

**CHARITY COMMISSION
COPY**

**The
Incorporated
Catholic
Truth
Society**

**Annual Report and Financial
Statements**

31 December 2015

Company Limited by Guarantee
Registration Number
00057374 (England and Wales)

Charity Registration Number
218951

CHARITY COMMISSION
FIRST CONTACT

13 JUL 2016

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Reference and administrative details of the charity, its Board of Management and advisers

Board of Management	Ms J Burbury Rev P Edwards Mr P Fisher Mrs C Gates Rt Rev P Hendricks (Chairman) Mr L Parsons QC
General Secretary and Company Secretary	Mr F Martin
Registered office	40-46 Harleyford Road Vauxhall London SE11 5AY
Company registration number	00057374 (England and Wales)
Charity registration number	218951
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Principal bankers	The Royal Bank of Scotland plc 21 Grosvenor Gardens London SW1 0BW
Solicitors	Pothecary Witham Weld 70 St George's Square London SW1V 3RD

Report of the Board of Management 31 December 2015

The Board of Management presents its report together with the financial statements of The Incorporated Catholic Truth Society (the 'Society' or CTS) for the year ended 31 December 2015.

The report has been prepared in accordance with the Charities Act 2011 and constitutes a directors' report for the purposes of company legislation.

The financial statements have been prepared in accordance with the accounting policies on pages 19 to 23 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing the accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) effective from accounting periods commencing 1 January 2015 or later.

Introduction

The Mission of the Society is to carry out its apostolate of Catholic publishing and distribution for the benefit of the Catholic and wider Christian community, and of a wider body of general enquirers. The Mission of the Society is also to disseminate Catholic publications at reasonable prices. The Society receives financial and spiritual support from the Catholic community to carry out its work. In pursuit of its charitable aims during 2015, the Society sought to develop its publications; to distribute them widely; and actively to contribute to the life of the Church. The Society made efforts to care for its resources, including staff, suppliers, customers and supporters.

Objectives, activities and relevant policies

◆ Objectives

The Society's main objects are:

- ◇ to spread information about Catholic truth and to make better known the faith, practice and history of the Catholic Church; and
- ◇ to assist the uneducated poor and others to a better knowledge of the Catholic religion, and with that object, and generally, to promote the circulation of and to disseminate books and publications inculcating and advancing Catholic truth and teaching.

◆ Activities and relevant policies

These objects are achieved through the principal activity of the Society which is the publishing and disseminating of low-priced doctrinal, scriptural and educational works, assisting all Catholics to a better knowledge of their religion, spreading amongst non-Catholics information about the faith, and assisting the circulation of Catholic books and other audio, audiovisual and electronic media.

Objectives, activities and relevant policies

♦ **Activities and relevant policies (continued)**

Each of these activities has the principal aim of spreading knowledge of the Christian faith as wide as is possible within the United Kingdom, and increasingly beyond in other English speaking constituencies. They serve the practicing Catholic community, parishes, families, colleges and schools, as well as the wider groupings of general enquirers of other faiths and none. Such materials as these raise interest in the Catholic faith, the Society's apostolate and gain new supporters, enabling the Society to continue its charitable work.

The Society's Bookshop offers significant support in these initiatives and continually succeeds in providing a growing range of quality Catholic books and other media, faithful to the Church's Magisterium, and drawn from a wide range of other Catholic suppliers from around the world, notably from North America and Eastern Europe. Such material is assessed and recommended by the Society's trained staff and made readily available.

In setting the Society's objectives and planning its activities, the Board of Management has given consideration to the Charity Commission's general guidance on public benefit and to the supplementary guidance on the advancement of religion.

Achievements and performance

The following paragraphs outline the main achievements during the year.

♦ **Publishing**

Our considerable efforts to publish the newly approved Ordinariate Missal have been a great support to the fledgling Ordinariate communities in UK, USA, Africa and Australia as they build their library of new liturgical resources. They are very grateful for our appreciation of their needs.

A major focus on providing quality resources to support the Holy Father's unique call for a Year of Mercy resulted in a wide range of booklets which were taken up on a very large scale across the UK and USA, supporting families, parishes and schools to engage with this central message of the Catholic faith. CTS has almost been alone in this, and there is evidence that many people's faith or engagement with the Church has been rekindled through this material. *"These CTS publications are very worthwhile resources. I am sure that they prove of great help in touching people who may otherwise have heard very little about the Church's teaching but who may be open to the impact of Christian faith and witness on their lives". (Archbishop of major English diocese)*

Achievements and performance (continued)

♦ ***Publishing (continued)***

Overall 79 new titles were published this year and 192 reprinted, and a new publishing bibliographic database was introduced to improve our efficiency in documenting, registering and promoting this high output, and thus we are reaching new trade customers also. Our concern to provide good material for young children in parish settings has been expressed in our new Simple Mass Book for Children which has been in great demand and greatly appreciated. *"I find the CTS booklets extremely helpful in my work with young people. They help to bring the teaching of the Church, or the lives of the Saints, to life in an accessible way. There is a huge variety and I can always find just what I'm looking for."* (Youth Chaplain, UK)

We have worked closely with Buckfast Abbey, The School of the Annunciation and many others, to review and improve the Catechism of the Catholic Church, to some extent a neglected publication, so as to provide much cheaper, updated, better laid out CTS editions of this key Catholic reference book in the UK for a much wider audience. *"CTS booklets are more than just highly effective resources for evangelisation. They are trustworthy and credible sources for personal growth in faith".* (Diocesan Director for Marriage and Family Life).

♦ ***Sales and marketing***

A newly hired parish co-ordinator is already having an impact on the hundreds of volunteer parish reps around the UK managing CTS bookracks, engaging them more closely in the CTS apostolate and mission. Similarly a major outreach effort towards dioceses and diocesan departments continues, with closer co-operation between their work and ours, event attendance, and catalogues and online links. An integrated social media strategy has been actively started up during the year and resources are in place to develop this further: a combination of Blogging, Twitter, email campaigns, Facebook posts is attracting a more active and wider engagement with new customers, enquirers and readers. Much was achieved this year despite limitations due to poor systems and this is in part reflected in the final results for the year.

♦ ***Organisation***

The staff body remains of a similar size to previous years with an additional emphasis on developing skills in sales, marketing and social media. The organisation's website and back office systems are not operating at the desired level and this has restricted the level of activity planned through the year. Efforts continue to identify and introduce suitable replacement systems. A strategic review is also under way to ensure the Society has a clear direction over the next five years.

♦ ***The Bookshop***

The shop will be 90 years old in 2016. Staff have initiated a series of lunchtime and evening talks and a new bookshop website was successfully launched late in the year. The shop continues to provide a valuable service with committed and able staff.

Achievements and performance (continued)

♦ **Fundraising**

This has proved less successful than hoped, due to complications in administering membership as a result of inadequacies in our business systems. Supporters remain generous and we ended the year £3,000 over the re-budged figure of £120,000. Our key fundraising initiative this year has been our Prison Appeal. As a result of the generous donations of our members and supporters, we have so far sent out 864 Bibles, 4,808 Booklets and 6,800 copies of our Year of Mercy Leaflet to 136 prisons. The feedback has been tremendous and requests for bibles and booklets are still flowing in. The Prison Appeal was very successful and the target was exceeded by £15,000. The response from Chaplains has been extremely positive and demonstrates the great need in prisons for good Catholic resources.

Financial report for the year

♦ **Results for the year**

Publishing sales for the year amounted to £1.63 million compared to £1.62 million in 2014 (see page 24). Although this was achieved in difficult circumstances, including continuing problems associated with the website and e-commerce systems, it was still below expectations. Costs as a whole were well managed and the Society's reputation for quality material helpful to a wide audience has been maintained.

Donations and membership income was in line with expectations after existing systems were returned to use and the data brought up to date. Continued appreciation and confidence in the Society's apostolate and its work is evident among our customers, supporters, and wider constituency.

♦ **Reserves policy**

An important feature of the Society's work and charitable aims is that in pursuing its religious publishing, distribution and retailing it must engage directly in trading activities, which involve not insignificant elements of risk. The Society uses what trading income and non-trading income it receives to further those charitable activities.

The Society has set aside funds to prepare and celebrate its 150th Anniversary in 2018, an important opportunity to mark what the CTS has done over the years and its commitment and plans for the future, alongside all those partners and others who make our work possible. We have also set aside funds for a likely relocation in 2017/18 as the current Vauxhall site is scheduled to be redeveloped and the CTS have to temporarily move elsewhere. The level of unrestricted funds, therefore, has increased and the strategic review, began in late 2015 continuing into 2016, will identify plans and projects to be progressed with these funds.

Financial report for the year (continued)

♦ ***Reserves policy (continued)***

The Society's reserves policy aims to strike a balance between having sufficient funds to pursue vigorously its charitable objective of publishing and distributing good Catholic resources on the one hand, and the need to maintain some kind of provision against unforeseen misfortune, on the other. The Board of Management is of the opinion that the size of such a buffer should be approximately equal to six months' expenditure.

♦ ***Financial position***

The balance sheet shows total funds of £2,329,701 (2014 - £2,203,998).

Funds totalling £850,000 have been designated, or set aside, by the Board of Management for specific purposes. These purposes and an analysis of the movements on the funds are set out in note 15 to the financial statements.

General funds of the charity at 31 December 2015 were £1,848,846 (2014 - £1,401,998). Offset against general funds is a pension reserve of £383,000 (2014 - £618,000). At 31 December 2015 the charity had 'free reserves' of £1,462,232 (2014 - £739,543) being the general funds after deducting both the pension reserve and the net book value of tangible fixed assets i.e. £3,614 (2014 - £44,455).

The level of free reserves is currently in excess of the reserves policy stated above. However, the Board of Management consider the current level to be adequate given the impact of the strategic review and the planned relocation in 2017 discussed further below.

Ultimately, the Board of Management would hope to replace the designated fund balances invested in earlier years into improved facilities, with the subsequent level of reserves sufficient to deliver the Society's strategic plans.

♦ ***The Society's assets***

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the financial statements.

Plans for the future

The strategic review currently underway will elaborate in more detail on plans for the next five years. The areas for development currently being identified include considerable new digital content deliverable across new media; a newly designed website; reaching new audiences beyond church-going parish-based environments with new content; developing resources for schools and foreign language audiences. Our plans also express a desire to offer first class liturgical and official Church teaching materials, and to offer full pastoral support to parishes and dioceses. This is in addition to our aim to connect with a wide audience via proactive social communications. As ever, we aim to provide a first class service to all our supporters and customers.

Plans for the future (continued)

The Society will celebrate the 150th anniversary of its foundation in 2018 and plans are being formulated on how to mark this milestone. It is also likely CTS will temporarily relocate its offices while its current office and warehouse and despatch site is redeveloped in 2017/18, and then move back into the new offices – thus we expect considerable costs relating to disruption and relocation. This will also have a significant impact on distribution and we are considering a number of options to ensure continuity in the immediate and long-term. The CTS bookshop lease is due to expire in 2019 and options for the future will be brought into our current and future strategic thinking.

Continued expansion of the Board and engagement with more advisers in publishing and marketing, will continue to enhance strategic development and delivery, as well as closer cooperation between the Board and senior managers and thus governance.

Governance, structure and management

♦ **Governance**

The company, which is limited by guarantee (Company Registration No. 00057374 (England and Wales), is registered for charitable purposes with the Charity Commission (Charity Registration No. 218951).

The Board of Management members constitute directors of the Society for the purposes of company law and trustees of the Society for the purposes of charity legislation.

The Board of Management is currently made up of the Chairman and six members and meets quarterly to review the activities of the Society; the meetings are attended also by the General Secretary. The members of the Board of Management review up to date management accounts and business plans. They receive a management report from the General Secretary on progress in key areas of the Society's apostolate, principally publishing, distribution, fundraising, and the retail bookshop. Progress is monitored against an annual plan containing key objectives, activities and targets. The members of the Board of Management periodically review staffing, training, the Society's risk register, pension provisions and liabilities, as well as major strategic projects requiring significant investment or otherwise central to the apostolate.

A sub-committee reviews salary proposals made by the General Secretary each year. The process is informed by the Society's own salary review policy, performance management process and comparative data from the voluntary and private sectors.

Each Board of Management member has responsibility for monitoring the charity's activities in specific areas and the skills mix of the members is regularly reviewed to ensure that the Board has all the necessary skills and experience required to support the management team and the charity's best development.

Governance, structure and management (continued)

♦ **Governance (continued)**

New members of the Board are appointed by the Board of Management after a formal recruitment process, supplemented by consultation with their advisers and the Catholic community. Thereafter, a candidate is invited to attend up to two Board meetings to gain knowledge of the Society's work and the level of commitment and expertise it requires. Thereafter the Board may confirm the appointment. Appointment is initially for a term of three years. Members may be reappointed for further terms. Members bring to the Board their own considerable professional experience and relevant skill sets for the benefit of the Society. Information on trustee responsibilities, made available for example by the Charity Commission, is circulated from time to time to the members of the Board of Management.

The following Board of Management members were in office during the year ended 31 December 2015:

Board of Management	Appointed/retired
Ms Jennie Burbury	
Mr John Dilger	Retired 31 December 2015
Rev Peter Edwards	
Mr Peter Fisher	Appointed 21 September 2015
Mrs Carrie Anne Gates	Appointed 21 September 2015
Rt Rev Paul Hendricks	
Mr Luke Parsons QC	
Mr Michael Vadon	Deceased 15 April 2016

Company secretary

Mr Fergal Martin

No Board of Management member received any remuneration in connection with services as a member of the Board (2014 – £nil). Reimbursement of expenses incurred in attending meetings amounted to £228 (2014 – £nil). No Board of Management member had any beneficial interest in any contract with the charity during the year.

Brief biographical details of each of the members of the Board of Management who served during the year are given below.

Jennie Burbury, Human Resources Consultant for the London Borough of Ealing, former Director of major HR communications group; many years experience leading small businesses. A long standing Catechist at Ealing Abbey for the RCIA programme.

John Dilger (Treasurer) MA (Oxon); MA Canon Law (Lond); retired solicitor, many years in trust practice and in dealing with accounts and pension schemes; trustee of several charities.

Governance, structure and management (continued)

♦ ***Governance (continued)***

Rev Peter Edwards, BTh; Roman Catholic Priest, Parish Priest with several diocesan national and international responsibilities in religious formation, catechetics and education; 40 years overseeing parish finances; many years experience in publishing and strategic organisational developments.

Peter Fisher, MA (Catholic Education); MA (Educational Management); BA (Theology). Educated at St Mary's, Strawberry Hill, Cambridge University, Brighton and Sussex universities. Headmaster at Grace Dieu Manor School and an Associate Inspector for the Diocese of Arundel and Brighton. Experience within Catholic education and school leadership more broadly.

Carrie Ann Gates (Treasurer), finance manager specialising in insurance accounting with many years' experience in financial and management controls, planning and reporting; very active in local Catholic parish and enthusiastic member of Girlguiding as a multi-sectional leader and division commissioner.

Rt Rev Paul Hendricks (Chairman), MA (Oxon), PhL; Roman Catholic Bishop; former Seminary, Bursar, and former Parish Priest with several years overseeing parish finances.

Luke Parsons QC, Barrister specialising in Commercial Law.

Michael Vadon, had a degree in engineering and was a Chartered Management Accountant. He was active in Catholic charities such as the Newman Association (treasurer and then president), Equipes Notre-Dame and Catholic Union. He was also a school governor.

♦ ***Board of Management's responsibilities statement***

The Society's Board of Management (members of which are also directors for the purposes of company law) is responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the members of the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Society and of the income and expenditure of the Society for that period.

In preparing these financial statements, the members of the Board of Management are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing the accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102);

Governance, structure, and management (continued)

♦ ***Board of Management's responsibilities statement (continued)***

- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in operation.

The members of the Board of Management are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the members of the Board of Management confirms that:

- ♦ so far as the member of the Board of Management is aware, there is no relevant audit information of which the Society's auditor is unaware; and
- ♦ the member of the Board of Management has taken all the steps that he/she ought to have taken as a member of the Board of Management in order to make himself/herself aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

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

♦ ***Liability of the members***

The liability of the members is limited by guarantee. In the event of the company being wound up during the period of membership or within the year following, members are each required to contribute an amount not exceeding £1.

♦ ***Structure and management reporting***

The Society's General Secretary acts as its chief executive officer with responsibility for the day to day management of the Society's business. The General Secretary reports to the Board of Management formally every quarter. A senior management team assists him and meets monthly to review finances and progress on the strategic plan, future opportunities and risks.

The Society's twenty-five staff operate in dedicated teams responsible across the principal functions of the Society's apostolate; they meet regularly with their managers to ensure that key targets and objectives are being met.

Governance, structure, and management (continued)

◆ ***Structure and management reporting (continued)***

Board members monitor the charity's activities in operational areas and constant regard is had to the skills mix of the members to ensure that the Board has all the necessary skills required to contribute to the charity's development.

◆ ***Key management personnel***

The key management personnel of the Society, responsible for directing and controlling, running and operating the charity on a day to day basis, comprise the Board of Management together with the General Secretary and the key managers. The key managers who report directly to the General Secretary are:

- ◇ Head of Sales and Marketing;
- ◇ Managing Editor;
- ◇ Finance Manager; and
- ◇ IT & Systems Manager.

The Board of Management sets the remuneration of and determines any annual salary awards for the General Secretary. The General Secretary makes recommendations to a subcommittee of the Board on the remuneration of the key managers, which if accepted, are submitted to the Board for formal approval. In all cases reference is made to remuneration for similar roles in the charity and private sectors, the level of responsibilities and skills attaching to the role, and the role itself in relation to other similar and different roles within the organisation. Regard may also be had to the annual job role performance review and to the particular standards, expectations and outcomes for the role. Finally, the overall financial performance of the Society is also considered in setting remuneration

◆ ***Employees***

The Incorporated Catholic Truth Society strives to be an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress both within and outside the organisation. The Incorporated Catholic Truth Society is committed to a programme of action to make this policy effective and brings it to the attention of all employees.

Governance, structure, and management (continued)

◆ ***Volunteers***

Over 500 volunteers manage CTS parish racks in parishes and other locations up and down the country, introducing enquirers and parishioners to material to support and nurture their faith. It is impossible to quantify the value and the full impact of this support, not only in parishes but also in schools. A lively and active parish bookrack can become a unique support to parish priests and pastoral workers in their outreach programs. We are always grateful to that small number of volunteers to help us on an ad hoc basis at various times in the year at our offices or warehouse on small but important projects and support.

◆ ***Risk management***

The members of the Board of Management continue to assess the major risks to which the charity is exposed, in particular those relating to the specific operational areas of the charity and its finances.

The current areas under review are:

- ◇ delivery of editorial content beyond print. Customers expect a variety of forms of digital content and delivery; failure to provide it will lose CTS customers and make it less attractive as an information source. The current strategic review has made this a priority and plans will be drawn up to ensure an attractive balance between print and digital delivery on doctrinal and more pastoral everyday matters of faith.
- ◇ CTS will need to outsource its distribution (stock holding, picking, packing and shipment) to a third party and no longer manage these operations itself. Customer care and service reputation are two key values that can be at risk in such a transition and long-term. The Board of Management and managers have and will continue to draw up options and supplier choices, with sufficient external advice, and due diligence to ensure the best decisions are made and terms are secured.
- ◇ the Society's current business systems and website limit our sales, marketing, social media and fundraising aspirations. This places an unnecessary limitation on the mission possibilities of the CTS. The outcomes of the current strategic review will clarify the principal development plans over the next 3 – 5 years which in turn will make the most suitable systems easier to identify.

Governance, structure, and management (continued)

♦ ***Risk management*** (continued)

The members of the Board of Management believe that by monitoring reserve levels, by ensuring controls exist over key financial systems and that where necessary they are adapted or strengthened, and by examining the operational and business risks faced by the charity, they have established effective systems to mitigate those risks.

Signed on behalf of the Board of Management:

Carrie Ann Gates

Member of the Board of Management

Approved by the Board of Management on: *27th June 2016*

Independent auditor's report to the members of The Incorporated Catholic Truth Society

We have audited the financial statements of The Incorporated Catholic Truth Society for the year ended 31 December 2015, which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of the Board of Management and auditor

The members of the Board of Management are trustees of the charitable company for the purposes of charity law and also the directors of the charitable company for the purposes of company law. As explained more fully in the Board of Management's Responsibilities Statement set out in the Report of the Board of Management, the members of the Board of Management are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Board of Management to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Management for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- ◆ adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of Board of Management Members' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Board of Management were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Buzzacott LLP

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

6 July 2016

Statement of financial activities Year to 31 December 2015

	Notes	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Income:					
Donations and legacies	1	203,387	30,564	233,951	253,797
Interest receivable		6,291	—	6,291	12,886
Charitable activities					
. Publication sales	2	1,628,883	—	1,628,883	1,635,133
. Membership subscriptions and related income		43,438	—	43,438	50,220
Total income		1,881,999	30,564	1,912,563	1,952,036
Expenditure:					
Cost of raising funds	3	45,496	16,709	62,205	47,247
Expenditure on charitable activities					
. Publication and dissemination of Catholic publications	4	1,913,655	—	1,913,655	1,817,808
Total expenditure		1,959,151	16,709	1,975,860	1,865,055
Net (expenditure) income for the year		(77,152)	13,855	(63,297)	86,981
Actuarial gains (losses) on defined benefit pension scheme	18	189,000	—	189,000	(329,000)
Net movement in funds	7	111,848	13,855	125,703	(242,019)
Reconciliation of funds:					
Total funds brought forward at 1 January 2015		2,203,998	—	2,203,998	2,446,017
Total funds carried forward at 31 December 2015		2,315,846	13,855	2,329,701	2,203,998

All the charity's activities derived from continuing operations during the above two financial years.

There were no recognised gains and losses other than those set out in the statement of financial activities above.

Balance sheet 31 December 2015

	Notes	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Tangible assets	10		3,614		44,455
Current assets					
Stocks	11	514,764		533,222	
Debtors	12	203,274		208,300	
Short term deposits		1,762,950		2,007,921	
Cash at bank and in hand		503,617		249,636	
		<u>2,984,605</u>		<u>2,999,079</u>	
Creditors: amounts falling due within one year	13	<u>(275,518)</u>		<u>(221,536)</u>	
Net current assets			<u>2,709,087</u>		<u>2,777,543</u>
Total net assets excluding pension liability			<u>2,712,701</u>		<u>2,821,998</u>
Pension liability	18	<u>(383,000)</u>		<u>(618,000)</u>	
Total net assets including pension liability			<u>2,329,701</u>		<u>2,203,998</u>
The funds of the charity					
Restricted funds	14		13,855		—
Unrestricted funds					
Designated funds	15		850,000		1,420,000
General funds		1,848,846		1,401,998	
Pension reserve	18	<u>(383,000)</u>		<u>(618,000)</u>	
			<u>1,465,846</u>		<u>783,998</u>
			<u>2,329,701</u>		<u>2,203,998</u>

Approved by the Board of Management
and signed on its behalf by:

Carrie Ann Bates

Member of the Board of Management

Approved on: 27th June 2016

The Incorporated Catholic Truth Society

Company Registration Number: 00057374 (England and Wales)

Statement of cash flows Year to 31 December 2015

	Notes	2015 £	2014 £
Cash inflow from operating activities:			
Net cash provided by operating activities	A	8,474	6,082
Cash inflow (outflow) from investing activities:			
Interest receivable		6,291	12,886
Purchase of tangible fixed assets		(5,755)	(13,965)
Net cash provided by (used in) investing activities		536	(1,079)
Change in cash and cash equivalents in the year		9,010	5,003
Cash and cash equivalents at 1 January 2015	B	2,257,557	2,252,554
Cash and cash equivalents at 31 December 2015	B	2,266,567	2,257,557

Notes to the statement of cash flows for the year to 31 December 2015.

A Reconciliation of net movement in funds to net cash flow from operating activities

	2015 £	2014 £
Net movement in funds (as per the statement of financial activities)	125,703	(242,019)
Adjustments for:		
Depreciation charge	46,596	44,073
Actuarial (gains) losses on pension schemes	(189,000)	329,000
Pension cost less contributions payable	(66,000)	(66,000)
Pension finance cost	20,000	12,000
Interest receivable	(6,291)	(12,886)
Decrease in stocks	18,458	39,128
Decrease (increase) in debtors	5,026	(58,587)
Increase (decrease) in creditors	53,982	(38,627)
Net cash provided by operating activities	8,474	6,082

B Analysis of cash and cash equivalents

	2015 £	2014 £
Cash at bank and in hand	503,617	249,636
Short term deposits	1,762,950	2,007,921
Total cash and cash equivalents	2,266,567	2,257,557

Principal accounting policies 31 December 2015

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of accounting

These financial statements have been prepared for the year to 31 December 2015. The financial statements have been prepared under the historical cost convention with items initially recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('Charities FRS 102 SORP 2015'), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP FRS102 a restatement of comparative items was needed. No restatement was required.

Critical accounting estimates and areas of judgement

The most significant areas of adjustment and key assumptions that affect items in the financial statements are in respect to the provision for slow moving and obsolete stock and also the actuarial valuation of the charity's defined benefit pension scheme. With respect to the next reporting period, these two areas i.e. stock valuation and the actuarial valuation of the pension scheme remain the most significant areas of uncertainty that affect the varying value of assets held by the charity.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Income recognition

Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured reliably and it is probable that the income will be received. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Income comprises donations, legacies, interest receivable, income from the sale of publications and membership subscriptions and related income.

Donations, including salaries and pensions of individual religious received under Gift Aid or deed of covenant, are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having being transferred to the charity. This includes sales of publications to schools and parishes who benefit from reduced prices.

Income from publication sales is recognised when the significant risks and rewards of ownership have transferred to the buyer. This is usually at the point of sale. This includes sales of publications to schools and parishes who benefit from reduced prices.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid of payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes staff costs and direct costs associated with generating donated income and an allocation of support costs.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include staff costs, direct and support costs including governance costs.

Allocation of support and governance costs

- ◆ Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.
- ◆ Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.
- ◆ Support costs and governance costs are apportioned using percentages based on the time spent on the activities by the employees of the charity.

Tangible fixed assets

All assets costing in excess of £500 and with an estimated useful life exceeding one year are capitalised in these financial statements.

Depreciation is provided at the following annual rates on a straight line basis in order to write off each asset over its estimated useful life:

- | | |
|----------------------------------|--------------|
| ◆ Fixtures and furniture | 25% on cost |
| ◆ Computers and office equipment | 33⅓% on cost |
| ◆ Improvements | 20% on cost |

Stocks

Stocks of books and pamphlets for resale are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stock.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. Debtors have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Fund accounting

The general funds comprise those monies which may be used towards meeting the charitable objectives of the Society and may be applied at the discretion of the Board of Management.

The pension reserve is the net liability on the Society's defined benefit pension scheme.

The designated funds are monies set aside out of general funds for specific purposes by the Board of Management.

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

◆ **Personal pension plans**

Contributions to employees' personal pension plans are charged to the statement of financial activities in the year in which they are payable.

The charity operates a defined benefits pension scheme which is closed to new members and no existing employees are members. The scheme is funded by contributions from the employer. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Actuarial gains and losses are recognised in the statement of financial activities as part of other recognised gains and losses for the period.

1 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Donations	48,959	30,564	79,523	65,531
Legacies	154,428	—	154,428	188,266
2015 Total funds	203,387	30,564	233,951	253,797
2014 Total funds	253,797	—	253,797	

2 Publication sales

The publication sales are attributable to two main areas:

- ♦ the publishing and/or distribution of pamphlets, books and other media; and
- ♦ the sale of books and religious articles via a retail shop.

An analysis of publication sales for the year is given below:

	United Kingdom		Overseas		Total	
	2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Publishing	1,144,169	1,016,643	261,700	368,864	1,405,869	1,401,832
Retail shop	223,014	233,301	—	—	223,014	233,301
	1,367,183	1,249,944	261,700	368,864	1,628,883	1,635,133

3 Cost of raising funds

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Staff costs	33,327	12,140	45,467	33,026
Premises costs	2,687	1,008	3,695	5,045
Communications	985	370	1,355	1,039
Computer expenses	2,440	915	3,355	1,931
Depreciation	2,326	874	3,200	2,338
Banking and other costs	1,101	414	1,515	1,057
Consultancy	1,007	378	1,385	951
Professional fees	1,036	389	1,425	877
Auditor's remuneration	587	221	808	983
2015 Total funds	45,496	16,709	62,205	47,247
2014 Total funds	47,247	—	47,247	

4 Publication and dissemination of Catholic publications

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
<i>Publishing</i>				
Cost of publication sales	497,327	—	497,327	457,595
Cost of despatch, shipping, and storage	151,190	—	151,190	150,874
Advertising and marketing costs	60,923	—	60,923	59,724
Staff costs	659,789	—	659,789	616,975
Premises costs	49,513	—	49,513	47,280
Communications	18,139	—	18,139	18,133
Computer costs	44,965	—	44,965	33,702
Depreciation	42,863	—	42,863	40,812
Banking and other costs	20,312	—	20,312	17,629
Consultancy	19,961	—	19,961	15,218
Professional fees	22,802	—	22,802	14,033
Auditor's remuneration	12,920	—	12,920	15,720
	<u>1,600,704</u>	<u>—</u>	<u>1,600,704</u>	<u>1,487,695</u>
<i>Operation of retail shop</i>				
Cost of retail shop sales	115,910	—	115,910	117,220
Cost of despatch, shipping, and storage	5,813	—	5,813	3,600
Staff costs	127,566	—	127,566	147,431
Premises costs	39,561	—	39,561	40,782
Communications	4,041	—	4,041	3,163
Computer costs	5,163	—	5,163	4,974
Depreciation	533	—	533	923
Banking and other costs	3,812	—	3,812	3,588
Consultancy	3,854	—	3,854	2,853
Professional fees	4,275	—	4,275	2,631
Auditor's remuneration	2,423	—	2,423	2,948
	<u>312,951</u>	<u>—</u>	<u>312,951</u>	<u>330,113</u>
2015 Total funds	<u>1,913,655</u>	<u>—</u>	<u>1,913,655</u>	<u>1,817,808</u>
2014 Total funds	<u>1,817,808</u>	<u>—</u>	<u>1,817,808</u>	

5 Support costs

	Cost of raising funds £	Retail shop sales £	Publishing sales £	Total 2015 £
Staff costs (note 8a)	45,467	127,566	659,789	832,822
Premises costs	3,695	39,561	49,513	92,769
Communications	1,355	4,042	18,139	23,536
Computer costs	3,355	5,163	44,965	53,483
Depreciation	3,200	533	42,863	46,596
Bank charges	1,515	3,812	20,312	25,639
Professional fees (note 6)	1,425	4,275	22,802	28,502
Auditors' remuneration (note 6)	808	2,423	12,920	16,151
Consultancy	1,385	3,854	19,961	25,200
Total	<u>62,205</u>	<u>191,229</u>	<u>891,264</u>	<u>1,144,698</u>

6 Governance costs

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Professional fees	28,502	—	28,502	17,541
Auditor's remuneration	16,151	—	16,151	19,650
2015 Total funds	44,653	—	44,653	37,191
2014 Total funds	37,191	—	37,191	

7 Net movement in funds

This is stated after charging (crediting):

	Total 2015 £	Total 2014 £
Staff costs (note 6a)	832,822	797,432
Auditor's remuneration		
· Current year audit fee	19,250	18,950
· Over provision in prior period	(3,050)	(2,350)
· Pension scheme audit fee	2,400	3,250
· Over provision in prior period	(450)	(840)
Depreciation	46,596	44,073
Operating lease rentals	36,660	42,057

8a Employee and key management remuneration

	Total 2015 £	Total 2014 £
Staff costs during the year were as follows:		
Wages and salaries	679,968	660,799
Social security costs	61,902	60,351
Other pension costs	66,164	52,333
Other staff costs	24,788	23,949
	832,822	797,432
Staff costs per function were as follows:		
Costs of generating voluntary income	45,467	33,026
Publishing	659,789	616,975
Operation of a retail shop	127,566	147,431
	832,822	797,432

One employee earned between £60,000 and £70,000 (including taxable benefits but excluding employer's pension contributions) per annum during the year (2014 – one).

Contributions of £6,354 were also made to a personal pension scheme in respect to this higher paid member of staff (2014 - £7,475).

8a Employee and key management remuneration (continued)

The average number of employees, analysed by function, was:

	Average headcount		Full time equivalent	
	2015	2014	2015	2014
Fundraising	1	1	1	1
Publishing	19	18	17	17
Operation of a retail shop	6	6	4	4
	26	25	22	22

Key management personnel

Key management personnel comprise the Board of Management, the General Secretary, the Head of Sales and Marketing, the Managing Editor, the Finance Manager and the IT & Systems Manager. The total remuneration (including taxable benefits but excluding the employer's national insurance contributions) payable to key management personnel during the year was £241,818 (2014 - £251,900).

8b Board of Management members' remuneration

No member of the Board of Management received any remuneration in respect of their services as a member of the Board of Management during the year (2014 - £nil); one member of the Board of Management received reimbursement of out-of-pocket expenses which amounted to £228 (2014 - £nil).

9 Taxation

The Incorporated Catholic Truth Society is a registered charity and therefore is not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

10 Tangible fixed assets

	Fixtures, furniture and improvements		Computers and office equipment		Total £
	Head office £	Retail shop £	Head office £	Retail shop £	
Cost					
At 1 January 2015	36,913	85,483	130,776	17,555	270,727
Additions	1,600	—	—	4,155	5,755
At 31 December 2015	38,513	85,483	130,776	21,710	276,482
Depreciation					
At 1 January 2015	36,199	85,362	87,422	17,289	226,272
Charge for year	2,314	91	43,354	837	46,596
At 31 December 2015	38,513	85,453	130,776	18,126	272,868
Net book values					
At 31 December 2015	—	30	—	3,584	3,614
At 31 December 2014	714	121	43,354	266	44,455

11 Stocks

	2015 £	2014 £
Publications for sale	514,764	533,222

12 Debtors

	2015 £	2014 £
Publication sales	109,507	106,186
Other debtors	26,470	17,485
Prepayments and accrued income	67,297	84,629
	203,274	208,300

13 Creditors: amounts falling due within one year

	2015 £	2014 £
Expense creditors	98,048	88,080
Taxation and social security costs	28,039	15,813
Royalties	104,183	78,415
Other creditors	2,589	2,004
Accruals and deferred income	42,659	37,224
	275,518	221,536

14 Restricted funds

	At 1 January 2015 £	Income £	Expenditure £	Transfers £	At 31 December 2015 £
Prisoners' appeal	—	30,564	(16,709)	—	13,855

Since 2008 the Society has on occasions made appeals to make some of its publications available to deserving or less fortunate groups. The Society continues to consider such appeals desirable and helpful. An appeal was launched during 2015 to make available Catholic resources in prisons and completed during the year ending 31 December 2016. Any remaining balance on this fund will be transferred to general funds due to the inclusion of a clause enabling the Society to apply any amount raised that was over and above that which was needed to its general purposes.

15 Designated funds

	At 1 January 2015 £	New designations £	Utilised/ released £	At 31 December 2015 £
Anniversary fund	350,000	—	—	350,000
Special publishing fund	200,000	—	(200,000)	—
Relocation fund	300,000	200,000	—	500,000
Development fund	570,000	—	(570,000)	—
	<u>1,420,000</u>	<u>200,000</u>	<u>(770,000)</u>	<u>850,000</u>

The anniversary fund, formerly the millennium fund, represents funds set aside by the Board of Management to ensure that adequate resources exist for cases of emergency, or to protect the Society against an uncertain economic climate, and to provide funding to support initiatives and events planned for 2017/18 to celebrate the 150th Anniversary of the Society's foundation (in 1868) and the 120th Anniversary of its incorporation in 1898.

The special publishing fund represented funds set aside by the Board of Management to ensure that adequate resources existed for major publishing projects that required significant initial investment, preparation and production.

The relocation fund represents funds set aside towards a possible relocation of the Society's office premises and warehousing facilities.

The development fund represented funds set aside by the Board of Management to ensure that adequate resources existed for developing important initiatives that advance and improve the mission of the Society – including, for example, significant investment in a new e-commerce website and an improved distribution service.

16 Analysis of net assets between funds

	General funds £	Designated funds £	Restricted funds £	Total 2015 £
Fund balances at 31 December 2015 are represented by:				
Tangible fixed assets	3,614	—	—	3,614
Net current assets	<u>1,845,232</u>	<u>850,000</u>	<u>13,855</u>	<u>2,709,087</u>
Total net assets excluding pension liability	<u>1,848,846</u>	<u>850,000</u>	<u>13,855</u>	<u>2,712,701</u>

17 Liability of members

The Society is constituted as a company limited by guarantee. In the event of the charity being wound up, members are each required to contribute an amount not exceeding £1.

18 Pension commitments

The Society operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held independently from the Society's finances. The contributions are determined on the basis of triennial valuations by a qualified actuary using the projected unit method.

The scheme's assets consist of a unitised with profits policy with Phoenix Life Group, an investment bond, annuity policies held in the name of the Trustees and a bank account.

The value of the scheme's assets (excluding the value of annuity policies held in the name of the Trustees) as at 31 December 2015 was £1,127,000 (2014 - £1,041,000).

The Society's contributions to the scheme were £5,500 per month. The scheme is closed to new members and no existing employees are members.

Present values of scheme liabilities, fair value of assets and deficit.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	1,127	1,041	921	769	657
Present value of scheme liabilities	(1,510)	(1,659)	(1,264)	(1,198)	(1,095)
Deficit in scheme	(383)	(618)	(343)	(429)	(438)

Movement in deficit during the year

	2015 £'000	2014 £'000
Deficit at 1 January 2015	(618)	(343)
Contributions	66	66
Net return on scheme	(20)	(12)
Actuarial gains (losses)	189	(329)
Deficit at 31 December 2015	(383)	(618)

Reconciliation of opening and closing balances of the fair value of scheme assets

	2015 £'000	2014 £'000
Fair value of assets at start of period	1,041	921
Expected return on scheme assets	38	45
Actuarial (losses) gains	(18)	9
Contributions by the Society	66	66
Fair value of assets at end of period	1,127	1,041

18 Pension commitments (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2015 £'000	2014 £'000
Present value of liabilities at start of period	1,659	1,264
Interest cost	58	57
Actuarial (gains) losses	(207)	338
Present value of liabilities at end of period	1,510	1,659

The estimated value of the employer contributions for the year ending 31 December 2016 is £82,000 (2015 - £66,000).

Actuarial assumptions

A full actuarial valuation was carried out at 30 June 2011 and updated to 31 December 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	2015	2014	2013	2012	2011
Discount rate	3.90%	3.50%	4.50%	4.50%	4.70%
Rate of increase in pensions in payment for pensionable service from 6 April 1997	3.70%	3.60%	3.80%	3.00%	3.10%
Inflation assumption (RPI)	3.30%	3.10%	3.50%	2.90%	3.10%

The mortality assumptions adopted at 31 December 2015 imply the following life expectancies in years:

	Current pensioners	Retiring in 20 years
Males	23.4	25.1
Females	23.4	27.3

The assets in the scheme and the expected rate of return

	Value at 31 December 2015* £'000	Long-term rate of return expected 2014 %	Value at 31 December 2014 £'000	Long-term rate of return expected 2013 %	Value at 31 December 2013 £'000
Assets					
Equities	95	7.30%	93	6.10%	87
Bonds	17	4.40%	17	4.10%	15
Unitised with profits	569	5.20%	553	4.00%	507
Cash	446	3.20%	378	2.10%	312
Total market value of assets	1,127	4.71%	1,041	3.60%	921
Actuarial value of liability	(1,510)		(1,659)		(1,264)
Deficit	(383)		(618)		(343)

* No long term expected rate of return at 31 December 2015 has been provided, as for accounting periods beginning on or after 1 January 2015, the expected return and interest cost will be replaced with a single net interest cost.

18 Pension commitments (continued)***Performance statement information****Analysis of net return on pension scheme*

	2015 £'000	2014 £'000
Net interest cost and net return	(20)	(12)

Amounts recognised as other gains and losses

	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	(22)	9
Change in financial and demographic assumptions underlying the scheme assets	211	(338)
Actuarial gains (losses) recognised	189	(329)

History of experience gains and losses

	2015		2014		2013		2012		2011	
	%	£'000	%	£'000	%	£'000	%	£'000	%	£'000
Experience adjustment on scheme assets:										
· Amount		(18)		9		57		37		(26)
· Percentage of scheme assets	2		1		6		5		(4)	
Experience adjustment on scheme liabilities:										
· Amount		(4)		—		—		—		—
· Percentage of scheme liabilities	—		—		—		—		—	
Deficit in scheme										
· Amount		(383)		(618)		(343)		(429)		(438)
Percentage of scheme liabilities	(25)		(37)		(27)		(36)		(40)	

19 Leasing commitments

Operating leases

At 31 December 2015 the Society had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2015	2014	2015	2014
	£	£	£	£
Operating lease payments which expire:				
Within one year	31,500	31,500	5,160	10,557
Between one and two years	31,500	31,500	5,160	5,160
Between two and five years	47,250	78,750	2,150	7,310
	110,250	141,750	12,470	23,027

The operating lease liabilities are subject to the terms of the agreements relating to the relevant land and buildings and other assets.