

**THE GRAND LODGE
OF
ANCIENT FREE AND ACCEPTED MASONS OF ENGLAND
STATEMENT OF ACCOUNTS**

31 December 2017

PRESIDENT'S REPORT ON THE 2017 ACCOUNTS

The Operating Results for the year show a surplus, before taxation and revaluations, of £0.7m (2016 £1.5m). Operating income rose marginally in the year. Net expenditure rose by £0.9m, which reflected increased spending on the Tercentenary of £0.8m; other costs were unchanged in total.

Our intention remains for the Operating Surplus of £0.7m to be broadly in line with the net investment income of £2.2m, less current expenditure on projects of £0.4m and Tercentenary costs of £1.3m. Our Tercentenary year 2017 was an exceptional year both for cost and for celebration.

Another part of UGLE's investment properties was externally valued this year. Overall the value of the portfolio reduced marginally, offset by a corresponding release of the deferred tax position. The listed investment portfolio performed satisfactorily. This year the pension scheme liability reduced, reflecting a strong asset performance. Total funds as at 31 December 2017 were £65.2m, and the balance sheet and net asset position remain healthy.

2017 was another challenging year for all Grand Lodge staff, in particular with our Tercentenary year celebrations, the financial impact of which is shown in note 5 to the accounts. More importantly, the impact on Freemasonry was extremely positive which was reflected throughout the world. I am grateful for the continued dedication, help and support the staffs have given to the Craft. I would like to take this opportunity on your behalf to thank them for all of their efforts over the last year.



GG Dearing
President, Board of General Purposes
20 March 2018

**CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE
AND RETAINED FUNDS FOR
THE YEAR ENDED 31 DECEMBER 2017**

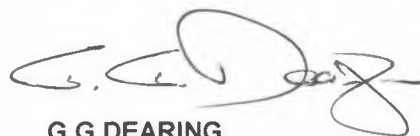
		2017	2016
	Notes	£000	£000
OPERATING INCOME			
Receipts from Lodges	2	9,377	9,471
Investment income	3	2,209	2,217
Freemasonry Today advertising revenue		321	290
Other receipts		577	428
		<u>12,484</u>	<u>12,406</u>
OPERATING EXPENDITURE			
Staff emoluments	4	4,220	3,767
Repairs, renewals and upkeep		1,121	1,617
Utilities and services		1,360	1,308
Office services		632	508
Tercentenary celebrations - net	5	1,265	442
Publications and communications	6	1,486	1,571
Consultancy and professional fees	7	748	752
Donations to charity		1,165	807
Depreciation and loss on disposal		521	477
Projects	8	392	658
		<u>12,910</u>	<u>11,907</u>
Recharges	9	(1,113)	(988)
NET EXPENDITURE		<u>11,797</u>	<u>10,919</u>
OPERATING SURPLUS FOR THE YEAR		687	1,487
Taxation	10	590	(756)
Revaluation of investments and properties	11	(1,685)	8,612
NET INCOME		(408)	9,343
Pension scheme actuarial adjustment	18	1,225	(4,113)
NET CHANGE IN FUNDS FOR THE YEAR		<u>817</u>	<u>5,230</u>
TOTAL FUNDS AT 1 JANUARY		<u>64,350</u>	<u>59,120</u>
TOTAL FUNDS AT 31 DECEMBER		<u>65,167</u>	<u>64,350</u>

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

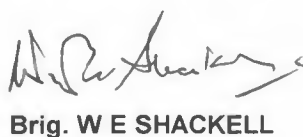
		2017	2016
	Notes	£000	£000
TANGIBLE FIXED ASSETS			
Property investments	11	56,657	59,180
Fixed assets	13	6,692	6,232
INVESTMENTS			
Listed investments	11	11,639	11,447
		74,988	76,859
CURRENT ASSETS			
Debtors and prepayments	14	2,426	2,027
Financial assets - Bank and cash		3,603	4,682
		6,029	6,709
CURRENT LIABILITIES			
Creditors	16	(1,987)	(2,989)
		4,042	3,720
NET CURRENT ASSETS			
		79,030	80,579
TOTAL ASSETS LESS CURRENT LIABILITIES			
Deferred tax	17	(9,462)	(10,075)
Defined benefit pension scheme	18	(4,401)	(6,154)
		65,167	64,350
FINANCED BY			
General Fund		79,030	80,579
Deferred tax		(9,462)	(10,075)
Pension reserve	18	(4,401)	(6,154)
		65,167	64,350

Approved

20 March 2018


G G DEARING

President, Board of General Purposes


Brig. W E SHACKELL

Grand Secretary


Dr D R STAPLES

Chief Executive Officer

**CONSOLIDATED CASH FLOW STATEMENT FOR
THE YEAR ENDED 31 DECEMBER 2017**

	2017	2016
	£000	£000
CASH FLOW FROM OPERATING ACTIVITIES		
Net cash used in operating activities (note a)	(2,949)	51
CASH FLOW FROM INVESTING ACTIVITIES		
Investment Income		
Dividends received	216	205
Interest received	25	37
Net investment property income received	1,968	1,975
	2,209	2,217
Taxation paid	(4)	-
Capital Expenditure		
Acquisition of tangible fixed assets	(981)	(257)
Purchase of investments	(1,852)	(5,329)
Sale of investments	2,498	5,360
	1,870	1,991
Net cash flow used in investing activities	(1,079)	2,042
CASH MOVEMENT (note b)	(1,079)	2,042

NOTES TO THE CASH FLOW STATEMENT

a Reconciliation of operating surplus to net cash outflow from operating activities		
Surplus for the year before taxation	687	1,487
Investment income	(2,209)	(2,217)
Decrease/(Increase) in debtors	(399)	(12)
Increase/(Decrease) in creditors	(1,021)	942
Pensions adjustments	(528)	(626)
Depreciation and loss on disposal	521	477
	(2,949)	51
Net cash inflow/(outflow) used in operating activities	(2,949)	51
b Analysis of change in cash		
Balance at 1 January	4,682	2,640
Net cash (outflow)/inflow	(1,079)	2,042
	3,603	4,682
Balance at 31 December	3,603	4,682

NOTES TO THE CONSOLIDATED ACCOUNTS

1 Accounting policies

a) Accounting convention

UGLE is an unincorporated association. The accounts are prepared in full accordance with the provisions of Financial Reporting Standard 102 (FRS102) issued in September 2015, under generally accepted accounting principles and under the historical cost convention except in the case of the investment properties and listed investments, which are accounted for at their fair values (market value).

b) Recognition of income

Receipts from Lodges are accounted for when received.

Rental income from investment property operating leases is recognised on a straight-line basis over the term of the relevant lease.

All other income is accounted for on an accruals basis.

c) Basis of consolidation

Consolidated financial statements have been prepared in respect of UGLE and its wholly owned company, Grand Lodge Publications Limited.

c) Depreciation

Expenditure which increases the facilities of our building is capitalised. Depreciation is provided on tangible fixed assets, but not property investments, at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life.

No depreciation charge is made in respect of the freehold land and buildings at Freemasons' Hall on the grounds that such depreciation would not be material because of the length of its estimated remaining economic life and as the residual value of Freemasons' Hall is not less than its carrying amount in the accounts.

Depreciation is charged evenly over the life of each asset as follows:

Computers and office equipment	5 to 7 years
Furniture and fittings	10 years
Improvements to Freemasons' Hall	20 years

The carrying values of tangible fixed assets are reviewed for impairment at the end of each year if events or changes in circumstances indicate the carrying value may not be recoverable.

d) Property investments

Investment properties, which comprise the UGLE freehold properties other than Freemasons' Hall, are measured annually at their estimated fair values with any changes in value recognised in the income and expenditure account.

f) Financial instruments

UGLE has financial assets and financial liabilities of a kind that qualify as basic financial instruments.

(i) Listed investments, including fixed interest securities and cash held for investment, are measured at fair value through income and expenditure and are reported at their market values at the balance sheet date.

(ii) Other financial instruments, which comprise bank and cash, debtors, other creditors and accruals are initially recognised at transaction value and are subsequently measured at amortised cost using the effective interest method.

Assets, other than those measured at their fair value, are assessed for indicators of impairment at each balance sheet date.

g) Taxation

Current tax is provided at amounts expected to be paid (or received) using the tax rates and laws at the balance sheet date.

Deferred tax liabilities are recognised in respect of all timing differences, including the restatement of fixed asset investment properties and other investments at market values, that are likely to result in an obligation to pay more tax in the future.

Deferred tax assets are recognised only to the extent 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.

h) Significant areas of estimated uncertainty

The following amounts in the financial statements involve a significant level of estimation.

(i) Pension Liabilities - UGLE recognises its liabilities to its defined benefit pension scheme which involves a number of estimations as disclosed in note 18.

(ii) Valuation of investment properties - The investment properties are stated at their estimated fair values based on professional valuations as disclosed in note 11.

i) Pension contributions

Defined benefit pension scheme current service costs and the net amount of the scheme interest cost and the expected return on the scheme assets for the year are charged to the income and expenditure account within staff costs. Actuarial gains and losses are recognised immediately within the change in Funds for the year.

The defined benefit pension scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the balance sheet.

Contributions to the defined contribution scheme are charged to the income and expenditure account as they fall due.

j) Heritage assets

Heritage assets for which information on their acquisition cost or value is available are included as fixed assets in the financial statements. Heritage assets where this information is not available, and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements, are not recognised in the balance sheet. No depreciation is provided on heritage assets as these are considered to have indefinite lives.

2 Receipts from Lodges	2017	2016
	£000	£000
Fees for registration, warrants, etc. on a cash received basis	549	520
Annual dues on a cash received basis	7,893	7,956
Rents of lodge rooms at Freemasons' Hall	935	995
	<u>9,377</u>	<u>9,471</u>

3 Investment income	2017	2016
	£000	£000
Gross rental income	2,212	2,177
Less:		
Repairs, renewals and insurance	(143)	(71)
Legal and professional fees	(101)	(131)
Net property income	<u>1,968</u>	<u>1,975</u>
Income from listed securities	216	205
Interest	25	37
	<u>2,209</u>	<u>2,217</u>

The minimum future lease income from investment property operating leases is as follows:	2017	2016
	£000	£000
Not later than one year	2,069	2,041
Later than one year and not later than five years	7,024	7,054
Later than five years	41,834	42,641

4 Staff emoluments	2017	2016
	£000	£000
Salaries	3,961	3,614
Employer National Insurance contributions	349	307
UGLE Defined Benefit Scheme contributions	120	161
UGLE Defined Contribution Scheme contributions	228	209
Pensions adjustments (note 18)	(528)	(626)
Life assurance and other staff costs	90	102
	<u>4,220</u>	<u>3,767</u>

Total salaries roll of key management (including Heads of Department) is £544,622 (2016 £464,522).

Termination payments of £39,870 were made during the year.

5 Tercentenary celebrations	2017	2016
	£000	£000
Matched funding of local events	319	135
Royal Albert Hall and related events	1,600	-
Teddy Bears production/Sky programme	120	129
Grand Ball	356	-
Victoria Cross memorial event and other	207	178
	<u>2,602</u>	<u>442</u>
Less:		
Income in respect of the above and for sale of merchandise	(1,337)	-
	<u>1,265</u>	<u>442</u>
6 Publications and communications	2017	2016
	£000	£000
Cost of Publications	881	968
Travel and subsistence	393	244
Other	212	359
	<u>1,486</u>	<u>1,571</u>
7 Consultancy and professional fees	2017	2016
	£000	£000
Legal advice	174	164
Audit fees	18	28
Bank charges	17	15
Taxation advice	23	19
Actuarial advice	14	11
HR consultants	8	14
PR consultants	208	229
Other consultants	50	79
Recruitment	236	193
	<u>748</u>	<u>752</u>
8 Projects	2017	2016
	£000	£000
ADelphi 2	392	501
Regent Street Disease	-	157
	<u>392</u>	<u>658</u>
9 Recharges	2017	2016
	£000	£000
Freemasonry Today	(42)	(52)
Letchworth's	(45)	(45)
Library and Museum Charitable Trust	(327)	(141)
Masonic Charitable Services	(254)	(315)
Metropolitan Grand Lodge	(62)	(44)
Supreme Grand Chapter	(383)	(391)
	<u>(1,113)</u>	<u>(988)</u>

10 Taxation

The taxation charge for the year on the operating surplus arises on investment income after allowing for payments made under gift aid. Tax on chargeable gains arise on sales of assets less realised losses in the year.

Tax on ordinary activities

	UGLE	GLP Ltd	Total	
	2017	2017	2017	2016
	£000	£000	£000	£000
UK corporation tax	35	5	40	21
Adjustments in respect of previous periods	<u>(17)</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
Total current tax charge	18	5	23	21
Deferred tax	(21)	-	(21)	(9)
Effect of changes in rate on opening liability	-	-	-	(5)
Tax on property revaluation	<u>(592)</u>	<u>-</u>	<u>(592)</u>	<u>749</u>
Total deferred tax	<u>(613)</u>	<u>-</u>	<u>(613)</u>	<u>735</u>
Tax charge for the year	<u>(595)</u>	<u>5</u>	<u>(590)</u>	<u>756</u>

Factors affecting the tax charge for the year

The tax assessed on the surplus on ordinary activities for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:

	UGLE	GLP Ltd	Total	
	2017	2017	2017	2016
	£000	£000	£000	£000
Surplus on ordinary activities before tax	<u>663</u>	<u>24</u>	<u>687</u>	<u>1,487</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK	126	5	131	298
Effect of:				
Disallowed expenses and non-taxable income	(112)	-	(112)	(291)
Tax on property revaluation	(592)	-	(592)	749
Adjustments in respect of previous periods	<u>(17)</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
Current year tax charge as above	<u>(595)</u>	<u>5</u>	<u>(590)</u>	<u>756</u>

Net gains of £838,000 at 31 December 2017 on the listed investments included £90,000 of unrealised gains, no provision has been made for any taxation that would arise should the investments be sold as no taxable gain is expected. Deferred tax on the £2,523,000 revaluation of the properties has been provided for in these accounts should they be sold.

11 Property and Listed investments

	Cost	Market	Cost	Market
	2017	value	2016	value
	£000	£000	£000	£000
Property investments	384	56,657	384	59,180
Government securities and fixed interest	1,462	1,774	1,463	2,126
Other listed securities	7,676	9,723	7,588	9,051
Cash deposits	142	142	270	270
Listed investments	9,280	11,639	9,321	11,447
	<u>9,664</u>	<u>68,296</u>	<u>9,705</u>	<u>70,627</u>
		2017		2016
		£000		£000
Listed investments market value as at 1 January		11,447		10,293
Net monies (disinvested)		(646)		(31)
Net gains/(losses) on listed investments		838		1,185
Listed investments market value as at 31 December		<u>11,639</u>		<u>11,447</u>

The movement in the market value of the property investments arises from revaluation only.

Property investments comprise the Grand Connaught Rooms and a number of retail, office and residential units all of which are located in Great Queen Street, London. These freehold land and buildings were valued as at 31 December 2017 on the basis of Market Value in accordance with the RICS appraisal and valuation standards by either internal valuers or Farebrother, Chartered Surveyors. It is the intention that all the portfolio will have been subject to external independent professional valuation within three years.

12 Investment in subsidiary undertaking

UGLE owns 100% of the issued share capital of Grand Lodge Publications Limited at a cost of £1 (2016 £1).

13 Fixed assets

	FMH, fixtures and furniture £000	Computers and computer systems £000	Office furniture and equipment £000	Total £000
Cost				
At 1 January 2017	9,974	504	224	10,702
Additions at cost	570	228	183	981
Disposal	(43)	(298)	-	(341)
	<u>10,501</u>	<u>434</u>	<u>407</u>	<u>11,342</u>
Depreciation				
At 1 January 2017	3,793	453	224	4,470
Charge for the year	382	99	-	481
Disposal	(9)	(292)	-	(301)
	<u>4,166</u>	<u>260</u>	<u>224</u>	<u>4,650</u>
Net book value				
At 31 December 2017	<u>6,335</u>	<u>174</u>	<u>183</u>	<u>6,692</u>
<i>At 31 December 2016</i>	<u>6,181</u>	<u>51</u>	<u>-</u>	<u>6,232</u>

14 Debtors and prepayments

	2017 £000	2016 £000
Debtors	1,846	1,355
Stock	42	34
Prepayments	538	638
	<u>2,426</u>	<u>2,027</u>

15 Financial instruments

At the balance sheet date UGLE held financial assets at fair value through income and expenditure of £11,639k (2016 £11,447k), financial assets at amortised cost of £5,491k (2016 £6,071k) and financial liabilities at amortised cost of £1,947k (2016 £2,968k).

16 Creditors

	2017 £000	2016 £000
Corporation tax	40	21
Other taxes	103	105
Accruals	487	699
Deferred income	-	205
Other creditors	1,357	1,959
	<u>1,987</u>	<u>2,989</u>

17 Deferred Tax

	2017 £000	2016 £000
Deferred tax as at 1 January	10,075	9,340
Charged for the year	(613)	735
	<u>9,462</u>	<u>10,075</u>

18 Pension disclosures

UGLE operates a defined benefit scheme, the Staff Pension and Life Assurance Scheme of the Grand Lodge (the "Scheme"). The Scheme includes members from the Library and Museum Charitable Trust, Masonic Charitable Foundation and Metropolitan Grand Lodge. A full actuarial valuation was carried out as at 1 January 2015 and updated to 31 December 2017 by a qualified independent actuary. This Scheme was closed to new members with effect from 31 December 2002 and UGLE now operates a defined contribution scheme for which the pension costs charged to income and expenditure amounted to £136,000 (2016 £191,000). The remainder of this note relates to the defined benefit scheme.

Change in benefit obligation	2017	2016
	£000	£000
Benefit obligation at beginning of year	30,854	24,362
Current service cost	310	230
Interest cost	854	935
Member contributions	82	89
Increase/(Decrease) in obligation	179	6,130
Benefits paid	(786)	(892)
Benefit obligation at end of year	31,493	30,854
Change in plan assets	2017	2016
	£000	£000
Fair value of plan assets at beginning of year	24,700	21,695
Expected return on plan assets	695	849
Actuarial adjustments	1,404	2,017
Employer contribution	1,130	1,127
Member contributions	82	89
Benefits paid	(919)	(1,077)
Fair value of plan assets at end of year	27,092	24,700
Funded status	(4,401)	(6,154)
Change in net liability	2017	2016
	£000	£000
Net liability at beginning of year	(6,154)	(2,667)
Employer contribution	1,130	1,127
Pension cost recognised in the Income and Expenditure account for the year	(602)	(501)
	528	626
Actuarial (losses)/gains recognised	1,225	(4,113)
Net liability recognised in the balance sheet at end of year	(4,401)	(6,154)
Components of pension cost	2017	2016
	£000	£000
Current service cost	443	415
Interest cost	854	935
Expected return on plan assets	(695)	(849)
Pension cost recognised in the Income and Expenditure account for the year	602	501
Actuarial gains/(losses) recognised in Change in Funds for the year	(1,225)	4,113

18 Pension disclosures (continued)

The actuarial valuation as at 31 December 2017 showed a decrease in the deficit from £6,154,000 to £4,401,000. The employer contribution rate as at 31 December 2017 is 20.2% of members scheme salary with additional monthly contributions of £76,600 also being made by the employers. Pension increases for benefits accrued after April 2006 are increasing at a rate of RPI subject to a maximum of 2.5% p.a. The above contributions include amounts paid by the Library and Museum Charitable Trust, Masonic Charitable Foundation and Metropolitan Grand Lodge. From 1 May 2010 it was agreed that active members of the Scheme would increase their personal contributions from 5% of scheme salary to 8% to help fund the increasing costs of accruing pension benefits.

Scheme assets

The weighted-average asset allocation at the year-end was as follows:

Asset category	2017		2016	
	% of Plan Assets	Expected Return on Plan Assets	% of Plan Assets	Expected Return on Plan Assets
Equities	58%	2.8%	58%	3.8%
Gilts	34%	2.8%	34%	2.0%
Cash	3%	2.8%	3%	3.7%
Hedge Funds	5%	2.8%	5%	0.0%
	<u>100%</u>	<u>2.8%</u>	<u>100%</u>	<u>3.9%</u>

Under the FRS102 standard, the expected return on assets is now effectively based on the discount rate used to value the liabilities (i.e. the returns available on high quality corporate bonds) with no allowance made for any outperformance expected from the Scheme's actual asset holding. This resulted in the 2.8% assumption which was applied in respect of the year to 31 December 2017.

The principal assumptions used to determine benefit obligations are:

	2017	2016
Discount rate	2.6%	2.8%
Inflation assumption (RPI)	3.6%	3.7%
Inflation assumption (CPI)	2.8%	2.9%
Rate of increase of pensions in payment - Pre 2001	5.0%	5.0%
Rate of increase of pensions in payment - Pre 2001 to 2006	3.5%	3.5%
Rate of increase of pensions in payment - Post 2006	2.4%	2.4%

18 Pension disclosures (continued)

The future life expectancy at age 65 from mortality tables used to determine benefit obligations is as follows:

	31 December 2017		31 December 2016	
	Male	Female	Male	Female
Member currently aged 65	22.3	24.3	22.5	24.6
Member currently aged 45	23.8	25.8	24.2	26.5

Contributions

The employer expects to contribute £1.13 million to its pension scheme in 2018.

19 Heritage assets

UGLE owns a collection of heritage assets comprising objects, books and documents which are held and maintained for their contribution to historical knowledge about freemasonry and fraternalism. These assets are on loan to the Library and Museum of Freemasonry which maintains and catalogues the assets and provides access for researchers, and permanent displays and temporary exhibitions for the enjoyment of visitors to the Library and Museum and online resources.

These assets which are not held for resale have generally been held by UGLE for a significant period.

These heritage assets do not have readily verifiable values. In the view of the Board of General Purposes there would be significant costs in obtaining a valuation and this cost would outweigh the benefits of undertaking such an exercise. Accordingly the assets are not reported on the balance sheet of UGLE.

During the year UGLE acquired heritage assets at a cost of £65,000. Due to the size of this sum, they are not shown as a separate category within Fixed Assets.

STATEMENT OF RESPONSIBILITIES OF THE BOARD OF GENERAL PURPOSES

The Board of General Purposes is responsible for preparing accounts for each financial year, which give a true and fair view of the state of affairs of United Grand Lodge and of the income and expenditure for the year and are prepared in accordance with applicable United Kingdom Accounting Standards. In preparing these accounts, the Board of General Purposes is responsible for:

- a. selecting suitable accounting policies and applying them consistently;
- b. making judgements and estimates that are reasonable and prudent; and
- c. preparing the accounts in accordance with the provisions of Rule 228 Book of Constitutions.

The Board of General Purposes is responsible for keeping proper accounting records, which disclose the financial transactions and the assets and liabilities with reasonable accuracy. It is also responsible for safeguarding the assets of United Grand Lodge and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The names of the members of the Board of General Purposes as at 31 December 2017 are listed in the current Masonic Year Book. None of the Board members is remunerated.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE UNITED GRAND LODGE OF ENGLAND

Opinion

We have audited the financial statements of United Grand Lodge of England for the year ended 31 December 2017 which comprise the Consolidated Statement of Income and Expenditure, the Consolidated Balance Sheet as well as the 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 Financial Reporting Standard 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the members of United Grand Lodge of England, as a body. Our audit work has been undertaken so that we might state to the members 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 United Grand Lodge of England and the entity's members, as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent's affairs as at 31 August 2017 and of the group's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (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 group and parent entity 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 other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- the Board of General Purposes use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board of General Purposes has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent'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 Board of General Purposes are responsible for the other information. The other information comprises the information included in the Presidents 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.

Responsibilities of the Board of General Purposes

The Board of General Purposes 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 Board of General Purposes 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 Board of General Purposes are responsible for assessing the group's and the parent'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 Board of General Purposes either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

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.



Mike Hicks

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

Date: 13.4.18