CCLA Investment Management Limited

ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

For the year ended 31 March 2023

CCLA

GOOD INVESTMENT

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

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

CCLA

GOOD INVESTMENT

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[1] These sections comprise CCLA's Strategic Report
[2] These sections comprise CCLA's Directors' Report

Disability Discrimination Act 1995
Extracts from the Annual Report & Audited Financial Statements are available in large print and audio formats and can be requested from Alison.Jermey@ccla.co.uk.

Chair's Statement

As chair of CCLA, once again, I must thank each and every one of our staff, led by Peter Hugh Smith as CEO, for how they have risen to the challenges posed by a very difficult year. Many thought that when the Covid pandemic was ended, that life would return to normal. However, the consequences of the pandemic are being felt across the whole of society. Large sectors of the economy, in both the private and the public sphere, are suffering from a change in working practices with many still working from home. Productivity appears to have fallen with many services now found wanting. Whilst unemployment and underemployment statistics remain high, staff shortages are contributing to persistently stubborn wage inflation. The disruption to the supply chain still remains with bottlenecks occurring in many of the basic building blocks of the economy. The enormous provision of money during the pandemic by the government has fuelled the inflation statistics for the UK. We warned in the statement last year of the squeeze that would come on the consumer sector from mortgage payment increases, and since the financial year end that has come home to roost with a vengeance. As the CEO notes in his report, the impact on the gilts market has been devastating.

Whilst many commentators are quick to lay the blame at the feet of the Tory administration, where the revolving door has certainly been destabilising until recently, or on Brexit, comparisons with other European countries show that these are wider problems. There are significant questions, posed for future returns on investment, if we have moved into a new environment of a shift in balance of returns from capital to labour; and the deficits and loose monetary policy of Western Europe have become unsustainable.

As noted last year, and the year before, this will have serious implications for all our clients, who serve largely the poor and dispossessed, whether through church funds, charities or local authority community funds. The cost base of providing support services will continue to rise whilst the demand will also increase. At the same time, endowment returns are likely to be lower and contributions squeezed by the reduction in real income for many in society. All of this is exacerbated by the war in Ukraine, and its continuing impact on commodity prices, whether food, or energy, or fertilisers. Whilst communication between the US and China appears to be improving, it also appears we may be facing a rerun of the presidential race in the US between Donald Trump and Joe Biden. This could scarcely have been imagined a year ago.

The challenges for CCLA remain great but despite this difficult background, your company has continued to perform well. Significant transformation in our infrastructure continues with continual investment in our systems and administration. Our client focus on "good investment" is well understood and supported by our clients, and our entire staff remain committed to our purpose statement. The new office has provided an improved operating environment for our staff. Whilst the company's finances remain robust as a result of our prudent husbanding of our resources during the boom years, the regulatory environment and the cost of doing business will only continue to rise. Consequently, as a company, we must continue to grow to be able to serve our purpose.

In conclusion, I would like to echo my closing remarks from last year's report:

"we look forward to continuing to serve our clients over the coming months and years ahead, despite the challenges we all face, to enable them to meet the wider needs of society and the greater demands that will be placed upon them in these difficult times".

Richard Horlick
Chair
4 July 2023

Chief Executive's Review

The economic and market uncertainty that characterised the outlook a year ago continued throughout the year just ended. Back then Russia had just invaded Ukraine, UK inflation was already running at seven percent and a cost-of-living crisis was becoming entrenched. Any hope for a quick resolution to the war was dashed and inflation continued to accelerate, with UK food prices rising a staggering twenty percent. The Bank of England raised interest rates by four percentage points during the year and the US Federal Reserve by five percentage points. The interest rate shock brought about a banking crisis with the failures of Silicon Valley Bank and others in the United States and Credit Suisse in Europe; and, in UK politics, 2022 was a year of three prime ministers for the first time since 1886.

All of this understandably took its toll on financial markets. MSCI World fell over twenty percent in dollar terms, but for UK investors the blow was cushioned by a fall in sterling. Global equities were down ten percent at the worst point yet, remarkably, ended the year almost unchanged. The gilt market had its worst year since the 1970s, falling by a quarter, and the index-linked gilt index fell by almost a half.

Fortunately, we had raised cash by lowering equity weightings in late 2021 and maintained this somewhat defensive posture during the year, only raising risk weightings in the first quarter of 2023. Our focus on quality, cash generative franchises with low financial gearing remains firmly in place.

Against this negative backdrop, CCLA's core investment funds fell modestly, well short of their CPI+ target, but ahead of the comparator and peers. From an asset allocation perspective, the big driver of relative returns has been our absence from the bond market, which fell seventeen percent in the period. We took a small initial position in two year gilts in September and extended duration to ten year gilts in November. Our short duration and underweight position continued to be a positive, despite the rally in fixed income in Q1 23 on the back of weakening inflation data and the SVB collapse.

Alternatives generally fared better than bonds over the period, although the rise in discount rates was a headwind, particularly for the property market, including assets such as logistics REITs and social infrastructure. Alternative energy performed well, benefiting from the rise in power prices, but rising debt costs and disruption to performance rights during the pandemic had a negative impact on the music royalty names.

Within equities, the cost of being absent from energy was outweighed by positive performance in other sectors. Our defensive positioning in consumer staples was a positive with companies such as Pepsi and Unilever able to push through higher pricing with limited volume offset. Companies that benefited from the end of covid-related lockdown also performed well, notably IHG the hotel group, Amadeus the airline IT provider and the alcohol names (Heineken, Pernod Ricard). Luxury also continued to perform well, notably LVMH, with the reopening of China an additional boost.

In financials, the European exchanges (Deutsche Börse, LSE) held up well, but exposure to the mortgage market held back Intercontinental Exchange. Private equity also struggled as expectations of higher funding costs and lower exit multiples hit sentiment for names such as Blackstone and Partners. However, the reopening of China and particularly Hong Kong was a boost for Asian insurer AIA.

Within IT, while we avoided the worst of the valuation reset, we did see some weakness from software names such as Adobe, ServiceNow and Nice. However, our decision to re-enter names such as Ansys and Nvidia after their falls was a positive one, particularly as sentiment began to improve on Nvidia's AI prospects. After a weak period in Q4 22 on concerns on short term cloud growth and a weaker consumer, the technology giants Alphabet, Microsoft and Amazon have had a stronger 2023, helped by significant cost cutting potential and more solid results than expected.

Healthcare generally had a strong 2022, with pandemic spending a boost for many of the life sciences names. As we have moved into 2023, however, the normalisation of this spend, tougher conditions for biotech funding and a degree of overstocking have been issues for holdings such as Thermo Fisher and Danaher. However, for companies such as Stryker and Edwards Life Sciences the normalisation of procedure volumes has been a positive. Novo Nordisk has also been a very strong performer, as demand for its obesity drug looks set to make it a major blockbuster.

Sustainability remains at the core of CCLA's proposition. This isn't just about managing sustainable funds; it permeates all of our activities.

Central is our commitment to drive change. We do this by unleashing the power of active ownership. This means using our position as part owners of the companies that we invest in to encourage them to change for the better. We do this by actively voting at company meetings and routinely engaging with management.

During the year we engaged with 476 companies across a large number of sustainability issues. These ranged from addressing climate change, to workers' rights and from nutritional standards to the cost-of-living crisis.

However, once again, our most notable achievements were the continuation of our flagship collaborative initiatives on mental health and modern slavery.

On mental health, we published two 'corporate benchmarks'. These assessed 100 of the UK's largest and 100 of the world's largest listed businesses' approach to protecting the mental health of their employees. In this first year of the project, it has already delivered change. Businesses such as Amazon and HSBC have responded to our research by publishing new policies and processes.

On modern slavery, we have continued to develop our long-standing 'Find It, Fix It, Prevent It' initiative. This aims to increase the effectiveness of corporate activities to address modern slavery. During the year, the initiative commenced engagement with the UK construction industry, in addition to continued engagement with companies in the hospitality industry. The initiative is now supported by investors with combined assets of over £14.6 trillion, demonstrating CCLA's ability to bring the whole investment industry together to push for change.

In both cases, these are not just issues that we feel passionately about. They are – over the long-term - financially material issues that need to be addressed if these companies are to thrive.

We also believe in the importance of reflecting our clients' values in their portfolios. For this reason, we were pleased to complete a long-running client consultation process. Whilst the full results will be published in due course, it was great to learn that:

- Nearly three quarters of our clients want their funds to have an explicit objective to drive change.
- Addressing climate change, pushing for better respect for human rights, and addressing modern slavery are key priorities for engagement for charity investors.
- Ethical screening – avoiding investment in companies that contradict our clients' mission – remains the most important issue for charities when considering sustainability.

However, we were most pleased to learn that "finding an investment manager that I trust and shares my values" was the most important reason given for why our clients chose to invest with CCLA. Trust is very hard to win in any industry and we will strive to continue to earn and maintain it in everything that we do.

We remain focused on the charity, church and local authority sectors and our engagement with individual clients and sector organisations has returned to pre-pandemic levels. In addition, we launched our first fund targeting retail investors in April 2022, the CCLA Better World Global Equity Fund. This fund is being distributed primarily through intermediaries such as wealth managers and financial advisers with the fund now listed on 27 investment platforms, including Hargreaves Lansdowne, Interactive Investor, AJ Bell and Fidelity. Initial feedback has been extremely positive, and we remain confident in this new distribution channel which will further diversify CCLA's business and enhance our resilience.

During the year, CCLA moved to its new office at One Angel Lane, which provides a better environment for our staff and supports more flexible hybrid working. Given the pressure on cost of living, we were pleased to pay a cost of living allowance during the year, targeted at lower and mid paid staff.

Operationally, we continue to hire excellent people with our headcount increasing 13% over the year to 190 people. During the year we have also introduced a new Client Relationship Management technology, launched an online client portal and further enhanced our client reporting capabilities. We are also nearing the completion of outsourcing our Transfer Agency capabilities to FNZ.

The environment we operate in is challenging with ever-increasing regulatory pressures, rising costs and strong competition. However, CCLA is confident about the future. We will continue to strive to offer our investors excellent investment returns, efficient service and a sustainable approach that aligns with their interests. We will continue to invest in the business and grow our capabilities.

Peter Hugh Smith
Chief Executive
4 July 2023

Activities and Objectives

The Directors submit their report and audited consolidated financial statements for the year ended 31 March 2023. The consolidated financial statements for CCLA include the results of the Company and its wholly-owned subsidiary, CCLA Fund Managers Limited ('CCLA FM').

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

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

Our client base is as follows:

Type of client	Funds under management at 31 March 2023	Funds under management at 31 March 2022
Charities	£7,900m (58.3%)	£8,136m (58.4%)
Church of England organisations	£2,987m (22.0%)	£2,778m (20.0%)
Local authority and public sector	£2,668m (19.7%)	£3,002m (21.6%)
Total	**£13,555m**	**£13,916m**

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

Fund type	Funds under management at 31 March 2023	Funds under management at 31 March 2022
Mixed funds	£9,662m	£9,954m
Short-term cash funds	£3,486m	£3,874m
Property funds	£1,783m	£2,176m
Other specialist funds	£983m	£626m

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

A combination of strong investment performance, attractive products and effective marketing and sales has resulted in positive net new fund flows. This represents a core Key Performance Indicator ('KPI').

Fund flows by fund type	Year to 31 March 2023 £m	Year to 31 March 2022 £m
Mixed funds	78	142
Short-term cash funds	159	197
Property funds	(13)	49
Other specialist funds	17	(12)
Total	**241**	**376**

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

Size of client	Number of clients	Funds under management	Average client size
£0 to £10,000	10,300	£37m	£3,590
£10,000 to £500,000	19,800	£1,710m	£86,700
£500,000 to £5,000,000	2,030	£3,150m	£1,550,000
Over £5,000,000	526	£8,610m	£16,400,000

Client numbers exclude nil balances and all figures above are approximate and have been rounded to three significant figures.

Type of client	Number of clients	Number of client accounts
Charities	20,400	35,500
Church of England organisations	11,300	41,200
Local authority and public sector	952	1,680
Total	**32,700**	**78,400**

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

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

Our approach to investment management

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

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

	Fund size at 31 December 2022 £m	Distribution for the year to 31 December 2022 £m	Fund yield 31 December 2022 %	Fund yield 31 December 2021 %
Income and accumulation				
COIF Charities Investment Fund	3,245	90.9	3.00	2.60
The CBF Church of England Investment Fund	1,917	55.8	2.99	2.56
COIF Charities Ethical Investment Fund	1,937	54.6	3.14	2.70
Income				
Local Authorities Property Fund	1,227	50.0	4.08	3.46
COIF Charities Property Fund	589	31.3	5.03	4.43
Diversified Income Fund	136	3.9	2.91**	2.39**

**Dividend yield on price relates to unit class 2.

In respect of the year to 31 December 2022, CCLA long-term and cash funds distributed a total of £363m (year to 31 December 2021: £298m) to our clients to support their work. The maintenance and growth of long-term fund distributions per share for our mixed funds is a core KPI.

Our flagship pooled mixed funds for charities and Church of England organisations have performed strongly against comparators and competitors over a five year timeframe.

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

Fund performance	**2022** %	**2021** %	**Year to 31 December** **2020** %	**2019** %	**2018** %	**Cumulative five year performance** %
COIF Charities Investment Fund	(9.00)	17.38	9.78	21.64	0.58	43.46
The CBF Church of England Investment Fund	(9.16)	17.46	10.20	22.41	1.81	46.54
COIF Charities Ethical Investment Fund	(9.71)	16.76	9.76	22.18	0.48	42.06
ARC Steady Growth Charity Index***	(9.61)	12.30	3.54	15.64	(4.85)	15.65

Source: CCLA

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

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

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

As an asset manager our aim is to deliver superior, sustainable risk-adjusted returns to our clients in a way that aligns with their values and furthers their mission. We achieve this through the following principles.

Act
We act as an agent for 'change' because investment markets can only ever be as healthy as the environment and communities that support them.

We do this by:

1. using our ownership rights to improve the sustainability of the assets in which we invest
2. bringing investors together to address systemic risks that have not had the attention that they require
3. seeking to be a catalyst for change in the investment industry.

During the reporting year we engaged with companies on a broad range of issues, including the cost of living, nutritional standards and climate change. However, our main focus was once again delivering our flagship collaborative engagement programmes on modern slavery and mental health. Find It, Fix It, Prevent It – our campaign to increase the effectiveness of corporate actions against modern slavery – continued to deliver considerable change in corporate behaviour and is now supported by investors with over £13 trillion AUM.

Assess
We assess environmental, social and governance ('ESG') standards because we believe that a combination of legislation, regulation and changing societal preferences will impact negatively on the most unsustainable business models.

We avoid investing in companies that have uncompensated, unwanted, unwarranted and unmitigated ESG risks as evidenced by:

1. poor management and weak corporate governance
2. having an unacceptable social and environmental impact
3. demonstrating an unwillingness to improve through investor engagement.

As a result of this work CCLA's equity portfolios continue to be managed to better than benchmark corporate governance ratings and have low, relative, carbon footprints.

Align
We invest in a way that is aligned with our clients, as we are the guardians, not the owners, of the assets that we manage. For this reason, we have a responsibility to:

1. ensure that our portfolios are aligned with our clients' objectives, values and beliefs
2. report on the outcomes of all our work
3. be transparent about everything we do on our clients' behalf.

During the reporting year we had no breaches of our clients' values-based investment policies.

Affiliations
CCLA is a signatory to the Financial Reporting Council's Stewardship Code and the Principles for Responsible Investment ('PRI'). In the most recent PRI assessment CCLA received 5 stars (out of 5) for our responsible investment policy and process, ESG integration in listed equities and Proxy voting. We received 4 stars for ESG integration in property.

We are also members of the Net Zero Asset Managers Alliance and support the Taskforce on Climate Related Financial Disclosures. Details of our approach to managing the risks and opportunities associated with climate change are detailed on our website.

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

With such a large client base, we provide a differentiated service depending upon the needs of the clients. For those with the simplest requirements, we have an experienced in-house team of client service staff able to answer client questions. We have 21 members of staff available to talk to these clients, and a further 15 members of staff processing their instructions. Over the last twelve months, we have processed 65,291 client instructions.

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

Over the last twelve months there were a total of 110 errors in our processing of investors' dealing instructions, which equates to approximately 1 incident for every 594 instructions (0.2%). Of the errors, 43 required compensation totalling £21,000.

In terms of formal complaints during the period, CCLA received 13 of which eight were upheld. Additionally, over the same period, CCLA had one breach that required notification to the Financial Conduct Authority ('FCA'). Our error, complaint and breach levels are core KPIs.

For the largest number of our clients, we offer an execution only relationship, where we provide information and guidance about our pooled funds. For some clients we can also provide a discretionary investment management service limited to our own funds or selectively we provide a fully segregated portfolio management service.

Our shareholders

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

Owner of Voting and Non-Voting Ordinary Shares as at 31 March 2023	Holding as at 31 March 2023 Ordinary Shares £1 each	Interest in Ordinary Shares %
The CBF Church of England Investment Fund	13,000,000	53.69%
COIF Charities Investment Fund	5,416,700	22.37%
The Local Authorities Mutual Investment Trust (LAMIT)	3,250,000	13.42%
Current and former Executive Directors	1,890,759	7.81%
CCLA Employee Share Trust	347,578	1.43%
CCLA Share Incentive Plan	263,318	1.09%
Current CCLA employees	45,345	0.19%
Total	**24,213,700**	**100.00%**

Current and former Executive Directors acquired their shares under a Long Term Incentive Plan which is disclosed in detail on page 98, or under the deferred bonus scheme. This scheme is disclosed in more detail on pages 87 to 88.

In May 2018, CCLA established an Employee Share Trust in order to provide a mechanism to satisfy sales and grants under the deferred bonus scheme and Long Term Incentive Plan without calling on the three major shareholders. The CCLA Share Incentive Plan commenced in April 2020, a tax-approved plan giving employees the opportunity to acquire shares in the Company.

For the major shareholders, their investment in CCLA is small compared with the size of their funds. For the CBF Church of England Investment Fund, it represents 2.86% and for the COIF Charities Investment Fund 0.71%. The nature of this relationship means what is in the long term interests of the clients is not in conflict with maximising the value of CCLA.

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

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

CCLA has an Internal Own Funds Requirement of 150% of our Own Funds Threshold Requirement ('OFTR'). This target has been set to ensure that under all reasonable circumstances, CCLA would not be required to ask its shareholders for more capital. The level of our Own Funds compared with our Internal Own Funds Requirement is a core KPI, and this position has remained strong over the last year as detailed below:

Position as at 31 March	2023 £'000	2022 £'000
Shareholder funds	51,666	45,262
Own Funds following the audit	49,169	42,195
Own Funds Threshold Requirement	20,436	13,156
Surplus over Own Funds Threshold Requirement	28,733	29,039
Internal Own Funds Requirement	30,654	23,023
Surplus over Internal Own Funds Requirement	18,515	19,172

The OFTR stated above is calculated as part of the Group's Internal Capital Adequacy and Risk Assessment ('ICARA') (as defined in the FCA's rules). Our overall OFTR is £20,436,000 (2022: £13,156,000). Shareholder funds and Own Funds increased during the year as a result of retained profits.

Business Environment and Performance

Financial performance

Despite the market headwinds, company performance remained strong with a profit before tax of £12.3m. This was £4.5m behind 2022's profit before tax, reflective of the investments being made in the business through new additions to the team and the upgrading of our operational infrastructure. Turnover was marginally ahead of the prior year at £59m reflecting good client retention and steady investment performance.

Strategy

Our strategy remains consistent with the previous year with the following key pillars:

- Ensuring that our investment process, including a focus on sustainability, is effectively delivered and well-articulated.
- Continuing to grow our business, exploring new markets and distribution channels which capitalise on our areas of expertise, in particular our long history of sustainable investment.
- Ongoing improvement of our operational infrastructure and efficiency.
- Ensuring our fund structures are best placed to serve our client base.

Underpinning these is a continued focus on effective Governance ensuring we have the right model to support the business.

Our market share and trends in our markets

Our clients are charities, religious organisations or part of the public sector, and from April 2022, our clients increasingly included retail investors. These comments are based on our analysis of the markets in which we operate.

Managing assets for charities

The most recent Charity Finance Survey, published in November 2022 but based on data as at 30 June 2022, again showed CCLA as the largest manager of charity assets in the UK, and with by far the largest number of clients. The total funds captured by the Survey were £83 billion, which was a reduction of approximately £3 billion compared to the year before, with most of this reduction being the result of declines in the market values of bonds and overseas equities within existing portfolios. Whilst there will be other charity assets not captured by the Survey, it is a useful working measure of the size of market for charity assets in the UK. Based on this total, CCLA has a broadly unchanged market share of just over 12%.

Although there is some element of double counting, the Survey indicates that approximately 40% of charity assets are invested in pooled funds, and 60% are managed within segregated accounts.

Most of the pooled fund assets are managed on a multi-asset basis, and in spite of a general decline in market values, the total value of these assets was almost unchanged at £14 billion. Although diversification was clearly beneficial, this unchanged asset total also implies that there was a positive net inflow of money into these multi-asset funds, from other investment strategies, during the time period.

At the end of June 2022, CCLA had an estimated 43% market share, a one percentage point reduction compared to the year before, even though CCLA was a beneficiary of what appeared to be net positive flows into pooled multi-asset funds. Increasing our market share still further from such a dominant position is likely to become progressively harder, but we can still grow assets in cash terms. For now, CCLA still has more than twice the market share of the next largest manager.

There was no clear evidence to suggest that market volatility prompted clients to dis-invest from multi-asset funds, but there was some evidence of an increase in cash balances and the use of pooled cash funds. Although the data is somewhat incomplete, the Survey did show an increase in charity assets invested in cash funds, to at least £7.7 billion, an apparent increase of 19%. It seems probable that at least some of this money is waiting on the side-lines, and could commit to multi-asset funds when market volatility calms somewhat.

For many years, there has been a market wide trend away from single asset class funds (pure equity funds and pure bond funds), towards mixed asset funds. Although this trend has been more difficult to discern in a period of market volatility, it appears to be intact, and the long term result of short term market fluctuations, is likely to be further reinforcement of this trend.

The strong directional trend towards index-tracking that is so dominant in other parts of the investment management world, is not obviously apparent in the charity market. Some charity assets are managed on a passive basis, probably for the larger charities, but we are not seeing the wholesale movement of assets that have come to be associated with institutional pension funds for example. We believe that this is because charities are looking for managed solutions rather than trying to buy market exposure at the lowest possible cost. Charities expect managers to take responsibility for asset allocation, and increasingly they expect managers to actively manage reputational risk so as to prevent investment in companies whose behaviour could be contrary to the purposes of many charity investors.

Managing assets for local authorities

According to government data, UK local authority treasury balances were approximately £49 billion as at December 2022, a reduction from £63 billion the year before. Based on this total, CCLA's local authority assets of £2.7 billion gave us market share of approximately 5.5 %

Historically, local authorities tended to invest the largest proportion of their assets into deposits with banks and building societies. However, over the past few years, their use of money market funds has been growing. Although there was a £14 billion reduction in total treasury balances, which was a percentage decline of 22%, the total amount invested in money market funds reduced by much less, from £13.9 billion to £12.7 billion, a percentage decline of only 8%. So money market funds again increased their share of treasury cash balances, to nearly 26% of total treasury balances as at December 2022. CCLA's Public Sector Deposit Fund had assets of £1.34 billion in December 2022 implying a market share of around 10.5% for money market funds.

We think that the published data somewhat understates the use of money market funds, because some local authorities may aggregate their money market investments into a wider categorisation of pooled fund assets. Local authorities also invest in bond, equity and property funds, where they can take a longer term view for some of their treasury money, and with the objective of building up a long-term source of investment income.

In December 2022, local authorities had £5.6 billion invested in what central government describe as 'externally managed funds', a figure virtually unchanged from the year before. Some of these assets were probably money market funds, so we cannot determine the precise extent of local authority investment in risk asset funds, but it does appear that our Local Authorities' Property Fund and Diversified Income Fund, which had combined assets of £1.36 billion in December 2022, have captured a significant share of this market.

Sector Involvement

Whilst the contribution we make to the work of our clients is dominated by our ability to deliver strong investment performance and consistent income distributions, we also provide a significant level of financial and in-kind support to a wide range of organisations. For a full listing for the year, please see page 102. We develop long-term, sustainable relationships with key sector infrastructure bodies, provide core funding and event sponsorship, co-producing awards programmes to recognise achievement, resourcing research and policy related activity, as well as putting our offices and hospitality at their disposal without charge. As well as supporting these organisations, this engagement enables us to keep abreast of sector developments and ensures that we maintain a deep understanding of the issues facing our core markets.

Over the last twelve months, we ran or supported 383 events, of which 175 took place at our offices, involving over 2,000 people and 169 took place at various locations throughout the UK. We also ran or supported 39 online events, involving over 1,400 people, our online presence has been successful, reaching over 3,200 people. The value of this support for the charity, faith and public sectors CCLA serves is a core KPI, which was in excess of £2.5m in the year to 31 March 2023 (2022: £1.9m).

Section 172 Statement

The Directors of CCLA recognise that the long-term success of a business and the creation of value is dependent not only on its shareholders, but on maintaining relationships with all of its stakeholders and considering the external impact of the company's activities.

CCLA's key stakeholders can be defined within the following groups:

Clients
Shareholders
Employees
Communities and environment
Regulators and government
Suppliers

Pages 28 to 30 of the Directors Report provide a summary of CCLA's engagement with each stakeholder group in communicating key messages of the business model, future strategies with the company's business chain and environment as well as core values.

Our people

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

In the year to 31 March 2023, our full time equivalent average headcount was 175, which compares with 155 in the previous year. Unintentional employee turnover (excluding, for example, redundancies, end of fixed term contracts and retirements) is a core KPI, and for the year to 31 March 2023 this was 6%, compared with 9% in the previous year.

Our gender mix as at 31 March 2023 was 53% male and 47% female (2022: 54% male and 46% female).

Our gender pay gap statistics as at 31 March were as follows:

	2023 %	2022 %
Mean gender pay gap in hourly pay	25.9	23.7
Median gender pay gap in hourly pay	32.6	28.5
Mean bonus gender pay gap	53.4	43.7
Median bonus gender pay gap	42.5	44.1

In 2023, 97% of males and 94% of females received a bonus payment (2022: 98% of males and 94% of females received a bonus payment).

The proportion of males and females in each pay quartile:

	2023		2022	
	Male %	**Female** %	**Male** %	**Female** %
First quartile	74.5	25.5	74.4	25.6
Second quartile	55.3	44.7	51.3	48.7
Third quartile	47.9	52.1	51.2	48.8
Fourth quartile	35.4	64.6	42.6	57.4

Gender pay gap reporting has been designed for larger companies than CCLA and some of the disclosures result in volatile figures for a firm of CCLA's size. Mean figures are heavily influenced by small groups of higher earners. Median figures are meant to show a view of the pay of typical or middle earning staff, but are a crude measure, just taking the pay of the 'middle person' in each gender.

Addressing the gender pay gap is a long-term project for all firms and relies most on ensuring more females are retained over time to move into senior well paid positions. CCLA has a number of initiatives to continue the improvement in gender pay differences: flexible working, developing talent, and family friendly policies.

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

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

Training and Development

	2023 £	2022 £
Training and development spend	203,988	154,802

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

Employee Share Trust

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

The Trust is established in Jersey. The trustee is JTC Employer Solutions Trustee Limited in Jersey.

Share Incentive Plan

A Share Incentive Plan ('SIP') has been established by the Company, which commenced in April 2020. The SIP is a UK tax-approved all-employee share plan, whereby CCLA shares are bought by employees, with matching shares provided by the Company, and are held in the CCLA SIP Trust. The CCLA SIP Trust is administered by Link Market Services Trustees Limited.

Modern Slavery Act

We are committed to respecting human rights in all our operations. We believe that our highest exposure to modern slavery[1] is likely to be through the companies and assets held in client portfolios. For this reason, our focus over the reporting year has been upon using our position as an investor to be a catalyst for change.

We recognise the important role that investors can play in the global fight to end modern slavery. CCLA have created the 'Find It, Fix It, Prevent It' investor initiative that aims to bring investors together to help improve the efficacy of corporate actions to find and fight modern slavery in their supply chains. To date this programme has:

- received the support of investors with assets under management in excess of seven trillion pounds
- has led meaningful engagements with companies that have led to new and improved practices
- led engagement with the UK Government on how to better mobilise the investor community on this important issue

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

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

Mental Health Benchmark

Inspired by the findings of the government-commissioned Thriving at Work review, CCLA began engaging with companies on mental health in 2019. At the time, we were told repeatedly that we were the only investors asking questions about workplace mental health. As a universally relevant topic, this came as a surprise.

In 2020, we began to build a tool for investors to assess and rank listed companies on their approach to mental health: the CCLA Corporate Mental Health Benchmark. Following two years of data gathering and collaboration with experts in the field, we created a set of 27 assessment criteria and used them to assess 195 of the world's largest listed companies on their mental health disclosures.

Companies are evaluated across four broad themes: management commitment and policy; governance and management; leadership and innovation; performance reporting and impact. Through annual assessment and benchmarking, we aim to encourage companies to improve over time and to celebrate good practice.

The results of the first round of assessments were published in 2022, with the launch of two benchmarks: a 'UK 100' and a 'Global 100'. In March 2023, we assessed the UK 100 companies for a second time. The 2023 UK 100 benchmark will be published in June, allowing us to highlight improvement company practice for the first time. This will be followed by the 2023 Global 100 benchmark in October.

To support the project, we have also spent the past twelve months building a global investor coalition on workplace mental health. The coalition now spans eight countries, across four continents, and represents a combined $8.5 trillion in assets under management. It is with the help of this coalition that we are beginning to make real headway; and proof that we are delivering on our ambition to be a catalyst for change in our industry. For more information, please visit https://www.ccla.co.uk/mental-health.

Our environmental impact

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

CCLA has ISO 14001:2015 certification which provides us with a framework to protect the environment and respond to changing environmental conditions in balance with socio-economic needs. As part of our certification, we have objectives in place to evidence continuous improvement to our environmental management system. These objectives include initiatives to help staff reduce paper usage and energy consumption and regular environmental training for all staff. Maintaining ISO 14001:2015 certification is a core KPI.

As reported in our Streamlined Energy and Carbon Reporting, our energy consumption has reduced by 38% compared with the previous year. This reduction is mainly due to electricity and the move to a new office which uses 100% renewable tariff. The data is not necessarily comparable as the prior year electricity data is based on estimates, which will improve next year when we can report on actual data for both years.

Our Streamlined Energy and Carbon Reporting is disclosed in the Directors' Report on pages 33 to 36.

We recognise that climate change will have a significant impact upon financial markets and the valuation of assets. For this reason, CCLA is a signatory to the Net Zero Asset Managers Initiative. This means that we incorporate climate change in our investment decision making and seek to accelerate the transition to a zero emissions economy through our engagement with companies and policy makers. Because of this CCLA's listed equity portfolios are managed to strict climate change rules and have low carbon footprints compared to world stock market indices. Further information about our climate change minimum standards and engagement work are available on our website at https://www.ccla.co.uk/sustainability/driving-change/climate-action.

Principal Risks and Uncertainties

Through its governance framework which includes the Board of Directors supported by the Board Audit and Risk Committee, Executive Risk Committee, and Investment Committee, CCLA managed and, where possible, mitigated its risks by reviewing the reports and management information provided at these committee and board meetings and ensuring appropriate actions had been taken to address significant issues or findings. Apart from the internal Risk and Compliance team, which provides advice to and monitoring of the business and reporting to the committees, internal audit reviews were conducted in the period by an independent party, Grant Thornton.

Drawing on output from the Enterprise Risk Management Framework ('ERMF') and based on the Q1 2023 assessment of the firm's corporate Risk Profile Review ('RPR'), CCLA has identified ten Principal Risks which would have the most critical impact to the operation of the business, with a particular focus on client, financial, regulatory, operating and reputational impacts. The RPR is a quarterly exercise that assesses all 23 level two risks from the risk taxonomy and covers four themes: (a) Strategic, (b) Regulatory, Political and Legislative, (c) Operational and (d) Investment Risk. The RPR leverages both top down and bottom up assessments to identify risk types that carry elevated residual risks in order to ensure they are tracked and managed accordingly. Risk categories that aren't elevated continue to be monitored and are promoted to Principal Risk status if the assessment changes. Conversely, current Principal Risks may be relegated should management actions or business/market conditions result in a significant reduction to their residual risk rating.

CCLA Principal Risks

Change Management Risk

Failure to successfully implement significant operational change projects currently in progress could have a significant impact on CCLA's financial position and would heighten operational risk for key business as usual processes. CCLA has implemented dedicated project management teams and project governance to mitigate risk of project failures.

One of the significant operational change projects involves the outsourcing of the Transfer Agency function. There is a formal project plan in place which is overseen by a Steering Committee made up of senior members of staff from both sides. Regular updates are provided to the CCLA Board. In the event of delays, the risks are analysed and the Board as well as Senior Management at CCLA ensure that mitigating actions or factors are in place.

Key personnel and/or Team Risk

The Company acknowledges that talented employees may be targeted by other investment firms and that this activity may negatively impact CCLA's financial position and potential for AUM growth. To manage this risk, CCLA has developed a succession plan and has implemented a long term incentive plan for key employees.

Fund Conversion Risk
The possibility that we do not reach consensus with the respective Boards of Trustees to convert both COIF and CBF funds from unregulated fund structures to FCA authorised Charity Authorised Investment Fund ('CAIF') status has been identified as a significant risk type due to potential regulatory and reputational damage of not doing so. It is CCLA's view that moving to an authorised fund status brings advantages over those offered by unregulated fund structures. CCLA is engaging with stakeholders via a Fund Conversion Steering Group, setting project priorities and disseminating relevant documentation accordingly. CCLA will also ensure that appropriate dialogue with the Charities Commission is maintained throughout the process. The conversion of the COIF Funds is seen as a greater priority than that of the CBF funds due to the wide number of different stakeholders involved. The conversion process for both the COIF and CBF fund ranges is not expected to be completed in the 2023/24 financial year.

Government Policy Risk
This risk concerns the possibility of Government policy changes restricting some local authorities' ability to invest in funds such as those operated by CCLA, or making such investments less attractive for some local authorities. CCLA seeks to manage this risk through rigorous assessment of Government policy reviews and engagement with Industry bodies such as the Local Government Association.

Client and Fiduciary Risk
The risk of inadequate client management and consumer duty, including product unsuitability, sales misrepresentation, onboarding, adherence to client instructions and client reporting failures. Helping our clients achieve their investment objectives is CCLA's main priority and as such, we take our fiduciary and consumer duty obligations very seriously. The Enterprise Risk Management Framework has seen further enhancements made in 2023 to ensure client impact is considered by all CCLA functions and stages of the client relationship lifecycle.

Technology and Cyber Risk
Like all asset managers, CCLA is reliant upon several internal IT systems to manage its processes effectively each day, both on behalf of the business itself and for its clients. CCLA is therefore highly dependent on its computer infrastructure and if this were to be restricted or removed, BAU operations and critical systems would become unavailable or non-operational.

CCLA also recognises that it is inherently exposed to cyber risks given the Company utilises email, makes use of internet services and has digital lines of communication in place with several third-party service providers.

In terms of preventative and compensating controls relating to Business Continuity risks, CCLA hosts its business-critical IT servers and telephone switchboard offsite (transitioning to the Cloud) whilst all key IT systems and data can be accessed remotely by VPN connection or in the case of emails and Teams through the Office 365 platform. To manage cyber risks, several industry standard technical controls have been implemented to reduce the risks and impact of malware incidents. All IT equipment and servers run strong antivirus software and email/web control filters are in place and systems are patched regularly.

Data Management Risk

Data Management Risk is the potential for loss or negative impact due to poor data governance or inaccurate, lost or misused data and is a risk that applies to all of CCLA's business teams. The Company takes data management and specifically data protection seriously, ensuring its employees receive the necessary training and framework support to ensure client and CCLA data is well managed and secure.

Outsourcing and Supplier Management Risk

Also known as third party risk, Outsourcing and Supplier Management Risk is the risk of incidents and negative impact to CCLA due to inadequate onboarding and due diligence of outsourcing arrangements or because of a failure by a service provider.

CCLA conducts initial and ongoing due diligence on suppliers, for outsourced service providers and on suppliers for whom services are not outsourced. Critical outsourcing arrangements require additional due diligence as any defect or failure in its performance would materially impair the continuing compliance and obligations of the firm's authorisation, its other regulatory obligations or the soundness or continuity of its relevant services and activities. CCLA sets strict selection criteria before electing to outsource an activity and when it does, continues to conduct annual reviews and site visits to ensure high standards are maintained.

Investment Compliance Risk

The risk that a fund or mandate would incur as a result of not being invested in accordance with the objectives and limits set by its governing literature or regulatory regime restrictions the fund or mandate is subject to. Failing to operate within portfolio investment risk constraints, in particular material and/or persistent deviations, may result in significant regulatory scrutiny, client dissatisfaction and a loss of trust in CCLA's ability to manage their investments.

To manage these risks, CCLA operates a robust investment risk management framework, involving both first and second lines of defence.

Operational Resilience Risk

The risk that CCLA is unable to prevent, adapt, respond to, recover, and learn from operational disruption. The Company acknowledges that as a business reliant upon a complex series of processes, many of which are shared with external partners, that operational disruption may from time to time occur. Being able to prevent, adapt, respond to and recover from these occurrences however is essential and as such, CCLA has developed an Operational Resilience Framework to ensure it can manage disruption effectively and minimise the impact. A key element of this framework has been the identification of Important Business Services. These are services deemed critical for maintaining operations, all of which have been assigned impact tolerances to help inform redundancy planning and ensure that threshold limits are not exceeded.

Our infrastructure

Improvements to our infrastructure continue with a focus on changes that will enhance our ability to interact with and support our clients alongside continuing to improve the structure and security of our data.

During the year a new Client Relationship Management System was implemented to support client service. Additionally, a new client portal was launched allowing our clients to access their account information online.

We have completed the transition to Microsoft 365 with full transition to SharePoint and OneDrive and the Transfer Agency outsource continues to progress and will be delivered in the upcoming financial year.

Our tax strategy

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

1. CCLA aims to follow both the spirit and letter of the law regarding tax matters. The Group does not engage in tax evasion or contrived tax avoidance and seeks to pay the correct amount of all types of tax (including corporation tax, VAT, business rates and employment taxes). The Group's Jersey based Employee Share Trust has only been set up to provide liquidity in CCLA shares and is not used for tax avoidance purposes.
2. Governance of the firm's tax affairs sits with the Chief Financial Officer, reporting to the Chief Operating Officer. The Board and Audit and Risk Committee consider tax matters as part of their overall review of the Group's financial affairs. Advice is sought from professional advisers as appropriate.
3. Risks associated with tax relate to compliance and reporting, which may include risks of mispayments, interest charges or penalties. The Group seeks to minimise such risks by internal processes for checking tax returns and by seeking professional advice whenever needed.
4. The Group seeks to maintain an open and transparent relationship with HMRC.

Approved by the Board of Directors and signed on behalf of the Board by:

Peter Hugh Smith
Chief Executive
4 July 2023

Engaging with our Stakeholders

The Board of Directors understand the importance of engaging with CCLA's various stakeholders and actively focuses on developing a strategy which can achieve long term success and generate sustainable returns for all stakeholder relations. CCLA engages with its stakeholders in many ways and this section outlines the key stakeholder groups, and the methods with which CCLA has fostered positive business relationships.

Clients

CCLA's purpose is to help its clients maximise their impact on society by harnessing the power of investment markets. The Company is focused on treating its customers fairly through understandable and accessible products that are right for them, irrespective of their size. CCLA engages with its clients through:

- Providing regular updates on Fund Performance – we have an extensive programme of on-line and in-person events, as well as an enhanced website presence, and client meetings are offered in-person, on-line and hybrid according to client preference.
- Sponsoring and speaking at Sector Events.
- Hosting Trustee Training Events.
- Recognising the importance to clients on the safety of their data and money, and continually investing and utilising advanced technology to protect them, including systems that prevent fraud. CCLA staff receive periodic training and support on important issues such as anti-bribery and cybercrime to help safeguard client information.

Shareholders

Furthered by its unique shareholder structure, CCLA is required to provide fair, balanced and transparent information to instill trust and confidence in its shareholders and allow informed investment decisions to be made. CCLA engages with its shareholders through:

- Active engagement between members of the Board and the shareholders throughout the year, including the Chair and Executive Directors to discuss strategic progress, financial and operational performance. Feedback from meetings is then passed directly to senior management within the business.
- Monthly meetings with the Chair and Chief Executive to determine and execute the decisions of the Board. Feedback from meetings is then passed directly to senior management within the business.
- The Chair and Chief Executive host regular meetings with the major shareholder representatives covering key topics impacting CCLA and its clients.

Employees

CCLA considers its employees to be the cornerstone of delivering the Company's vision and aims to provide a supportive and stable environment for staff to feel included, empowered and inspired to deliver a trusted service to its clients. The Board recognises the importance of driving its strategic objectives through the Company's culture and receives regular reports that allow it to assess this. CCLA engages with its staff through:

- Weekly briefings with all employees to keep employees engaged and informed on a variety of business matters.
- Providing opportunities for the Executive Directors to meet key functions in the business such as the Investment team, Client Relations, Risk and Compliance, IT and Operations and HR. This allows Directors to engage directly with a wider cross section of the workforce and provide opportunity for meaningful discussion.
- Regular wellbeing sessions were held with our employees which specifically focused on health and wellbeing (particularly mental health), hybrid working and work/life balance.
- Annual employee engagement survey with a 81.6% response rate and an overall average employee satisfaction score of 5.7, based on a sliding scale out of 7.

Communities and environment

CCLA has representation across the Charity, Church of England and Local Authority Sectors and therefore considers its impact as an organisation on those particular communities and the environments within which they operate. CCLA engages with the wider communities and environment through:

- Incorporating the work and efforts of the Sustainability team within the quarterly Board agenda as part of CCLA's commitment to be a trusted and responsible business.
- CCLA has provided financial or in-kind support to a number of organisations throughout the year. A full list of organisations can be found on page 102.
- Read more on our environmental impact on page 23.

Regulators and government

CCLA has a good relationship with its regulators and other government authorities and liaises regularly where required. CCLA engages with its regulators through:

- The timely submission of filings to Companies House, the Financial Conduct Authority, the Charities Commission and HMRC.
- A robust governance framework made up of four major components: Board oversight, Committee responsibilities, management accountability and authority and policies and procedures.
- Responding as relevant to regulatory Consultation Papers through the appropriate industry bodies such as the Investment Association.
- Responding to government consultations to promote better regulation to transition to a decarbonized economy, such as the Department for Transport's national networks national policy statement.
- Contribution to the UK Transition Plan Task Force ('TPT') sector guidance through participation in the TPT Delivery group.
- Supporting the development of better public policy on workplace mental health through participation in an advisory board, pushing for mandatory minimal standards for mental health support in companies with more than 250 employees in the UK.
- Engagement with the UK Government on developing appropriate modern slavery protection.
- Meeting with Defra and the Department for Health & Social Care as a member of the investor coalition on UK food policy.

Suppliers

Given the size of CCLA, the Company is reliant on external suppliers for several key services. Dealing with suppliers in the right way is important for the future success of the Company. CCLA engages with its suppliers through:

- A conscious engagement of suppliers of varying sizes, mostly in professional services sector such as Data Suppliers, IT, Cyber, Operations, Management Consultancy, Legal, HR, Marketing and Communication.
- Conducting regular supplier due diligence before agreeing a transaction or a contract and throughout the lifecycle of any supplier relationship.
- All material contracts are subject to rigorous cost management governance and updates on key supplier risks are provided to the Board for their information.
- Continued enhancements to address the risk of Modern Slavery in CCLA's supply chain whilst also taking a firm lead on tackling Modern Slavery within Investment Management. Further details can be found on page 22.

Other Disclosures

Long Term Viability Statement

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the prospects of the Company over a three-year period to March 2026. This takes into account the Company's current position, strategic aims, risk appetite and principal risks. Based on this assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this three-year period.

Dividends

Distributions of £4,532,818 were declared on 18 October 2022 and paid on 29 November 2022 on 24,213,700 Ordinary Shares in this financial year (2022: £4,580,395 on 24,213,700 Ordinary Shares). The Company's policy is to pay a dividend which retains sufficient capital in the Group and is sustainable in future years, based upon our budget and taking account of potential stressed circumstances.

Share capital

During the year there were no changes in the Company's issued share capital (2022: no changes in the Company's issued share capital).

Qualifying Third Party Indemnity Provision

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

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

FCA Remuneration Code Disclosures

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

Directors

Biographical details of the Directors are shown on pages 40 to 43. The Directors of the Company who served throughout the year and up to the date of signing were:

- Richard Horlick – Chair
- Julia Hobart [(a)]
- Jonathan Jesty [(a)] (Chair of the Audit and Risk Committee)
- Christine Johnson [(a)]
- Ann Roughead [(a)] (Chair of the Remuneration and Nominations Committee)
- Chris West [(a)]

Directors (continued)

Peter Hugh Smith – Chief Executive
Elizabeth Sheldon – Chief Operating Officer
Andrew Robinson – Director, Market Development

* Non-Executive Directors.
(a) Member of the Audit and Risk Committee and the Remuneration and Nominations Committee.

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

On 10 May 2022 66,819 Ordinary Shares were granted to two Executive Directors, pursuant to the Company's Annual Equity Settled Bonus Deferral Scheme.

On 1 June 2022 32,966 Ordinary Shares belonging to two Executive Directors were purchased by the CCLA Employee Share Trust.

On 18 August 2022 184,092 Ordinary Shares belonging to the CCLA Employee Share Trust were purchased by one Executive Director under the Long Term Incentive Plan.

On 22 August 2022 5,000 Ordinary Shares belonging to a former Executive Director were purchased by the CCLA Employee Share Trust.

Executive Directors are permitted to retain their CCLA Ordinary Shares for up to five years after their retirement, if the Good Leaver provisions in CCLA's Articles of Association apply.

Directors (continued)
The CCLA Employee Share Trust was set up on 30 May 2018.

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

	Holding as at 31 March 2023 Ordinary Shares £1 each	Holding as at 31 March 2022 Ordinary Shares £1 each
Peter Hugh Smith	677,983	493,891
Andrew Robinson	678,374	648,223
Elizabeth Sheldon	439,602	435,900
Adrian McMillan	94,800	94,800
Michael Quicke	–	5,000
Total	**1,890,759**	**1,677,814**

The revised ownership structure of CCLA at 31 March 2023 is disclosed within the strategic report on page 15.

The Executive Directors also participate in shareholdings in CCLA through the Share Incentive Plan, on the same basis as other eligible employees.

Employees
Details of the Company's employment policies can be found on pages 52 to 55 in the Corporate Governance Report.

Streamlined Energy and Carbon Reporting
CCLA reports below scope 1, scope 2 and certain scope 3 greenhouse gas ('GHG') emissions in accordance with the requirements of Streamlined Energy and Carbon Reporting ('SECR'). This includes emissions for the year to 31 March 2023.

Responsibilities of CCLA

CCLA were responsible for the internal management controls governing the data collection process and any estimation or extrapolations. We engage an external consultant for the data aggregation, GHG calculations and the resultant emissions statements.

Greenhouse gas emissions were calculated according to the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard. This standard is internationally accepted as best practice.

Scope and Subject Matter

The report includes sources of environmental impacts under the operational control of CCLA. This includes CCLA's London Office located at One Angel Lane, EC4R 3AB.

Energy and GHG sources included in the process:

GHG Protocol Category	Data Source
Scope 1: Fuel used in company vehicles, natural gas, diesel for electricity generation, other fuels, fugitive gases	Not applicable.
Scope 2: Purchased electricity (location-based and market-based method)	Location-based electricity emissions use the average grid fuel mix in the region/ country where the electricity was purchased and consumed. Market-based electricity emissions use fuel mix that is specific to the purchased electricity's supplier and tariff. For CCLA, 100% renewable tariff was procured for the office.
Scope 3: Fuel used for business travel in employee or hired vehicles	Mileage from expensed fuel in employee owned vehicles.

- Types of GHGs included, as applicable: CO_2, N_2O, CH_4, HFCs, PFCs, SF_6 and NF_3.

The figures were calculated using UK government 2022 conversion factors, expressed as tonnes of carbon dioxide equivalent ('tCO_2e').

Energy Efficiency Action

During the year, the following energy-efficiency and carbon- saving actions were taken:

- Implementing energy saving initiatives such as by trialling office printer downtime and ensuring our office is using a low baseload of energy during sustained periods of low occupation.
- CCLA captured home working emissions in the 2021/22 carbon footprint as it was recognised that emissions from office energy usage have not necessarily reduced but may have simply migrated to our employee's home's with the introduction of hybrid working. The result is that CCLA have set an objective (as part of its EMS ISO 14001) to reduce home working energy usage.
- Continuing to work with environmental consultants to increase the scope of the CCLA's carbon footprint and improve data quality, so that CCLA have an accurate baseline from which to reduce carbon emissions.
- Continuing to raise the profile with employees on initiatives, for example the CCLA carbon footprint covering the year ending 31 March 2022 was distributed to all employees and e-learning slides were updated and rolled out to employees in July 2022.
- In July 2022, CCLA moved its office to One Angel Lane, London, EC4R 3AB, which is a building with excellent environmental credentials (BREEAM Excellent). This is reflected in the improvements in our greenhouse gas emissions disclosures as shown in the table below.

CCLA's GHG statements (in tCO_2e), as follows:

	2023	2022
Energy consumption used: (kWh)		
– Electricity	68,472	143,000
– Gas	–	–
– Transport fuel	28,535	12,971
– Other energy sources	–	–
Total energy consumption used (kWh)	97,007	155,971
Emissions (tCO_2e)		
Scope 1		
Emissions from combustion of gas tCO_2e	–	–
Emissions from combustion of fuel for transport purposes tCO_2e	–	–
Scope 2		
Emissions from purchased electricity – location based, tCO_2e	13.2	30.4
Emissions from purchased electricity – market based, tCO_2e	–	–
Scope 3		
Emissions from business travel in rental cars or employee vehicles where company is responsible for purchasing the fuel tCO_2e (included in both location based and market based totals below)	7.0	3.2
Emissions from upstream transport and distribution losses and excavation and transport of fuels – location based tCO_2e	6.2	11.4
Emissions from upstream transport and distribution losses and excavation and transport of fuels – market based tCO_2e	3.0	0.8
Total location based tCO_2e	26.4	45.0
Total market based tCO_2e	10.0	4.0
Intensity Ratio: tCO_2e/£ million turnover		
Turnover	£59.04m	£58.12m
Intensity ratio: tCO_2e from Scope 1, 2 and 3 (fuel for business travel only)/£ million turnover Location Based	0.4	0.8
Market Based	0.2	0.1
Methodology	Greenhouse Gas Protocol Accounting and Reporting Standard	

Charitable Donations

During the year the Company made charitable donations of £4,308 (2022: £5,608) which were paid either: as part of CCLA's policy to match the amount a staff member raises for a sponsored event up to £250 per staff member per year; or for a new scheme whereby the Company will match Give As You Earn giving up to £250 a year; or as voluntary Church Rates. This does not include other forms of support to organisations listed on page 102, as highlighted on page 19.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business.

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

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

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

Financial risk management (audited)

Financial risks that the Group is exposed to are as follows:

- Credit risk – the Group's holdings of sterling cash deposits expose it to the risk that the counterparty will not repay the deposit. To minimise this, the Group only deals with counterparties with good credit ratings. Deposits are also spread amongst different counterparties. CCLA invests in the Public Sector Deposit Fund, the triple-A rated money market fund managed by CCLA, and places deposits with counterparties that have a minimum short term Fitch credit rating of at least F1. Amounts placed with counterparties are reported quarterly to the Executive Committee. Debtors are generally due from funds managed by the Group and the risk of default is deemed minimal.
- Liquidity risk – financial instruments held by the Group consist of short-term sterling cash deposits and deposit funds designed to ensure the Group has sufficient available funds for operations, which enable it to meet its objectives.
- Interest rate risk – the Group invests its surplus funds in fixed and floating rate deposits. Changes in the interest rates will result in income increasing or decreasing; however, the proportion of the Group's income that comes from interest income is small.
- FX risk – CCLA revenues are almost totally in GBP, however some service providers' cost may be in different currencies. Cash reserves are kept in GBP. Foreign currency exposure would be thus limited to some of the Group's non-GBP costs and it would be limited to major currencies such as USD and expected to be marginal.

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

Policy and practice on payment of creditors

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

Provision of information to the Auditors

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

Independent Auditors

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

MIFIDPRU 8 disclosures

MIFIDPRU 8 disclosures are available on CCLA's website www.ccla.co.uk.

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

Jackie Fox
Company Secretary
4 July 2023

Board Profiles

Non-Executive Directors

Richard Horlick – Chair
Richard has 40 years investment management experience in both the UK and the US. After spending three years in Corporate Finance at Samuel Montagu & Co, Richard joined Newton Investment Management Ltd in 1984 as Director of Pension Portfolios. In 1994, Richard became President of Institutional Business at Fidelity International Ltd (UK) until 2001, where he was made Chief Executive and President of Fidelity Management Trust Co, the Trust Bank of the Fidelity Mutual Funds in the US and of US institutional business. He then became a main Board Director of Schroders plc following his appointment as Chief Executive of Schroder Investment Management Ltd from 2002 to 2005. Richard has held numerous Non-Executive roles. Richard was appointed a Non-Executive Director and Chair of CCLA in January 2017.

Julia Hobart
Julia is Partner Emeritus at Oliver Wyman, after 18 years as a full-time partner with the firm and 30 years working in the investment management industry. Julia started her career at SG Warburg and became a portfolio manager for its asset management subsidiary, Mercury Asset Management (now BlackRock). She moved to Mercer to head their Investment Consulting business in Continental Europe and went on to head Mercer's Manager Advisory practice globally before transitioning the business to Oliver Wyman. Julia is a member of Advisory Committee for The Diversity Project as well as the Advisory Board for Remuneration Associates, a consulting firm. She has a degree in Mathematics and Computer Science from Cambridge University. Julia was appointed Trustee Director to the COIF Charity Funds in August 2015. She joined the Board of CCLA as a Non-Executive Director in October 2021.

Non-Executive Directors (continued)

Jonathan Jesty
Jonathan has over 35 years' corporate, professional services and regulatory experience in the financial services industry. Jonathan has worked in asset management throughout his career, most recently at Schroders as Global Head of Compliance until he retired from his executive career in 2018. He was for many years an audit and advisory partner at KPMG. Jonathan graduated with an MA from Cambridge University, qualified as a chartered accountant with KPMG and holds an MBA from London Business School. He is a Non-Executive Director of McInroy and Wood Portfolios Limited. Jonathan joined the Board of CCLA in April 2020 as an Independent Non-Executive Director and is Chair of the Audit and Risk Committee.

Christine Johnson
Christine was the Senior Fund Manager and Head of Fixed Income at Old Mutual Global Investors until 2017. Previous fund manager appointments include HSBC and Investec. She was appointed to the Board of Invesco Enhanced Income Limited in 2019 (now Invesco Bond Income Plus Limited), the Board of Golden Charter Trust in 2020 and the Boards of First Sentier Investors FSI EH, FSI UKS, FSI UKI, and FSI IIM in 2021. Christine was appointed as a Trustee Director to the CBF Funds Trustee Board in November 2017. Christine joined the Board of CCLA as a Non-Executive Director in June 2018.

Ann Roughead
Ann is a Non-Executive Director and Chair of the Customer Focus committee at Columbia Threadneedle Investment. She is also Chair of Handelsbanken ACD. Ann is the Consumer Duty champion for CCLA, Columbia Threadneedle Investments and Handelsbanken ACD. Ann is also on the board of the Rock Trust, a youth Homeless Charity. She has over 30 years of experience in the investment and finance sector. Previous Board positions include BNY Mellon Investments, Lighthouse Group PLC, Funds Rock Partners and the Rugby Players Association. She has chaired, Audit, Risk and Remco committees. In her executive career she was CEO of LV= Asset Management and CEO of Ellis Clowes & Company, a London-based Lloyds Insurance Broker. At Citi she was, Chief Operating Officer of the Private Bank (Europe), Head of Smith Barney (Europe), Head of Investment for Citi's Retail Bank and Head of UK Wealth Management and Banking. She was Head of European Product Development and Strategy for JP Morgan Asset Management. She is qualified as a solicitor and is a member of the Ethics Committee of the Chartered Institute of Securities and Investments (CISI). Ann joined the Board of CCLA in April 2020 as an Independent Non-Executive Director.

Non-Executive Directors (continued)

Chris West
Chris spent most of his career working in local authorities in a range of roles but specialising in Finance. He is a Fellow of CIPFA and has been Secretary and President of the Society of Municipal Treasurers. Prior to taking early retirement in 2017, he spent ten years as Director of Finance/Resources at Coventry City Council. Since leaving Coventry he has established a consultancy company specialising in local government finance working for clients including CIPFA, DfE, the LGA and individual Councils. He has also had a portfolio of Non-Executive Director Roles, including Midland Heart Housing Association and the Heart of England Community Foundation, where he is currently Chair. In March 2021 Chris was appointed to the Board of LAMIT and is now their nominee on the Board of CCLA.

Executive Directors

Peter Hugh Smith – Chief Executive
Peter was appointed Chief Executive of CCLA in July 2019 and is responsible to the CCLA Board for the overall performance of the business and quality of our service for clients. He has over 30 years' experience in the investment management industry most recently as Managing Director of the fund services business Link Fund Solutions. His experience has ranged from wholesale relationship management at Russell Investments to establishing an asset management business for Hong Kong conglomerate Seapower. He started his career as a Fund Manager at Capel-Cure Myres in 1991. He is also a Trustee of Mary Ward Loreto (UK), a charity tackling the problem of human trafficking in and from Albania.

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

Executive Directors (continued)

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

Corporate Governance Report

The Company is not required to comply with the UK Corporate Governance Code ('the Code') published by the Financial Reporting Council, but, in view of its support for good corporate governance, has decided to include those aspects of the Code which it believes to be relevant and proportionate. This report describes the policies and arrangements in place by the Company for the year ended 31 March 2023.

Leadership

Our Board of Directors

At 31 March 2023, the Board comprised three Executive and six Non-Executive Directors including the Chair. The Board is responsible for the direction of the Company's and the Group's business, its strategy and overall financial management and acts in accordance with the Schedule of Matters Reserved for the Board as adopted by the Board.

Independence of Directors

Following an independent review of the CCLA Board in 2019, the remit of the Remuneration and Nominations Committee was significantly widened. Its responsibilities are detailed on pages 47 to 48 of this Report. To comply with the recommended number of Independent Non-Executive Directors CCLA appointed a third Independent Non-Executive Director who also became the Chair of this Committee.

In addition, Board Membership is determined by the constitutional framework of the Company and under the Company's Articles of Association each holder of 10 per cent or more of the Ordinary Shares or Non-Voting Ordinary Shares (other than an employee Shareholder) is entitled to appoint one person to be a Non-Executive Director of the Company.

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

Frequency of Meetings

During the year, the Board held four scheduled Board meetings. Post Covid-19, the Board adapted to holding meetings virtually using Teams video conferencing.

Election and Succession of Directors

The Remuneration and Nominations Committee allocates significant time to discuss succession planning and appointments for both the Board of Directors and Management, focusing on the strategic and commercial issues, priorities and main trends and factors affecting the long-term success and future viability of the Company. The Committee met formally three times in the year ended 31 March 2023.

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

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

Board Diversity Policy

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

Board and Committee Attendance

	CCLA Board Meetings held: 4 Attendance:	Audit and Risk Committee Meetings held: 4 Attendance:	Remuneration and Nominations Committee Meetings held: 3 Attendance:
Richard Horlick*	4		
Julia Hobart	4	4	3
Jonathan Jesty	4	4	3
Christine Johnson	4	4	3
Ann Roughead	4	4	3
Chris West	4	4	3
Peter Hugh Smith*	4		
Andrew Robinson*	4		
Elizabeth Sheldon*	4		

*The Chair and the Executive Directors are not members of the Audit and Risk Committee or the Remuneration and Nominations Committee therefore their attendance has been left blank.

Share ownership

The Ordinary Shares are owned by The CBF Church of England Investment Fund, the COIF Charities Investment Fund, LAMIT, the CCLA Employee Share Trust, the CCLA Share Incentive Plan, current and former Executive Directors and current CCLA employees as detailed on page 95.

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

Audit and Risk Committee

The Audit and Risk Committee meets at least four times a year and its membership is the Non-Executive Directors of CCLA excluding the Chair of the Company, who attends by invitation. The Chair of the Audit and Risk Committee is Jonathan Jesty.

Core Activities

The duties of the Audit and Risk Committee are to:

- review the annual financial statements of the Company;
- perform oversight of principal risks;
- review the whistleblowing procedures of the Company;

Core Activities (continued)

- monitor and review annually the terms of appointment and remuneration of the External Auditors and their independence;
- monitor the engagement of the External Auditors to supply non-audit services;
- receive regular reports from the Chief Risk Officer;
- monitor CCLA's engagement with the outsourced Internal Audit function, meet with and receive a summary of major issues from the Internal Auditors and review and approve the Internal Audit plan; and
- report the Audit and Risk Committee's proceedings and any recommendations it may make to the Board of Directors.

External Auditors

Deloitte LLP continued as the Groups's external auditors during the year.

The Audit and Risk Committee continues on an ongoing basis to consider the effectiveness of the External Auditor, reviewing its standards of qualification, independence, expertise, effectiveness and communication.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee meets at least three times a year and its membership comprises the Non-Executive Directors excluding the Chair of the Company, who attends by invitation. The Chair of the Remuneration and Nominations Committee is Ann Roughead. The Committee develops CCLA's Remuneration Policy and Remuneration Philosophy for approval by the Board and ensures there is a rigorous and transparent procedure for Board appointments.

Remuneration and Nominations Committee (continued)

The duties of the Remuneration and Nominations Committee are to:

- Actively engage with the Company's Remuneration Policy and philosophy and amend its Terms of Reference when necessary.
- Set a strategy that ensures the best talent is recruited, retained and motivated to deliver results. Where necessary, it utilises external consultants and independent surveys for market benchmarking.
- Determine the terms of employment and remuneration for the Senior Executive Management team, including recruitment, pension and termination arrangements.
- Approve performance related pay schemes and employee incentive structures operated by the Company, in line with the Company policy and philosophy.
- Identify and nominate for the Board's approval appropriate candidates to fill Board vacancies, bearing in mind the Company's Diversity Policy.
- Consider proposals made by any Director or Shareholder for the appointment, removal and promotion of a Director.
- Actively evaluate the balance of skills, experience, independence, knowledge and diversity of the Board against the future challenges affecting the Company.
- Keep under review the number of external appointments held by each Director.

Executive Committee

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

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

Internal control

The Directors and senior management of CCLA are responsible for internal controls within the Group and Company.

Within CCLA there is an appropriately resourced Risk and Compliance function which comes under the responsibility of the Chief Risk Officer ('CRO'). The CRO chairs an internal risk committee which meets at least quarterly to review the effectiveness of the Company's internal controls and risk management systems. Material matters are reported to the Executive Committee which formally meets at least eight times a year. Separately, the CRO prepares a report to the Audit and Risk Committee.

The report from the CRO to the Audit and Risk Committee covers matters from regulatory and operational compliance including anti-money laundering and material findings from compliance monitoring reviews to enterprise risk including KRIs, investment risk with key metrics and internal audit reviews. The Audit and Risk Committee also considers and, if appropriate, approves the annual internal audit plan. The Chair of the Audit and Risk Committee provides an oral report to the Board after each meeting which usually precedes a meeting of the Board.

Significant enhancements to the Group's Enterprise Risk and Investment Risk frameworks have been made during the course of the year.

Finally, CCLA is subject to an annual review by an independent party of its procedures and controls in accordance with the framework set out in the 'Technical Release AAF 01/20' as issued by the Institute of Chartered Accountants in England and Wales. The last review as at 31 December 2022 revealed no failings and led to an unqualified report.

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

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

It is the opinion of the Board that the current framework for the review of internal controls and risk management is appropriate but this is kept under review on an ongoing basis.

Operational risk management

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

The risk appetite has been defined and agreed by the Executive Committee and the Audit and Risk Committee on behalf of the Board of Directors and helps frame decision making in determining how best to manage the key risks of the Company.

Amongst other matters, the Risk Committee set up by the Executive Committee reviews the operational risk events which are included in the enterprise risk report tabled at each meeting.

Through the implementation of a risk event and near miss management process, risk events arising in operational areas are now logged within the governance, risk and compliance system, 'One Sum X' and are included in the Enterprise Risk report tabled at the Risk Committee where they are reviewed. Similar reports are produced for the Executive Committee and Audit and Risk Committee. The risk event and near miss management process is a powerful tool for identifying and promptly addressing weak or poorly performing control environments across all functional areas.

Risk and Control Self Assessments (the 'RCSAs') are also conducted across all pertinent business areas of CCLA and the controls are reviewed and enhanced wherever residual risk ratings have been deemed medium or high. RCSAs are to be refreshed on an annual basis.

In line with risks experienced by the wider investment management community, CCLA has identified operational risk as a key risk faced by CCLA. This is reflected and acknowledged in CCLA's Risk Appetite Framework and Risk Taxonomy. Whilst senior management is informed of operational risk exposures via bottom-up risk management activities mentioned previously, we also utilise top-down measures including a quarterly corporate risk profile review which is supported by various metrics, limits and KRI's to manage and track CCLA's exposure to operational risk.

Disaster recovery and business continuity

CCLA has a well-established disaster recovery and business continuity committee formed by the Executive Directors to ensure that appropriate arrangements are in place for business continuity. This includes a documented business recovery plan which is subject to an agreed cycle of testing. The disaster recovery and business continuity committee consists of a number of senior employees from departments across CCLA. The committee meets regularly to review and update procedures and review the outcomes of the testing.

Directors' Remuneration Report

This report describes the Group's overall remuneration policy and the compensation arrangements for Directors for the year ended 31 March 2023.

Remuneration policy and compensation arrangements

Remuneration for CCLA employees is competitive compared with the market, with the aim of being able to hire and retain the best people. We will regularly benchmark remuneration levels against those being paid in the market as a whole. Individual remuneration will depend upon the broad success of the individual, team and organisation in achieving CCLA's short and long-term objectives. We seek to have a good balance between fixed and variable remuneration, bearing in mind the nature of the role. We will defer part of the bonus for the most highly paid members of staff. We ensure that our benefits are reasonably competitive.

The Remuneration and Nominations Committee set the context for the annual remuneration review and specifically approves the remuneration level for the Executive Directors and Chief Risk Officer. Remuneration for the rest of the employees is set by the Executive Directors. No individual has the ability to set their own remuneration.

Directors' remuneration and fees (audited)

Fees for the Non-Executive Directors are determined annually by the Board having regard to both the level of fees payable to Non-Executive Directors generally in the industry and to their responsibilities. For the year ended 31 March 2023 the Non-Executive Directors' fees were set at £100,000 p.a. for the Chair (2022: £100,000 p.a.), £65,000 p.a. for the Chair of the Audit and Risk Committee (2022: £65,000 p.a.) £65,000 for the Chair of the Remuneration and Nominations Committee (2022: £65,000 p.a.), and £40,000 p.a. for the other Non-Executive Directors (2022: £40,000 p.a.).

Two Executive Directors participated in the Group Personal Pension Scheme provided by Legal and General. Details of this Scheme are set out in notes 1(f) and 5 of the notes to the financial statements. One Executive Director participated in other schemes (2022: one).

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

During the year three (2022: four) Directors participated in the Long Term Incentive Plan. Note 20 contains details of the plan.

Directors' remuneration and fees (audited) (continued)

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

	2023 £'000	2022 £'000
Emoluments paid to Executive Directors	1,721	2,331
Emoluments paid to Non-Executive Directors	350	367
Company pension scheme contributions in respect of Directors	12	14
Payments under long-term incentive schemes	267	412

The long-term incentive scheme under which payments were made were the CCLA equity-settled Deferred Bonus Plan in both the current and prior year.

The highest paid Director received remuneration, excluding pension contribution, of £737,895 (2022: £818,423). Pension contributions were £4,000 (2022: £4,000) and at the year-end £nil (2022: £nil) was payable to a pension scheme in respect of the highest paid Director. The highest-paid Director received no payments under a long-term incentive scheme (2022: £nil).

Employee Policies

Diversity and Inclusion

CCLA is an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of race, sex, marital/civil partnership status, age, disability, religious belief, pregnancy, maternity, gender reassignment or sexual orientation. We acknowledge that a meaningful commitment to diversity and inclusion will support employee wellbeing, and we strive to build a culture free of judgement or bias.

It is in the Company's best interests to ensure that all the talents and skills available are considered when employment opportunities arise. We take every practicable step to ensure that individuals are treated equally and fairly and that decisions on recruitment, selection, training, conditions of work, promotion, career management and every other aspect of employment are based solely on objective and job-related criteria.

Learning and development

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

Employee information and consultation

We recognise that engagement with our employees is crucial, not only to the continuing success of CCLA, but also to the wellbeing of our employees. HR and the CEO communicate regularly and openly with employees on matters affecting them and on the issues that have an impact on the performance of the business, and actively seek their input and feedback on these matters.

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

Health, safety and security

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

Health and wellbeing

CCLA has developed an Employee Wellbeing Policy to manage our obligations to maintain the mental health and wellbeing of all employees. It covers the organisation's commitment to employee health, the responsibilities of managers and others for maintaining psychological health, the range of support available for the maintenance of mental health, and organisational commitment to handling individual issues.

The Employees Wellbeing Policy outlines CCLA's responsibilities to our employees and is detailed on our website, www.ccla.co.uk/about-us/policies-and-reports/policies/mental-health-charter.

Responsibility internally within CCLA for building a supportive environment for the mental health and wellbeing of our employees sits with the Head of HR. During the year CCLA has undertaken the following:

- Training Mental Health First Aiders. Until 31 March 2023 CCLA had one Mental Health First Aider. Since the year end, eleven employees have participated in a two-day course and are now qualified Mental Health First Aiders; we now have twelve in total across the business.
- Providing 'Managing Mental Health at Work: Line Manager' training. Fifty-six line managers (100%) attended this training in June and July 2022.

- Monitoring the number of absences due to mental ill-health. During the year, two employees reported absence due to mental ill-health.
- Continuation of one-to-one workshops initially launched during the pandemic. The take-up of these workshops has been outstanding, and the business is highly engaged with the initiative.
- Promoting additional employee support services offered by our Company Doctor Schemes.
- Our commitment to health and well being is vital in ensuring our employees can easily and readily access support tools such as the Employee Assistance Programme ('EAP') service. All support tools and services can be accessed via The Garden (intranet) and on the Employee Benefits Portal. These are periodically signposted, by the HR team, to all employees via email.

Over the past two years, 25% of CCLA's employees have volunteered to participate in mental health workshops to directly contribute their ideas to the design and development of CCLA's approach to workplace mental health.

Mental Health Charter
CCLA aims to be an inspiring, positive and fulfilling place to work, and we want everyone to feel able to contribute, to be productive, to be engaged, to be respected, and to be happy. To that end, CCLA has published a mental health charter that applies to all employees. The charter is available at www.ccla.co.uk/about-us/policies-and-reports/policies/mental-health-charter.

The Mental Health charter has been communicated internally by the CEO, Peter Hugh Smith: "This is a very important issue for the Board of Directors and management of CCLA and I encourage you to read the charter. Over the coming months we will be reaching out to you all to provide further detail on how CCLA will be taking action to deliver on this charter."

Flexible working
All eligible employees have the right to request flexible working and this right is not restricted only to those with parental responsibility for a child, or caring responsibilities for an adult. Flexibility sits at the heart of CCLA's culture and it is supported across the business at senior level. In supporting flexible working we aim to promote diversity and inclusion across the business, support productivity and promote good mental health.

Career progression and job adjustment
When recruiting for a new role, we always advertise the role internally as well as externally as our aim is to recruit and promote from within where possible. We actively encourage employees to undertake training at full cost to the company to attain professional qualifications relevant to their roles or career goals. We acknowledge that the opportunity to progress and develop in a career plays a key role in supporting good employee wellbeing. Where problems arise, we ensure that employees have access to reasonable physical workplace or other adjustments so that they can work effectively and productively, in a way that suits the individual.

Anti-bullying and non-harassment

We believe that having a culture that is diverse, equitable and inclusive is core to everything that we strive to achieve and to the organisational environment we wish to protect. One key to protecting our culture and the health and psychological safety of our people is seeking to eradicate any bullying and harassment at work. Our policy supports this aim by setting out the steps we will take to investigate and deal with complaints of bullying and harassment, and how we support those affected.

Behaviours Charter

CCLA have announced a Behaviours Charter which was communicated to employees in January 2023, this charter is outlined below:

What employees can expect from CCLA	What CCLA expects from our employees
1 Positive working environment *recognising individual strengths, encourage diversity of opinion*	1 Work as a team, always *play to individual strengths, support each other, help and listen to colleagues*
2 Fair and respectful treatment *always*	2 Trust and respect each other *rely on each other, respect others' opinions and do the right thing*
3 Wellbeing *consideration for your mental health*	3 Considerate behaviour towards everyone *listen and care, be positive not defensive*
4 Listen to your concerns *and take the right action*	4 Speak up and call out *if you see, hear or experience any inappropriate behaviour in whatever form*
5 Respectful environment *where all views are welcomed*	5 Debate and decide *get involved in decision-making, share your views, challenge if concerned, respect decisions when they are made*
6 Positive culture *focused on learning, not blame*	6 Admit mistakes *they happen, learn from them, don't blame others, never hide them*
7 Inclusive workplace *where no one is left out*	7 Be inclusive *make sure individuals don't get left out, respect your colleagues' point of view*
8 Professional development *we will invest in you*	8 Be the expert you are *grow and share your knowledge*
9 Appreciation *for the work you do*	9 Celebrate success *say thank you or well done, share your and others' success*
10 Healthy and fun environment	10 Have fun and thrive

Jackie Fox
Company Secretary
4 July 2023

Independent Auditors' Report

to the members of CCLA Investment Management Limited

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of CCLA Investment Management Limited (the 'parent company') and its subsidiary (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the financial risk management disclosure on page 38; and
- the related notes 1 to 21.

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) ('FRS 102').

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Revenue recognition – completeness and accuracy of management fees; • Share-based payments and employee incentive schemes – valuation of CCLA's own shares; and • Share-based payments and employee incentive schemes – classification between equity and cash-settled.
Materiality	The materiality that we used for the group financial statements was £1,180,000 which was determined on the basis of 2% of the revenue for the year ended 31 March 2023.
Scoping	The group engagement team performed full scope audits on all components, giving a coverage of 100% of the group's revenue, profit before tax and net assets.
Significant changes in our approach	In the current year, we expanded our revenue recognition key audit matter to include completeness in addition to accuracy of management fees and focused on new or amended streams, income from property funds and segmented fee. Apart from this, there were no other significant changes in our approach.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessed assumptions used in the forecasts, particularly the group's ability to generate revenue;
- assessed the assumptions used to forecast capital and liquid resources to maintain regulatory requirements;
- assessed the impact of the current macroeconomic conditions on the going concern of the group;
- assessed management's stressed budget scenarios; and
- tested the mathematical accuracy and performed back testing of budgets to assess management's forecasting accuracy.

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 the group's and parent company'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.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

4. Conclusions relating to going concern ***(continued)***

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Revenue recognition – completeness and accuracy of management fees

Key audit matter description	Revenue is the most significant balance in the consolidated statement of comprehensive income. The group's primary source of revenue is management fees earned from the management of underlying investment fund structures and segregated investment management mandates. Fund structures managed by the group include Charity Alternative Investment Funds, Open-Ended Investment Companies, Authorised Contractual Schemes as well as various unregulated charity and other investment fund vehicles. For certain fund structures various accounting and control activities have been outsourced to third-party service providers. Management fees are generated based on a fixed percentage of assets under management ("AUM") within each of the relevant fund structures and segregated mandates. The value of management fees earned during the year was £59.04m (2022: £58.12m). Details of the group's accounting policies in relation to the recognition of management fees can be found in accounting policy note 1(b) on page 75. The key risk areas associated with management fees include: • incorrect management fee % being applied to the AUM for new or amended revenue streams and the property funds; • incorrect or incomplete AUM being applied to the management fee calculation for new or amended revenue streams and the property funds; and • accuracy and completeness of management fee calculations for segregated mandates.

5.1. Revenue recognition – completeness and accuracy of management feese *(continued)*

How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls over the completeness and accuracy of the management fees. Additionally: • we assessed the management fee for each of the funds against their latest prospectus and from prior year to identify any change in the management fee; • we compared the contractual documentation between the group and the segregated client and funds with the inputs to the calculation to determine whether the management fee % applied to the revenue calculation is accurate; • we substantively tested the accuracy of the AUM utilised in the management fee calculations by obtaining independent data for all the segregated client and the funds; and • we recalculated the expected management fee from each product utilising the AUM data and management fee % obtained from contractual documentation.
Key observations	Based on the work performed, we concluded that revenue recognised during the year was appropriate.

5.2. Share-based payments and employee incentive schemes – valuation of CCLA's own shares

Key audit matter description	The group operates a number of share-based payment and employee incentive schemes for which the employee incentive is linked to the performance of CCLA share price. These arrangements remunerate employees for their services by granting the right to either shares or a cash element based on the total return of the share price. The share price will impact various account balances depending on grant date, vesting date and sale of shares. As at year end, the EST Share Reserve amounted to (£1,544,000), Other Reserves amounted to £2,737,000 and expenses relating to share-based payment of £2,365,000 were recognised during the financial year. The amounts recognised in expenses or reserves is based on several elements including the share price of CCLA's own shares which is judgemental in nature. There is judgement in determining the year end share valuation of £3.92 and the group engaged an independent specialist to assist in the valuation including the use of discounted cash flow and revenue multiples, in line with IPEV guidelines.

5.2. Share-based payments and employee incentive schemes – valuation of CCLA's own shares *(continued)*

Key audit matter description *(continued)*	There is a risk that the valuation methodology used to calculate the group share price is inappropriate and that the inputs used are not supported by sufficient evidence leading to an inaccurate valuation of the group's share price and consequential impact on the accuracy of the share-based payment accounting. There is also a risk that the disclosures do not adequately convey the inherent judgement in the valuation of the shares. For further details, please see Statement of Changes in Equity, note 1(g), 2(a)(ii) and 5 to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: • obtained an understanding of relevant controls over management review and challenge of the independent share valuations including the review of the methodology and judgements used in the valuations; • assessed the capabilities, competence and objectivity of management's independent specialist; • evaluated the appropriateness of the valuation methodologies used to value the Company in line with IPEV guidelines; and • assessed the appropriateness of disclosures.
Key observations	Based on the work performed, we concluded that the valuation of CCLA's own shares and the disclosure of inherent judgement in the valuation were appropriate.

5.3. Share-based payments and employee incentive schemes – classification between equity and cash-settled

Key audit matter description	There is judgement in determining the classification between equity and cash-settled for the share-based payment and employee incentive schemes operated by the group. If there is a contractual or constructive obligation to settle the shares in cash at any point, this could result in the arrangements being accounted for as cash-settled.

5.3. Share-based payments and employee incentive schemes – classification between equity and cash-settled ***(continued)***

Key audit matter description ***(continued)***	Per FRS 102, sections 26 and 28, equity-settled awards are fair valued on the date of grant, recognised within Other Reserves and not subsequently adjusted. Fair value of cash-settled awards is remeasured at each reporting date and on settlement, and recognised in other creditors. During the year, the total equity-settled award amounted to £404,000 recognised through other reserves. For further details, please see note 1(g) and 2(a)(iii) to the financial statements.
How the scope of our audit responded to the key audit matter	We performed the following procedures: • obtained an understanding of the relevant controls over management review and challenge of the classification of each scheme; • obtained a detailed understanding of the nature of each of the schemes and assessed the accounting treatment as either equity or cash-settled in accordance with FRS 102 sections 26 and 28; • substantively tested the schemes by agreeing grants of shares and or cash awards to employee communications. We agreed the share price used to independent valuation reports and agreed a sample of repayments to bank statements; and • assessed the appropriateness of disclosures.
Key observations	Based on the work performed, we concluded that the classification of equity and cash-settled awards and the related disclosures were appropriate.

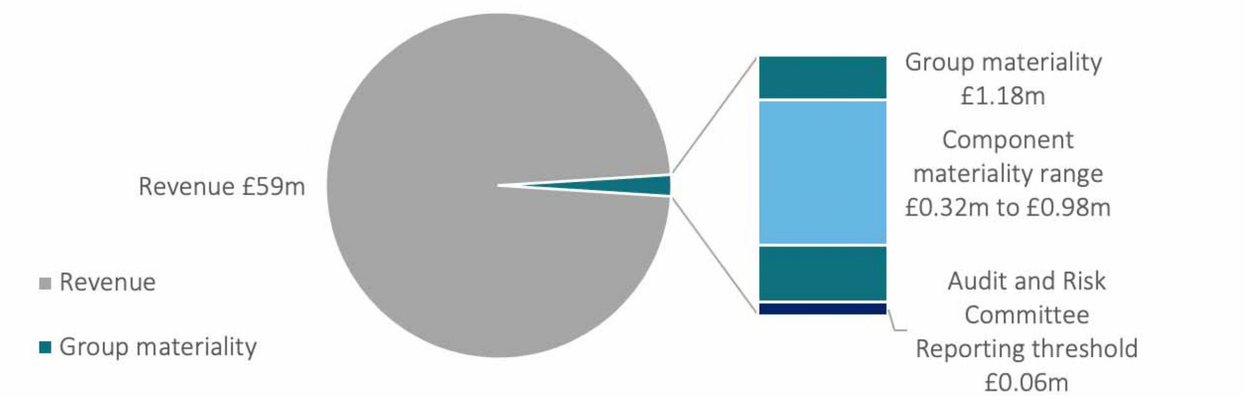
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1,180,000 (2022: £1,162,000)	£317,000 (2022: £325,000)
Basis for determining materiality	2% of revenue for the year ended 31 March 2023. (2022: 2% of revenue)	2% of revenue for the year ended 31 March 2023. (2022: 2% of revenue)
Rationale for the benchmark applied	Revenue generated by a fund management company is a key driver of the value of the company and has been considered the most appropriate factor that is of interest to the users of the financial statements.	



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. Our risk assessment, including our assessment of the Group's overall control environment; and b. there was no significant changes in the business since prior year end; c. we were not able to rely on controls due to the small scale of the group; and d. our experience from previous audit, has indicated a low number of corrected and uncorrected misstatements identified in prior period.	

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £60,000 (2022: £58,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Consistent with the prior year, a full scope audit has been performed by the group audit engagement team on the parent company and subsidiary, CCLA Fund Managers Limited, giving a coverage of 100% (2022: 100%) of the group's revenue, profit before tax and net assets. The parent company was audited to a materiality of £317,000 (2022: £325,000) and the subsidiary to £980,000 (2022: £836,000) by the group audit team. We performed a fully substantive audit of both the parent company and the subsidiary.

7.2. Our consideration of climate-related risks

As part of the audit, we made enquiries of management to understand their process for assessing the potential impact of climate change on the financial statements. We read the climate related disclosures in the annual report to consider whether they are materially consistent with the financial statements and our knowledge and understanding of the group.

8. Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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.

9. Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

10. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. 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 design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the completeness and accuracy of management fee income specifically for new or amended income streams or income from property funds and segmented mandates; and share-based payments and employee incentive schemes – valuation of CCLA's own shares and classification between equity and cash-settled.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

11.1. Identifying and assessing potential risks related to irregularities *(continued)*

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and applicable pensions and tax legislation.

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 may be fundamental to the group's ability to operate or to avoid a material penalty. These included the company's obligations under the FCA Handbook and regulatory capital requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition – completeness and accuracy of management fee; share-based payments and employee incentive schemes – valuation of CCLA's own shares; and share-based payments and employee incentive schemes – classification between equity and cash-settled as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains these matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit and Risk Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 37;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 31;
- the directors' statement on fair, balanced and understandable set out on page 28;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 24;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 49; and
- the section describing the work of the Audit and Risk Committee set out on pages 46 to 47.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Caullay CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
4 July 2023

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Turnover	*3*	59,041	58,120
Administrative expenses	*4*	(47,057)	(39,585)
Operating profit before exceptional items		**11,984**	**18,535**
Exceptional items:			
Defined benefit pension scheme	*6*	962	–
Project costs	*6*	(1,637)	(1,622)
Operating profit		**11,309**	**16,913**
Interest receivable and similar income		1,075	48
Interest payable		(35)	(53)
Losses on investments		(24)	–
Profit before taxation		12,325	**16,908**
Tax on profit	7	(2,647)	(2,895)
Profit for the financial year		**9,678**	**14,013**

The above results were derived from continuing operations. There are no other items of comprehensive income.

The notes on pages 75 to 99 form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 March 2023

		2023		2022	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	*8*		902		1,351
Tangible assets	*8*		2,006		539
			2,908		1,890
Current assets					
Debtors	*9*	11,967		11,078	
Investments	*10*	1,635		–	
Cash at bank and in hand	*11*	25,830		24,692	
Cash equivalents	*12*	26,779		24,202	
		66,211		59,972	
Creditors	*13*	16,399		15,737	
Net current assets			49,812		44,235
Total assets less current liabilities			52,720		46,125
Provisions for liabilities and charges	*14*		1,054		863
Net assets			**51,666**		**45,262**
Capital and reserves					
Called up share capital	*15*		242		242
Share premium account			1,594		1,594
Other reserves			2,737		2,304
EST share reserve			(1,544)		(3,037)
LTIP loan reserve			(2,167)		(1,797)
Profit and loss account	*16*		50,804		45,956
Total equity			**51,666**		**45,262**

The notes on pages 75 to 99 form part of these financial statements.

These financial statements on pages 69 to 99 were approved and authorised for issue by the Board of Directors on 4 July 2023 and signed on its behalf by:

Richard Horlick
Chair

Peter Hugh Smith
Chief Executive

Registered number: 02183088

Company Statement of Financial Position

as at 31 March 2023

		2023		2022	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Subsidiary undertaking	*21*		2,700		2,700
Intangible assets	*8*		902		1,351
Tangible assets	*8*		2,006		539
			5,608		4,590
Current assets					
Debtors	*9*	8,336		9,593	
Investments	*10*	1,635		–	
Cash at bank and in hand	*11*	15,588		10,365	
Cash equivalents	*12*	10,176		9,952	
		35,735		29,910	
Creditors	*13*	13,055		12,243	
Net current assets			22,680		17,667
Total assets less current liabilities			28,288		22,257
Provisions for liabilities and charges	*14*		1,054		863
Net assets			**27,234**		**21,394**
Capital and reserves					
Called up share capital	*15*		242		242
Share premium account			1,594		1,594
Other reserves			2,737		2,304
EST share reserve			(1,544)		(3,037)
LTIP loan reserve			(2,167)		(1,797)
Profit and loss account	*16*		26,372		22,088
Total equity			**27,234**		**21,394**

The Company has elected to take the exemption under s408 of the Companies Act 2006 not to present the Company statement of comprehensive income. The profit after tax for the Company for the year was £9,114,000 (2022: £8,441,000).

The notes on pages 75 to 99 form part of these financial statements.

These financial statements on pages 69 to 99 were approved and authorised for issue by the Board of Directors on 4 July 2023 and signed on its behalf by:

Richard Horlick
Chair

Peter Hugh Smith
Chief Executive

Registered number: 02183088

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Ordinary Share capital £'000	Share premium account £'000	Profit and loss account £'000	EST share reserve £'000	LTIP loan reserve £'000	Other reserves £'000	Total £'000
Balance as at 1 April 2021	**242**	**1,594**	**36,684**	**(1,693)**	**(1,447)**	**3,014**	**38,394**
Profit for the financial year	–	–	14,013	–	–	–	14,013
Equity dividends paid	–	–	(4,580)	–	–	–	(4,580)
Purchases, sales and awards of shares by Employee Share Trust	–	–	–	(1,325)	–	–	(1,325)
Movement on LTIP loan	–	–	–	–	(350)	–	(350)
Settlement of equity-settled awards	–	–	–	–	–	(316)	(316)
Amortisation of equity-settled awards	–	–	–	–	–	(394)	(394)
Gains and losses from transfers of shares by Employee Share Trust	–	–	(201)	–	–	–	(201)
Tax movement relating to equity-settled awards (note 7)	–	–	40	–	–	–	40
Unallocated SIP shares	–	–	–	(19)	–	–	(19)
Transactions with shareholders, recognised directly in equity	**–**	**–**	**(4,741)**	**(1,344)**	**(350)**	**(710)**	**(7,145)**
Balance as at 31 March 2022	**242**	**1,594**	**45,956**	**(3,037)**	**(1,797)**	**2,304**	**45,262**
Balance as at 1 April 2022	242	1,594	45,956	(3,037)	(1,797)	2,304	45,262
Profit for the financial year	–	–	9,678	–	–	–	9,678
Equity dividends paid	–	–	(4,533)	–	–	–	(4,533)
Purchases, sales and awards of shares by Employee Share Trust	–	–	–	1,550	–	–	1,550
Movement on LTIP loan	–	–	–	–	(370)	–	(370)
Settlement of equity-settled awards	–	–	–	–	–	(404)	(404)
Amortisation of equity-settled awards	–	–	–	–	–	837	837
Gains and losses from transfers of shares by Employee Share Trust	–	–	(345)	–	–	–	(345)
Tax movement relating to equity-settled awards (note 7)	–	–	48	–	–	–	48
Unallocated SIP shares	–	–	–	(57)	–	–	(57)
Transactions with shareholders, recognised directly in equity	**–**	**–**	**(4,830)**	**1,493**	**(370)**	**433**	**(3,274)**
Balance as at 31 March 2023	**242**	**1,594**	**50,804**	**(1,544)**	**(2,167)**	**2,737**	**51,666**

The notes on pages 75 to 99 form part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 March 2023

	Ordinary Share capital £'000	Share premium account £'000	Profit and loss account £'000	EST share reserve £'000	LTIP loan reserve £'000	Other reserves £'000	Total £'000
Balance as at 1 April 2021	**242**	**1,594**	**18,388**	**(1,693)**	**(1,447)**	**3,014**	**20,098**
Profit for the financial year	–	–	8,441	–	–	–	8,441
Equity dividends paid	–	–	(4,580)	–	–	–	(4,580)
Purchases, sales and awards of shares by Employee Share Trust	–	–	–	(1,325)	–	–	(1,325)
Movement on LTIP loan	–	–	–	–	(350)	–	(350)
Settlement of equity-settled awards	–	–	–	–	–	(316)	(316)
Amortisation of equity-settled awards	–	–	–	–	–	(394)	(394)
Gains and losses from transfers of shares by Employee Share Trust	–	–	(201)	–	–	–	(201)
Tax movement relating to equity-settled awards (note 7)	–	–	40	–	–	–	40
Unallocated SIP shares	–	–	–	(19)	–	–	(19)
Transactions with shareholders, recognised directly in equity	**–**	**–**	**(4,741)**	**(1,344)**	**(350)**	**(710)**	**(7,145)**
Balance as at 31 March 2022	**242**	**1,594**	**22,088**	**(3,037)**	**(1,797)**	**2,304**	**21,394**
Balance as at 1 April 2022	242	1,594	22,088	(3,037)	(1,797)	2,304	21,394
Profit for the financial year	–	–	9,114	–	–	–	9,114
Equity dividends paid	–	–	(4,533)	–	–	–	(4,533)
Purchases, sales and awards of shares by Employee Share Trust	–	–	–	1,550	–	–	1,550
Movement on LTIP loan	–	–	–	–	(370)	–	(370)
Settlement of equity-settled awards	–	–	–	–	–	(404)	(404)
Amortisation of equity-settled awards	–	–	–	–	–	837	837
Gains and losses from transfers of shares by Employee Share Trust	–	–	(345)	–	–	–	(345)
Tax movement relating to equity-settled awards (note 7)	–	–	48	–	–	–	48
Unallocated SIP Shares	–	–	–	(57)	–	–	(57)
Transactions with shareholders, recognised directly in equity	**–**	**–**	**(4,830)**	**1,493**	**(370)**	**433**	**(3,274)**
Balance as at 31 March 2023	**242**	**1,594**	**26,372**	**(1,544)**	**(2,167)**	**2,737**	**27,234**

The notes on pages 75 to 99 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2023

	Note	2023 £'000	2022 £'000
Net cash from operating activities	*18*	14,060	18,725
Corporation tax paid		(2,809)	(2,242)
Net cash generated from operating activities		**11,251**	**16,483**
Cash flows from investing activities			
Purchases of intangible assets	*8*	(15)	(100)
Purchases of tangible assets	*8*	(1,766)	(496)
Interest received		1,075	48
Interest paid		(35)	(53)
Purchase of investments	*10*	(1,659)	–
Net cash used in investing activities		**(2,400)**	**(601)**
Cash flows from financing activities			
Net (acquisitions)/sales of Ordinary Shares by Employee Share Trust		36	(1,344)
Net movement on LTIP loan		(639)	(350)
Net losses on transfers of CCLA shares by Employee Share Trust		–	(201)
Dividends paid	*17*	(4,533)	(4,580)
Net cash used in financing activities		**(5,136)**	**(6,475)**
Net increase in cash at bank and in hand		**3,715**	**9,407**
Cash and cash equivalents at the beginning of the year		**48,894**	**39,487**
Cash and cash equivalents at the end of the year		**52,609**	**48,894**
Cash and cash equivalents consist of:			
Cash at bank and in hand	*11*	25,830	24,692
Cash equivalents	*12*	26,779	24,202
Cash and cash equivalents		**52,609**	**48,894**

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

The notes on pages 75 to 99 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies

(a) Basis of accounting

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

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

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual statement of comprehensive income. The Company has also taken advantage of an exemption from presenting its individual statement of cash flows as described on page 74.

(b) Turnover

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

(c) Administrative expenses

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

(d) Interest income

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

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(e) Fixed assets

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

(i) Intangible Assets – Software

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

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

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

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

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

(ii) Tangible assets: Leasehold Improvements

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

Where the Group has a contractual obligation, a dilapidations asset and corresponding provision is created on inception of a lease. The asset cost is the best estimate of the cost required to return leased properties to the original condition upon termination of the lease. The expected useful life is to the end of the lease term.

Notes to the Financial Statements
for the year ended 31 March 2023

1. Accounting policies *(continued)*

(e) Fixed assets (continued)

(iii) Tangible assets: General Equipment

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

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

(f) Pension schemes

During the year most staff were either members of the Church of England Pension Builder 2014 Scheme ('CEPB') or the Group Personal Pension Scheme ('GPP'), which is operated by Legal and General. The CEPB is a hybrid scheme for which bonuses are declared each year based on investment performance. The GPP is a defined contribution scheme. During the year, the Company closed the CEPB to future accrual and closed its obligations in respect of the CEPB, its sub-pool of the Church of England Defined Benefit Scheme ('DBS'), and its sub-pool of the Church of England Pension Builder Classic Scheme ('PBC'), a hybrid scheme, the latter two of which had already been closed to future accrual by the Company. Further details are given in note 5.

(i) Open pension plans

The GPP pension contributions payable by the Company are charged to profit and loss within the statement of comprehensive income as they fall due. The CEPB is a multi-employer hybrid pension scheme and the Company had insufficient information about its assets and liabilities within the CEPB to carry out defined benefit pension accounting. Accordingly, the Company accounted for the scheme as a defined contribution plan and pension contributions payable by the Company were charged to profit and loss within the statement of comprehensive income as they fell due.

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

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(f) Pension schemes (continued)

(ii) Closed pension plans

From 1 October 2012, participation in accrual of benefits in the DBS ceased. The DBS is a multi-employer defined benefit pension scheme and the Company had insufficient information about its assets and liabilities within the DBS to carry out defined benefit pension accounting. Accordingly, the Company accounted for the scheme as a defined contribution plan and has only accounted for scheme administrative expenses during the year.

The PBC is a hybrid scheme which builds up annuity obligations to members based upon bonuses declared each year based upon investment performance. It is also a multi-employer scheme for which defined contribution accounting is followed because of limits to information, although no contributions have been sought from the Company since it was closed to future accrual.

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

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

(g) Share-based payments and employee incentive schemes

(i) Cash-settled awards – deferred bonuses

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

As at each reporting date, the fair value of the liability which has been accrued to date is included in creditors, and the resulting expense in each period is recognised in the income statement within administrative expenses. On vesting, liabilities are paid out as cash or fund units to settle the awards.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(g) Share-based payments and employee incentive schemes (continued)

(ii) Cash-settled awards – LTIP 2

The Company has made awards to certain employees under a scheme called 'Long Term Incentive Plan 2' ('LTIP 2') which is based upon the value of its shares, to be settled in cash. Settlement of half of the awards is made after initial vesting periods of up to five and ten years (equally split), with the other half retained following the initial vesting periods, to be settled on the employee leaving the company as a 'good leaver'. The liability in respect of these awards is recognised over service periods, being the initial vesting periods. As at each reporting date, the fair value of the liability which has been accrued to date is included in creditors and the resulting expense in each period is recognised in the income statement within administrative expenses. The fair value of the CCLA shares is independently reviewed by an independent valuer, taking account of factors including revenue, funds under management and earnings. On vesting, liabilities are paid out as cash to settle the awards.

(iii) Equity-settled awards – deferred bonuses

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

The amount to be charged over service periods in respect of equity-settled awards is the fair value at the date the awards were granted. As at each reporting date, the charge to date is recognised in the income statement within administrative expenses, with the other side of the accounting entries being taken to other reserves. The fair value is independently reviewed by an independent valuer, as described in 1(g)(ii) above. On vesting, the other reserves are replaced by other categories of equity, reflecting the award of shares to settle the awards.

(iv) Equity-settled awards – LTIP

The Company operates a Long Term Incentive Plan ('LTIP') under which Executive Directors may purchase a specified number of shares at an independent valuation with the support of loans from the Company, as described on page 32 and in note 20. Shares acquired in the LTIP, together with the associated loans, are accounted for as equity-settled share-based payments. The accounting followed is outlined below.

- Half of the cost of shares, funded initially by the Company, is accounted for as a loan and shown as part of debtors. This element of the loan is subject to repayment by the Director over a loan term.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(g) Share-based payments and employee incentive schemes (continued)

(iv) Equity-settled awards – LTIP *(continued)*

- The other half of the cost of shares, funded initially by the Company, is accounted for as a deduction from equity described as an 'LTIP Loan Reserve'. This element of loan may be written off in due course if the Director leaves the Company as a 'good leaver' or is repaid if the director leaves the Company as a 'bad leaver'.
- The latter portion of the loan is expensed in the income statement over the service period. The service period is assessed for each loan, based upon factors including past experience of the length of time loans are held for 'good leavers' and the likely retirement age of the Director.
- The credit entries for the expenses charged to the income statement go to Other Reserves within equity.
- On settlement for good leavers, additional amortisation is charged if necessary and Other Reserves are cancelled against the LTIP Loan Reserve. On settlement for bad leavers, the accounting is for a forfeiture, with expenses credited back to the income statement from Other Reserves. In both cases, leavers are required to settle any outstanding debt.

(v) Equity-settled awards – Share Incentive Plan ('SIP')

Employees may purchase shares in the Company through the SIP every six months, at a price set at the lower of the latest valuation at the start and end of each six month 'accumulation period', by subscribing up to £150 per month. The Company matches these share purchases with an equal number of free matching shares. These are charged in the income statement at a value equal to the price of the shares purchased by employees, taken to be the fair value. Employees retain these shares unconditionally (except in the case of dismissal for gross misconduct) and so there is no vesting period. The charge is matched by credits taken to equity. Leavers must sell their shares, leading to some unallocated shares in the SIP from time to time, the cost of which is included in the EST Share Reserve.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(h) Taxation

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

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

(i) Operating leases

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

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(j) Basis of consolidation

The Group consolidated financial statements for the year ended 31 March 2023 include the financial statements of the Company and its subsidiary undertaking. A subsidiary is an entity controlled by the Group. Control is exercised when the Company has the power to determine the financial and operating policies of an entity so as to benefit from its activity. All intra-Group transactions, balances, income and expenses are eliminated upon consolidation.

(k) Financial instruments

(i) Basic financial assets and liabilities, including debtors, Directors' loans, cash at bank and in hand, cash equivalents and creditors are initially recognised at transaction price, which is indicative of fair value. Such assets are subsequently carried at amortised cost.

(l) Investment in subsidiary

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

(m) Investments

Investments in units or shares of the Group's managed funds are initially held at transaction price, and then revalued to fair value through profit and loss.

(n) Exceptional items

Exceptional items are those non-recurring and one-off charges or credits that, in the Directors' view, are required to be disclosed separately by virtue of their nature, materiality or incidence to enable a full understanding of the Group's financial performance. They include exceptional charges or credits arising from pension fund valuations. They also include project costs. Details of these items are provided in note 6.

(o) EST share reserve

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

(p) LTIP loan reserve

One half of the shares of the Company held by Directors as part of the Long Term Incentive Plan as described in note 1(g)(iv) above, are accounted for at cost as LTIP loan reserve, a negative offsetting reserve within the Group's and Company's equity.

(q) Other reserves

Other reserves represent cumulative amortisation on equity-settled share-based payments which have not yet vested or settled.

Notes to the Financial Statements

for the year ended 31 March 2023

1. Accounting policies *(continued)*

(r) Profit and loss account

Profit and loss account represents distributable reserves.

2. Critical accounting judgements and estimation uncertainty

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

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

(i) The Group has participated during the year in a multi-employer defined benefit plan (see note 1(f)). In the judgement of the Directors, the Group did not have sufficient information on the plan assets and liabilities to be able to account reliably for its share of the defined benefit obligation and plan assets. We do not expect any further obligations arising from this plan, see note 5. However, a contingent liability remained at the year end, see note 19(b)(i).

(ii) The Group operates various share-based payment and employee incentive schemes for which the employee incentive is linked to the share price of CCLA. There is a judgement in determining the year end share price, the Group engaged an independant specialist to assist in the valuation including the use of discounted cash flow and revenue multiples, in line with IPEV guidelines. The valuations are reviewed and approved by the Board of Directors.

(iii) The Group has determined that there is a judgement in determining the classification between equity and cash-settled for the share-based payment and employee incentive schemes. Each of the employee incentive schemes have been reviewed and the accounting treatment assessed as either equity or cash-settled in accordance with FRS102.

(b) Critical accounting estimates and assumptions

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

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

Notes to the Financial Statements

for the year ended 31 March 2023

3. Turnover

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

	2023 £'000	2022 £'000
Fees from pooled funds	56,268	55,001
Other fees	2,773	3,119
	59,041	58,120

4. Administrative expenses

	Note	2023 £'000	2022 £'000
Administrative expenses included:			
Staff costs	*5*	30,974	25,697
Other administrative costs		14,045	12,221
Depreciation of tangible assets		299	172
Amortisation of intangible assets		464	679
Operating lease costs for premises		1,004	595
Foreign exchange (gains)/losses		78	53
Auditors remuneration:			
Fees payable to the Company's auditors for the audit of the Company and the Group's consolidated financial statements		66	63
Fees payable to the Company's auditors for other services:			
– Audit of the Company's subsidiary		31	30
– Audit-related assurance services of the Company and the Company's subsidiary		96	75
– Tax compliance services of the Company and the Company's subsidiary		–	–
		47,057	39,585

Notes to the Financial Statements

for the year ended 31 March 2023

5. Employees and Directors

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

	2023	2022
Administration and Finance	79	69
Investment Management and Research	33	31
Business Development and Client Service	49	43
Company Secretarial and Risk & Compliance	14	12
	175	155

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

The costs incurred in respect of these employees were:

	2023 £'000	2022 £'000
Wages and salaries	22,904	20,505
Share-based payments	2,365	504
Social security costs	3,255	2,647
Other pension costs	1,775	1,458
	30,299	25,114
Other staff costs	675	583
	30,974	25,697

Details of Directors' remuneration can be seen on pages 51 to 52 within the Directors' Remuneration Report. The Executive Directors and Chief Risk Officer are considered to be the Group's Key Management Personnel.

Pension costs

Open Pension Schemes

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

Notes to the Financial Statements

for the year ended 31 March 2023

5. Employees and Directors *(continued)*

Pension costs (continued)

Open Pension Schemes (continued)

The cost of contributions (excluding salary sacrifice) payable by the Company to the CEPB administered by the Church Workers Pension Fund amounted to £173,000 (2022: £173,000). Contributions amounting to £1,000 (2022: £17,000) were outstanding at the year end. Life assurance costs for this Scheme amounted to £11,000 (2022: £11,000).

The cost of contributions (excluding salary sacrifice) payable by the Company to the GPP amounted to £1,590,000 (2022: £1,268,000). Contributions amounting to £nil (2022: £140,000) were outstanding at the year end.

Life assurance costs for members outside the Church Workers Pension Fund amounted to £63,000 (2022: £43,000).

With effect from 28 February 2023, following a consultation with the affected employees, the Company withdrew its employees from active membership of the CEPB. As a result, no contributions have been made by the Company to the CEPB after that date. Also as a result, the Company triggered the provisions of Section 75 of the Pensions Act 1995 in respect of its obligations in respect of the CEPB and all other Church of England Pensions schemes, making it immediately liable to settle future debt obligations under the schemes, in return for having no future obligations. It is expected that such liabilities in respect of the CEPB and all other Church of England Pension schemes are £nil.

From 1 March 2023, the former active members of the CEPB have accrued benefits under the GPP and the Company has increased its pension contributions to that scheme to include the transferring employees.

Defined Benefit Pension Scheme

Until 1 October 2012, some staff participated in the Church of England Defined Benefits Scheme ('DBS'), part of the Church Workers Pension Scheme. The Group only accounts for annual administration expenses charged from the DBS unless an exceptional expense arises following an actuary's valuation (see below and note 1(f)). Expenses charged amounted to £10,000 in the year to 31 March 2023 (2022: £13,000).

During the year to 31 March 2023, the Company has continued to make deficit reduction payments (up to 31 December 2022) in respect of the Company's section of the DBS, amounting to £155,000 (2022: £207,000), which included an interest charge of £35,000 (2022: £53,000).

Notes to the Financial Statements

for the year ended 31 March 2023

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

Pension costs (continued)

From 1 January 2023, as a result of reassessment of the DBS's financial position in changed economic circumstances, the Church of England Pensions Board informed the Company that no further deficit reduction payments would be required and that the outstanding liability for the Company's section of the DBS should be reduced to £nil. This has led to an exceptional write back of £962,000 (2022: £nil), as shown in note 6. As at 31 March 2023, there was an outstanding balance of £nil (2022: £1,082,000), which represented the present value of future contributions.

As described above, with effect from 28 February 2023, the Company triggered the provisions of Section 75 of the Pensions Act 1995 in respect of its obligations in respect of all Church of England Pension schemes, including the DBS.

Other Pension costs

The Company incurred other pension costs of £4,000 (2022: £4,000) during the year. These comprised payments into defined contribution pension schemes not administered by the Company.

Share-Based Payments

As at 31 March each year, certain staff were granted deferred bonus awards linked to the performance of CCLA managed funds over vesting periods. For awards granted up to 31 March 2021, settlement will be in cash. For awards granted on or after 31 March 2022, settlement will be in cash or fund units. The charge for these awards in the year was £1,222,000 (2022: £772,000), including employer's National Insurance. The liability in respect of these awards is included in accruals. As at 31 March 2023, the liability totalled £2,066,000 (31 March 2022: £930,000), including employer's National Insurance.

Up to 31 March 2021 deferred bonus awards linked to the total return of CCLA shares over vesting periods were granted to the Executive Directors and certain other staff. These awards are due to be settled in the equity of the Company. The charge for these awards in the year was £508,000 (2022: credit of £501,000), including employer's National Insurance. The amortisation in respect of these awards is reflected in the Statement of Changes in Equity and included within Other Reserves. As at 31 March 2023, Other Reserves relating to deferred bonus totalled £1,607,000 (31 March 2022: £1,570,000), with a provision of £301,000 (31 March 2022: £328,000) for employer's National Insurance on these awards included as a liability within accruals.

Notes to the Financial Statements

for the year ended 31 March 2023

5. Employees and Directors *(continued)*

Share-Based Payments *(continued)*

The equity-settled deferred bonus awards have been granted in the form of nil-cost options, movements in which are shown below:

	2023	2022
Outstanding as at 31 March 2022 (2021)	748,409.68	1,236,051.72
Movements in the year:		
Option exercises on vesting of awards	(158,794.23)	(177,127.04)
Options increased following the declaration of a dividend	28,147.47	33,379.77
Options forfeited	–	(343,894.77)
Outstanding as at 31 March 2023 (2022)	617,762.92	748,409.68

Fractions of shares are settled in cash

Equity-settled awards have also been made in the form of matching shares in the SIP (see note 1(g)(v)). During the year, 50,658 matching shares (2022: 55,121) were allotted to the SIP at a charge of £201,000 (2022: £194,000) and other debit movements including accruals of £10,000 (2022: credit of £1,000).

During the year, the Company allotted shares to an Executive Director under the terms of the LTIP. As described in note 1(g)(iv), these allocations of shares under the LTIP are accounted for as equity-settled share-based payments. A total of 184,092 shares (2022: 329,391 shares) were allotted during the year under the LTIP, at a cost of £738,000 (2022: £1,218,000), included within debtors and the LTIP loan reserve. The charge during the year for these awards was £397,000 (2022: £87,000), included within administrative expenses. As at 31 March 2023, Other Reserves relating to LTIP totalled £1,130,000 (2022: £734,000). None of these awards vested in the year.

During the year, the Company granted awards to certain employees under the LTIP 2. As described in note 1(g)(ii), these allocations under the LTIP 2 are accounted for as cash-settled share-based payments. The charge during the year for these awards was £267,000 (2022: £41,000), including employer's National Insurance. The liability in respect of these awards is included in accruals. As at 31 March 2023, the liability totalled £308,000 (2022: £41,000), including employer's National Insurance. None of these awards vested in the year.

Notes to the Financial Statements

for the year ended 31 March 2023

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

Share-Based Payments ***(continued)***

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

Annual bonus plan

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

The total charges for cash and deferred bonuses were:

	2023 £'000	2022 £'000
Cash bonuses	7,511	7,488
Deferred bonuses	1,522	189
Total Charge	9,033	7,677

In addition to the annual bonus plan, the Company has paid a cost of living allowance of £200,000 which was targeted at lower and middle earners.

Short term benefits

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

6. Exceptional items

This comprises the following:

a) A credit arising from the removal of the pension deficit described in Note 5 above of £962,000 (2022: £nil).

b) This charge for the Group relates to non-recurring projects costs of £1,574,000 (2022: £1,522,000) arising in relation to: costs of upgrading and replacing CCLA's operational processes and infrastructure; and costs provided for the Group's office move from Senator House, London, of £63,000 (2022: £100,000).

Notes to the Financial Statements
for the year ended 31 March 2023

7. Tax on profit

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

	2023 £'000	2022 £'000
Current tax:		
UK corporation tax on the profit for the year	2,402	3,123
Total current tax	2,402	3,123
Deferred tax charge/(recovery)	126	(235)
Total deferred tax charge/(recovery)	126	(235)
Adjustments in respect of prior periods	119	7
Tax on profit on ordinary activities	2,647	2,895
Current tax movements in statement of changes in equity (see note 1(h))	(43)	(64)

The tax assessed for the year is higher than (2022: lower than) the standard rate of corporation tax in the UK and the difference is made up as follows:

	2023 £'000	2022 £'000
Profit before taxation	12,325	16,908
UK corporation taxation on profits at 19% (2022: 19%)	2,342	3,213
Effects of:		
Expenses not deductible for tax purposes	59	23
Pension deficit timing differences	(207)	(29)
Depreciation below capital allowances	(149)	(93)
Provisions tax adjustment	357	9
Movements in deferred tax	126	(235)
Adjustments in respect of prior periods	119	7
Tax on profit	2,647	2,895

Notes to the Financial Statements

for the year ended 31 March 2023

7. Tax on profit *(continued)*

(b) Deferred tax asset

	2023 £'000	2022 £'000
At beginning of year	1,716	1,505
Amounts (debited)/credited to profit and loss	(126)	235
Amounts credited/(debited) to statement of changes in equity (see note 1(h))	5	(24)
At end of year	1,595	1,716
Deferred tax consists of the following timing differences:		
(Accelerated)/decelerated capital allowances	(27)	51
Timing differences relating to deferred bonus awards	1,137	811
Other timing differences	485	854
	1,595	1,716

Tax movements shown in the statement of changes in equity relating to the revaluation of equity-settled share-based payments (see note 1(h)), comprise the following:

	2023 £'000	2022 £'000
Credits to current tax	43	64
Credits/(debits) to deferred tax	5	(24)
	48	40

Deferred tax on amounts expected to crystallise after 1 April 2023 has been calculated at a rate of 25%, rather than the rate applying in the year of 19%, as this is the rate which is expected to apply. This has resulted in an increase of the overall deferred tax asset of £382,000 (2022: £268,000), of which £348,000 (2022: £245,000) has been charged to profit and loss and £34,000 (2022: £23,000) to the statement of changes in equity.

Notes to the Financial Statements

for the year ended 31 March 2023

8. Intangible and Tangible Fixed Assets

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

Group and Company

	Intangible IT Software £'000	Tangible Leasehold Improve-ments £'000	General Equipment £'000	Total Tangible £'000	Total £'000
Cost					
At 1 April 2022	6,942	1,289	2,006	3,295	10,237
Additions	15	1,616	150	1,766	1,781
Amounts written off	–	(828)	(326)	(1,154)	(1,154)
At 31 March 2023	**6,957**	**2,077**	**1,830**	**3,907**	**10,864**
Accumulated amortisation/depreciation					
At 1 April 2022	5,591	836	1,920	2,756	8,347
Charge for year	464	224	75	299	763
Amounts written off	–	(828)	(326)	(1,154)	(1,154)
At 31 March 2023	**6,055**	**232**	**1,669**	**1,901**	**7,956**
Net book value					
At 31 March 2022	1,351	453	86	539	1,890
At 31 March 2023	**902**	**1,845**	**161**	**2,006**	**2,908**

Notes to the Financial Statements

for the year ended 31 March 2023

9. Debtors

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Trade debtors	5,756	2,125	5,622	2,137
Amounts due from subsidiary undertaking	–	–	–	2,000
Other debtors	1,059	1,059	65	65
Deferred tax	1,595	1,595	1,716	1,716
Prepayments and accrued income	1,683	1,683	2,071	2,071
Amounts due under the LTIP	1,874	1,874	1,604	1,604
	11,967	8,336	11,078	9,593

For both the Group and Company, all debtors are receivable within one year, with the exception of deferred tax where £826,000 (2022: £1,118,000) is due later than one year.

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

10. Investments

As at 31 March 2023, the investment in the CCLA Better World Global Equity Fund is held at fair value of £1,635,000 (2022: £nil). During the year, the Company purchased units in the Better World Global Equity Fund totalling £1,659,000 and recognised a revaluation loss of £24,000.

The investment in Worthstone Limited is held at £1 (2022: £1), being cost less impairment, as the fair value cannot be measured reliably.

11. Cash at bank and in hand

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

Notes to the Financial Statements

for the year a 31 March 2023

12. Cash equivalents

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

13. Creditors

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Accruals and deferred income	6,830	6,765	4,731	4,669
Trade creditors	2,526	1,232	2,625	1,199
Amounts due to subsidiary undertaking	–	291	–	–
Other creditors	–	–	1,082	1,082
Corporation tax	1,028	246	1,358	857
Other taxation and social security	6,015	4,521	5,941	4,436
	16,399	13,055	15,737	12,243

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

Within other creditors £nil (2022: £921,000) for both the Group and Company is due later than one year. This relates to the deficit in the Defined Benefit Section pension scheme.

Within accruals £1,962,000 (2022: £850,000) for both the Group and Company is due later than one year. This relates to cash-settled share-based payment liabilities including employers National Insurance.

14. Provisions for liabilities and charges

The Group and Company have provisions as set out below:

	Restructuring costs £'000	Dilapidations £'000	Total £'000
At 1 April 2022	350	513	863
Charged to profit or loss	51	162	213
Utilised/released during the year	(7)	(15)	(22)
At 31 March 2023	394	660	1,054

Restructuring costs are associated with the planned outsourcing of the Company's transfer agency function and is expected to be utilised over the next year. Dilapidations provisions of £660,000 comprise: £85,000 which is expected to be utilised within one year; and £575,000 which is expected to be utilised within six years.

Notes to the Financial Statements

for the year ended 31 March 2023

15. Called up share capital

Group and Company	2023 £'000	2022 £'000
Authorised:		
44,000,000 (2022: 44,000,000) Ordinary Shares of 1p (2022: 1p)	440	440
6,000,000 (2022: 6,000,000) Ordinary Non-Voting Shares of 1p (2022: 1p)	60	60
550,000,000 (2022: 550,000,000) 'P' Ordinary Shares of 1p (2022: 1p)	5,500	5,500
	6,000	6,000

Group and Company	2023 £'000	2022 £'000
Allotted and fully paid:		
21,613,700 (2022: 21,613,700) Ordinary Shares of 1p (2022: 1p)	216	216
2,600,000 (2022: 2,600,000) Ordinary Non-Voting Shares of 1p (2022: 1p)	26	26
	242	242

During the year the Company did not issue any Ordinary Shares (2022: nil). The Company did not issue Non-Voting Ordinary Shares.

Shareholders as at 31 March 2023 were as follows:

13,000,000 Ordinary Shares are owned by The CBF Church of England Investment Fund.
2,816,700 Ordinary Shares are owned by the COIF Charities Investment Fund.
3,250,000 Ordinary Shares are owned by LAMIT.
1,795,959 Ordinary Shares are owned by the current Executive Directors.
347,578 Ordinary Shares are owned by the CCLA Employee Share Trust
263,318 Ordinary Shares are owned by the CCLA Share Incentive Plan.
94,800 Ordinary Shares are owned by the retired Executive Directors.
45,345 Ordinary Shares are owned by current CCLA employees
2,600,000 Non-Voting Ordinary Shares are owned by the COIF Charities Investment Fund.

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

In the opinion of the Directors, the Company has no ultimate controlling party.

Notes to the Financial Statements

for the year ended 31 March 2023

16. Distributable reserves

The Group and Company had distributable reserves as follows.

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Profit and loss account	50,804	26,372	45,956	22,088

17. Equity dividends

	2023 £'000	2022 £'000
Interim Dividend		
Ordinary Shares	4,533	4,580
19p (2022: 19p) per 1p (2022: 1p) share		
Total dividend paid	4,533	4,580

18. Reconciliation of cash flows from operating activities

	2023 £'000	2022 £'000
Profit for the financial year	9,678	14,013
Interest receivable	(1,075)	(48)
Interest payable	35	53
Losses on investments	24	–
Tax on profit on ordinary activities	2,647	2,895
Operating profit	11,309	16,913
Depreciation expense	299	172
Amortisation expense	464	679
Increase in creditors	1,184	2,854
Increase in debtors	(740)	(1,183)
Amortisation and settlement of equity settled awards	1,544	(710)
Net cash from operating activities	14,060	18,725

Notes to the Financial Statements
for the year ended 31 March 2023

19. Commitments and contingent liabilities

(a) Operating lease commitments

The Group and Company had commitments as set out below:

	2023 £'000	2022 £'000
Within one year	308	–
Between one and five years	4,494	3,745
Over five years	1,102	2,159
	5,904	5,904

These commitments relate to the lease for One Angel Lane, London which commenced 1 February 2022 and terminates on 17 July 2029.

(b) Contingent liabilities

(i) As described in note 5, the Company triggered the provisions of Section 75 of the Pensions Act 1995, as at 28 February 2023, in respect of its obligations to the Church of England Pension schemes. It is expected that the outstanding obligation is £nil, but as this is not confirmed as at the date of signing of the Annual Report, an unquantified contingent liability exists as at 31 March 2023.

(ii) The Company recognised a contingent liability in the prior year, as at 31 March 2022, in respect of the possible reversal of a rates reduction at its former office at Senator House, London, of up to £233,000. There is no equivalent contingent liability in the current year.

20. Related party transactions

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

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
The Church of England Investment Fund and other CBF Funds	13,677	12,427	13,779	12,582
COIF Charities Investment Fund and other COIF Charity Funds	31,401	–	30,767	–
LAMIT and The Local Authorities Property Fund	9,038	–	8,414	–

The above mentioned related parties are shareholders in the Company.

At the year ended 31 March 2023 there were amounts due from related parties as follows: £1,283,283 due to the Group and Company from the CBF Funds (2022: £1,264,826) and £3,511,919 due to the Group from the COIF Funds (2022: £3,371,846)

Notes to the Financial Statements

for the year ended 31 March 2023

20. Related party transactions *(continued)*

Please refer to note 5 and the Directors' remuneration report, pages 50 to 52, for details of Directors' remuneration and key management personnel compensation for the Group.

Loans were made to Executive Directors during the year to assist them in purchasing new Ordinary Shares in CCLA, under the Long Term Incentive Plan, as follows:

	Loan and interest due at 1 April 2022 £	Loans made during the year £	Loans repaid during the year £	Interest charged during the year £	Charged during the year £	Loan due at 31 March 2023 £
Peter Hugh Smith	1,643,123	738,202	(42,529)	398	–	2,339,194
Elizabeth Sheldon	1,359,695	–	(35,121)	330	–	1,324,904
Andrew Robinson	398,465	–	(22,228)	97	–	376,334
Total	3,401,283	738,202	(99,878)	825	–	4,040,432
Amortisation[i]	(733,429)	–	–	–	(396,992)	(1,130,421)
Total	2,667,854	738,202	(99,878)	825	(396,992)	2,910,011

[i] 50% of the value of the initial loan values are amortised by CCLA over the five years from the date of issue. This period may be shortened so that the loan is fully amortised when the relevant Director is aged 60.

Features of these loans to Executive Directors are as follows:

(a) Repayments of 2.5% of the original loan (5% for loans issued before 1 June 2019) are made per annum.
(b) The loans carry an interest rate which is variable, based upon published rates.
(c) The loans are not included in Directors' emoluments disclosed on page 52, except for the beneficial interest benefit declared for tax purposes; and any write-off applied to the Directors' loans. 50% of the value of loans, excluding accrued interest, is written off by the Company if and when the Director leaves as a 'Good Leaver'.

All of the above loans are accounted for as debtors and as LTIP loan reserve as described in note 1(g)(iv). The loans are accounted for: at transaction price on initial recognition; and thereafter at amortised cost using the effective interest method.

The amount due as shown in the table above as at 31 March 2023 of £2,911,000 (2022: £2,667,000) (rounded) corresponds to: LTIP loan reserve of £2,167,000 (2022: £1,797,000); plus amounts due under the LTIP within debtors of £1,874,000 (2022: £1,604,000) (see note 9); less the share-based payment amortisation of £1,130,000 (2022: £734,000) included within other reserves.

Notes to the Financial Statements

for the year ended 31 March 2023

21. Subsidiary and related undertakings

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

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

	Group 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Investment in subsidiary	–	2,700	–	2,700
	–	2,700	–	2,700

The related undertakings whose results or financial performance principally affect the figures shown in the consolidated financial statements are set out above in note 20.

The registered office of all related undertakings is One Angel Lane, London EC4R 3AB.

Longer term trends in performance (unaudited)

Funds under management

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

		Net Fund Flows		
Years to 31 March	*Funds under management £ million	Long-term funds £ million	Cash funds £ million	Total fund flow £ million
2019	9,053	+603	+245	+848
2020	9,787	+834	+173	+1,007
2021	12,534	+683	+825	+1,508
2022	13,916	+179	+197	+376
2023	**13,555**	**+82**	**+159**	**+241**

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

Financial performance

Years to 31 March	Turnover £'000	Pre-tax profit before exceptional items £'000	Exceptional non-recurring and one off items £'000	Pre-tax profit/ (loss) £'000	Capital and reserves £'000	Minimum Regulatory capital requirement £'000
2019	39,058	10,040	(1,368)	8,672	27,614	6,571
2020	45,462	11,928	–	11,928	33,168	6,750
2021	50,144	13,388	(1,668)	11,720	38,394	15,096
2022	58,120	18,530	(1,622)	16,908	45,262	13,156
2023	**59,041**	**13,000**	**(675)**	**12,325**	**51,666**	**20,436**

Longer term trends in performance (unaudited)

Share valuation and dividends per share

Up to June 2019, CCLA has been valued annually as at 30 June. Valuations were carried out as at 30 November 2019 and, in light of exceptional share price movements during the Covid-19 pandemic, 31 March 2020. Valuations are now planned to take place on a regular basis twice a year, as at 31 May and 30 November, unless circumstances require this to be changed. Valuations are based on the results for the previous year (or period) and the budget for the following year (or forecast for the remainder of the current year). This share price is used to value the CCLA holding by The CBF Church of England Investment Fund and the COIF Charities Investment Fund. This valuation is also used by the Long Term Incentive Plan, the Deferred Bonus Scheme and the Share Incentive Plan.

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

	Share valuation	Dividend per share
2018	£2.90	12p
2019	£3.52	15p
2020	£2.95	15p
2021	£3.68	19p
2022	**£3.99**	**19p**

As at 31 March 2023 the share valuation was £3.92.

Share valuations and dividends above have been restated for the 100:1 share split which took place on 1 April 2020.

List of organisations that we have supported during the year

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

Advice UK
Almshouse Association
Association of Chairs (AOC)
Association of Charitable Foundations (ACF)
Association of Chief Executives of Voluntary Organisations (ACEVO)
Association of Chief Officers of Scottish Voluntary Organisations
Association of English Cathedrals (AEC)
Association of Provincial Bursars (APB)
Birmingham Women & Children's Hospital
British Ports Association
Caritas Social Action Network (CSAN)
CBS General Council
Chalkhill Community Fund
Chartered Institute for Public Finance Association (CIPFA)
Church Investors Group (CIG)
Church Union
Churches Conservation Trust
Civil Society Media
Cornwall Community Foundation
County Councils Network (CCN)
Daughters of the Cross
Derbyshire Association of Local Councils
Essex Community Foundation
Greenbelt
Headway – the brain injury association
Independent Schools Bursars Association (ISBA)
Institute for Voluntary Action Research (IVAR)
Irish Chaplaincy
Just Money Movement
Kent Community Foundation
Koestler Arts
Land Trust
League of Remembrance
Local Government Association (LGA)
Local Government Information Unit (LGIU)
Mary Ward Loreto
Melanesian Mission
Middlesex Hospital Nurses Benevolent Fund
National Association of Local Councils (NALC)
National Churches Trust
NHS Charities Together
Nottinghamshire Community Foundation
Pollard Trust
Prison Advice Care Trust (PACT)
Quartet Community Foundation
Room 151
Saint Vincent de Paul Society England and Wales
Scottish Council for Voluntary Organisations (SCVO)
Smallpeice Trust
Society of Local Authority Chief Executives (SOLACE)
Society of Local Council Clerks (SLCC)
Society of Municipal Treasurers
Spectra
Suicide & Co
Surfers not Street Children
The English Province of the Order of Preachers
Theos
Together for the Common Good
Tree of Hope
Trees for Cities
UK Community Foundations (UKCF)
URC Pension Board
Voiceabillity
Worshipful Company of Tin Plate Workers alias Wire Workers

Company Information

Registered number	2183088
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Independent Auditors	Deloitte LLP, 110 Queen Street, Glasgow G1 3BX
Bankers	HSBC Bank Plc, 60 Queen Victoria Street, London EC4N 4TR

CCLA

www.ccla.co.uk

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