested in the Court of Assistants ("the Court"), which consists of the Trustees of the Charity. The Trustees who served during the year and up to the date of this report are listed under 'Reference and Administrative Details' on page 9. The Court met eleven times in 2017 (each month apart from January) in order to conduct the principal business of the Charity.

The members of the Court are elected each year by the Governors of Sons & Friends of the Clergy at the Annual General Court in accordance with the Royal Charter. The officers of the Charity, known as the Treasurers, are also elected by the Governors at the Annual General Court.

The Court delegated some of its responsibilities to four committees which met as follows

- Appointments Committee (chaired by David Rossdale) – met once to consider the recruitment of new Trustees.
- Audit Committee (chaired by Jonathan Prichard) – met once to consider the 2016 Report and Accounts.
- Finance & Investment Committee (chaired by Alex Brougham) – met four times to oversee all matters relating to finance and investment.
- Grants Review Committee (chaired by Christine Allsopp) – met three times to consider the Charity's grant-making activities.

Ad hoc working groups that met during the year included those considering clergy debt, the annual Festival Service, the implementation of the external governance recommendations and strategy.

As noted above, in 2017 Trustees made some changes to the Court's organisational structure as part of their new governance guidelines. Effective January 2018 four new committees were established as follows:

- Governance Committee
- Grants Committee
- Investments Committee
- Risk, Audit & Finance Committee

Working terms of reference for each of these committees have been agreed by the Court and will be reviewed during the course of 2018 before being formally adopted.

TRUSTEE ATTENDANCE

The table below sets out the attendance of trustees at meetings of the Court during 2017. It also indicates committee memberships. Attendance at committees has not been shown for 2017, since the committee structure was changed at the end of the year. It is the intention of trustees to provide this information in future annual reports.

	Court of Assistants	
	Total	Attended
The Archbishop of Canterbury	9	0
The Bishop of London	1	0
The Venerable C Allsopp ^{1 3 4 5 6}	11	9
Ms A M Brougham ^{1 3 4 5 6}	11	9
Canon C J Davies ⁴	11	9
The Reverend Dr N R Dunn ^{1 3 6}	11	7
Mr A J Gillett ^{2 5}	11	10
Mr T D D Hoffman ³	11	7
The Reverend R F Hunte ^{1 2}	11	8
Mrs A Joyce ⁴	9	8
The Reverend W P Kennedy ^{3 6}	11	5
Mr T G Knight ³	9	5
The Venerable D W Lowman ^{4 5}	11	10
Lady Mawer ^{4 5 6}	11	11
Mr J M R Prichard ^{2 6}	11	8
The Right Reverend D D J Rossdale ^{1 3 4 5 6}	11	10
Ms J F Sandham ^{5 6}	11	9
The Reverend J J Swanton ^{1 2 4}	9	3
The Right Reverend T M Thornton	2	0
Mr P N C Walker ³	11	8

1. Appointments Committee

2. Audit Committee

3. Finance & Investment Committee

4. Grants Review Committee

5. Governance Implementation Group

6. Strategy Working Group

NB excludes Festival Working Group

Governance (cont.)

TRUSTEE RECRUITMENT AND INDUCTION

The Trustees keep their membership under review in order to ensure a wide and relevant representation within their number. New members are normally recruited from within the relevant skill areas in order to bring to the Court people who not only have the experience and expertise that are sought but who are also sympathetic to the work of the Charity. All new Trustees are provided with an induction which comprises meetings with one or more of the Officers of the Charity and the Chief Executive and the provision of relevant background documentation.

EXECUTIVE MANAGEMENT AND ORGANISATIONAL STRUCTURE

The day-to-day management of the Charity is delegated to the Chief Executive, formerly known as the Registrar. The Chief Executive Jeremy Moodey leads a Senior Leadership Team which additionally consists of the following two directors:

- Kris Davidson, Director of Central Services, who looks after the finances, property, IT and other central services of the Charity and manages a team of two staff.
- Sarah Crombie, Director of Charitable Services (a new appointment in February 2018), who oversees the Charity's grant-making and other charitable services, and manages a team of three staff.

KEY MANAGEMENT PERSONNEL

The key management personnel of the Charity in 2017 comprised the Trustees, the Chief Executive (from 18 April 2017), the Interim Registrar (to 18 April 2017) and the Director of Central Services. The total employee benefits of the key management personnel of the Charity are disclosed in Note 9 to the Financial Statements. Remuneration and benefits for executive management are set by Trustees on the basis of peer sector benchmarking and annual cost of living adjustments. There is currently no performance-related pay scheme in operation.

PRINCIPAL RISKS AND UNCERTAINTIES

Trustees and management regularly review the major risks to which the Charity is exposed and consider how these might be mitigated. Consideration of a new and more detailed Risk Management Policy began in 2017 and, once implemented in 2018, will make the monitoring of risks more systematic, based on an agreed statement of the Court's risk appetite.

Trustees have identified that a significant risk to which the Charity is currently exposed, given our heavy reliance on investment income, is the risk of investment losses arising from stock market volatility. The Charity mitigates this by retaining investment managers who are instructed to manage the portfolios in accordance with the Charity's Investment Policy and to maintain a diversified investment portfolio. In the course of 2017 the Finance & Investment Committee conducted a 'beauty parade' of investment managers and decided to add Cazenove to the list of managers retained by the Charity. This is further explained in the Financial Review section below. A new and focused Investment Committee was set up in 2018, charged with regular reviews of investment performance.

Another significant risk identified is the loss or misuse of sensitive personal data relating to our beneficiaries. Trustees agreed in 2016 to move the Charity from paper-based to more secure computerised grant applications, and this approach worked well in 2017. The Charity commissioned an external review of its data protection procedures in August 2017, and this concluded that the charity's procedures were sound, although there were some further areas for improvement. The Charity also commissioned a consultant to advise on compliance with the General Data Protection Regulation which came into effect in May 2018.

A further risk identified and addressed in 2017 was the risk of sub-optimal governance. The Charity is unusual in that its 1678 Royal Charter does not have any associated by-laws or regulations to guide its governance and administration. In due course Trustees intend to address this through a comprehensive updating of the Royal Charter, subject to the agreement of the Charity Commission and the Privy Council. In the meantime, and as stated above, Trustees agreed in 2017 on some interim governance guidelines to inform the management of the Charity.

Other risks identified include a failure to comply with legal and regulatory obligations. The Chief Executive reports to the Court of Assistants regularly on fulfilling statutory requirements and Trustees take professional advice where required including legal, HR and independent governance advice. The Court of Assistants also monitors and conducts monthly audits of grant files.

FUNDRAISING

In accordance with the Charities (Protection and Social Investment) Act 2016, the following statement outlines the approach of the Charity to fundraising in 2017.

At present, and in light of its significant investment portfolio, the Charity does not actively fundraise, other than through its annual Festival Service at St Paul's Cathedral, where a general appeal to support the work of the Charity is made. Occasional donations and legacies are also received, but these are not actively solicited. In 2017 the Charity did not contract the services of any professional fundraisers as defined by section 58 of the Charities Act 1992. During the course of the year we did not receive any complaints about our fundraising practice. We do not engage in persistent or intrusive fundraising practices with any of our supporters, including vulnerable people.

Financial Review

Total income for the year amounted to £3.96m (2016: £4.18m). Income was reduced year-on-year because the previous year included a surplus on the sale of two charitable housing properties of £383k. However, investment income was higher at £3.80m (2016: £3.65m). Total expenditure amounted to £3.67m (2016: £3.46m), mainly because of higher grant expenditure, resulting in a surplus before net gains on investments of £286k (2016: £718k). After taking into account net gains on investments, total funds increased by £9.74m (2016: £12.77m).

INVESTMENTS AND INVESTMENT PERFORMANCE

Our principal investment objective is to promote and protect the financial interests of the Charity and its beneficiaries by providing an adequate income return whilst as far as possible maintaining the long-term value of the funds in real terms. Investment performance is reviewed on a regular basis against agreed benchmarks.

During the year, Trustees reviewed and revised their Statement of Investment Policy. This review takes place annually. It is the Charity's policy to take note of the guidelines provided by the Church of England's Ethical Investment Advisory Group. The Charity's approach to ethical considerations will be refined during 2018.

The Finance and Investment Committee also carried out its five year review of its external investment managers. This provided an opportunity to discuss in detail what had been achieved over this longer time period and to put in place an appropriate structure looking to the next five years. Consequently, all the existing

managers were retained but with the addition of Cazenove Capital Management. This has provided some further manager diversification by the addition of a second balanced manager, while also allowing a small reduction to our equity exposure after a long period of high returns from this asset class. The investment portfolio is now managed by four external managers and is broadly diversified across asset classes and geographical markets. This is expected to reduce the capital risk that can arise with a narrower portfolio.

One of these, the Charities Property Fund, managed by Savills Investment Management Ltd, focuses only on property investments. The other three managers have separate performance benchmarks, owing to their differing inception dates and the objectives of the portfolios at those times. The portfolios managed by Sarasin and now Cazenove have a balanced multi-asset approach while the Charles Stanley portfolio has focused primarily on equities in recent times.

During the year, as set out below, all three of the original portfolios again generated positive results against a background of strong returns across asset classes. Charles Stanley again outperformed its benchmark and with its focus on equities achieved the highest rate of return. In contrast, the Sarasin portfolio has had a challenging year against its official benchmark but is nonetheless well ahead of the ARC Charity Index. The Charities Property Fund was in line with its benchmark but again this was still a good result, and well ahead of inflation while also producing a significant level of income.

Manager	Value of Portfolio £	Portfolio Performance Return %	Benchmark %	Relative Performance %
Cazenove Capital Management*	20,775,732	2.2	3.6	-1.4
Sarasin & Partners LLP	20,875,017	11.1	11.3	-0.2
Charles Stanley & Co Ltd	58,367,616	14.3	13.1	+1.2
Charities Property Fund	10,547,628	10.2	10.2	0.0

*For the five months August-December 2017 only

The annualised three and five year returns for the longer-serving managers are shown below and have also been positive, with returns well ahead of inflation. Sarasin has lagged its benchmark after fees but over both three and five year periods has remained above the median of the ARC Steady Growth Index, which measures the performance of a range of charity investment managers. Both Charles Stanley and the Charities Property Fund have outperformed their benchmarks over both time periods.

Periods ended December 2017 (annualised)	Portfolio Performance			Portfolio Performance		
	Return	Benchmark	Relative Performance	Return	Benchmark	Relative Performance
	3 years %	%	%	5 years %	%	%
Sarasin & Partners LLP	8.5	10.1	-1.6	9.7	10.9	-1.2
Charles Stanley & Co Ltd	14.3	10.1	+4.2	14.6	10.3	+4.3
Charities Property Fund	9.5	8.8	+0.7	11.4	10.2	+1.2

Financial Review (cont.)

The newly formed Investment Committee will meet with each of the four managers at least once a year while also regularly reviewing performance, asset allocation and the market background.

The Charity also owns three investment properties which were independently valued at the year end at £1,540k (2016: £1,418k).

Further information on our investments can be found in Note 12 to the Financial Statements.

SOURCES OF FUNDING

The Charity's investment portfolios, themselves largely the result of the generosity of past generations of supporters, provide the Charity's major source of funding. From time-to-time the Charity benefits from donations and legacies and the Festival benefits from the generous donations received, including those from Stewards, the Livery Companies and the collection at the service. The Charity receives no subsidy from any other central authority.

RESERVES POLICY AND FUNDS

The reserves policy adopted by the Trustees requires that funds be held such as to enable the Charity to maintain a level of charitable activities (currently primarily awarding financial grants) that balances a proper response to the needs of current and potential beneficiaries with the need to mitigate the risks of future investment performance having a detrimental effect on reserves required to support the Charity's future charitable activities. The cost of charitable activities, the investment objectives and the net returns on investments are reviewed on a regular basis in the context of this policy.

The Charity's policy is to hold reserves in the form of cash and short-term deposits sufficient to cover at least three months of operating costs based on average monthly amounts over the last five years. As at 31 December 2017, the Charity held cash and short-term deposits of £0.75m (2016: £1.25m), equivalent to approximately 2.5 months of net operating costs. Trustees were satisfied with this temporary breach of the reserves policy given their confidence about cashflows (primarily investment income) due early in the New Year. Remaining reserves are invested primarily in fund investments, classified as fixed asset investments in the Charity's accounts. The level of reserves invested in fund investments is reviewed regularly and as at 31 December 2017 the Charity held fund investments of £110.57m (2016: £100.63m). As the majority of the Charity's fund investments can be sold without notice, if necessary fund investments can be reduced through sales to ensure sufficient funds are available to meet the needs of the Charity. Less liquid assets form only a small component of the Charity's reserves and as at 31 December 2017 the Charity held tangible fixed assets of £0.98m (2016: £0.98m) and investment properties of £1.54m (2016: £1.42m).

Total reserves held by the Charity as at 31 December 2017 were £113.94m (2016: £104.20m), of which £111.86m is considered unrestricted (2016: £102.41m), £1.87m is restricted with regards to its use (2016: £1.60m) and £0.21m is held under endowment (2016: £0.19m). Details of the various different funds held and of the terms on which each of those funds is held are set out in Note 16 to the financial statements. Notwithstanding those funds restricted as to their use, and excepting those liabilities recognised in the Charity's accounts, as at 31 December 2017 no reserves had been otherwise designated or committed for any specific purpose (2016: nil). Based on the definitions in SORP 2015 as at 31 December 2017 the Charity's free reserves were £110.89m (2016: £101.43m), being unrestricted funds of £111.86m excluding amounts related to freehold properties of £0.97m.

As a result of careful stewardship over many years, including the success of its investment policy, the Charity has unspent funds. The Trustees intend to continue to exercise careful stewardship and are mindful that the Charity cannot depend on the level of generosity demonstrated by supporters during its long history. At the same time, Trustees are aware that the changing face of ministry in the context of today's society is presenting increased and new challenges for current and future beneficiaries that requires the Charity to be able to respond to increased need. The Trustees are therefore delighted that in November 2017 the Charity's objects were amended by an Order in Council to incorporate the 'promotion of health'. This will enable the Charity to address more broadly the changing needs of its current and potential beneficiaries in the spirit of the Charity's origins.

Reference and Administrative Details

INCORPORATION AND REGISTRATION

The Charity now known as Sons & Friends of the Clergy was originally founded in 1655 by a group of sons of clergymen and was then incorporated by Royal Charter in 1678 under the name of the Governors of the Charity for Releefe of the Poore Widdowes and Children of Clergymen. The Royal Charter was amended in 1971 and again in October 2012 (as part of the amalgamation, effective 1 January 2013, of the Corporation of the Sons of the Clergy and the Friends of the Clergy Corporation) and in November 2017 (to amend the Charity's objects to include the promotion of health). Sons & Friends of the Clergy is registered with the Charity Commission for England and Wales with the number 207736.

LINKED CHARITY

The Friends of the Clergy Corporation was incorporated by Act of Parliament in 1849 to provide annuities for widows and dependants of clergy. It is registered with the Charity Commission for England and Wales with the number 207736-41. With effect from 1 January 2013, all assets and liabilities of The Friends of the Clergy Corporation were transferred to Sons & Friends of the Clergy, following completion of the amalgamation process between the Corporation of the Sons of the Clergy and The Friends of the Clergy Corporation.

TRUSTEES

The following were the members of the Court of Assistants throughout 2017 (except as stated below):

The Archbishop of Canterbury (until 9 November 2017)
The Bishop of London (until 28 February 2017)
The Venerable C Allsopp
Ms A M Brougham
Canon C J Davies
The Reverend Dr N R Dunn
Mr A J Gillett
Mr T D D Hoffman
The Reverend R F Hunte
Mrs A Joyce (until 9 November 2017)
The Reverend W P Kennedy
Mr T G Knight (until 9 November 2017)
The Venerable D W Lowman
Lady Mawer
Mr J M R Prichard
The Right Reverend D D J Rossdale
Ms J F Sandham
The Reverend J J Swanton (until 9 November 2017)
The Right Reverend T M Thornton (from 9 November 2017)
Mr P N C Walker

OFFICERS

The officers of the Charity during 2017 were as follows:

President	The Archbishop of Canterbury (until 9 November 2017, when he was appointed Honorary President)
Senior Treasurer	The Right Reverend D D J Rossdale
Treasurers	The Venerable C Allsopp Ms A M Brougham
Chief Executive Officer/Registrar	Tim Jeffery (Interim Registrar until 18 April 2017) Jeremy Moodey (Chief Executive from 18 April 2017)

REGISTERED OFFICE

1 Dean Trench Street, Westminster, London SW1P 3HB

AUDITORS

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

INVESTMENT ADVISERS/MANAGERS

Sarasin & Partners LLP
Juxon House, 100 St. Paul's Churchyard, London EC4M 8BU

Cazenove Charities
12 Moorgate, London EC2R 6DA

Charles Stanley & Co. Limited
55 Bishopsgate, London EC2N 3AS

The Charities Property Fund
Cordea Savills, 33 Margaret Street, London W1G 0JD

BANKERS

Messrs C Hoare & Co
37 Fleet Street, London EC4P 4DQ

National Westminster Bank Plc
PO Box 3038, 57 Victoria Street, London SW1H 0HN

PROPERTY VALUERS

Edward James Surveyors
3 More London Riverside, London SE1 2RE

Statement of Trustees' Responsibilities

The Court of Assistants is responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Court of Assistants to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources of the Charity for that period. In preparing these financial statements, the Court of Assistants is required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Court of Assistants is responsible for adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable it to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations and the provisions of the Royal Charter and Act of Parliament under which the Charity is incorporated. It is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Court of Assistants on 5 June 2018

The Right Reverend
D D J Rossdale
Senior Treasurer

The Venerable
C Allsopp
Treasurer

Ms A M Brougham
Treasurer

Independent Auditor's Report to the Trustees

OPINION

We have audited the financial statements of Sons & Friends of the Clergy ("the Charity") for the year ended 31 December 2017 which comprise the Statement of Financial Activity, Balance Sheet, Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 December 2017 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

USE OF OUR REPORT

This report is made solely to the Charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity's ability to continue to adopt the

going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

RESPONSIBILITIES OF TRUSTEES

As explained more fully in the Statement of Trustees' Responsibilities set out on page 12, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Trustees (cont.)

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

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

Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

Date: 14 June 2018

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

Statement of Financial Activity

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £	Total Funds 2016 £
Income and Endowments from:						
Donations and legacies	2	96,383	59,035	-	155,418	148,469
Investments	3	3,749,359	53,790	1,504	3,804,653	3,646,657
Charitable activities	4	-	-	-	-	382,694
Total		3,845,742	112,825	1,504	3,960,071	4,177,820
Expenditure on:						
Raising funds	5	302,511	10,627	905	314,043	292,840
Charitable activities	6	3,360,040	77	-	3,360,117	3,166,561
Total		3,662,551	10,704	905	3,674,160	3,459,401
Net income before net gains on investments		183,191	102,121	599	285,911	718,419
Net gains on investments	12	9,263,443	172,542	20,100	9,456,085	12,047,329
Net income and Net movement in funds		9,446,634	274,663	20,699	9,741,996	12,765,748
Total funds brought forward		102,413,922	1,598,223	189,586	104,201,731	91,435,983
Total funds carried forward	16	111,860,556	1,872,886	210,285	113,943,727	104,201,731

The notes set out on pages 19 to 26 form part of these financial statements.

Statement of Financial Activity

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Income and Endowments from:					
Donations and legacies	2	122,218	26,251	-	148,469
Investments	3	3,596,085	49,258	1,314	3,646,657
Charitable activities	4	382,694	-	-	382,694
Total Income		<u>4,100,997</u>	<u>75,509</u>	<u>1,314</u>	<u>4,177,820</u>
Expenditure on:					
Raising funds	5	281,582	10,449	809	292,840
Charitable activities	6	3,166,484	77	-	3,166,561
Cost of grant making		<u>3,448,066</u>	<u>10,526</u>	<u>809</u>	<u>3,459,401</u>
Net income before net gains on investments		652,931	64,983	505	718,419
Net gains on investments	12	11,951,869	77,285	18,175	12,047,329
Net income and Net movement in funds		<u>12,604,800</u>	<u>142,268</u>	<u>18,680</u>	<u>12,765,748</u>
Total funds brought forward		<u>89,809,122</u>	<u>1,455,955</u>	<u>170,906</u>	<u>91,435,983</u>
Total funds carried forward	16	<u>102,413,922</u>	<u>1,598,223</u>	<u>189,586</u>	<u>104,201,731</u>

The notes set out on pages 19 to 26 form part of these financial statements.

Balance Sheet

AS AT 31 DECEMBER 2017

	Notes	£	Dec 2017 £	£	Dec 2016 £
Fixed assets					
Tangible fixed assets	11	978,908		982,529	
Investment assets	12	112,105,995		102,051,474	
			113,084,903		103,034,003
Current assets					
Debtors	13	270,694		259,445	
Short-term deposits		511,312		901,660	
Cash at bank and in hand		241,524		349,356	
		1,023,530		1,510,461	
Current Liabilities					
Creditors amounts falling due within one year	14	(139,706)		(270,505)	
Net Current Assets					
		883,824		1,239,956	
Provision for winding up pension scheme	9,18	(25,000)	858,824	(72,228)	1,167,728
Total Assets less Liabilities					
			113,943,727		104,201,731
Funds					
Unrestricted	16		111,860,556		102,413,922
Restricted	16		1,872,886		1,598,223
Endowment	16		210,285		189,586
Total Funds					
			113,943,727		104,201,731

The financial statements were approved and authorised for issue by the Court of Assistants on 5 June 2018 and signed on their behalf by

The Right Reverend D D J Rossdale
Senior Treasurer

Ms A M Brougham
Treasurer

The notes set out on pages 19 to 26 form part of these financial statements.

Statement of Cash Flows

	Total Funds 2017 £	Total Funds 2016 £
Net cash used in operating activities	(a) (3,704,396)	(3,354,477)
Cash flows from investing activities:		
Income, interest and rents from investments	3,804,653	3,646,657
Proceeds from sale of property	-	491,656
Purchase of furniture and equipment	-	(8,296)
Proceeds from sale of investments	66,652,952	18,534,225
Purchase of investments	(67,251,389)	(20,109,851)
Net cash provided by investing activities	<u>3,206,216</u>	<u>2,554,391</u>
Change in cash and cash equivalents	(498,180)	(800,086)
Cash and cash equivalents brought forward	<u>1,251,016</u>	<u>2,051,102</u>
Cash and cash equivalents carried forward	(b) <u>752,836</u>	<u>1,251,016</u>
Reconciliation of net movement in funds to net cash flow from operating activities		
(a) Net income for the reporting period	9,741,996	12,765,748
Adjustments for:		
Depreciation charge	3,621	5,608
Income, interest & rents from investments	(3,804,653)	(3,646,657)
Loss/(profit) on sale of fixed assets	-	(382,119)
(Gains)/losses on investments	(9,456,084)	(12,047,329)
Increase in debtors	(11,249)	(48,581)
Decrease in creditors	(178,027)	(1,147)
Net cash used in operating activities	<u>(3,704,396)</u>	<u>(3,354,477)</u>
(b) Analysis of cash and cash equivalents		
Cash at bank and in hand	241,524	349,356
Short-term deposits	511,312	901,660
	<u>752,836</u>	<u>1,251,016</u>

The notes set out on pages 19 to 26 form part of these financial statements.

Notes to the Financial Statements

Sons & Friends of the Clergy (“the Charity”) is a corporation governed by Royal Charter and a charity registered in England & Wales with the registered address of 1 Dean Trench Street, Westminster, London SW1P 3HB. Its principal charitable activity is the provision of financial grants and other support to Anglican clergy families in times of hardship or crisis.

1 ACCOUNTING POLICIES

(a) Basis of preparation and assessment of going concern

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant note(s) to these accounts. The financial statements have been prepared in accordance with the Charities Act 2011, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The financial statements are presented in pounds sterling which is the Charity’s functional currency. Unless otherwise stated, amounts are rounded to the nearest £1.

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

The trustees consider that there are no material uncertainties about the Charity’s ability to continue as a going concern. The most significant area of uncertainty that affects the future carrying value of the assets held by the Charity is the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the trustees’ annual report for more information).

(b) Funds structure

Details of the various funds held and of the terms on which each of those funds is held are set out in Note 16 to the financial statements.

(c) Income recognition

Incoming resources are recognised in the Statement of Financial Activities when entitlement is both reliably measurable and there is probable receipt. Where incoming resources derived from endowment funds are unrestricted these are included within unrestricted funds.

Legacies are recognised following the granting of probate when the administrator or executor for the estate has communicated in writing both the amount and settlement date. In the event that the legacy is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the legacy being reliably measurable with a degree of reasonable certainty.

Interest on funds held on deposit is included when receivable and notification has been received from the bank. Income from investment funds is recognised once notification has been received from the investment advisors.

(d) Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Charity to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated to the applicable expenditure headings.

Grants are considered as gifts from the Charity and are made at the full discretion of the trustees to beneficiaries in the furtherance of the charitable objects of the Charity. In the case of an unconditional grant offer, this is accrued once the recipient has been notified of the grant award. Deferred grants are grants that have been awarded but are not payable until some future date. Most school fees grants and certain other grants are paid by instalments and some other grants are awarded for payment at a future date.

(e) Governance costs

Governance costs comprise all costs associated with the strategic as opposed to day-to-day management of the Charity’s activities together with the public accountability of the Charity and its compliance with regulations and good practice.

(f) Expenditure on raising funds

Expenditure on raising funds consists of investment management costs and an allocation of staff costs based on staff time.

(g) Expenditure on charitable activities

Expenditure on charitable activities consists of grants made and an allocation of support and governance costs based on staff time.

(h) Tangible fixed assets and depreciation

Freehold properties are included at cost. No depreciation is provided on such properties because the estimated residual values are considered to be in excess of cost. Regular maintenance is carried out on these properties to mitigate against any indicator of impairment.

All assets costing over £1,000 are capitalised and stated at historical cost. Depreciation is charged on a straight line basis on fixtures and fittings and equipment over their estimated useful life from the year of acquisition of five and three years, respectively.

(i) Fixed asset investments

Fixed asset investments that are a form of basic financial instrument are initially recognised at their transaction value and subsequently measured at their fair value as at the reporting date using the closing quoted market price.

Fixed asset investment properties for which fair value can be measured reliably without undue cost or effort are measured at fair value at each reporting date.

All gains and losses on investments are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and transaction value. Unrealised gains and losses for the year are calculated as the difference between the fair value at the year end and the opening carrying value, or the transaction value if acquired in the financial year. Realised and unrealised gains and losses on investments are combined in the Statement of Financial Activities.

(j) Gains and losses on investments

All gains and losses on investments are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and transaction value. Unrealised gains and losses for the year are calculated as the difference between the fair value at the year end and the opening carrying value, or the transaction value if acquired in the financial year. Realised and unrealised gains and losses on investments are combined in the Statement of Financial Activities.

(k) Pensions

In accordance with auto-enrolment, the Charity contributes a percentage of salary into a Group Pension Plan, which comprises a series of personal pension plans arranged for the Charity’s eligible employees. The employer contribution levels exceed the minimum levels required under auto-enrolment.

(l) Financial assets and liabilities

The Charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. With the exception of the fixed asset investments referred to in (i) above, the Charity’s basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

The main form of financial risk faced by the Charity is that of volatility in investment markets due to wider economic conditions.

Notes to the Financial Statements (cont.)

(m) Key judgements and estimates

The preparation of the financial statements requires the Trustees to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosures of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions, which are based on the Trustees' best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The Trustees consider the following to be the main sources of estimation uncertainty:

- Provisions – a provision to cover the winding up of the pension scheme has been included in the balance sheet. This has been calculated based on the Trustees' available knowledge up to the date that the financial statements are approved.
- Income recognition of legacies – legacies have been recognised when receipt is probable and on a case-by-case basis once the value can be measured reliably.

2 DONATIONS AND LEGACIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Donations	74,483	6,231	-	80,714
Legacies	21,900	52,804	-	74,704
	<u>96,383</u>	<u>59,035</u>	<u>-</u>	<u>155,418</u>
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Donations	76,031	9,879	-	85,910
Legacies	46,187	16,372	-	62,559
	<u>122,218</u>	<u>26,251</u>	<u>-</u>	<u>148,469</u>

3 INVESTMENT INCOME

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Rental income	44,293	18,792	-	63,085
Income from investment funds	3,703,249	34,846	1,503	3,739,598
Bank Interest	1,817	152	1	1,970
	<u>3,749,359</u>	<u>53,790</u>	<u>1,504</u>	<u>3,804,653</u>
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Rental income	45,106	17,911	-	63,017
Income from investment funds	3,544,981	31,078	1,314	3,577,373
Bank Interest	5,998	269	-	6,267
	<u>3,596,085</u>	<u>49,258</u>	<u>1,314</u>	<u>3,646,657</u>

4 INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Surplus on sale of freehold property	-	-	-	-
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Surplus on sale of freehold property	382,694	-	-	382,694

Following the closure to new occupants of the Charity's housing scheme for retired clergy and their wives/widows some time ago, houses are sold as and when they become vacant and are not replaced. During the year, no houses were sold (2016: two). There was one (2016: one) housing scheme property remaining at the year end. The remaining property became vacant in January 2018 and was sold in May 2018, resulting in a net surplus on sale of £386k.

5 EXPENDITURE ON RAISING FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Investment management costs				
- investment properties	23,357	6,296	-	29,653
- investment funds	266,616	4,331	905	271,852
Staff costs (see Note 9)	12,538	-	-	12,538
	<u>302,511</u>	<u>10,627</u>	<u>905</u>	<u>314,043</u>
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Investment management costs				
- investment properties	15,767	6,910	-	22,677
- investment funds	252,380	3,539	809	256,728
Staff costs (see Note 9)	13,435	-	-	13,435
	<u>281,582</u>	<u>10,449</u>	<u>809</u>	<u>292,840</u>

6 EXPENDITURE ON CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Grants (see Note 7)	2,662,793	-	-	2,662,793
Charitable housing costs	30	-	-	30
Support and governance costs (see Note 8)	278,932	77	-	279,009
Staff costs (see Note 9)	418,285	-	-	418,285
	<u>3,360,040</u>	<u>77</u>	<u>-</u>	<u>3,360,117</u>
	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Grants (see Note 7)	2,431,128	-	-	2,431,128
Charitable housing costs	819	-	-	819
Support and governance costs (see Note 8)	287,714	77	-	287,791
Staff costs (see Note 9)	446,823	-	-	446,823
	<u>3,166,484</u>	<u>77</u>	<u>-</u>	<u>3,166,561</u>

7 GRANTS

During the year, the Charity awarded 1,035 grants to qualifying individuals and organisations (2016: 908).

	Number of grants	2017 £	Number of grants	2016 £
Clergy	443	1,907,646	446	1,664,835
Divorced or separated spouses	53	282,526	62	320,175
Ordinands	504	176,400	368	128,800
Widows/Widowers	32	192,221	28	151,753
Unmarried Daughters	1	9,000	1	4,000
Organisations	2	95,000	3	161,565
	<u>1,035</u>	<u>2,662,793</u>	<u>908</u>	<u>2,431,128</u>

Notes to the Financial Statements (cont.)

7 GRANTS (CONT'D)

	2017 £	2016 £
Financial hardship	1,980,585	1,720,479
Resettlement and house expenses	41,103	28,290
Education	82,169	152,697
University maintenance	202,500	196,500
Debt	12,239	11,038
Medical	64,775	71,735
Nursing and care home fees	80,743	66,565
Accessibility modifications	5,550	30,184
Relationship counselling	13,129	13,220
Bereavement	3,600	11,620
Ordinand grants	176,400	128,800
	<u>2,662,793</u>	<u>2,431,128</u>

The following organisations received grants from the Charity:

The Personal Emergencies Fund (PEF) of the Anglican Communion - £50,000 (2016: £50,000). This fund was set up in 1979 by Archbishop Donald Coggan to meet the critical medical needs of clergy and church workers and their families around the Anglican Communion.

Society of Mary & Martha - £45,000 (2016: £54,000). This charity was set up to support people in ministry at times of stress, crisis, burnout or breakdown.

In addition, grants were made to the following two care homes in respect of residents who were beneficiaries:

College of St Barnabas - individual grants were awarded to 16 residents of the College of St. Barnabas, totaling £60,883 (2016: one organisation grant: £57,565). The College is a retirement community for priests (with their wives & widows) with a significant number of residents whose means are insufficient to meet the costs incurred for their care.

Terrys Cross - individual grants were awarded to 3 residents of Terrys Cross Trust totaling £18,000 (2016: £nil). This charity provides retirement accommodation and respite care for those associated with the Church of England.

8 SUPPORT AND GOVERNANCE COSTS

	Unrestricted Funds	Restricted Funds	Total Funds 2017
	£	£	£
Support costs:			
Festival costs	27,920	-	27,920
Printing, postage, stationery & telephone	10,273	-	10,273
Property costs	56,807	-	56,807
Advertising	7,788	-	7,788
Grants review & consultancy	38,880	-	38,880
Recruitment costs	23,315	-	23,315
Office equipment maintenance	32,222	-	32,222
Staff training	5,803	-	5,803
Other office expenses	37,853	77	37,930
Legal and professional	19,081	-	19,081
Governance costs:			
Legal and professional	5,790	-	5,790
Auditor's remuneration	13,200	-	13,200
	<u>278,932</u>	<u>77</u>	<u>279,009</u>

	Unrestricted Funds	Restricted Funds	Total Funds 2016
	£	£	£
Support costs:			
Festival costs	29,879	-	29,879
Printing, postage, stationery & telephone	12,620	-	12,620
Property costs	55,664	-	55,664
Advertising	1,412	-	1,412
Grants review & consultancy	19,812	-	19,812
Recruitment costs	24,991	-	24,991
Office equipment maintenance	42,139	-	42,139
Staff training	5,210	-	5,210
Other office expenses	44,764	77	44,841
Legal and professional	24,723	-	24,723
Governance costs:			
Legal and professional	11,200	-	11,200
Auditor's remuneration	15,300	-	15,300
	<u>287,714</u>	<u>77</u>	<u>287,791</u>

The annual Festival is the most significant event in the Charity's year, providing the opportunity to celebrate both the support that the Charity is able to give its beneficiaries today and the nearly four-hundred-year tradition on which the Charity is founded. Through the Festival Service and Dinner, the Charity increases the awareness of its activities and benefits from the generous donations received, including those from Stewards, the Livery Companies and the collection at the Service.

9 STAFF COSTS

	2017 £	2016 £
Salaries	335,462	372,838
Social security costs	30,888	29,763
Pension costs (see below)	64,473	57,657
	<u>430,823</u>	<u>460,258</u>

These net costs comprise the staff costs referred to in Notes 5, 6 and 8 and have been allocated based on an estimate of staff time.

During the year under review, the following staff earned total emoluments, excluding employer's pension costs and including redundancy costs, in excess of £60,000:

	2017 No.	2016 No.
£60,000 - £70,000	2	-
£70,000 - £80,000	-	-
£80,000 - £90,000	-	-
£100,000 - £110,000	-	1

The Charity's key management personnel during the year comprised the members of the Court of Assistants, the Chief Executive Officer, the Interim Registrar (until 18 April 2017) and the Director of Central Services. In February 2018, the Charity recruited a Director of Charitable Services. Total employment benefits, including employer pension contributions, of the key management personnel in 2017 were £169.7k (2016: £83.6k). Two employees had benefits in excess of £60k (2016: one).

The average number of employees, analysed by function, was:

	2017	2016
Raising funds, grants and support	6	6
Administration and governance	1	1
	<u>7</u>	<u>7</u>

Pension costs

	2017 £	2016 £
Pension payments (10% Personal Pension Plan)	27,562	33,501
Death in Service premiums & admin costs	1,185	1,356
Deficit funding in respect of Pension Scheme	3,800	22,800
Pension Scheme Costs	6,926	-
Provision for winding up Pension Scheme (see Note 18)	25,000	-
	<u>64,473</u>	<u>57,657</u>

Members of the Court of Assistants did not receive any remuneration or benefits in kind in respect of their services during the year under review (2016: £Nil). Travel expenses of £12,095 (2016: £14,178) were reimbursed to 15 trustees (2016: 19).

10 AUDITOR'S REMUNERATION

The auditor's remuneration comprised an audit fee of £11,500 including £1,400 for the audit of the Corporation of the Sons of the Clergy Staff Retirement Benefit Scheme (2016: £11,200, which includes £1,400 for the audit of the Corporation of the Sons of the Clergy Staff Retirement Benefit Scheme).

11 TANGIBLE FIXED ASSETS

	Freehold Property £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 January 2017	974,990	59,768	1,034,758
Addition	-	-	-
Disposal	-	-	-
	<u>974,990</u>	<u>59,768</u>	<u>1,034,758</u>
At 31 December 2017	974,990	59,768	1,034,758
Depreciation			
At 1 January 2017	-	52,229	52,229
Charge for year	-	3,621	3,621
Disposals	-	-	-
	<u>-</u>	<u>55,850</u>	<u>55,850</u>
At 31 December 2017	-	55,850	55,850
Net book value			
At 31 December 2017	974,990	3,918	978,908
At 31 December 2016	974,990	7,539	982,529

The Charity's property at 1 Dean Trench Street in Westminster is a 'mixed use' property comprising the Charity's office and a three-bedroom residential flat which is rented out. The property is currently classified as a freehold property under tangible fixed assets and shown at cost. For the year to 31 December 2017 the trustees have considered whether to separate out the investment and operational components of the property as recommended by FRS 102. Since at the year-end there was some uncertainty about the long-term use of the building it was decided that the accounting treatment should remain as in previous years. In addition, it was also considered that separating the two components would involve undue cost and effort.

12 INVESTMENT ASSETS

	2017 £	2016 £
Investment properties		
- United Kingdom	1,540,000	1,418,000
Investment Funds	110,565,995	100,633,474
	<u>112,105,995</u>	<u>102,051,474</u>
	2017 £	2016 £
a) Investment properties		
- United Kingdom		
Market value at 1 January	1,418,000	1,392,499
Disposal:	-	(41,079)
Addition:	-	-
Profit/(Loss) on sale	-	-
Net gain/(loss) on revaluation	122,000	66,580
	<u>1,540,000</u>	<u>1,418,000</u>
Market value at 31 December	1,540,000	1,418,000
Historical cost at 31 December	61,000	61,000

Notes to the Financial Statements (cont.)

As at 31 December 2017, one agricultural property was valued at £315,000 by Messrs Berrys, Chartered Surveyors at market value in accordance with the Royal Institution of Chartered Surveyors' Valuation standards.

Two residential properties were valued in aggregate at £1,225,000. This valuation was made by Edward James Surveyors Ltd in accordance with the Royal Institute of Chartered Surveyors' Valuation - Global Standards 2017.

	Total 2016 £	Total 2015 £
b) Investment funds		
Market value at 1 January	100,633,474	87,077,099
Additions	67,251,389	20,109,851
Disposals	(66,652,952)	(18,534,225)
Net gain/(loss) on revaluation	9,334,084	11,980,749
Market value at 31 December	<u>110,565,995</u>	<u>100,633,474</u>
Historical cost at 31 December	<u>87,576,218</u>	<u>77,411,206</u>

The investments at the end of the year were held in realisable funds consisting of the following:

	2017 £	2016 £
Sarasin Alpha CIF for Endowments	20,874,596	28,429,521
Sarasin Sterling Investment	421	960
Cazenove Charities Charity Multi Asset Fund	20,775,732	-
Charles Stanley Discretionary Portfolio	58,367,617	62,202,155
Charities Property Fund	10,547,629	10,000,838
	<u>110,565,995</u>	<u>100,633,474</u>

The split of the holdings was:

	Total 2017 £	Total 2016 £
Fixed interest	4,922,331	5,385,868
UK Equities	49,625,391	43,538,062
Global Equities	33,851,530	35,635,532
Property	14,637,902	14,521,700
Alternative Assets	4,965,745	1,428,322
Cash and Near Cash	2,563,096	123,990
	<u>110,565,995</u>	<u>100,633,474</u>

The Sarasin portfolio is invested in the Alpha CIF for Endowments. This fund is diversified across the world's principal stock, bond and currency markets, together with investments in alternative assets such as property, commodities and hedge funds. The basis of fair value for quoted investments is equivalent to the market value, using the bid price.

The Cazenove portfolio is invested in the Charities Multi Asset Fund (CMAF). The fund aims to preserve the real value of capital over the long term while allowing for sustainable expenditure of up to 4% per annum (a distribution of 1% per quarter). CMAF adopts a total return approach and utilises a range of asset classes, incorporating global equities, bonds, absolute return funds, on a strategic basis and infrastructure and commodities on a tactical basis. Units are valued using the bid price.

In the Charles Stanley Discretionary portfolio, investments in equities, unit trusts and fixed interest securities are all traded in quoted public markets. Holdings are valued at the closing mid-price. No single investment was more than 5% of the total portfolio.

The investments in the Charities Property Fund are valued using the net asset value price.

The significance of financial instruments to the ongoing financial sustainability of the Charity is considered in the financial review section of the Trustees' Annual Report. The main risk to the Charity from financial instruments in the future lies in the combination of uncertain investment markets and volatility in yield, which is mitigated through the Charity's Investment Policy.

13 ANALYSIS OF CURRENT ASSETS

	Total 2017 £	Total 2016 £
Income tax recoverable	6,693	5,847
Cash held by investment managers	187,938	218,910
Prepayments & other debtors	76,063	34,688
Cash at bank and in hand	241,525	349,356
Short-term deposits	511,312	901,660
	<u>1,023,531</u>	<u>1,510,461</u>

All prepayments relate to unrestricted funds in both 2017 and 2016.

14 CURRENT LIABILITIES

	Total 2017 £	Total 2016 £
Creditors under 1 year		
Deferred grants	79,681	199,722
Accruals	60,025	70,783
	<u>139,706</u>	<u>270,505</u>

	2017 £	2016 £
Deferred grants:		
Balance brought forward	199,722	200,513
New grants committed to in year	245,637	424,931
Grants paid	(365,678)	(425,722)
Balance carried forward	<u>79,681</u>	<u>199,722</u>

Deferred grants are grants that have been awarded but are not payable until some future date. Most school fees grants and certain other grants are paid by instalments and some grants are awarded for payment at a future date.

15 OPERATING LEASE COMMITMENTS

As at 31 December, the Charity had total commitments under non-cancellable operating leases as set out below:

	2017 £	2016 £
Amounts due:		
Within one year	2,709	2,709
Within 2 - 5 years	5,808	7,726
after more than 5 years	-	791
	<u>8,517</u>	<u>11,226</u>

16 STATEMENT OF FUNDS

The following were the Charity's funds during the year under review.

Unrestricted funds

The unrestricted funds are applied by the Trustees in accordance with the objects of the Charity (see the Objectives and Activities section of the Trustees' Report).

Restricted funds

Clergy Orphan Corporation

The Clergy Orphan Corporation is restricted as its beneficiaries are limited to children of clergy of the Church of England and of the Church in Wales.

Other restricted funds

These funds represent donations that are restricted by their terms as to their use.

Palmer Estate Fund

The Palmer Estate Fund was set up on the instructions of the Charity Commission and represents the setting aside from the income of the Charity of £13,000 in 1984 to provide against the notional loss of rent arising on the sale of 619-639 Holloway Road, London until 2063, when the agreed lease would have expired, at which time the assets will become unrestricted.

	Balance at January 2017 £	Income £	Expenditure £	Other recognised gains and losses £	Balance at December 2017 £
Unrestricted Funds	102,413,922	3,845,742	(3,662,550)	9,263,443	111,860,557
Restricted Funds					
Clergy Orphan Corporation	1,582,197	110,474	(10,704)	172,542	1,854,509
Other Restricted Funds	16,026	2,351	-	-	18,378
	1,598,223	112,825	(10,704)	172,542	1,872,886
Endowment Funds					
Palmer Estate Fund	189,586	1,503	(905)	20,100	210,284
Total Funds	104,201,731	3,960,071	(3,674,159)	9,456,085	113,943,727

	Balance at January 2016 £	Income £	Expenditure £	recognised gains and losses £	Balance at December 2016 £
Unrestricted Funds	89,809,122	4,100,997	(3,448,066)	11,951,869	102,413,922
Restricted Funds					
Clergy Orphan Corporation	1,445,050	70,388	(10,526)	77,285	1,582,197
Other Restricted Funds	10,905	5,121	-	-	16,026
	1,455,955	75,509	(10,526)	77,285	1,598,223
Endowment Funds					
Palmer Estate Fund	170,906	1,314	(809)	18,175	189,586
Total Funds	91,435,983	4,177,820	(3,459,401)	12,047,329	104,201,731

17 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2017 £
Tangible fixed assets	978,908	-	-	978,908
Investment properties	765,000	775,000	-	1,540,000
Investment funds	109,475,487	880,854	209,654	110,565,995
Net current assets	666,162	217,032	630	883,824
Provisions	(25,000)	-	-	(25,000)
	111,860,557	1,872,886	210,284	113,943,727

Notes to the Financial Statements (cont.)

17 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds 2016 £
Tangible fixed assets	982,529	-	-	982,529
Investment properties	765,000	653,000	-	1,418,000
Investment funds	99,616,582	827,927	188,965	100,633,474
Net current assets	1,122,039	117,296	621	1,239,956
Provisions	(72,228)	-	-	(72,228)
	<u>102,413,922</u>	<u>1,598,223</u>	<u>189,586</u>	<u>104,201,731</u>

18 PENSIONS

The Charity operates a pension scheme, the Corporation of the Sons of the Clergy Staff Retirement Benefit Scheme, providing benefits based on final pensionable pay. The scheme is closed to new members, and in November 2017 the final deferred member transferred benefits out of the scheme. The Trustees have agreed to prepare for the wind-up of the Scheme and a provision of £25,000 is included in the accounts to cover costs associated with the winding up. The last triennial actuarial valuation was as at 31 December 2016 which states that there is no deficit in the scheme as at that date. Consequently, the Trustees do not consider it appropriate to disclose the present value of the scheme's obligation or fair value of the scheme's assets as required under FRS 102.

Reconciliation of movements in Provision:

	£
Provision brought forward	72,228
Additions	25,000
Amounts charged against provision	(72,228)
	<u>25,000</u>
Provision carried forward	<u>25,000</u>

In addition, the Charity operates a defined contribution pension scheme in compliance with auto-enrolment. Contributions of £27,562 (2016: £33,501) were made in the year.

19 RELATED PARTY TRANSACTIONS

There were no related party transactions during the year (2016: none).

20 FINANCIAL INSTRUMENTS

	2017 £	2016 £
Financial Assets		
Financial assets at amortised cost	1,009,681	1,498,166
Financial instruments at fair value	110,565,995	100,633,474
Financial Liabilities		
Financial liabilities at amortised cost	164,706	342,733

Financial assets measured at amortised cost comprise cash at bank and in hand, short-term cash deposits, trade debtors, other debtors and accrued income. Financial instruments at fair value comprise investment funds managed by external investment managers, valued at fair value at the balance sheet date; Further information is included in Note 12. Financial liabilities measured at amortised cost comprise accruals and other commitments.

