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Company Registration No. 09692222 (England and Wales)

# **CHARM FINANCE PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023**

**(A COMPANY LIMITED BY SHARES)**

# CHARM Finance PLC

## *Directors' Report*

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<b>Directors</b>	Joanna Woolcock (to 27 <sup>th</sup> March 2024)
	Mark Barker (from 25th March 2024)
	David White
	Lee Marshall
	John Ball

<b><i>Alternate Directors (appointed by the above Directors)</i></b>	<i>Loraine Miller (to 31 March 2023)</i>
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<b>Company Secretary</b>	James Sanders
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<b>Company Number</b>	09692222
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<b>Principal Address &amp; Registered Office</b>	Church House
	29 Great Smith Street
	London
	SW1P 3PS

<b>Independent Auditor</b>	Crowe U.K. LLP
	55 Ludgate Hill
	London
	EC4M 7JW

<b>Bankers</b>	Lloyds Bank
	1 Legg Street
	Essex
	CM1 1JS

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The Directors present their report and audited Financial Statements of the Company, together with the Independent Auditor's Report, for the year ended 31 December 2023.

The Company was incorporated on 17 July 2015 and began trading on 28 August 2015.

### **Results and dividends**

The Company's results are set out in the Profit and Loss Account on page 14.

The Directors do not recommend payment of a dividend.

### **Going Concern**

The Directors have considered the key risks and uncertainties which impact upon immediate liquidity and longer-term solvency. This includes the ability of the Church of England Pensions Board to make interest payments under its loan to the Company, the impact of the current geopolitical instability and economic conditions and the post pandemic context. The Church of England Pensions Board has included payments to the Company in its scenario modelling, which takes account of the likely impact of these matters on its operations.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to meet its spending commitments as and when they fall due. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

### **Employees**

There are no employees of the Company. The management and administration of the Company is undertaken by staff from the National Church Institutions (NCIs). The NCIs have not incurred any incremental staff costs due to the management of this Company.

### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Mark Barker

David White

Lee Marshall

John Ball

None of the Directors held, at any time during the year, any beneficial interest in the shares of the Company.

Each of the Directors is an employee of the NCIs and receives remuneration from the NCIs as an employee. No remuneration is paid to any Director for their services as director.

### **Future developments**

There are no significant events that have affected the Company since the year end.

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The Directors do not anticipate any significant changes in the Company's activities in the foreseeable future.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and the 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 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 company and of the profit or loss of the 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Corporate Governance**

The Company is limited by shares. Its governing documents are its articles of association. The shareholder of the Company is the Church of England Pensions Board.

The Company is considered to be a wholly owned subsidiary of the Church of England Pensions Board. The Company is not subject to the requirements of the UK Corporate Governance Code because it does not have any equity shares listed on the London Stock Exchange. A statement on governance policies of the Church of England Pensions Board (and its subsidiaries) is included in the Church of England Pensions Board's Annual Report and Financial Statements for the year ended 31 December 2023.

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The duties of the Directors of the Company are to:

- act in accordance with the Company's constitution and exercise their powers for proper purposes.
- act in a way to promote the success of the Company.
- exercise independent judgment.
- exercise care, skill and diligence.

The governance structure of the Company includes the Board of Directors of the Company and the Audit & Risk Committee, the Investments Committee, and the internal audit function of the Church of England Pensions Board. The committees of the Church of England Pensions Board oversee all Group entities. This ensures that the Company acts in accordance with the strategic aims of its parent, while retaining decision-making power over individual company matters with the Directors.

The Company complies with all appropriate filing and information requirements of the Financial Conduct Authority.

The Company's internal control and risk management procedures are detailed in the Strategic Report.

**Independent Auditor**

Auditors are formally appointed by the Directors of the Company at the Annual General Meeting of CHARM Finance PLC.

Crowe U.K. LLP has indicated its willingness to continue in office.

**Information to Independent Auditor**

Each Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to ensure that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By Order of the Board of  
Directors and signed on



its behalf by:

**Mark Barker**

**Director**

Registered Office: Church House, 29 Great Smith Street, London SW1P 3PS

14<sup>th</sup> June 2024

The Directors of CHARM Finance PLC present their Strategic Report for the year ended 31 December 2023.

### **Strategy and Objectives**

The principal activity of CHARM Finance PLC (the “Company”) is to raise finance for the Church of England Pensions Board (the “Parent”) and to meet its obligations relating to the Bonds that it has previously issued on the London Stock Exchange.

### **Review of the Business and Future Developments**

In August 2015 the Company issued £100,000,000 of 3.126% Secured Bonds (including £30,000,000 in principal amount of Retained Bonds) due August 2048. The Bonds are listed on the London Stock Exchange and are adjusted for changes in CPI (subject to a 4% cap and a floor of zero).

In April 2018 the Company issued £50,000,000 of 3.509% Fixed Rate Bonds (including £20,000,000 in principal amount of Retained Bonds) due April 2048. The Bonds are listed on the London Stock Exchange.

The Company loaned the proceeds from both Bond issues to the Parent and receives interest on these loans so the Company can meet its obligations.

The Company will continue to receive interest (and, as and when due, funds to meet capital repayments) on the loans to Group undertakings and pay interest and capital obligations on the Bond liabilities as they fall due.

### **Results for the year**

The Company made no profit or loss during the year ended 31 December 2023. As at 31 December 2023 the Company had net assets of £12,500 (2022: £12,500).

Due to the nature of the Company’s operations, the key performance measures are that the Company meets all its legal obligations to the Bond holders (all were met during 2023).

### **Principal Risks and Uncertainties**

The Company’s internal control and risk management procedures are carried out as part of the overall procedures for the Church of England Pensions Board group. The Church of England Pensions Board’s risk management process assists management by facilitating the identification and assessment of significant risks to the achievement of objectives. The process is supported by a risk management policy which outlines the roles and responsibilities of the Church of England Pensions Board’s trustees, management and staff.

The Board reviews the risk registers and risk management arrangements at least annually. The Board is supported by the Audit & Risk Committee, which regularly reviews the content of the risk registers and seeks assurance over the adequacy of arrangements in place to manage the risks.

Individual departments and identified risk owners are responsible for the identification, assessment and review of risks which fall in their area of responsibility. Risks are prioritised using an agreed scoring methodology and are assessed at an inherent and residual level. The risk management process is facilitated and monitored by the Audit and Risk function. The management of key risks is subject to independent review and assurance through the internal audit process, which reports to the Audit & Risk Committee.

**Principal Risks and Uncertainties (continued)**

The Directors have assessed risk for each financial asset and liability: the market risk, interest rate risk, liquidity risk, and credit risk exposure. The Company is not exposed to significant market risk or interest rate risk because the Company's main financial instruments are denominated in sterling, have fixed redemption values, have interest rates which are fixed, or which are not linked to market rates but rise in line with the Consumer Price Index (CPI) (with interest payable matching interest receivable) and fixed maturity dates. The liquidity risk of the Company is mitigated by the matching and timing of the cash flows from the Company's financial assets and liabilities. Credit risk exposure of the Company's loans is reduced by the Company only advancing loans to the Parent (with Directors of the Company having direct visibility over matters which may impact on the Parent's ability to meet its contractual cash flow commitments to the Company).

**Promoting the success of the Company**

The Directors have a duty to promote the success of the company under section 172 of the Companies Act 2006. The Directors are required to consider various matters when performing this duty:

*Likely long-term consequences of any decision*

The long-term consequences of the Company's activities are set out in the section "Review of the Business and Future Developments" above.

*The interests of the Company's employees*

The company has no employees.

*The Company's business relationships with suppliers, customers and others*

The Company fosters strong business relationships with suppliers and customers. The Company is committed to treating suppliers fairly through the procurement policies of its parent. Its parent has policies on anti-fraud, corruption, modern slavery and human trafficking, and expects its key suppliers to adopt equivalent policies.

The financial effect of decisions made in previous accounting periods continue to have a substantial effect on the financial performance and position of the Company. The Directors continue to monitor these decisions to ensure potential risks are mitigated.

*The Company's impact on the community and the environment*

The Company, through providing finance to the Church of England Pensions Board, supports its charitable aims to provide housing to those who have retired from ministry. This has a positive impact on the community.

The Company has a negligible impact on the environment.

**Promoting the success of the Company (continued)**

*The desirability of the Company maintaining a reputation for high standards of business conduct*

The Company is committed to high standards within its business. Its governance arrangements are set out under the heading “Corporate Governance” in the Directors’ Report. The Church of England Pensions Board is committed to high quality governance as applied in the charity and the not-for-profit sector. It has reviewed its practice against the Charity Governance Code and has generally applied the Code with minor exceptions.

*The need to act fairly between members of the Company*

The Company has one member: The Church of England Pensions Board. Consequently, the Directors are not required to balance the interests of different members in order to act fairly between them.

By Order of the Board of Directors and signed on their behalf by:



**Mark Barker**

**Director**

Registered Office:  
Church House, 29 Great Smith Street, London SW1P 3PS

14<sup>th</sup> June 2024



**Independent auditor's report to the members of CHARM Finance plc**

**Opinion**

We have audited the financial statements of CHARM Finance plc (the "Company") for the year ended 31 December 2023 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice (UK GAAP)).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its result for the year then ended;
- have been properly prepared in accordance with UK GAAP;
- have been prepared in accordance with the requirements of the Companies Act 2006.

**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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the 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 company's ability to continue to adopt the going concern basis of accounting included reviewing the detailed paper prepared by management setting out their assessment of the entity's ability to continue as a going concern. The assessment covers the period to 31 December 2025.

We have discussed this with the company's management in order to fully understand their assessment including the underlying assumptions applied.

In addition to this we have:

- reviewed the period used by directors to assess the ability of the company to continue as a going concern;
- checked the integrity and arithmetic accuracy of budgets and forecasts prepared by management covering the period of the going concern assessment;
- reviewed the accuracy of past budgets and forecasts by comparing the budget for the current year against actual results for the year; and
- Reviewed and assessed the forecast compliance with debt covenants which the directors have used in their going concern assessment.

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 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.

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

## **Overview of our audit approach**

### *Materiality*

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £1m, based on 1% of total assets (2022: £1m, based on 1% of total assets). In addition, we determined a materiality lower than this level at £50,000, based on a percentage of revenue, to be applied to auditing the Profit and Loss Account.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. Our performance materiality was set at 70% of the financial statement's materiality, amounting to £700,000.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions.

We agreed with the Audit and Risk Committee to report to it all identified errors in excess of £50k. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

### *Overview of the scope of our audit*

We performed the entire audit of the entity whose operations are wholly in the UK. As part of designing our audit, we assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

## **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.

We have identified going concern as the only Key Audit Matter and our observations on going concern are included in the "Conclusions related to going concern" section of this report. This does not represent the complete list of all risks identified by our audit.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

## **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

*Independent Auditor's Report to the members of CHARM Finance PLC*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our 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 directors' report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

**Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our

*Independent Auditor's Report to the members of CHARM Finance PLC*

auditor's report.

*Extent to which the audit is capable of detecting irregularities, including fraud*

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

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statements items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the company for fraud. The laws and regulations we considered in this context for the UK operations in addition to the Companies Act 2016, were listing rules and taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the potential override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Our audit procedures to respond to these risks included:

- enquiry of management about the Company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- enquiry of management about litigations and claims and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

**Other matters which we are required to address**

We were appointed by the Audit and Risk Committee on 21 November 2019 to audit the financial statements for the period ending 31 December 2019 and subsequent periods. Our total uninterrupted period of engagement is 5 years covering the periods ending 2019 to 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain

## CHARM Finance PLC


### *Independent Auditor's Report to the members of CHARM Finance PLC*

independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

#### **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.



Nicola May  
Senior Statutory Auditor  
For and on behalf of  
Crowe U.K. LLP  
Statutory Auditor  
**London**

Date 19 June 2024

## CHARM Finance PLC

### *Profit and Loss account and Statement of changes in equity For the year ended 31 December 2023*

	Notes	For the year ended 31/12/2023	For the year ended 31/12/2022
		£	£
Revenue – income from fixed asset investments	3	3,628,249	3,555,757
Administrative expenses		(22,983)	(22,622)
Interest payable and similar charges	5	(3,605,266)	(3,533,135)
<b>Result on Ordinary Activities before and after taxation</b>	6	-	-
<b>Result for the Financial Year</b>		-	-

The notes on pages 16 to 22 form part of the above financial statements.

The items above all relate to continuing operations.

There are no items of comprehensive income in the reporting year other than the result for the year. Accordingly, a statement of total comprehensive income is not presented.

Statement of changes in equity	2023			2022		
	Called up share capital	Retained earnings	Total Equity	Called up share capital	Retained earnings	Total Equity
	£	£	£	£	£	£
Balance at 1 January	12,500	-	12,500	12,500	-	12,500
Issue of share capital	-	-	-	-	-	-
Result for the financial year	-	-	-	-	-	-
<b>Balance at 31 December</b>	<b>12,500</b>	<b>-</b>	<b>12,500</b>	<b>12,500</b>	<b>-</b>	<b>12,500</b>


# CHARM Finance PLC

## Balance Sheet As at 31 December 2023

	Notes	31 December 2023 £	31 December 2022 £
<b>Fixed assets</b>			
Investments - Loan to Group undertakings	7	99,396,334	99,367,940
		<u>99,396,334</u>	<u>99,367,940</u>
<b>Current assets</b>			
Debtors	8	1,023,462	980,940
Cash at bank and in hand		64,404	561,895
		<u>1,087,866</u>	<u>1,542,835</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,075,366)</u>	<u>(1,530,335)</u>
<b>Net current assets</b>		12,500	12,500
<b>Total assets less current liabilities</b>		<u>99,408,834</u>	<u>99,380,440</u>
<b>Creditors: amounts falling due after more than one year</b>	9	<u>(99,396,334)</u>	<u>(99,367,940)</u>
<b>Net assets</b>		<u><u>12,500</u></u>	<u><u>12,500</u></u>
<b>Capital &amp; reserves</b>			
Called up share capital	12	12,500	12,500
Retained earnings		-	-
<b>Total equity</b>		<u><u>12,500</u></u>	<u><u>12,500</u></u>

The notes on pages 16 to 22 form part of the above financial statements.

The Financial Statements of CHARM Finance PLC (Company No. 09692222) were approved and authorised for issue by the Board of Directors on 14<sup>th</sup> June 2024 and signed on its behalf by:



Mark Barker  
Director

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**1. ACCOUNTING POLICIES**

**a) Company information**

CHARM Finance PLC was incorporated in the United Kingdom on 17 July 2015 and is a company limited by shares. The registered office of CHARM Finance PLC is 29 Great Smith Street, London SW1P 3PS.

**b) Basis of preparation of financial statements**

The financial statements have been prepared under the historic cost convention in accordance with applicable UK Accounting Standards (FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland) and the Companies Act 2006. The principal accounting policies set out below have been applied consistently throughout the year. The financial statements for the year ended 31 December 2023 contain information about CHARM Finance PLC as an individual company.

**c) Going Concern**

The Directors have considered the key risks and uncertainties which impact upon immediate liquidity and longer term solvency. This includes the ability of the Church of England Pensions Board to make interest payments under its loan to the Company, the impact of the current geopolitical instability and economic conditions, and the post pandemic context. The Church of England Pensions Board has included payments to the Company in its scenario modelling, which takes account of the likely impact of these matters on its operations.

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to meet its spending commitments as they fall due. Accordingly, the going concern basis of accounting in preparing the annual report and accounts continues to be adopted.

**d) Revenue**

Revenue represents interest derived from the loans to the Church of England Pensions Board. Interest is calculated using the effective interest rate method and is recognised on an accruals basis as are all other administrative recharges to the Parent.

**e) Interest payable and similar expenses**

This represents the effective interest on the Bond liabilities (as described in Note 1(h)), it is recognised on an accruals basis.

**f) Administrative Expenses**

Administrative expenditure mainly represents audit fees for CHARM Finance PLC and are accounted for on an accruals basis.

**g) Loans to group undertakings**

The loans to group undertakings are to the Church of England Pensions Board, with fixed redemption values and fixed interest payments. The loans are not quoted in an active market. The loans were recognised initially at transaction price and after initial recognition are measured at an amortised cost using the effective interest method. Transactions costs are amortised on a straight-line basis over the life of the loan. Additionally, the loans are assessed for potential impairment on an annual basis.



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**1. ACCOUNTING POLICIES (continued)**

**h) Bond Liabilities**

The Bond liabilities relate to the corporate bonds issued by the Company in August 2015 and April 2018, listed on the London Stock Exchange (the “Bonds”). The initial measurement of the liabilities is equal to the proceeds of issue less transaction costs directly attributable to the issue of the Bonds. After initial recognition the liabilities are measured at an amortised cost using the effective interest method. Transaction costs are amortised on a straight-line basis over the life of the instruments.

**i) Cash Flow Statement**

The Company is a wholly owned subsidiary of the Church of England Pensions Board and its results are included in the consolidated financial statements of that charity. The Company is exempt as a qualifying entity under the terms of FRS 102 from publishing a cash flow statement and has chosen to take up this exemption. This has been approved by the Directors of the Company. The annual report and financial statements of the Church of England Pensions Board can be obtained by writing to: The Church of England Pensions Board, 29 Great Smith Street, London SW1P 3PS.

**j) Financial Instruments**

The company has taken advantage of the exemption which is available under FRS 102 1.12 (c) (relating to sections 11 and 12 of the standard) as a wholly owned subsidiary not to disclose the following:

- Categories of financial instruments
- Items of income, expenses, gains or losses relating to financial instruments, and
- Exposure to and management of financial risks.

Full disclosure in relation to financial instruments is available in the consolidated financial statements of The Church of England Pensions Board.

**k) Significant judgements and estimates**

The preparation of financial statements in conformity with FRS102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies which are described in note 1. The Directors consider there to be no further critical accounting judgements or key sources of estimation or uncertainty in these financial statements. 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.

## **2. DIRECTORS AND EMPLOYEE INFORMATION**

The Company has no employees (2022: nil). Personnel from the National Church Institutions (NCIs) undertake the management and administration of the Company at no incremental cost to the NCIs.

None of the Directors received any remuneration during the financial year in respect of their services as Directors of the Company (2022: none).

## **3. REVENUE – INCOME FROM FIXED ASSET INVESTMENTS**

	For the year ended 31/12/2023	For the year ended 31/12/2022
	£	£
Interest receivable on loans to Group undertakings	3,576,872	3,504,741
Administrative expenses payable by Parent	22,983	22,622
Recharge to Parent of amortisation of bond transaction costs	28,394	28,394
<b>TOTAL</b>	<b><u>3,628,249</u></b>	<b><u>3,555,757</u></b>

Interest receivable on loans to Group undertakings represents the effective interest on the loans to the Church of England Pensions Board. Interest on the 2015 Bond is charged at an interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Since August 2023 the applicable interest rate has risen to 3.646%. Interest on the 2018 Bond is charged at a fixed interest rate of 3.509%.

Admin fees payable by the Parent represent recharged statutory audit fees and custodian fees for CHARM Finance PLC.

## **4. AUDIT FEES**

	For the year ended 31/12/2023	For the year ended 31/12/2022
	£	£
Auditor's remuneration (excluding VAT)	10,950	10,550

Auditors' remuneration relates solely to the statutory audit of the CHARM Finance PLC financial statements.

## **5. INTEREST PAYABLE AND SIMILAR CHARGES**

	For the year ended 31/12/2023	For the year ended 31/12/2022
	£	£
Interest payable - 2015 Bond	2,522,661	2,450,744
Interest payable - 2018 Bond	1,054,211	1,053,997
Amortisation of Bond transaction costs	<u>28,394</u>	<u>28,394</u>
<b>TOTAL</b>	<b><u>3,605,266</u></b>	<b><u>3,533,135</u></b>

## **6. RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION**

Any profits of the Company for the year will be paid under Gift Aid to the Church of England Pensions Board, a charity registered in England under the UK Charities Act 2011 (registered charity number 236627). There is no difference between accounting and taxable profits, so there is no provision required for deferred tax.

## **7. INVESTMENTS - LOANS TO GROUP UNDERTAKINGS**

<b>Fixed Assets</b>	<b>Principal Amount</b>	<b>Capitalised bond set-up costs</b>	<b>Amortisation of bond set-up costs</b>	<b>Amortised cost 2023</b>	<b>Amortised cost 2022</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Loan to Group undertaking (2015 Bond)	70,000,000	(509,301)	153,093	69,643,792	69,625,603
Loan to Group undertaking (2018 Bond)	30,000,000	(306,134)	58,676	29,752,542	29,742,337
	100,000,000	(815,435)	211,769	99,396,334	99,367,940

Capitalised bond set-up costs predominantly represent legal and other professional fees incurred in the set-up of the CHARM Finance PLC Bonds and are amortised over the life of the Bonds (2015 Bond – 28 years / 2018 Bond – 30 years).

Interest on the loans is charged at the same rate as interest payable on the Bond liability (see Note 9 for more details). Similarly, the repayment terms of the loans are the same as those of the Bond liabilities.

The loan in respect of the 2015 Bond is secured by a fixed charge over 417 properties held by the borrower, the Church of England Pensions Board. The loan in respect of the 2018 Bond is secured by a fixed charge over 198 properties held by the borrower, the Church of England Pensions Board.

## **8. DEBTORS**

### **Amounts due within one year:**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
Accrued Income	1,023,462	980,940
	<b>1,023,462</b>	<b>980,940</b>

Accrued income predominantly represents the accrued recharge of effective interest on the 2015 Bond for the last four months of 2023 and on the 2018 Bond for the last two months of 2023, plus the accrued recharge of the CHARM Finance PLC external audit fees. In both cases the costs are met by the Church of England Pensions Board.

**9. CREDITORS**

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>		
Accrued expenditure	13,741	13,454
Bond interest payable	1,009,722	968,280
Amounts due to parent undertaking	51,903	548,601
	<u><b>1,075,366</b></u>	<u><b>1,530,335</b></u>
<b>Amounts falling due after more than one year:</b>		
Bond liabilities	100,000,000	100,000,000
Less capitalised set-up costs	(603,666)	(632,060)
	<u><b>99,396,334</b></u>	<u><b>99,367,940</b></u>

The Directors consider it reasonable to assume the Bonds will be repaid in accordance with the terms agreed between the Church of England Pensions Board, CHARM Finance PLC and the bond holders, and that the Church of England Pensions Board will not repay its loans from the Company earlier than required, which if it were to do so, would trigger early repayment of the Bonds. Accordingly, the Directors consider it to be appropriate to classify the bond liabilities as due after more than one year.

**10. FINANCIAL INSTRUMENTS**

The Company's financial instruments comprise borrowings and loans receivable. The purpose of these financial instruments is to finance the growth and development of the Church of England Pensions Board's CHARM (Church's Housing Assistance for the Retired Ministry) scheme.

The Company does not actively engage in the trading of financial assets for speculative purposes.

The main risk to the Company arising from its financial instruments is credit risk, however credit risk exposure of the Company's loans is reduced by the Company only advancing loans to the Parent (the Directors of the Company have direct visibility over matters which may impact on the Parent's ability to meet its contractual cash flow commitments to the Company).

**10. FINANCIAL INSTRUMENTS (CONTINUED)**

The financial assets and liabilities have interest rates which rise in line with the Consumer Price Index (CPI) in the case of the 2015 Bond, or interest rates which are fixed in the case of the 2018 Bond, both of which result in interest receivable matching interest payable. As such the Company has managed its interest rate risk. The financial instruments issued by, or held by, the Company are Sterling denominated and carry no foreign exchange risk. The Company's finances are managed actively in conjunction with the activities of the Group, to ensure that sufficient funds are available to meet liabilities as they fall due. This mitigates any liquidity risk that the Company may face.

Financial Liabilities

The following tables detail the maturity of the Company's contractual payments as at 31 December 2023:

Period	2015 Bond		2018 Bond	
	Interest due	Capital repayment	Interest due	Capital repayment
	£	£	£	£
Due to end Dec 2023	870,206	-	140,418	-
Due within one year (to end Dec 2024)	2,541,741	-	1,045,703	-
Due within five years (to end Dec 2028)	10,200,196	-	4,214,029	-
Due after five years	37,379,508	70,000,000	18,636,279	30,000,000
<b>Total</b>	<b>50,991,651</b>	<b>70,000,000</b>	<b>24,036,429</b>	<b>30,000,000</b>

Interest due for the year on the 2015 Bond was charged at an interest rate of 3.126% adjusted for changes in CPI (subject to a 4% cap and a floor of zero). Interest due for the period ending 31 December 2023 on the 2018 Bond was charged at a fixed interest rate of 3.509%.

Repayment of the 2015 Bond is due in five equal instalments of £14m due in August of 2038, 2041, 2043, 2045 and 2048 respectively. Repayment of the 2018 Bond is due in three instalments of £10m in November 2044, 2046 and April 2048.

The agreements relating to the Bonds allow the bondholders to benefit from the Company's rights to security under the loan agreement with the Church of England Pensions Board as outlined in note 7.

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**11. ULTIMATE PARENT UNDERTAKING**

The Company's shares are held by the Church of England Pensions Board. The Company is a wholly owned subsidiary undertaking of the Church of England Pensions Board for accounting purposes, and its assets, liabilities and results have been consolidated with those of the Church of England Pensions Board. Copies of the parent's consolidated financial statements may be obtained from the Church of England Pensions Board, Church House, 29 Great Smith Street, London SW1P 3PS.

The Company has taken advantage of the exemption granted in Financial Reporting Standard 102 Section 33.1A not to disclose transactions with related parties which are wholly owned within the parent's group.

**12. CALLED UP SHARE CAPITAL**

On incorporation, the Company allotted 50,000 £1 ordinary shares, aggregate nominal value £50,000, to its subscribers, for which 25 pence part-payment per share was received in cash.

	<b>2023</b>	<b>2022</b>
	<b>£</b>	<b>£</b>
<b>Authorised share capital</b>		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
<b>Issued, called up and paid share capital:</b>		
50,000 ordinary shares of £1 each (25 pence per share paid up)	<u>12,500</u>	<u>12,500</u>