

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

31 DECEMBER 2021

## PRESIDENT'S REPORT ON THE 2021 ACCOUNTS

2021 was the second year in which the Grand Lodge was significantly affected by the Coronavirus pandemic. Although our income recovered somewhat by comparison with 2020, it remains £1.2 million behind the pre-pandemic level after furlough scheme grants are excluded. Registration and dispensation fees, room hire income and investment income remain substantially depressed. However, on the positive side, trading income, comprising the shop and our newly opened café and bar, doubled compared with 2020 as activity resumed following the easing of restrictions on meetings in May 2021. Our total income rose by 12% compared with 2020.

Our costs during this period have remained tightly controlled, although the easing of Coronavirus regulations did enable us to resume some of the activities which had until then been curtailed. We have focussed on maintaining and enhancing our services to our members, paying particular attention to retaining our valuable capabilities through this period of uncertainty. Initiatives which will support and enhance the organisation in the coming years were accelerated, with particular emphasis on membership, learning and development, and communication. We have continued to invest in improving our IT infrastructure, including the Adelphi system. Project Hermes is well advanced and, as I write, has just entered the pilot testing phase. We opened a new café and bar in Freemasons' Hall, both as a service to visiting Brethren and to the public, and as a new source of revenue to help finance our wider operations. Projects begun in 2020 aimed at rationalising our building were brought to a conclusion. Our total costs rose by 5% compared with last year. Our overall operating deficit for the year reduced from £0.7m to £0.2m.

The two one-off factors which together cost us £10 million last year both reversed in 2021. Investment and

property values recovered to a large extent. And the revaluation of our defined benefit pension scheme showed a very substantial gain as interest rates began to rise, reducing the present value of our future obligations. These were partly offset by a deferred tax charge of £4 million, principally due to the increase in corporation tax rates from 19% to 25%. These are of course non cash items; our overall cash position declined by £1.7m during the year, but remained positive at £4.1m at the end of the year.

Our long term intention remains for investment income to fund projects, the Museum 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 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 pandemic.

In today's uncertain times, Freemasonry provides an anchor of stability for our members. The Masonic principles of integrity, respect, friendship and charity 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  
15th March 2022



# UNITED GRAND LODGE OF ENGLAND CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE AND RETAINED FUNDS FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 £000	2020 £000
<b>OPERATING INCOME</b>			
Receipts from Lodges	2	8,902	8,576
Investment income	3	1,866	1,299
Freemasonry Today advertising revenue		179	141
Government grants receivable		161	503
Trading income		738	361
Other receipts		519	175
		<b>12,365</b>	<b>11,055</b>
<b>OPERATING EXPENDITURE</b>			
Trading cost of sales		571	288
Staff emoluments	4	5,387	5,054
Repairs, renewals and upkeep		1,018	793
Utilities and services		1,227	1,005
Office services		828	701
Publications and communications	5	1,359	1,288
Consultancy and professional fees	6	480	369
Donations to charity	7	1,006	872
Depreciation and loss on disposal		607	566
Projects	8	966	1,845
		<b>13,449</b>	<b>12,780</b>
Recharges	9	(895)	(988)
<b>NET EXPENDITURE</b>		<b>12,554</b>	<b>11,792</b>
<b>OPERATING DEFICIT FOR THE YEAR</b>			
		<b>(189)</b>	<b>(737)</b>
Taxation	10	(3,965)	(571)
Revaluation of investments and properties	11	3,117	(3,881)
<b>NET EXPENDITURE</b>		<b>(1,037)</b>	<b>(5,189)</b>
Pension scheme actuarial adjustment	18	7,288	(5,606)
<b>NET CHANGE IN FUNDS FOR THE YEAR</b>		<b>6,251</b>	<b>(10,795)</b>
<b>TOTAL FUNDS AT 1 JANUARY</b>			
		<b>61,941</b>	<b>72,736</b>
<b>TOTAL FUNDS AT 31 DECEMBER</b>			
		<b>68,192</b>	<b>61,941</b>



## GROUP AND UGLE BALANCE SHEET AS AT 31 DECEMBER 2021

	NOTES	2021		2020	
		GROUP	UGLE	GROUP	UGLE
		£000	£000	£000	£000
FIXED ASSETS					
Property investments	11	59,898	59,898	57,717	57,717
Listed investments	11	12,776	12,776	10,127	10,127
Tangible fixed assets	13	7,167	6,771	7,332	6,957
		79,841	79,445	75,176	74,801
CURRENT ASSETS					
Stocks		371	43	316	21
Debtors and prepayments	14	1,599	3,033	2,014	3,081
Financial assets - bank and cash		4,113	4,014	5,814	5,805
		6,083	7,090	8,144	8,907
CURRENT LIABILITIES					
Creditors	16	(2,223)	(2,090)	(2,446)	(2,416)
NET CURRENT ASSETS		3,860	5,000	5,698	6,491
TOTAL ASSETS LESS CURRENT LIABILITIES		83,701	84,445	80,874	81,292
Deferred tax	17	(14,777)	(14,777)	(10,812)	(10,812)
Defined benefit pension scheme	18	(732)	(732)	(8,121)	(8,121)
		68,192	68,936	61,941	62,359

Approved

15 March 2022

**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 2021

	2021 £000	2020 £000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net cash used in operating activities (note a)	(1,408)	(1,391)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
<b>Investment income</b>		
Dividends received	145	133
Interest received	19	20
Net investment property income received	1,702	1,146
	<b>1,866</b>	<b>1,299</b>
Taxation paid	(0)	(0)
<b>Capital expenditure</b>		
Acquisition of tangible fixed assets	(447)	(1,086)
Purchase of investments	(4,215)	(3,686)
Sale of investments	2,503	4,038
<b>Net cash flow provided by investing activities</b>	<b>(293)</b>	<b>565</b>
<b>CASH MOVEMENT (note b)</b>	<b>(1,701)</b>	<b>(826)</b>

	2021 £000	2020 £000
<b>NOTES TO THE CASH FLOW STATEMENT</b>		
<b>a Reconciliation of operating surplus to net cash outflow from operating activities</b>		
Operating deficit for the year before taxation	(189)	(737)
Investment income	(1,866)	(1,299)
Increase in stock	(54)	(67)
Decrease in debtors	417	25
(Decrease)/Increase in creditors	(222)	404
Pensions adjustments	(101)	(283)
Depreciation and loss on disposal	607	566
<b>Net cash used in operating activities</b>	<b>(1,408)</b>	<b>(1,391)</b>
<b>b Analysis of change in cash</b>		
Balance at 1 January	5,814	6,640
Net cash outflow	(1,701)	(826)
<b>Balance at 31 December</b>	<b>4,113</b>	<b>5,814</b>

# 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 £161k in respect of the Coronavirus Job Retention Scheme (2020 - £503k).

### 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 during 1st Jan - 16th May. Activity resumed, in line with restriction guidelines, from then onwards.

The Board believes that our future income, cash reserves and investment portfolio 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

	2021 £000	2020 £000
Fees for registration, warrants, etc. on a cash received basis	287	307
Annual dues on a cash received basis	8,006	7,725
Rents of Lodge rooms at Freemasons' Hall	609	544
	<b>8,902</b>	<b>8,576</b>

Receipts from Lodges do not include £3,525k (2020 - £3,459k) which was collected by UGLE and passed through directly to the Masonic Charitable Foundation (see note 7).

## 3. INVESTMENT INCOME

	2021 £000	2020 £000
Gross rental income	2,130	2,402
Less:		
Repairs, renewals and insurance	(268)	(368)
Provision for doubtful debts	(73)	(812)
Legal and professional fees	(87)	(76)
Net property income	1,702	1,146
Income from listed securities	145	133
Interest	19	20
	<b>1,866</b>	<b>1,299</b>

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

	2021 £000	2020 £000
Not later than one year	1,981	1,822
Later than one year and not later than five years	7,480	9,095
Later than five years	35,590	33,847

## 4. STAFF EMOLUMENTS

	2021 £000	2020 £000
Salaries	4,187	4,005
Employer National Insurance contributions	433	403
UGLE Defined Benefit Scheme contributions	63	76
UGLE Defined Contribution Scheme contributions	342	310
Pension adjustments (note 18)	245	78
Life assurance and other staff costs	117	182
	<b>5,387</b>	<b>5,054</b>

Average number of employees during the year was 113.7 (2020 - 110).

Total salaries roll of key management (including all Heads of Department) is £936,050 (2020 - £921,931), covering 13 employees (2020 - 12).

Termination payments of £2,583 were made during the year (2020 - £46,535).

## 5. PUBLICATIONS AND COMMUNICATIONS

	2021 £000	2020 £000
Cost of publications	830	763
Travel and subsistence	75	73
Other	454	452
	<b>1,359</b>	<b>1,288</b>



## 6. CONSULTANCY AND PROFESSIONAL FEES

	2021	2020
	£000	£000
Legal advice	182	69
Audit fees	22	32
Bank charges	27	21
Taxation advice	30	31
Actuarial advice	28	15
HR consultants	13	5
PR consultants	37	24
Other consultants	57	141
Recruitment	84	31
	<b>480</b>	<b>369</b>

## 7. DONATIONS TO CHARITY

Donations to Charity primarily represent donations to support the operation of the Museum of Freemasonry. It does not include the £3,525k (2020 - £3,459k) paid across to the Masonic Charitable Foundation (Note 2).

## 8. PROJECTS

	2021	2020
	£000	£000
Repairs to Grand Temple Mosaic and related structures	78	601
Internal reorganisation of Freemasons' Hall	456	971
IT projects	432	72
Other projects	-	201
	<b>966</b>	<b>1,845</b>

The internal reorganisation of Freemasons' Hall comprises a series of projects to move occupants of the building to newly refurbished locations. This has enabled the former central office space to be opened to the public as a café and bar in July 2021.

Costs related to Project Hermes in 2021 were capitalised.

## 9. RECHARGES

	2021	2020
	£000	£000
Library and Museum Charitable Trust	(217)	(226)
Masonic Charitable Foundation	(237)	(215)
Metropolitan Grand Lodge	(44)	(65)
Supreme Grand Chapter	(397)	(482)
	<b>(895)</b>	<b>(988)</b>

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 and trading 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	
	2021	2021	2021	2020
	£000	£000	£000	£000
UK corporation tax	-	-	-	-
Adjustments in respect of previous periods	-	-	-	-
Total current tax charge	-	-	-	-
Deferred tax	6	-	6	76
Effect of change in anticipated rate on opening liability	3,414	-	3,414	1,205
Tax on property revaluation	545	-	545	(710)
Total deferred tax	3,965	-	3,965	571
Tax charge for the year	3,965	-	3,965	571

### 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	
	2021	2021	2021	2020
	£000	£000	£000	£000
Surplus on ordinary activities before tax	276	(287)	(11)	(893)
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK	52	(55)	(3)	(170)
Effect of:				
Disallowed expenses and non-taxable income	(334)	9	(325)	94
Tax on property revaluation	545	-	545	(710)
Unutilised losses carried forward	282	46	328	152
Effect of increased tax rate on opening liability	3,414	-	3,414	1,205
Tax underprovided in previous years	-	-	-	-
Tax repayable	-	-	-	-
Other adjustment	6	-	6	-
Current year tax charge as above	3,965	-	3,965	571

Net gains of £937k at 31 December 2021 on the listed investments included £708k 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 £2.2m revaluation of the properties has been provided for in these accounts should they be sold.



## 11. PROPERTY AND LISTED INVESTMENTS

	Cost	Market	Cost	Market
	2021	value	2020	value
	£000	£000	£000	£000
Property investments	384	59,898	384	57,717
Government securities and fixed interest	1,462	1,794	1,462	1,087
Other listed securities	9,287	10,749	7,383	8,845
Cash deposits	233	233	195	195
Listed investments	10,982	12,776	9,040	10,127
	11,366	72,674	9,424	67,844

	2021	2020
	£000	£000
Listed investments market value as at 1 January	10,127	10,621
Net monies invested / (disinvested)	1,712	(350)
Net gains/(losses) on listed investments	937	(144)
Listed investments market value as at 31 December	12,776	10,127

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. The majority of the value of the portfolio was valued as of 31 December 2021 by Farebrother, Chartered Surveyors, and the remaining properties subject to an internal valuation.

## 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:

- 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, as well as operating a café & bar.
- Grand Lodge Publications Limited (“GLP”), which from January 1st 2019 has been 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.



### 13. TANGIBLE FIXED ASSETS

	UGLE			
	FMH, fixtures and fittings £000	Computers and computer systems £000	Office furniture and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2021	11,700	813	478	12,991
Additions at cost	139	235	4	378
Disposal	(63)	(62)	-	(125)
	<b>11,776</b>	<b>986</b>	<b>482</b>	<b>13,244</b>
<b>Depreciation</b>				
At 1 January 2021	5,562	310	162	6,034
Charge for the year	445	93	22	560
Disposal	(63)	(58)	-	(121)
	<b>5,944</b>	<b>345</b>	<b>184</b>	<b>6,473</b>
<b>Net book value</b>				
At 31 December 2021	<b>5,832</b>	<b>641</b>	<b>298</b>	<b>6,771</b>
<i>At 31 December 2020</i>	<i><b>6,138</b></i>	<i><b>503</b></i>	<i><b>316</b></i>	<i><b>6,957</b></i>

	GROUP			
	FMH, fixtures and fittings £000	Computers and computer systems £000	Office furniture and equipment £000	Total £000
<b>Cost</b>				
At 1 January 2021	12,056	840	480	13,376
Additions at cost	173	270	4	447
Disposal	(63)	(62)	-	(125)
	<b>12,166</b>	<b>1,048</b>	<b>484</b>	<b>13,698</b>
<b>Depreciation</b>				
At 1 January 2021	5,569	312	164	6,045
Charge for the year	482	103	22	607
Disposal	(63)	(58)	-	(121)
	<b>5,988</b>	<b>357</b>	<b>186</b>	<b>6,531</b>
<b>Net book value</b>				
At 31 December 2021	<b>6,178</b>	<b>691</b>	<b>298</b>	<b>7,167</b>
<i>At 31 December 2020</i>	<i><b>6,487</b></i>	<i><b>528</b></i>	<i><b>316</b></i>	<i><b>7,331</b></i>



## 14. DEBTORS

	Group	UGLE	Group	UGLE
	2021	2021	2020	2020
	£000	£000	£000	£000
Trade debtors	715	709	1,126	1,089
Amounts due from connected parties (Note 9)	231	1,699	434	1,538
Prepayments	653	625	454	454
	<b>1,599</b>	<b>3,033</b>	<b>2,014</b>	<b>3,081</b>

## 16. CREDITORS

	Group	UGLE	Group	UGLE
	2021	2021	2020	2020
	£000	£000	£000	£000
Trade and other creditors	1,232	1,167	1,258	1,244
Accruals	838	794	1,083	1,067
Corporation tax	0	0	0	0
Other taxes	153	129	105	105
	<b>2,223</b>	<b>2,090</b>	<b>2,446</b>	<b>2,416</b>

## 15. FINANCIAL INSTRUMENTS

At the balance sheet date UGLE held financial assets at fair value through income and expenditure of £12,776k (2020 £10,127k), financial assets at amortised cost of £5,430k (2020 £7,690k) and financial liabilities at amortised cost of £2,223k (2020 £2,446k).

## 17. DEFERRED TAX - GROUP AND UGLE

	2021	2020
	£000	£000
Deferred tax as at 1 January	10,812	10,241
Charged for the year	3,965	571
	<b>14,777</b>	<b>10,812</b>

## 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 2021 and updated to 31 December 2021 by a qualified independent actuary. The next full valuation of the Scheme is due as at 1 January 2024. 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 £342,000 (2020 £310,000). The remainder of this note relates to the defined benefit scheme.

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



## 18. PENSION DISCLOSURES (CONTINUED)

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

	2021 £000	2020 £000
Benefit obligation at beginning of year	38,487	33,141
Current service cost	237	209
Past service cost	-	5
Interest cost	456	687
Member contributions	45	50
(Decrease)/Increase in obligation through changes in actuarial and demographic assumptions	(4,340)	5,324
Benefits paid	(1,034)	(929)
Benefit obligation at end of year	33,851	38,487

### Change in plan assets

	2021 £000	2020 £000
Fair value of plan assets at beginning of year	30,366	30,343
Expected return on plan assets	361	634
Actuarial adjustments	2,948	(282)
Employer contribution	676	692
Member contributions	45	50
Benefits and administration costs paid	(1,277)	(1,071)
Fair value of plan assets at end of year	33,119	30,366

Funded status	(732)	(8,121)
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### Change in net liability

	2021 £000	2020 £000
Net liability at beginning of year	(8,121)	(2,798)
Employer contribution	676	692
Pension cost recognised in the Income and Expenditure account for the year	(575)	(409)
<i>Total pension adjustment recorded in Staff Emoluments</i>	101	283
Actuarial losses recognised in Change of Funds for the year	7,288	(5,606)
Net liability recognised in the Balance Sheet at end of year	(732)	(8,121)



## 18. PENSION DISCLOSURES (CONTINUED)

### Components of pension cost

	2021	2020
	£000	£000
Current service cost	480	351
Interest cost	456	687
Expected return on plan assets	(361)	(634)
Past service costs	-	5
Pension cost recognised in the Income and Expenditure account for the year	575	409

The actuarial valuation as at 31 December 2021 showed a reduction in the deficit from £8,121,000 to £732,000. This is primarily a result of improvements in bond yields, which reduce the value of liabilities, and increases in asset values, with changes in other actuarial assumptions having relatively minor effects in both directions. The employer contribution rate as at 31 December 2021 is 20.2% of members' Scheme salary, with additional monthly contributions of £46,818 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% per annum. The above contributions include amounts paid by the Library and Museum Charitable Trust and by Metropolitan Grand Lodge. Active members of the Scheme pay contributions at the rate of 8% of Scheme salary.

### Scheme assets

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

#### Asset category

	2021		2020	
	% of Plan Assets	Expected Return on Plan Assets	% of Plan Assets	Expected Return on Plan Assets
Equities	65%	1.8%	64%	1.2%
Gilts	26%	1.8%	28%	1.2%
Cash	2%	1.8%	1%	1.2%
Other	7%	1.8%	7%	1.2%
	100%	1.8%	100%	1.2%

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 1.8% assumption which was applied in respect of the year to 31 December 2021.

## 18. PENSION DISCLOSURES (CONTINUED)

The principal assumptions used to determine benefit obligations are:

	2021	2020
Discount rate	1.8%	1.2%
Inflation assumption (RPI)	3.5%	3.2%
Inflation assumption (CPI)	3.1%	2.5%
Salary increases	3.1%	2.5%
Rate of increase of pensions in payment (RPI max 5%)	3.2%	3.1%
Rate of increase of pensions in payment (RPI min 3%)	4.0%	3.7%
Rate of increase of pensions in payment (RPI max 2.5%)	2.2%	2.3%
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 2021		31 December 2020	
	Male	Female	Male	Female
Member currently aged 65	22.2	24.7	21.8	23.8
Member currently aged 45	23.5	26.1	23.2	25.3

### Contributions

The employer expects to contribute £0.68 million to its pension scheme in 2022.

## 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.



# 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 2021 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 2021 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.

#### **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](http://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

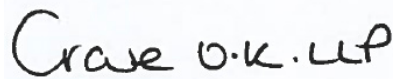


on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, and reading minutes of meetings of those charged with governance.

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**  
Statutory Auditor  
London, UK  
30 March 2022