

The Pious Society of the Daughters of St Paul

Annual Report and Accounts

31 December 2016

Charity Registration Numbers:
296042 (England and Wales)
SC037889 (Scotland)

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Reference and administrative details of the charity, its trustees and advisers

Trustees	Sister Germana Santos fsp (<i>Chair</i>) Sister Mary Connell fsp (<i>Secretary</i>) Sister Angela Grant fsp Sister Rosetta (Gloria) Mignolli fsp (<i>Bursar</i>)
Council	Sister Germana Santos Sister Maria Healy fsp Sister Mary Ann Savilla fsp Sister Josette Spiteri fsp
Principal office	Middle Green Slough SL3 6BS
Telephone	01753 577629
Facsimile	01753 511809
Website	www.pauline-uk.org
Charity registration numbers	296042 (England and Wales) SC037889 (Scotland)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc PO Box 756 Slough SL1 4SG
Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ J McSparran & McCormick 19 Waterloo Street Glasgow G2 6AH

Reference and administrative details of the charity, its trustees and advisers

Property consultants

Gerald Eve LLP
72 Welbeck Street
London
W1G 0AY

and at

140 West George Street
Glasgow
G2 2HG

Insurance consultants

Bluefin Insurance Services Limited
1st Floor
Gail House
Lower Stone Street
Maidstone
Kent
ME15 6NB

Reference and administrative details of the charity, its trustees and advisers

The Pious Society of the Daughters of St Paul trades under the name

Pauline Books & Media

Retail outlets are located at:

199 Kensington High Street, London W8 6BA

82 Bold Street, Liverpool L1 4HR

Clayton Street West, Newcastle-upon-Tyne NE1 5HH

36 St Enoch Square, Glasgow G1 4DF

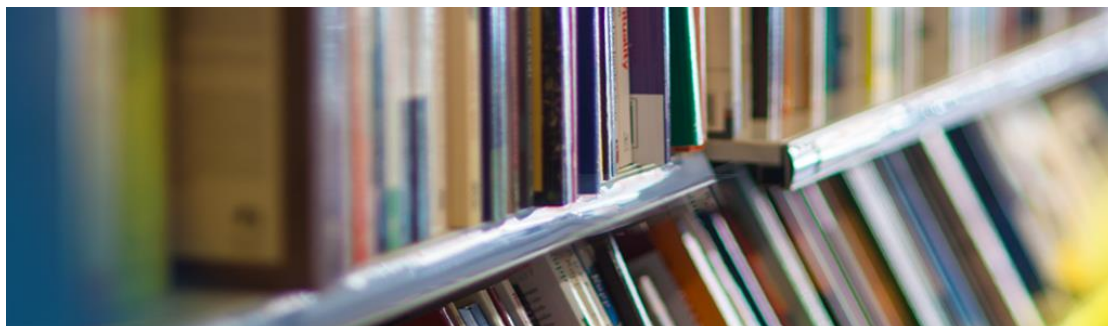
The following operations are located at Middle Green, Slough SL3 6BS:

Production/editorial

Graphic design

Website

Wholesale



Pauline Books & Media

Daughters of St Paul communicating the Gospel in the spirit of St Paul



Kensington High Street, London



Clayton Street West, Newcastle upon Tyne



Bold Street, Liverpool



Royal Exchange Square, Glasgow

The Trustees present their statutory report together with the accounts of the Pious Society of the Daughters of St Paul (the "charity") for the year ended 31 December 2016. The charity trades under the name Pauline Books & Media.

The accounts have been prepared in accordance with the accounting policies set out on pages 24 to 28 of the attached accounts and comply with the charity's trust deed, applicable laws and 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 United Kingdom and Republic of Ireland (FRS 102) effective from accounting periods commencing 1 January 2015 or later.

Introduction

The Daughters of St Paul (the "Congregation") is an international Roman Catholic religious Congregation founded by Blessed James Alberione in Alba, Italy, in 1915. Mother Thecla Merlo was the co-foundress and first Superior General of the Daughters of St Paul. On 1 January 2016, the Daughters of St Paul numbered 2,232 sisters throughout 51 countries and comprised 231 communities. The Congregation forms part of a worldwide group of Congregations known as the Pauline Family. The Daughters of St Paul follow the Congregation's Constitutions and Directory approved by the Holy See on 25 January 1984.

Mission

As stated in the Constitutions of the Congregation, the name Daughters of St Paul expresses a fundamental relationship with St Paul, the Apostle. The main objective of the Congregation is the perfection of charity (to be attained through the spirit and practice of the evangelical counsels of poverty, chastity and obedience in common life) and to communicate the Good News of Jesus Christ to the world with the most modern means of social communication. The sisters evangelise the various human cultures, by communicating all that promotes the whole person and generates the Gospel values in all people. They support the constant spiritual renewal of the Church and the faithful.

Pauline Books & Media ensures that they are acting in the public benefit and the trustees confirm that they have paid due regard to the Charity Commission's public benefit guidance.

Chapels in Pauline Books & Media Centres are open to the public for masses and for people to enter and benefit from personal prayer. In view of public benefit and a culture of education, Pauline Books & Media also send products to their communities in poorer countries for distribution in schools and parishes.

Objectives, activities and relevant policies

Outreach

As Pauline Books & Media continues to reach out also to new people, the sisters explore the most modern ways of proclaiming Jesus Christ to the world. Aware of the potential of the internet, email and developments in technology, they avail of these new means and appreciate the interest and feedback they receive from the public. Throughout the year 2016, the sisters met with Diocesan Religious Education advisers and teachers at Education meetings.

General Government and British Delegation

During the year, the trustees reflected on governance issues including the "Relationship with Generalates" overseas. In view of expenses incurred by the General Government which is at the service of the Congregation worldwide, each circumscription (Province or Delegation) is asked to contribute a small percentage (2%) of turnover to cover part of such costs.

Loans from our General Government to meet with the purchase of property at St Enoch Square, Glasgow, were duly repaid before the closing of the year 2016.

Important Congregational events 2016

Interchapter 2016

The 10th Interchapter of the Daughters of St Paul took place at our Generalate, Rome, from 5-20 September 2016. The Interchapter is the halfway point between Chapters. The logo of the Interchapter assembly was: "We believe and therefore we communicate the joy of the Gospel and the beauty of our charism". The 41 sisters responsible for the various Provinces and Delegations worldwide met to reflect on the life and ministry of the Daughters of St Paul, evaluate the journey of each Province and Delegation over the last three years, reflect on urgent problems, seek solutions to them and agree on the priorities that can cast light on our journey for the 2016-2019 triennium. Sister Germana Santos, Delegate Superior, Great Britain, took an active part in the resolutions of the meetings.

Important Delegation events 2016

The Daughters of St Paul in Great Britain welcomed a new member into our Delegation: Sister Bridget Ellis fsp, Music Director, Pauline Studios, Boston.

In June, Sister Mary Lou Winters fsp, the graphic designer for the Delegation, celebrated her Golden Jubilee at our Langley community. The Mass was celebrated by Father Kevin O'Driscoll, Parish Priest, Holy Family Church, Langley. All the members of the Delegation were present at the celebration. Later, Sister Mary Lou Winters joined her co-novices in Boston, U.S.A. to share the special event with them and with her family.

Objectives, activities and relevant policies (continued)

Important Delegation events 2016 (continued)

Sister Elaine Penrice fsp from our London community, was appointed by CaTEW (Catholic Trust for England and Wales) as Religious Life Vocations Promoter . The role as self-employed, came into effect from 1 July 2016. Sister Elaine works part-time (three days per week) at the Bishops' Conference Secretariat, London. She took part in the World Youth Day 2016 in Krakow, Poland.

Sister Catherine Skelton fsp, a member of our Liverpool community, took part in the International Seminar on Apostolic Mysticism which took place at our Generalate, Rome, from 26 April to 9 May. 51 sisters from different Circumscriptions worldwide were present at the Seminar.

Professional formation

The training of members of our Congregation is ongoing and clearly directed to the Congregation's specific vocation and apostolic projects.

Regular meetings of members and special seminars are organised in Rome by our General Government. The meetings are held on an international level for the purposes of apostolic and financial information, training of sisters, mutual consultation and joint decision making. At such meetings the sisters also study the directives of the Magisterium of the Church concerning Catholic activities in the field of Mass Media of Communication.

The trustees took note of the writings of Pope Francis on *The Family*, *The Environment (care of the earth)*, and *The Works of Mercy*.

Ongoing formation

Sister Mary Ann Salvilla fsp took part in a special course on ongoing formation which was held at our Provincial House in Manila from October 2016 to December 2016. On her return, from the Philippines, Sister Mary Ann shared her thoughts on the content of the meeting with the members of our British Delegation gathered at Langley in January 2017.

In 2016, Sr Angela Grant started the flexible training course modules tailored to suit individual manager's needs on the management pathway course organised by Buzzacott. Buzzacott's New Manager Pathway (NMP) fills the gap between technical expertise and people management capability. This programme is endorsed by the Institute of Leadership and Management (ILM) and is designed to help delegates acquire the skills and confidence they need to fulfill their roles as supervisory managers. Successful completion of the full programme and assessment will give delegates the opportunity to achieve an ILM endorsed accreditation.

Spiritual formation of members of the British Delegation

Each Daughter of St Paul takes her inspiration and spiritual nourishment from St Paul, the Apostle. Other than her daily prayer life and her monthly retreat, each sister attends a yearly 6-8 day retreat.

Objectives, activities and relevant policies (continued)

Vocation project

Sister Catherine Skelton fsp is a member of the Samuel Group. The Group holds a series of monthly reflection gatherings intended to support young people in discerning God's will for their lives. Participants develop interior freedom through prayer and spiritual guidance.

Apostolic activities

Langley

The community at Middle Green, Langley, is an apostolic international one. The sisters take active participation in the Parish Life of Holy Family Church and Holy Redeemer Parish. The Chapel of the Daughters of St Paul at Middle Green is also open to members and groups of other denominations who like to gather there with their pastors for prayer and reflection and to be spiritually refreshed.

The editorial, graphic/design, production departments and accounts department are based at Langley.

The Graphic/Production Department

Throughout 2016 Sister Mary Lou Winters fsp, a member of the Langley community and Graphic Designer, prepared a range of publicity which was duly posted to our customers. Publicity leaflets for Advent, Christmas, First Holy Communion, Lent and Easter were inserted in many well known national periodicals.

The graphic/production department produced four 2017 calendars for youth, and *A Blessing for You 2017*, a free threefold pocket calendar. A new 64 page book entitled *Love Bade Me Welcome* was launched in March 2016 by its author Sister Magdalene Lawler SND who used the art of Sieger Koder when giving a series of reflections on Scripture. Members of our community were present at the launch of *Love Made Me Welcome*. The book is much appreciated. A 24 page reflection on the work by Sieger Koder on the *Washing of Feet* entitled *In Celebration of Love* was completely sold out.

Warehouse

The sisters operate a warehouse at Middle Green, Langley. From there, market research is carried out. Books, posters and religious educational material are sent to retailers and customers worldwide. Sister Noreen O'Rourke fsp a member of the Langley community, is Warehouse Coordinator.

Objectives, activities and relevant policies (continued)

Apostolic activities (continued)

Booksolve

Following the purchase of the Booksolve EPOS and inventory control system in 2015, there remains outstanding a great many change requests relating to the core system and some bespoke development work, required in order that the system provide end users with information that is accurate, reliable and complete. Several of these requests are deemed critical to the proper functioning of the system, including those governing the workings of a distributed database system. Whilst Pauline Books & Media has undertaken a thorough evaluation of the system, it is hoped that working collaboratively with our partners will result in good progress being made in the coming twelve months.

London

The Daughters of St Paul and members of staff at Pauline Books & Media, Kensington High Street, reach out in faith and understanding to all people and to priests, teachers, parents, catechists and students. They offer to all a wide selection of publications and resources that are engaging and affordable. They produce resources useful to people who need help to gain a deeper understanding of their faith and to be able to share it with others. Throughout the year, the sisters held book displays at various venues in the Archdiocese of Westminster.

Liverpool

Pauline Books & Media is located in Bold Street, in the heart of the city. There is a chapel in the Centre open to people for private prayer. The sisters continue to work in collaboration with parishes in the Archdiocese of Liverpool and the Shrewsbury Diocese. Pauline Books & Media Centre carries a comprehensive selection of books on theology, spirituality, liturgy and a selective display of DVDs, posters, calendars, icon materials and religious education material. The Centre offers a specific service to schools and parishes.

Newcastle upon Tyne

Pauline Books & Media is adjacent to St Mary's Cathedral in the heart of Newcastle city centre. The Cathedral is the mother church of the Diocese of Hexham and Newcastle. In collaboration with the diocese whose mission statement is "to encourage and support each other in our faith and to offer this faith to others", Pauline Books & Media continued throughout 2016 to reach out to priests, religious, teachers, tourists, youth and gatherings of all denominations as it offers a wide selection of books, religious education material, posters, DVDs etc.

Our presence in Newcastle is much appreciated by Bishop Cunningham, clergy, religious and laity. Pauline Books & Media, Newcastle, holds events for Diocesan teachers, young people aged nine and upwards and for members of its book club. It offers a special "Sparkle" weekend during the month of September and special events such as "story telling" during the Christmas period.

Objectives, activities and relevant policies (continued)

Apostolic activities (continued)

Newcastle upon Tyne (continued)

On 17/18 November Sister Angela Grant and members of staff attended the Conference organised by the Religious Education Department, Newcastle. Bishop Seamus Cunningham, in his final talk to the Head Teachers and clergy, encouraged all to continue to value and support the splendid resources available at Pauline Books & Media.

On 19 December, Mr Andrew Gillingham BSc (Hons), MRICS, Property Manager Diocese of Hexham and Newcastle, confirmed "that the existing lease is currently holding over and that a new agreement is being prepared to allow our continued occupation on similar terms".

Glasgow Royal Exchange Square and St Enoch Square Royal Exchange Square

After 45 years apostolic presence at our long standing location in the city's Royal Exchange Square, in consultation with our Superior General, Rome, our Delegation Council and members of our communities in Great Britain, the trustees decided to sell our property at Royal Exchange Square and move to 36 St Enoch Square in the heart of the city's shopping centre. After much planning and preparation work, 20 August 2016 saw the closure of Pauline Books & Media, Royal Exchange Square, and the opening of Pauline Books & Media at 36 St Enoch's Square.

St Enoch Square

The new Centre is close to St Andrew's Cathedral. Most Reverend Mario Joseph Conti, Archbishop Emeritus of Glasgow, presided at the Order of Blessing of the new Pauline Books & Media Centre. Members of the Daughters of St Paul, lay staff, many friends and relatives, religious sisters and laity gathered together to celebrate the event.

The sisters work in close partnership with the dioceses, parishes, schools and the Scottish Catholic Education Service. Pauline Books & Media provides important resources to support youth work, education, Christian marriage, family life, priestly and religious vocations. The sisters attended the Annual Head Teachers Conference at which 120 teachers were present. Pauline Books & Media supplied a selection of books, posters, CDs and other products which are much appreciated by teachers.

A special event took place on 25 November when a large gathering of invited guests met at Pauline Books & Media to commemorate the anniversary of the death of our Founder Blessed James Alberione. Archbishop Philip Tartaglia was the main celebrant. Father Joseph Lappin, director of religious education in the Archdiocese and Father Stephen O'Reilly director of religious education at Glasgow University were co-celebrants.

Objectives, activities and relevant policies (continued)

Apostolic activities (continued)

St Enoch Square (continued)

Advent, a season of expectant waiting and preparation for the celebration of the Birth of Jesus at Christmas is a very special time for Pauline Books & Media. Children and families were invited to the Centre to attend events such as "Advent Sparkle Day" and Carol singing together with children from St Monica's Primary School, Glasgow. Other events such as *Childrens' Christmas Story Telling* took place during the season. A special and much appreciated *Advent Reflection* was led, at our Centre, by Father Denis McBride, acclaimed author and director of Redemptorist Publications in UK.

Care of the earth

Pope Francis issued his encyclical on the care of the earth, our common home. Entitled *Laudato Si'* the letter was widely acclaimed also by many outside the Christian tradition. Pauline Books & Media provide copies of the Encyclical.

The Family

The annual mass in celebration of marriage and family took place in February in Churches throughout Great Britain. Pauline Books & Media provide special resources on "Marriage and the Family".

Insurance

On 29 September 2016 Sister Gregoria Mignolli fsp and Sister Mary Connell fsp met with Mrs Debbie Bristow Divisional Director of Bluefin Insurance Services Limited, at Langley. They discussed and agreed to renew insurance for the period 2016/2017. Bluefin's fee for the forthcoming period was advised and confirmed by the trustees as being acceptable.

Safeguarding

The trustees are committed to Safeguarding as an integral part of the life and ministry of the Daughters of St Paul. They are fully aware of the Safeguarding policies, procedures and recommendations of the Catholic Church of England, Wales and Scotland. The trustees are updated on Safeguarding matters by the Catholic Advisory Service on Safeguarding (CSAS).

Financial review

Results for the year

Total income for the year amounted to £3,078,319 (2015 - £1,208,026). Of the total income, £1,082,455 was derived from the charity's primary purpose trading activities (2015 - £1,143,046). £1,856,409 (2015 - £nil) was the gain made on the disposal of the Royal Exchange Square premises in Glasgow referred to earlier in this report.

Financial review (continued)

Results for the year (continued)

Total expenditure for the year amounted to £1,613,972 (2015 - £1,448,676). Of this total, £1,461,924 (2015 - £1,422,342) was directly related to the costs of the charity's primary purpose trading activities. Despite operating in an increasingly cost competitive market, the charity has managed to maintain gross profit margins at an average of 45% (2015 - 43%).

Therefore, net expenditure for the year was £1,464,347 (2015 – £240,650).

Reserves policy

Our reserves policy is aimed at helping the charity to properly manage its resources. We aim to hold reserves or general funds amounting to approximately 4-6 month's average expenditure.

Financial position

The balance sheet shows total funds of £5,944,911. Of this, £4,440,712 represents the net book value of the charity's tangible fixed assets used to support the work of the sisters. A further £1,000,000 represents designated monies set aside to support the sisters in the long term.

Free reserves, therefore, are those shown on the balance sheet as general funds and amounted to £504,199 at 31 December 2016. Four months' expenditure is approximately £500,000 and hence the current level of free reserves falls in line with the required level. However, the trustees are conscious that the pressure on free reserves has only alleviated itself at present due as a result of the recent sale of the Royal Exchange Square property. The charity has in recent years been suffering annual deficits and there remains a desire to increase the amounts designated for the future care of the sisters – both of these factors will continue to place pressure on free reserves over the longer term and the trustees are considering options to manage this.

Future plans

Over the coming year, it is the trustees' intention to:

- ♦ ensure all members of the Delegation receive the high level of care they require and enable them to carry out their ministry;
- ♦ produce resources to meet with specific needs of families, schools, parishes and general public;
- ♦ review the location of Pauline Books & Media, Liverpool;
- ♦ ensure that Pauline Books & Media Centres are financially viable; and
- ♦ ensure Pauline Books & Media adopts the best means of engaging with its stakeholders.

Principal risks and uncertainties

The trustees have identified and considered major risks that the charity may be exposed to. Having assessed the major risks to which the charity is exposed, the trustees believe that by monitoring progress, by being informed also through reading relevant documentation from the Charity Commission they have established effective systems to mitigate these risks.

The key risks for the charity, as identified by the trustees, are described below together with the principal ways in which they are mitigated:

Competition from large scale retailers

In recent years, competition from larger retailers, particularly those with an online presence, such as Amazon, has led to a decline in revenues for Pauline Books & Media. The charity also bears the additional overheads associated with maintaining its presence on the high street in four different locations across the UK. The trustees acknowledge the impact of the trends in the retail sector and, as a response, the charity invested in a new website which went live on 1 October 2015. The charity is now also trading through Amazon Marketplace. The trustees are hopeful that the new online platforms will help the charity to better compete online going forward.

Planning for the care of elderly sisters

An analysis of the age profile of the members of the Delegation shows that the average age of members at 31 December 2016 was 69 years. The trustees are aware that there is both a moral and legal obligation to care for the older members. None of the Sisters have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. As the age profile increases, so too does the need to provide care for the Sisters. Key elements of the management of this risk are: (a) ensuring that the charity has the available financial resources to finance this care both now and in the years ahead by setting aside assets in a designated fund, the value of which has been based on actuarial principles, but constrained by the availability of unrestricted reserves; and (b) ensuring that processes are in place to review regularly the ministries and needs of individual Sisters encouraging those who need it to take on less demanding ministries and for identifying those who need extra care and help.

Availability of financial resources

As noted in the financial review above, the charity's balance of free reserves remains a concern for the longer term due to the recurring deficits and the desire to increase the amounts designated for the longer term care of the sisters of the Congregation. Whilst the sale of Royal Exchange Square has alleviated pressure for the short term, the trustees continue to consider options to manage this issue longer term.

Governance, structure and management

In terms of Canon law, the Congregation is an Institute of Pontifical status. It is governed at an international level by the Superior General and her Council in Rome. The members of the General Government are elected every six years at a General Chapter, by representatives of all the Provinces and Delegations of the Congregation.

The British Delegation of the Daughters of St Paul is governed by the Delegate Superior and her Council. The Delegate and Councillors are appointed by the Superior General, following a consultation of the members of the British Delegation.

In terms of Civil law, the charity is governed by a Trust Deed dated 16 January 1987 and a Scheme of the Charity Commission dated 14 January 1997. The Charity Registration number in England and Wales is 296042. The Charity is registered with the Office of the Scottish Charities Regulator in Scotland (Scottish Charity Registration Number SCO 37889).

Trustees

The following trustees were in office at the date on which this report was approved and served throughout the year to 31 December 2016 except as shown.

Trustee

Sister Germana Santos fsp (Delegate Superior and Chair)	
Sister Mary Connell fsp (Secretary)	
Sister Gregoria Mignolli fsp (Bursar)	
Sister Angela Grant fsp	
Sister Giuseppa (Virginia) Marras	Resigned 29 February 2016

The trustees are all members of the Congregation in Great Britain. They are well versed in the charism of the Congregation and are selected for their personal qualities, and their understanding and experience of the works and ministries of the Daughters of St Paul. Together they form a good skills mix. They act as a board and are the legal representatives of the Government of Delegation, which is the governing body of the Daughters of St Paul in Great Britain.

They are ultimately responsible for the policies, activities and assets of the charity. They meet regularly to review developments with regard to the charity and its activities and make any important decisions. They encourage good practice at all times. When necessary, the trustees seek advice and support from the charity's professional advisers including solicitors, property consultants, IT experts and insurance brokers. They attend the meetings of the Conference of Religious of England, Wales, Scotland, the Catholic Charity Conference and meetings of the Association of Provincial Bursars.

Statement of trustees' responsibilities

The trustees are responsible for preparing the trustees' report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Governance, structure and management (continued)

Statement of trustees' responsibilities (continued)

The law applicable to charities in England and Wales and in Scotland requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of the affairs of the charity and of the income and expenditure of the charity for that period. In preparing these accounts, the trustees 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 their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);
- ♦ 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 accounts; and
- ♦ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, applicable Charities (Accounts and Reports) Regulations, and the provisions of the charity's trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Structure and management reporting

The Government of Delegation controls the activities of the charity within the following departments:

- ♦ Editorial/production: researching new products and arranging for their production and launch.
- ♦ Graphic design: an in-house origination and design service for new products, web pages and advertising.
- ♦ Wholesale sales at Slough: a warehouse operation, serving wholesale and retail outlets, Church and educational establishments.
- ♦ Retail sales: the retail operation of the Pauline Books & Media Centres in London, Liverpool, Newcastle upon Tyne and Glasgow.

Governance, structure and management (continued)

Structure and management reporting (continued)

- ◆ Marketing and publicity: market research, product publicity and trade exhibitions.
- ◆ Central administration: secretarial, accounting, finance and computer services.
- ◆ Website; and
- ◆ Communities: administration of the religious and private lives of the sisters.

The trustees hold regular meetings throughout the year to examine the trustees' report and accounts. Special meetings are called to approve capital expenditure, policies regarding employment of lay staff, risk management, health and safety matters, updating reserves policy, and so on. All trustee meetings are held at the Convent of Our Lady, Middle Green, Slough, SL3 6BS. The trustees regularly report to, and are accountable to, the General Government of the Congregation in Rome and require that Government's agreement for property transactions and the spending of large sums of money. Mandates with the principal bankers are in place, to the effect that three trustees may sign cheques.

Key management personnel

The trustees (including the Delegate Superior and Bursar) consider that they alone comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

The trustees are all members of the Delegation and whilst their living and personal expenses are borne by the charity they receive no remuneration or reimbursement of expenses in connection with their duties to the charity.

Members of the Delegation

At the end of 2016 there were 23 sisters in the British Delegation who live as part of four communities in Slough, London, Liverpool and Glasgow. The active sisters in the Delegation are employed as follows:

- ◆ Delegate superior: 1
- ◆ The retail centres: 10 sisters
- ◆ Accounts Department, Web, Production, and Wholesale operations: 8 sisters
- ◆ Secretarial work: 1 sister
- ◆ Graphic designer: 1 sister
- ◆ Home care: 2 sisters

The average age of the sisters in 2016 was 69 years. The sisters do not receive a wage for their services. They continue to use the wisdom and experience of the years as they hold administrative and responsible posts within the central administration, production and retail departments.

Care for the elderly and sick members of the Delegation is a priority for the trustees.

Governance, structure and management (continued)

Employees

The charity is an equal opportunities employer and will apply 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.

The trustees recognise that the laity are an integral part of building up the Kingdom of God and that they have their vocation and their rights to be involved in mission.

From 1 February 2017, Pauline Books & Media is required to provide a workplace pension for all employees who meet the criteria governing automatic enrolment. A single employee has been enrolled with a second voluntarily choosing to join the scheme. Pauline Books & Media and each scheme member pay a percentage of the scheme member's salary into the scheme, with the government contributing through tax relief.

The scheme, for which Friends Life is the provider, has become a qualifying scheme for automatic enrolment purposes. Pauline Books & Media remains committed to adhering to the ongoing requirements governing automatic enrolment.

Signed on behalf of the trustees:

Sr Gregoria Mignoli fsp
Trustee

Approved on: 11 July 2017

Independent auditor's report to the trustees of The Pious Society of the Daughters of St Paul

We have audited the accounts of The Pious Society of the Daughters of St Paul for the year ended 31 December 2016, 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 FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations under Section 154 of that Act, and in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the trustees 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out in the trustees' report, the trustees are responsible for the preparation of accounts which give a true and fair view.

We have been appointed as auditor under Section 144 of the Charities Act 2011, Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the accounts 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 accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited accounts 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 accounts

In our opinion the accounts:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 December 2016 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 Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 or the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- ◆ the information given in the trustees' report is inconsistent in any material respect with the accounts; or
- ◆ sufficient and proper accounting records have not been kept; or
- ◆ the accounts are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

25 July 2017

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of financial activities Year to 31 December 2016

	Notes	Unrestricted funds	
		2016 £	2015 £
Income from:			
Donations and legacies	1	66,562	43,498
Bank interest	2	1,274	483
Charitable activities			
. Communications media income	3	1,082,455	1,143,046
Other sources			
. Gain on disposal of tangible fixed assets	10	1,856,409	—
. Foreign exchange gains		71,619	20,999
Total income		3,078,319	1,208,026
Expenditure on:			
Charitable activities			
. Spreading the Gospel through communications media	4	1,461,924	1,422,342
Other items			
. Loss on disposal of tangible fixed assets		262	210
. Foreign exchange losses		151,786	26,124
Total expenditure		1,613,972	1,448,676
Net income (expenditure) and net movement in funds	7	1,464,347	(240,650)
Reconciliation of funds			
Total funds brought forward at 1 January 2016		4,480,564	4,721,214
Total funds carried forward at 31 December 2016		5,944,911	4,480,564

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

Balance sheet 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	10		4,440,712		4,299,274
Current assets					
Stocks	11	310,358		320,759	
Debtors	12	105,864		76,597	
Cash at bank and in hand		1,308,395		386,242	
		1,724,617		783,598	
Liabilities:					
Creditors: amounts falling due within one year	13	(220,418)		(602,308)	
Net current assets			1,504,199		181,290
Total net assets			5,944,911		4,480,564
The funds of the charity:					
Unrestricted funds					
. Tangible fixed assets fund	14		4,440,712		4,299,274
. Designated funds	15		1,000,000		100,000
. General fund			504,199		81,290
			5,944,911		4,480,564

Approved by the trustees
and signed on their behalf by:

Sr Gregoria Mignoli fsp
Trustee

Approved on: 11 July 2017

Statement of cash flows Year to 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(250,840)	(10,045)
Cash flows from investing activities:			
Bank interest received		1,274	483
Purchase of tangible fixed assets		(703,965)	(78,402)
Disposal of tangible fixed assets		2,296,892	—
Net cash provided by (used in) investing activities		1,594,201	(77,919)
Cash flows from financing activities:			
Net cash outflows from loan repayments		(421,208)	329,483
Net cash (used in) provided by financing activities		(421,208)	329,483
Change in cash and cash equivalents in the year		922,153	241,519
Cash and cash equivalents at 1 January 2016	B	386,242	144,723
Cash and cash equivalents at 31 December 2016	B	1,308,395	386,242

Notes to the statement of cash flows for the year to 31 December 2016.

A Reconciliation of net income (expenditure) to net cash used in operating activities

	2016 £	2015 £
Net income (expenditure) (as per the statement of financial activities)	1,464,347	(240,650)
Adjustments for:		
Depreciation charge	167,972	158,061
Interest receivable	(1,274)	(483)
Deficit on disposal of tangible fixed assets	262	210
Surplus on disposal of tangible fixed assets	(1,856,409)	—
Decrease (increase) in stocks	10,401	(11,189)
Increase in debtors	(29,267)	(4,655)
(Decrease) increase in creditors	(6,872)	88,661
Net cash used in operating activities	(250,840)	(10,045)

B Analysis of cash and cash equivalents

	2016 £	2015 £
Total cash and cash equivalents (cash at bank and in hand)	1,308,395	386,242

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

Basis of preparation

These accounts have been prepared for the year to 31 December 2016 with comparative information provided in respect to the year to 31 December 2015.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts 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 United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, 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.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- ◆ the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge;
- ◆ the provision made in respect to slow moving or obsolete stock which has been determined through a review of sales patterns for all stock lines;
- ◆ the provision required for any bad or doubtful debts which has been determined following an assessment of the likelihood of recovery of long-standing debts; and
- ◆ the assumptions adopted in estimating the ideal level of the sisters' retirement reserve.

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 of the charity 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. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Income recognition

Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. 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 from charitable activities relates to the turnover derived from the charity's primary purpose trading activity, principally the sale of religious book, media and artefacts. The income is recognised when the significant risks and rewards of ownership have transferred to the buyer. This is usually when the stock has been dispatched to the customer.

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.

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 or payable by the bank.

Services provided by members of the Congregation

For the purposes of these accounts, no value has been placed on the administrative and other services provided by the members of the Congregation.

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. The majority of expenditure is directly attributable and any apportionment between headings is negligible. The classification between activities is as follows:

- ◆ Expenditure on charitable activities comprises the direct cost of goods sold in relation to the charity's primary purpose trading activity as well as the cost of the living and personal expenses of the sisters.

Indirect support costs are wholly allocated to the cost of charitable activities and include staff costs, depreciation, governance costs and other overheads including those in relation to the running and upkeep of the book centres and the central office. Governance costs relate to the costs of public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

- ◆ Other expenditure which includes sundry costs such as losses made on the disposal of tangible fixed assets and foreign exchange losses.

Pension costs

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

Tangible fixed assets

All assets costing more than £500 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are capitalised and depreciated at the following annual rates on a straight line basis in order to write them off over their estimated useful lives:

- | | |
|-----------------------------------|---------------|
| ◆ Freehold buildings | 2% per annum |
| ◆ Fixtures and fittings | 10% per annum |
| ◆ Computer software and equipment | 20% per annum |
| ◆ Motor vehicles | 20% per annum |

Tangible fixed assets (continued)

Freehold land and buildings purchased on or prior to 17 June 1997 are included in the accounts at a valuation carried out by Gerald Eve LLP, Chartered Surveyors and property consultants, at that date. In accordance with the transitional provisions of FRS 102, the 1997 valuation is now deemed to be cost. Land and buildings purchased on or after 18 June 1997 and all other tangible fixed assets are included on the balance sheet at cost.

Stocks

Stocks of finished goods and goods for resale are valued at the lower of cost and net realisable value after making due allowance for obsolescence.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They 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 tangible fixed assets fund comprises the net book value of charity's tangible fixed assets, the existence of which is fundamental to the charity being able to perform its charitable work and thereby achieve its charitable objectives. The value represented by such assets should not be regarded, therefore, as realisable.

Designated funds comprise monies set aside out of unrestricted general funds for specific future purposes or projects.

General funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Foreign currencies (including forward currency contracts)

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

Forward currency contracts are a form of complex financial instrument. They are recognised at their fair value at the balance sheet date. Gains or losses arising during the year on such contracts are credited or debited to the statement of financial activities.

Leased assets

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

1 Donations and legacies

	2016 £	2015 £
Salaries and pensions of individual religious received under Gift Aid or Deed of Covenant	35,389	30,737
Donations	31,173	12,761
	66,562	43,498

2 Bank interest

	2016 £	2015 £
Interest receivable	1,274	483

3 Communications media income

	2016 £	2015 £
Turnover from trading activities	1,082,014	1,142,092
Royalties and copyright income	441	954
	1,082,455	1,143,046

4 Spreading the Gospel through communications media

	2016 £	2015 £
Costs of goods sold	622,576	654,276
Community living and personal expenses	125,479	125,715
Support costs (note 5)	713,869	642,351
	1,461,924	1,422,342

5 Support costs

	2016 £	2015 £
Staff costs (note 8)	224,270	217,469
Depreciation	167,972	158,061
Book centre and office expenses	312,052	257,932
Governance costs (note 6)	9,575	8,889
	713,869	642,351

6 Governance costs

	2016 £	2015 £
Auditor's remuneration	9,575	8,889

7 Net income (expenditure) and net movement in funds

This is stated after charging:

	2016 £	2015 £
Staff costs (note 8)	224,270	217,469
Auditor's remuneration		
. Statutory audit services	9,575	8,889
Rentals under operating leases	5,615	5,571
Depreciation	167,972	158,061

8 Staff costs and remuneration of key management personnel

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	213,145	205,641
Social security costs	7,281	8,190
Other pension costs	3,844	3,638
	224,270	217,469

The average number of employees during the year, analysed by function, both on an average headcount and full-time equivalent (FTE) basis, was as follows:

	2016 FTE	2015 FTE	2016 Average number	2015 Average number
Charitable activities				
. Spreading the Gospel through communications media	13	13	22	22

No employees earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year (2015 - none).

The trustees (including the Delegate Superior and Bursar) consider that they alone comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

The trustees are all members of the Delegation and whilst their living and personal expenses are borne by the charity they receive no remuneration or reimbursement of expenses in connection with their duties to the charity (2015 - £nil).

9 Taxation

The Pious Society of the Daughters of St Paul is a registered charity and, therefore, is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

10 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computer software and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2016	5,667,069	842,309	495,419	49,814	7,054,611
Additions	667,235	68,504	6,421	7,995	750,155
Disposals	(651,160)	(63,928)	(43,295)	—	(758,383)
At 31 December 2016	<u>5,683,144</u>	<u>846,885</u>	<u>458,545</u>	<u>57,809</u>	<u>7,046,383</u>
At historic cost	5,280,047	846,885	458,545	57,809	6,643,286
At deferred cost (1997 valuation)	403,097	—	—	—	403,097
	<u>5,683,144</u>	<u>846,885</u>	<u>458,545</u>	<u>57,809</u>	<u>7,046,383</u>
Depreciation					
At 1 January 2016	1,562,828	728,031	414,664	49,814	2,755,337
Charge for the year	119,689	27,828	18,989	1,466	167,972
Disposals	(212,789)	(61,554)	(43,295)	—	(317,638)
At 31 December 2016	<u>1,469,728</u>	<u>694,305</u>	<u>390,358</u>	<u>51,280</u>	<u>2,605,671</u>
Net book values					
At 31 December 2016	<u>4,213,416</u>	<u>152,580</u>	<u>68,187</u>	<u>6,529</u>	<u>4,440,712</u>
At 31 December 2015	<u>4,104,241</u>	<u>114,278</u>	<u>80,755</u>	<u>—</u>	<u>4,299,274</u>

The charity's freehold land and buildings were revalued to open market value on 17 June 1997. The valuation was carried out by Gerald Eve LLP, chartered surveyors and property consultants. As permitted under the transitional arrangements of Financial Reporting Standard 102, the charity has continued to adopt a policy of not updating this valuation which is now deemed to be cost. With the exception of freehold land and buildings, all other assets are included above at historic cost.

It is likely that there are material differences between the open market values of the charity's land and buildings and their book values. These arise from the specialised nature of the properties and the effects of inflation. The amount of such differences cannot be ascertained without incurring significant costs which, in the opinion of the trustees, is not justified in terms of the benefit to users of the accounts.

During the year, the charity disposed of its freehold property at Glasgow Royal Exchange Square realising a gain on disposal of £1,856,409. Part of the proceeds were used to purchase and fit out the charity's new retail shop at 36 Enoch Square, Glasgow.

11 Stocks

	2016 £	2015 £
Finished goods and goods for resale	310,358	320,759

12 Debtors

	2016 £	2015 £
Trade debtors	21,773	37,430
Other debtors	5,394	2,088
Prepayments	34,345	37,079
Amount due from the Congregation's Generalate (see below)	44,352	—
	105,864	76,597

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Amount due to the Congregation's Generalate (see below)	—	421,208
Expense creditors	111,685	113,996
Payments due in respect to tangible fixed assets	60,447	14,257
Other creditors and accruals	30,246	34,388
Deferred income	18,040	18,459
	220,418	602,308

At 31 December 2015, an amount of £421,028 was owed to the General Governing Body of The Pious Society of the Daughters of St Paul in Rome (the Generalate). £329,483 of this balance was in respect to a 'bridging loan' provided to assist with the the purchase of the charity's new property in Glasgow. The remaining balance related to arrears in respect to the charity's contribution to the Bursar General's Office towards support of the Congregation's work generally and other expenditure settled by the Generalate directly on behalf of the charity. Such work is consistent with the charity's objects.

14 Tangible fixed assets fund

	Total £
At 1 January 2016	4,299,274
Net movement in year	141,438
At 31 December 2016	4,440,712

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets. A decision was made to separate this fund from the general fund of the charity in recognition of the fact that the tangible fixed assets are essential to the day-to-day work of the charity and as such their value should not be regarded as funds that would be realisable with ease in order to meet future contingencies.

15 Designated fund

The funds of the charity include the following designated fund which has been set aside out of unrestricted funds by the trustees for specific purposes:

	At 1 January 2016 £	New designations £	Transferred to general fund £	At 31 December 2016 £
Retirement fund	100,000	900,000	—	1,000,000

The retirement fund comprises monies to apply towards the needs of caring for members of the Community in the longer term.

16 Analysis of net assets between funds

	General fund £	Designated fund £	Tangible fixed asset fund £	Total 2016 £
Fund balances at 31 December 2016 are represented by:				
Tangible fixed assets	—	—	4,440,712	4,440,712
Current assets	724,617	1,000,000	—	1,724,617
Creditors: amounts falling due within one year	(220,418)	—	—	(220,418)
Total net assets	504,199	1,000,000	4,440,712	5,944,911

17 Pension scheme

The charity operates a group personal pension plan. The assets of the plan are held separately from those of the charity in independently administered funds. Employees may contribute 3% of their gross salary to the plan, which is matched by an equal contribution from the charity. The pension cost charge represents contributions payable by the charity to the plans and amounted to £3,844 (2015 - £3,638).

18 Ultimate control

The charity, which is constituted as a trust, was controlled throughout the period by the Daughters of St Paul by virtue of the fact that the Superior General of the Congregation and her Council appoint the trustees. The Daughters of St Paul in Great Britain do not hold any assets, incur liabilities or enter into any transactions in its own right. Assets and liabilities of the Congregation in Great Britain are vested in the trustees of the charity, who undertake all transactions entered into in the course of the charitable activities of the Congregation in Great Britain.

19 Related party transactions

Income from donations and legacies includes the salaries and pensions of certain trustees of the charity received under Gift Aid or Deed of Covenant. For the year ended 31 December 2016, the total value of these receipts amounted to £10,629 (2015 - £8,699). Other transactions with trustees are disclosed in note 8.