



THE UNITED GRAND LODGE OF ANTIENT FREE AND ACCEPTED MASONS OF ENGLAND STATEMENT OF ACCOUNTS

31 DECEMBER 2020

PRESIDENT'S REPORT ON THE 2020 ACCOUNTS

2020 was a remarkable year for the Grand Lodge. Our income declined substantially as the Coronavirus pandemic caused many of our operations to be shut down for large portions of the year. Income from registration fees and room hire effectively vanished, and our investment income halved. Excluding the shop and Government assistance, our total income declined by £2.8m (22%) compared with 2019.

Against this background, UGLE were quick to respond. Our Charitable initiatives to support vulnerable people in our communities in these troubled times have been reported elsewhere; operationally, we were careful to ensure our capabilities to support the delivery of these initiatives were maintained. Meanwhile we took prompt action to reduce our costs as far as was operationally practicable. We were able to protect our long-term capabilities through use of the Government's furlough scheme, though sadly it proved unavoidable for some of our valued team to leave us. We ceased all discretionary spending and either cancelled or deferred a number of planned projects. In other cases, though, we were able to take advantage of the shutdown to accelerate planned improvements. We completed a refit, relocation and expansion of the shop at Freemasons' Hall, made great progress in our rationalisation of the building as part of our long-term strategy to bring more openness to Freemasonry, and continued work on the Hermes project. Including the benefit from Government assistance, our gross operating costs (excluding projects, before recharges) reduced by £1.9m (16%) compared with 2019. Our overall operating shortfall was £0.7m (2019 – surplus of £1.3m).

Two one-off factors were strongly negative this year. The annual revaluation of our investment property portfolio showed a decline in valuation of £3.7m, in line with the

overall property market, and the revaluation of our defined benefit pension scheme showed a decline of £5.6m due to a fall in the discount rate applied to our future obligations. Taken overall, our net assets declined by £10.8m (15%) to £61.9 m. However, our cost management actions had focussed on conserving cash, and our financial assets showed a much smaller decline of £0.8m (12%).

Our long term intention remains for investment income to fund projects and one-off costs, while our ongoing operating costs are funded by ongoing regular income. We anticipate that it will take some time for our investment income to recover, and therefore our project capacity in the coming years will be somewhat subdued. However, this action will ensure our operational capabilities are protected, so that the services we provide to our members can remain of a high standard. We are very fortunate that the financial position of UGLE remains sufficiently robust to weather the likely economic extent of the crisis.

In today's uncertain times, Freemasonry provides an anchor of stability for our members. The Masonic principles of integrity, charity and respect are as valid today as they have ever been. The immense contribution made by Freemasons of all backgrounds to their communities is a great tribute to the value of the organisation in the modern world. I would like to thank all the staff and volunteers at Grand Lodge for their dedicated support in enabling this to continue.

G G DEARING

President, Board of General Purposes
16 March 2021



CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE AND RETAINED FUNDS FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 £000	2019 £000
OPERATING INCOME			
Receipts from Lodges	2	8,576	9,672
Investment income	3	1,299	2,481
Freemasonry Today advertising revenue		141	211
Government grants receivable		503	0
Trading income		361	357
Other receipts		175	675
		11,055	13,396
OPERATING EXPENDITURE			
Trading cost of sales		288	317
Staff emoluments	4	5,054	5,049
Repairs, renewals and upkeep		793	1,091
Utilities and services		1,005	1,676
Office services		701	730
Publications and communications	5	1,288	1,439
Consultancy and professional fees	6	369	474
Donations to charity	7	872	1,011
Depreciation and loss on disposal		566	554
Goodwill on acquisition of business	12	0	220
Projects	8	1,845	773
		12,780	13,334
Recharges	9	(988)	(1,214)
NET EXPENDITURE		11,792	12,120
OPERATING SURPLUS / (DEFICIT) FOR YEAR			
		(737)	1,276
Taxation	10	(571)	(98)
Revaluation of investments and properties	11	(3,881)	2,146
NET INCOME		(5,189)	3,324
Pension scheme actuarial adjustment	18	(5,606)	(125)
NET CHANGE IN FUNDS FOR THE YEAR		(10,795)	3,199
TOTAL FUNDS AT 1 JANUARY			
		72,736	69,537
TOTAL FUNDS AT 31 DECEMBER			
		61,941	72,736



GROUP AND UGLE BALANCE SHEET AS AT 31 DECEMBER 2020

	NOTES	2020		2019	
		GROUP £000	UGLE £000	GROUP £000	UGLE £000
FIXED ASSETS					
Property investments	11	57,717	57,717	61,455	61,455
Listed investments	11	10,127	10,127	10,621	10,621
Tangible fixed assets	13	7,332	6,957	6,813	6,802
		75,176	74,801	78,889	78,878
CURRENT ASSETS					
Stocks		316	21	249	18
Debtors and prepayments	14	2,014	3,081	2,039	2,362
Financial assets - bank and cash		5,814	5,805	6,640	6,640
		8,144	8,907	8,928	9,020
CURRENT LIABILITIES					
Creditors	16	(2,446)	(2,416)	(2,042)	(1,945)
		5,698	6,491	6,886	7,075
NET CURRENT ASSETS					
		5,698	6,491	6,886	7,075
TOTAL ASSETS LESS CURRENT LIABILITIES					
		80,874	81,292	85,775	85,953
Deferred tax	17	(10,812)	(10,812)	(10,241)	(10,241)
Defined benefit pension scheme	18	(8,121)	(8,121)	(2,798)	(2,798)
		61,941	62,359	72,736	72,914

Approved

16 March 2021

G G DEARING

President, Board of General Purposes

Dr D R STAPLES

Grand Secretary/Chief Executive Officer



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	£000	£000
CASH FLOW FROM OPERATING ACTIVITIES		
Net cash used in operating activities (note a)	(1,391)	(718)
CASH FLOW FROM INVESTING ACTIVITIES		
Investment income		
Dividends received	133	280
Interest received	20	25
Net investment property income received	1,146	2,176
	1,299	2,481
Taxation paid	(0)	(83)
Capital expenditure		
Acquisition of tangible fixed assets	(1,086)	(615)
Purchase of investments	(3,686)	(1,885)
Sale of investments	4,038	2,282
Net cash flow provided by investing activities	565	2,180
CASH MOVEMENT (note b)	(826)	1,462

	2020	2019
	£000	£000
NOTES TO THE CASH FLOW STATEMENT		
a Reconciliation of operating surplus to net cash outflow from operating activities		
Operating surplus / (deficit) for the year before taxation	(737)	1,276
Investment income	(1,299)	(2,480)
(Increase) /decrease in stock	(67)	(232)
Decrease in debtors	25	322
Increase in creditors	404	12
Pensions adjustments	(283)	(390)
Depreciation and loss on disposal	566	554
Goodwill on acquisition of business	0	220
Net cash used in operating activities	(1,391)	(718)
b Analysis of change in cash		
Balance at 1 January	6,640	5,178
Net cash inflow	(826)	1,462
Balance at 31 December	5,814	6,640



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 for annual dues and fees are accounted for when received.

Income from annual dues is stated exclusive of Charitable donations from Freemasons, which are passed through directly to the Masonic Charitable Foundation, who then disburse them on behalf of Freemasonry. Other Charitable fundraising by Freemasons, whether from individuals, Lodges, Provinces or other sources, is similarly not included because it is paid directly to the Charities concerned and does therefore not go through the accounts of the Grand Lodge.

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 subsidiaries as disclosed in Note 12.

d) 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 because 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.

e) 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. The policy is for all property investments to be valued annually on the basis of the RICS appraisal and valuation standards, by either internal valuers or external independent professional valuers, with the intention that each investment in the portfolio will be subject to external independent valuation at least every three years (see Note 11).

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.



1. ACCOUNTING POLICIES (CONTINUED)

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.
- (iii) Provisions - Recoverability of all debtors has been assessed at the year end, particularly in the light of the impact of the Covid-19 pandemic on our debtors' operations. Where recoverability is doubtful, either in whole or part, a provision has been made to reduce the debt to its expected recoverable amount.

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) Government grants

Government grants are recognised on the accrual model, when the company has complied with any conditions attaching to the grant and the grant will be received. The grant in connection to the job retention scheme has been recognised in the period to which the underlying furloughed staff costs relate. Included in income is an amount of £503k in respect of the Coronavirus Job Retention Scheme

k) 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.

l) Going Concern

UGLE's primary concern is the welfare of its membership and staff. During the Covid-19 pandemic, all Lodge meetings in England and Wales were suspended by the Grand Master (a) from 17 March to 17 July and (b) during the November lockdown. Masonic meetings have been precluded by Government regulations since January 2021. It is likely that activity will start to resume once indoor meetings of six or more are again permitted.

The Board has modelled a range of scenarios regarding this situation. The Board believes that our cash reserves and investment portfolio, under these stressed scenarios, are sufficient to ensure the ability of UGLE to continue as a going concern for the foreseeable future. It therefore remains appropriate to prepare these financial statements on a going concern basis.



2. RECEIPTS FROM LODGES

	2020	2019
	£000	£000
Fees for registration, warrants, etc. on a cash received basis	307	617
Annual dues on a cash received basis	7,725	8,103
Rents of lodge rooms at Freemasons' Hall	544	952
	8,576	9,672

Receipts from Lodges do not include £3,459k (2019 - £3,666k) which was collected by UGLE and passed through directly to the Masonic Charitable Foundation (see note 7).

3. INVESTMENT INCOME

	2020	2019
	£000	£000
Gross rental income	2,402	2,477
Less:		
Repairs, renewals and insurance	(368)	(192)
Provision for doubtful debts	(812)	9
Legal and professional fees	(76)	(118)
Net property income	1,146	2,176
Income from listed securities	133	280
Interest	20	25
	1,299	2,481

The minimum future lease income from investment property operating leases is as follows:

	2020	2019
	£000	£000
Not later than one year	1,822	1,950
Later than one year and not later than five years	9,095	6,878
Later than five years	33,847	38,468

4. STAFF EMOLUMENTS

	2020	2019
	£000	£000
Salaries	4,005	4,383
Employer National Insurance contributions	403	408
UGLE Defined Benefit Scheme contributions	76	103
UGLE Defined Contribution Scheme contributions	310	290
Pension adjustments (note 19)	78	(390)
Life assurance and other staff costs	182	255
	5,054	5,059

Average number of employees during the year was 110 (2019 - 99). This includes the employees of UGLE Trading Company Ltd from 1 October 2019.

Total salaries roll of key management (including all Heads of Department) is £921,931 (2019 - £867,962), covering 12 employees (2019 - 11).

Termination payments of £46,535 were made during the year (2019 - £64,192).

5. PUBLICATIONS AND COMMUNICATIONS

	2020	2019
	£000	£000
Cost of publications	763	765
Travel and subsistence	73	321
Other	452	353
	1,288	1,439



6. CONSULTANCY AND PROFESSIONAL FEES

	2020	2019
	£000	£000
Legal advice	69	143
Audit fees	32	26
Bank charges	21	22
Taxation advice	31	33
Actuarial advice	15	16
HR consultants	5	28
PR consultants	24	16
Other consultants	141	148
Recruitment	31	42
	369	474

7. DONATIONS TO CHARITY

Donations to Charity primarily represent donations to support the operation of the Museum of Freemasonry. It does not include the £3,459k (2019 - £3,666k) paid across to the Masonic Charitable Foundation (Note 2).

8. PROJECTS

	2020	2019
	£000	£000
Repairs to Grand Temple Mosaic and related structures	601	232
Internal reorganisation of Freemasons' Hall	971	42
Victoria Cross memorial stone	-	16
Other projects	273	483
	1,845	773

The internal reorganisation of Freemasons' Hall comprises a series of projects to move occupants of the building to newly refurbished locations. This will enable the former central office space to be opened to the public as a cafe and refreshment area when the coronavirus lockdowns are lifted in 2021.

Costs related to the refit of the Shop at Freemasons' Hall and Project Hermes in 2020 were capitalised.

9. RECHARGES

	2020	2019
	£000	£000
Letchworth's	-	(40)
Library and Museum Charitable Trust	(226)	(333)
Masonic Charitable Services	(215)	(276)
Metropolitan Grand Lodge	(65)	(65)
Supreme Grand Chapter	(482)	(500)
	(988)	(1,214)

The entities listed above are collectively described as "connected parties" for the purpose of note 14.



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 arises on sales of assets less realised losses in the year.

Tax on ordinary activities

	UGLE	UGLE Trading Co. Ltd	Total	
	2020	2019	2020	2019
	£000	£000	£000	£000
UK corporation tax	-	-	-	-
Adjustments in respect of previous periods	-	-	-	-
Total current tax charge	-	-	-	-
Deferred tax	76	-	76	(62)
Effect of change in anticipated rate on opening liability	1,205	-	1,205	-
Tax on property revaluation	(710)	-	(710)	160
Total deferred tax	571	-	571	98
Tax charge for the year	571	-	571	98

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	UGLE Trading Co. Ltd	Total	
	2020	2020	2020	2019
	£000	£000	£000	£000
Surplus on ordinary activities before tax	(420)	(473)	(893)	1,497
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK	(80)	(90)	(170)	284
Effect of:				
Disallowed expenses and non-taxable income	52	42	94	(340)
Tax on property revaluation	(710)	-	(710)	160
Unutilised losses carried forward	104	48	152	-
Effect of increased tax rate on opening liability	1,205	-	1,205	-
Tax underprovided in previous years	-	-	-	10
Tax repayable	-	-	-	(10)
Charitable donations	-	-	-	(6)
Current year tax charge as above	571	-	571	98

Net losses of £143k at 31 December 2020 on the listed investments included £250k 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 £3.7m revaluation of the properties has been provided for in these accounts should they be sold.



11. PROPERTY AND LISTED INVESTMENTS

	Cost 2020 £000	Market value 2020 £000	Cost 2019 £000	Market value 2019 £000
Property investments	384	57,717	384	61,455
Government securities and fixed interest	1,462	1,087	1,462	1,479
Other listed securities	7,383	8,845	7,619	9,081
Cash deposits	195	195	61	61
Listed investments	9,040	10,127	9,142	10,621
	9,424	67,844	9,526	72,076

	2020 £000	2019 £000
Listed investments market value as at 1 January	10,621	9,971
Net monies (disinvested)	(350)	(553)
Net gains/(losses) on listed investments	(144)	1,203
Listed investments market value as at 31 December	10,127	10,621

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. In view of the uncertainty created by the pandemic, the entire portfolio was valued as of 31 December 2020 by Farebrother, Chartered Surveyors.

12. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

UGLE has three wholly owned subsidiaries, whose activities are consolidated into these accounts and whose activities are as described below:

- Grand Lodge Publications Limited (“GLP”), whose activity until 31 December 2018 was the printing and publication of the magazine Freemasonry Today. This activity was taken over by UGLE with effect from 1 January 2019, and the company is now dormant.
- GQS Properties Limited, whose sole activity is to hold the Titles to Freemasons’ Hall and investment properties on trust for UGLE and Supreme Grand Chapter as their beneficial owners. Other than this, it is dormant.
- UGLE Trading Company Limited, a company limited by guarantee whose principal activity is a retail shop selling Masonic regalia, other items of Masonic significance, and relevant souvenirs and memorabilia.

On 1 October 2019, UGLE, via its new subsidiary UGLE Trading Company Ltd, acquired the entire business and assets of Letchworth’s (Freemasons’ Hall London) Ltd. The aggregate consideration paid for the business was £394k, based on an independent external valuation. This comprised £9k for fixed assets, £237k for inventories and £219k for the goodwill in the business, less £71k of creditors and accrued expenses. The goodwill was written off at the point of acquisition on the grounds that UGLE intends the bulk of the profits from the operation to be donated to charity, as had been the practice under its previous ownership, and therefore the economic benefits of ownership will not flow to UGLE.



13. TANGIBLE FIXED ASSETS

	UGLE			
	FMH, fixtures and furniture	Computers and computer systems	Office furniture and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2020	11,285	593	478	12,356
Additions at cost	440	273	-	713
Disposal	(25)	(53)	-	(78)
	11,700	813	478	12,991
Depreciation				
At 1 January 2020	5,149	266	139	5,554
Charge for the year	435	96	23	554
Disposal	(22)	(52)	-	(74)
	5,562	310	162	6,034
Net book value				
At 31 December 2020	6,138	503	316	6,957
<i>At 31 December 2019</i>	<i>6,136</i>	<i>327</i>	<i>339</i>	<i>6,802</i>

	GROUP			
	FMH, fixtures and furniture	Computers and computer systems	Office furniture and equipment	Total
	£000	£000	£000	£000
Cost				
At 1 January 2020	11,285	597	486	12,368
Additions at cost	790	296	-	1,086
Disposal	(25)	(53)	-	(78)
	12,050	840	486	13,376
Depreciation				
At 1 January 2020	5,149	266	140	5,555
Charge for the year	441	98	24	563
Disposal	(22)	(52)	-	(74)
	5,568	312	164	6,044
Net book value				
At 31 December 2020	6,482	528	322	7,332
<i>At 31 December 2019</i>	<i>6,136</i>	<i>331</i>	<i>346</i>	<i>6,813</i>



14. DEBTORS

	Group	UGLE	Group	UGLE
	2020	2020	2019	2019
	£000	£000	£000	£000
Trade debtors	1,126	1,089	1,078	1,555
Amounts due from connected parties (Note 9)	434	1,538	356	203
Prepayments	454	454	605	604
	2,014	3,081	2,039	2,362

16. CREDITORS

	Group	UGLE	Group	UGLE
	2020	2020	2019	2019
	£000	£000	£000	£000
Trade and other creditors	1,258	1,244	1,298	1,219
Accruals	1,083	1,067	582	576
Corporation tax	0	0	0	0
Other taxes	105	105	162	150
	2,446	2,416	2,042	1,945

15. FINANCIAL INSTRUMENTS

At the balance sheet date UGLE held financial assets at fair value through income and expenditure of £10,127k (2019 £10,622k), financial assets at amortised cost of £7,690k (2019 £8,323k) and financial liabilities at amortised cost of £2,469k (2019 £2,042k).

17. DEFERRED TAX - GROUP AND UGLE

	2020	2019
	£000	£000
Deferred tax as at 1 January	10,241	10,143
Charged for the year	571	98
	10,812	10,241

18. PENSION DISCLOSURES

UGLE operates a defined benefit pension arrangement, the Staff Pension and Life Assurance Scheme of the United Grand Lodge (the "Scheme"). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The scheme includes members from the Library and Museum Charitable Trust and Metropolitan Grand Lodge.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, UGLE must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall

against the Statutory Funding Objective, and also contributions to pay for future accrual of benefits.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 1 January 2018 and updated to 31 December 2020 by a qualified independent actuary. The next full valuation of the Scheme is due as at 1 January 2021. The results of this valuation will not be available until after these financial statements have been issued. The Scheme was closed to new members with effect from 31 December 2002. UGLE now operates a defined contribution scheme for which the pension costs charged to income and expenditure amounted to £304,000 (2019 £288,000). The remainder of this note relates to the defined benefit scheme.



18. PENSION DISCLOSURES (CONTINUED)

The Scheme is managed by a Board of Trustees appointed in part by UGLE and in part from elections by members of the Scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of

these functions to their professional advisers where appropriate.

The effect of the judgement regarding equalisation of guaranteed minimum pensions for past transfers has been accounted for as a past service cost during the period.

Change in benefit obligation

	2020	2019
	£000	£000
Benefit obligation at beginning of year	33,141	29,925
Current service cost	209	215
Past service cost	5	-
Interest cost	687	855
Member contributions	50	61
Increase in obligation through changes in actuarial and demographic assumptions	5,324	3,016
Benefits paid	(929)	(931)
Benefit obligation at end of year	38,487	33,141

Change in plan assets

	2020	2019
	£000	£000
Fair value of plan assets at beginning of year	30,343	26,862
Expected return on plan assets	634	776
Actuarial adjustments	(282)	2,891
Employer contribution	692	835
Member contributions	50	61
Benefits and administration costs paid	(1,071)	(1,082)
Fair value of plan assets at end of year	30,366	30,343

Funded status	(8,121)	(2,798)
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Change in net liability

	2020	2019
	£000	£000
Net liability at beginning of year	(2,798)	(3,063)
Employer contribution	692	835
Pension cost recognised in the Income and Expenditure account for the year	(409)	(445)
<i>Total pension adjustment recorded in Staff Emoluments</i>	283	390
Actuarial losses recognised in Change of Funds for the year	(5,606)	(125)
Net liability recognised in the Balance Sheet at end of year	(8,121)	(2,798)



18. PENSION DISCLOSURES (CONTINUED)

Components of pension cost

	2020	2019
	£000	£000
Current service cost	351	366
Interest cost	687	855
Expected return on plan assets	(634)	(776)
Past service costs	5	-
Pension cost recognised in the Income and Expenditure account for the year	409	445

The actuarial valuation as at 31 December 2020 showed an increase in the deficit from £2,798,000 to £8,121,000, primarily as a result in the decline in the discount rate assumption, caused in its turn by the fall in high quality corporate bond yields. The employer contribution rate as at 31 December 2020 is 20.2% of members scheme salary with additional monthly contributions of £46,800 also being made by the employers. Pension 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 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

	2020		2019	
	% of Plan Assets	Expected Return on Plan Assets	% of Plan Assets	Expected Return on Plan Assets
Equities	64%	1.2%	61%	2.1%
Gilts	28%	1.2%	31%	2.1%
Cash	1%	1.2%	2%	2.1%
Other	7%	1.2%	6%	2.1%
	100%	1.2%	100%	2.1%

Under the FRS102 standard, the discount rate used to value the liabilities is now effectively based on the expected return on assets (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 1.2% assumption which was applied in respect of the year to 31 December 2020.



18. PENSION DISCLOSURES (CONTINUED)

The principal assumptions used to determine benefit obligations are:

	2020	2019
Discount rate	1.2%	2.1%
Inflation assumption (RPI)	3.2%	3.45%
Inflation assumption (CPI)	2.5%	2.55%
Salary increases	2.5%	2.55%
Rate of increase of pensions in payment (RPI max 5%)	3.1%	3.3%
Rate of increase of pensions in payment (RPI min 3%)	2.55%	3.8%
Rate of increase of pensions in payment (RPI max 2.5%)	2.25%	2.35%
GMP equalisation cost	1.5%	1.5%

Commutation: 70% of members are assumed to take the maximum tax free cash possible.

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

	31 December 2020		31 December 2019	
	Male	Female	Male	Female
Member currently aged 65	21.8	23.8	21.7	23.8
Member currently aged 45	23.2	25.3	23.1	25.3

Contributions

The employer expects to contribute £0.69 million to its pension scheme in 2021.

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.

No additional heritage assets were acquired during the year (2019 - £39,755). Due to the size of these sums, they are not shown as a separate category within fixed assets.



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

OPINION

We have audited the financial statements of United Grand Lodge of England for the year ended 31 December 2020 which comprise the Consolidated Statement of Income and Expenditure and Retained Funds, the Group and Parent Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the United Grand Lodge of England's affairs as at 31 December 2020 and of its deficit 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 (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 United Grand Lodge of England 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

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

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

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

OTHER INFORMATION

The Board of General Purposes 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 United Grand Lodge of England'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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which United Grand Lodge of England operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were financial reporting standards. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to United Grand Lodge of England's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within United Grand Lodge of England for fraud. The laws and regulations we considered in this context for the UK operations were health and safety legislation, employment legislation, anti-fraud, bribery and corruption legislation and taxation legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board of General Purposes and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

USE OF OUR REPORT

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

Crowe U.K. LLP

CROWE U.K. LLP

Statutory Auditor
London

31 March 2021