

**The
Incorporated
Catholic
Truth
Society**

**Annual Report and Financial
Statements**

31 December 2016

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

Charity Registration Number
218951

Contents

Reports

Reference and administrative details of the charity, its Board of Management and advisers 1

Report of the Board of Management 2

Independent auditor's report 15

Financial statements

Statement of financial activities 17

Balance sheet 18

Statement of cash flows 19

Principal accounting policies 20

Notes to the financial statements 25

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

Board of Management	Mr S Boughton Ms J Burbury Mr P Fisher Mrs C Gates Rt Rev P Hendricks (Chairman) Mrs K Nash Mr W O'Neill Mr L Parsons QC Rev A Pinsent
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

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 2016.

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 20 to 24 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 2016, 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 practising 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 guidance on public benefit.

Achievements and performance

The following paragraphs outline the main achievements during the year.

♦ **Publishing**

2016's publishing review provides clear guidance on reader expectations for the coming years. In this year alone, the combination of apologetic, pastoral, catechetical and liturgical material delivered over a range of 70 titles has clearly met the distinct needs of parishes and those engaged in parish ministry, adult catechesis and pastoral work. The review now calls CTS to address the needs of audiences beyond parishes with new and suitable content and formats, at the heart of which is a need for hope and direction – and which is the heart of the Good News of Christ.

The new CTS editions of the official Catechism of the Catholic Church have been widely welcomed for their new design, reformatting, updating and accessible pricing. With almost 2,000 copies of each edition sold at year end, this brings the Church's principal reference work now well within affordable reach of schools and ordinary customers. A similarly significant contribution has been the bestselling YouCat series, which has greatly supported school teachers, classroom pupils and university chaplaincies, including many young CIA course students to understand their faith, by way of YouCat's highly attractive style and content.

"The CTS does a wonderful job of helping people to know the Catholic faith and live it more fully. The booklets are always clearly written, beautifully produced, and faithful to the Church". (Father Stephen Wang, Senior University Chaplain, Diocese of Westminster).

Achievements and performance (continued)

♦ **Publishing** *(continued)*

CTS output for the 2016 Year of Mercy established by Pope Francis focussed on highly accessible, booklets introducing people to the major themes of the year which have been recognised as unique in coverage, quality and design. Our coverage of such a central Christian theme, so closely espoused by the Holy Father appealed to other Christian communities beyond Catholicism, including Anglicans, Methodists and Baptist outlets. Over 40,000 copies of Year of Mercy materials were distributed through the year, with the express intention of attracting back those who found themselves 'on the edge' of the Christian Community.

"The CTS provides a wonderful service to the Church in Her mission of evangelisation and education. The wide range of CTS booklets and resources help people understand their Faith as well as communicate it to others. I encourage every parish to make these publications available to their parishioners." (Archbishop Peter Smith, Diocese of Southwark).

The newly translated Rites of Marriage and of Confirmation for England and Wales met the high production, aesthetic and design standards parishes have now come to expect. In particular, the Scottish Bishops and clergy were especially grateful to CTS for the trouble taken to produce specially configured editions for use in Catholic dioceses in Scotland.

We have worked closely with Polish pastors to prepare dual language editions of our new and popular illustrated children's books: *My Simple Mass Book* and *My Simple Prayer Book*, both written for younger, first communion age children.

We have continued to work with *Catholic Answers* in the USA, various Dicasteries in Rome, the Ordinariate of England and Wales, and others to develop quality teaching and apologetic material greatly valued by the UK Catholic constituency. All official Church documents for both the Year of Consecrated Life and the Year of Mercy have been made available in English promptly after their official release to the distinct benefit of our UK readers, notably many religious orders.

CTS acted quickly to distribute Pope Emeritus Benedict's most unexpected but acclaimed final interview, '*Last Testament*', which was very popular and received considerable publicity in the UK Catholic Press. The publication underlined the significance of current interest in the papacy and papal teaching; CTS's close association with the publication was appreciated by our readership.

CTS published its first desk Diary with the specific aim of bringing the faith to people's working day both at home and in the workplace and was widely welcomed as a practical and effective way of sustaining people in their faith during the busy day

"As a bishop it is always encouraging to know that through CTS publications clear, faithful and well-written resources are available to Catholics across the diocese. I thank the Catholic Truth Society for this invaluable service to the Church in this land." (Bishop Mark Davies, Diocese of Shrewsbury).

Achievements and performance (continued)

♦ **Sales and marketing**

Every effort is being made to increase our outreach and to bring the hope and good news of the Gospel to new audiences. Social media now operates fully alongside parish outreach, print and electronic marketing, and the sales team's campaigns. Contact has been re-established with over 500 parish volunteers, and closer engagement with some 150 to start rebuilding and strengthening that network of parish communities. An online prayer community continues to flourish and our reach through our facebook, twitter and blogging activities has grown steadily through the year, proving a great support and encouragement to many in need.

"CTS booklets are more than just highly effective resources for evangelisation. They are trustworthy and credible sources for personal growth in faith". (Edmund Adamus, Professional Advisor and Diocesan Schools Commissioner, Portsmouth).

To provide a better delivery service to customers, during the year we identified and chose a distribution partner, and an agreement with Norwich Books was signed by year-end.

♦ **Organisation**

Our Strategic Review and subsequent plan reflect the great need for hope and meaning among many in society today, and the place Christianity has in providing a meaningful response to the demands of daily living. In advancing and explaining the Catholic faith, the role of quality PR and Communications, enhanced content delivery through ebooks and other digital means, faster distribution of printed goods play a central part in current customer expectations. We have recommitted ourselves to fundraising to support and increase the work we are expected to do among various communities and new audiences, as well as to always ensuring that the culture of CTS and performance development of our staff reflects ever more closely the tenets of the Christian gospel.

Another priority will be an integrated business systems backbone to facilitate our important apostolate. Thus, plans to outsource distribution, develop ebooks, a new website and improved systems, and undertake research and a road map for culture and performance improvement were mapped out and begun in the third quarter of the year. Three new trustees have further strengthened the Board in identified areas of expertise.

♦ **The Bookshop**

The Bookshop's new website was launched during the year of its 90th anniversary, offering a very valuable range of goods that is greatly appreciated by customers who value the expertise of our buyers. The shop team contributes actively to the central social media effort with blogs and tweets. The new series of lunchtime and evening talks organised by staff for the public continued this year and are well attended.

Achievements and performance (continued)

♦ **Fundraising**

Engaging the apostolic zeal of the wider Catholic and Christian community has always been central to our work since its founding in 1868. Further to recommendations from the Strategic Review this year, the decision to actively develop our fundraising and our charitable profile resulted in hiring a new Head of Fundraising and Communications late in the year, charged to develop a longer term strategy and build an internal team. The full impact of this role will start to come through next year, with new signature fundraising projects, a new approach to membership, and other initiatives for celebrating the 150th Anniversary.

Financial report for the year

♦ ***Results for the year***

Publishing sales for the year amounted to £1.60 million compared to £1.63 million in 2015 (see page 25). 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 CTS has 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' unrestricted cash expenditure.

♦ ***Financial position***

The balance sheet shows total funds of £1,734,628 (2015 - £2,329,701).

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 2016 were £1,618,303 (2015 - £1,848,846). Offset against general funds is a pension reserve of £745,000 (2015 - £383,000). At 31 December 2016 the charity had 'free reserves' of £866,993 (2015 - £1,462,232) being the general funds after deducting both the pension reserve and the net book value of tangible fixed assets i.e. £6,310 (2015 - £3,614).

The level of free reserves is currently consistent with the reserves policy stated above. The Board of Management consider the current level to be adequate given the impact of the strategic review and the possible relocation in 2017/18. As noted above, the strategic review will identify plans and projects to be progressed with these funds.

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

Our aspiration is always to be a responsive, financially self-sustaining organisation, equipped to develop and deliver authentic world-class Catholic material. More immediately therefore, we will be replacing our website and improving key components of our business systems in stages over the next 12 to 18 months, so as to develop our apostolic reach and our social media engagement with younger audiences especially. In 2017 we will be moving distribution to Norwich Books, and will be making our publications available as ebooks.

Plans for the future (continued)

Publishing and marketing plans will be developed for the needs of parishes, schools, families, young people and those who may or not be interested in Christianity itself but who are searching for a meaning to life and for happiness. In 2018 we will mark CTS's 150th Anniversary, with the intention of enthusing and supporting our family of stakeholders and supporters, reaching out to new audiences and of stimulating an internal renewal among staff and trustees and all our close partners above all by proclaiming and celebrating the centrality of Christ as a way of hope and mercy.

The lease of our CTS Bookshop in Victoria is due to expire in 2019 and the hope is that we can continue to serve the community through the bookshop there.

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 eight 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 2016 or have been appointed subsequent to the year end:

Board of Management	Appointed/Retired/Deceased
Mr Stephen Boughton	Appointed 27 June 2016
Ms Jennie Burbury	
Rev Peter Edwards	Retired 9 November 2016
Mr Peter Fisher	
Mrs Carrie Anne Gates	
Rt Rev Paul Hendricks	
Mrs Kate Nash	Appointed 27 June 2016
Mr William O'Neill	Appointed 27 June 2016
Mr Luke Parsons QC	
Rev Andrew Pinsent	Appointed 27 March 2017
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 (2015 - £nil). Reimbursement of expenses incurred in attending meetings amounted to £819 (2015 - £228). 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.

Stephen Boughton is a Deacon of Clifton Diocese, has worked both as a Chief Operating Officer in the private sector and led a Management Consultancy specialising in strategy and operations. He is married with two adult children and lives in Wiltshire.

Governance, structure and management (continued)

♦ **Governance** (continued)

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.

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.

Kate Nash, experienced in market research, marketing and public relations; formerly head of marketing and communications for a dot com; co-director of innovative marketing and publicity company for UK publishers; published novelist. Founded the York Festival of Writing; and the Kate Nash Literary Agency in January 2009.

William O'Neill, Educated in Ireland and in Manchester. Graduate of a number of Universities; PhD in Software Engineering. Career in working for large multinationals leading IT and business change programmes, most recently as Chief Technology Officer for the NHS Blood and Transplant Service.

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.

Governance, structure and management (continued)

♦ ***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);
- ♦ 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.

Governance, structure, and management (continued)

♦ ***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 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.

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 reported directly to the General Secretary by the year end were:

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

At the end of 2016 a new Head of Fundraising and Communications was appointed, taking up the post in January 2017.

Governance, structure, and management (continued)

♦ **Key management personnel** *(continued)*

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.

♦ **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.

Governance, structure, and management (continued)

♦ ***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.
- ◇ the Society is aware of the changing regulatory environment in relation to both charitable fundraising and data protection and will be assessing and monitoring the Society's compliance with those legal requirements and best practice. The Board of Management and managers will continue to review the requirements and develop suitable policies and practices to ensure best practice and full compliance.

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: 26 June 2017

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 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 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 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 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

26 September 2017

Statement of financial activities Year to 31 December 2016

	Notes	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Income from:					
Donations and legacies	1	199,246	7,838	207,084	233,951
Interest receivable*		5,335	—	5,335	6,291
Charitable activities					
. Publication sales	2	1,600,775	—	1,600,775	1,628,883
. Membership subscriptions and related income*		39,173	—	39,173	43,438
Total income		1,844,529	7,838	1,852,367	1,912,563
Expenditure on:					
Raising funds	3	29,721	10,368	40,089	39,001
Charitable activities					
. Publication and dissemination of Catholic publications	4	1,968,351	—	1,968,351	1,933,859
Total expenditure		1,998,072	10,368	2,008,440	1,975,860
Net expenditure for the year		(153,543)	(2,530)	(156,073)	(63,297)
Actuarial (losses) gains on defined benefit pension scheme	18	(439,000)	—	(439,000)	189,000
Net movement in funds	7	(592,543)	(2,530)	(595,073)	125,703
Reconciliation of funds:					
Total funds brought forward at 1 January 2016		2,315,846	13,855	2,329,701	2,203,998
Total funds carried forward at 31 December 2016		1,723,303	11,325	1,734,628	2,329,701

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.

*Income from interest and from membership subscriptions and related income in 2015 all related to unrestricted funds.

Balance sheet 31 December 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	10		6,310		3,614
Current assets					
Stocks	11	483,385		514,764	
Debtors	12	245,399		203,274	
Short term deposits		1,767,885		1,762,950	
Cash at bank and in hand		198,269		503,617	
		2,694,938		2,984,605	
Creditors: amounts falling due within one year	13	(221,620)		(275,518)	
Net current assets			2,473,318		2,709,087
Total net assets excluding pension liability			2,479,628		2,712,701
Pension liability	18		(745,000)		(383,000)
Total net assets including pension liability			1,734,628		2,329,701
The funds of the charity					
Restricted funds	14		11,325		13,855
Unrestricted funds					
. Designated funds	15		850,000		850,000
. General funds		1,618,303		1,848,846	
. Pension reserve	18	(745,000)		(383,000)	
			873,303		1,465,846
			1,734,628		2,329,701

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

Carrie Ann Gates
Member of the Board of Management

Approved on: 26 June 2017

The Incorporated Catholic Truth Society
Company Registration Number: 00057374 (England and Wales)

Statement of cash flows Year to 31 December 2016

	Notes	2016 £	2015 £
Cash flows from operating activities:			
Net cash (used in) provided by operating activities	A	(300,798)	8,474
Cash flows from investing activities:			
Interest received		5,335	6,291
Purchase of tangible fixed assets		(4,950)	(5,755)
Net cash provided by investing activities		385	536
Change in cash and cash equivalents in the year		(300,413)	9,010
Cash and cash equivalents at 1 January 2016	B	2,266,567	2,257,557
Cash and cash equivalents at 31 December 2016	B	1,966,154	2,266,567

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

A Reconciliation of net movement in funds to net cash (used in) provided by operating activities

	2016 £	2015 £
Net movement in funds (as per the statement of financial activities)	(595,073)	125,703
Adjustments for:		
Depreciation charge	2,254	46,596
Actuarial losses (gains) on pension schemes	439,000	(189,000)
Pension cost less contributions payable	(89,700)	(66,000)
Pension finance cost	12,700	20,000
Interest receivable	(5,335)	(6,291)
Decrease in stocks	31,379	18,458
(Increase) decrease in debtors	(42,125)	5,026
(Decrease) increase in creditors	(53,898)	53,982
Net cash (used in) provided by operating activities	(300,798)	8,474

B Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	198,269	503,617
Short term deposits	1,767,885	1,762,950
Total cash and cash equivalents	1,966,154	2,266,567

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 2016. Comparative information reflects the financial results for the year ended 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 (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 financial statements are presented in sterling and are rounded to the nearest pound.

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:

- ◆ assessing the probability of receiving legacies of which the charity has been notified;
- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation charge;
- ◆ assessing the appropriateness of any provision for slow moving or obsolete stock;
- ◆ assessing the appropriateness of any provision needed against doubtful and bad debts;
- ◆ assessing the appropriateness of the underlying assumptions of the actuarial valuation of the pension scheme; and
- ◆ determining the basis for allocating support costs across expenditure categories.

With respect to the next reporting period, the actuarial valuation of the pension scheme remains the most significant area of uncertainty that may affect the carrying 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 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.

Income recognition (continued)

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 been transferred to the charity. 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.

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.

Income from membership subscriptions and related income is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be measured reliably. It is measured at fair value, being the amount invoiced and considered receivable, excluding any discounts or rebates.

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 structure

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

Contributions to defined contribution pension schemes and 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 Income from: Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Donations	48,252	7,838	56,090	79,523
Legacies	150,994	—	150,994	154,428
2016 Total funds	199,246	7,838	207,084	233,951
2015 Total funds	203,387	30,564	233,951	

2 Income from: 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	
	2016 £	2015 £	2016 £	2015 £	2016 £	2015 £
Publishing	1,089,144	1,144,169	254,867	261,700	1,344,011	1,405,869
Retail shop	256,764	223,014	—	—	256,764	223,014
	1,345,908	1,367,183	254,867	261,700	1,600,775	1,628,883

3 Expenditure on: Raising funds

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Staff costs	21,828	7,951	29,779	28,192
Premises costs	2,127	1,235	3,362	3,498
Communications	670	252	922	887
Computer expenses	1,695	636	2,331	2,017
Depreciation	62	23	85	1,757
Banking and other costs	719	271	990	966
Professional fees	1,894	—	1,894	1,075
Auditor's remuneration	726	—	726	609
2016 Total funds	29,721	10,368	40,089	39,001
2015 Total funds	22,292	16,709	39,001	

4 Expenditure on: Publication and dissemination of Catholic publications

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
<i>Publishing</i>				
Cost of publication sales	480,048	—	480,048	497,327
Cost of despatch, shipping, and storage	158,048	—	158,048	149,902
Advertising and marketing costs	40,341	—	40,341	60,923
Staff costs	751,109	—	751,109	711,088
Premises costs	44,965	—	44,965	46,782
Communications	19,030	—	19,030	18,321
Computer costs	51,744	—	51,744	44,762
Depreciation	516	—	516	10,674
Banking and other costs	18,898	—	18,898	18,454
Consultancy	30,145	—	30,145	25,200
Professional fees	46,542	—	46,542	24,073
Auditor's remuneration	16,259	—	16,259	13,641
	1,657,645	—	1,657,645	1,621,147
<i>Operation of retail shop</i>				
Cost of retail shop sales	134,844	—	134,844	115,910
Cost of despatch, shipping, and storage	7,486	—	7,486	7,101
Staff costs	98,806	—	98,806	93,542
Premises costs	40,839	—	40,839	42,489
Communications	4,496	—	4,496	4,328
Computer costs	7,750	—	7,750	6,704
Depreciation	1,653	—	1,653	34,165
Banking and other costs	6,368	—	6,368	6,218
Professional fees	6,199	—	6,199	3,354
Auditor's remuneration	2,265	—	2,265	1,901
	310,706	—	310,706	312,712
2016 Total funds	1,968,351	—	1,968,351	1,933,859
2015 Total funds	1,933,859	—	1,933,859	

5 Support costs

	Cost of raising funds £	Retail shop sales £	Publishing sales £	Total 2016 £
Staff costs (note 8a)	29,779	98,806	751,109	879,694
Premises costs	3,362	40,839	44,965	89,166
Communications	922	4,496	19,030	24,448
Computer costs	2,331	7,750	51,744	61,825
Depreciation	85	1,653	516	2,254
Bank charges	990	6,368	18,898	26,526
Professional fees (note 6)	1,894	6,199	42,542	54,635
Auditors' remuneration (note 6)	726	2,265	16,259	19,250
Consultancy	—	—	30,145	30,145
Total	40,089	168,376	979,208	1,187,943

6 Governance costs

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Professional fees	54,655	—	54,655	28,502
Auditor's remuneration	19,250	—	19,250	16,151
2016 Total funds	73,905	—	73,905	44,653
2015 Total funds	44,653	—	44,653	

7 Net movement in funds

This is stated after charging:

	Total 2016 £	Total 2015 £
Staff costs (note 8a)	879,694	832,822
Auditor's remuneration		
. Current year audit fee	19,200	19,250
. Over provision in prior period	50	(3,050)
. Pension scheme audit fee	2,400	2,400
. Over provision in prior period	—	(450)
Depreciation	2,254	46,596
Operating lease rentals	36,660	36,660

8a Employee and key management remuneration

	Total 2016 £	Total 2015 £
Staff costs during the year were as follows:		
Wages and salaries	716,233	679,968
Social security costs	57,987	61,902
Other pension costs	60,574	66,164
Other staff costs	44,900	24,788
	879,694	832,822
Staff costs per function were as follows:		
Costs of generating voluntary income	29,779	27,515
Publishing	751,109	714,011
Operation of a retail shop	98,806	91,296
	879,694	832,822

One employee earned between £60,000 and £70,000 (including taxable benefits but excluding employer's pension contributions) per annum during the year (2015 - one).

Contributions of £7,815 were also made to a personal pension scheme in respect to this higher paid member of staff (2015 - £6,354).

8a Employee and key management remuneration (continued)

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

	Average headcount		Full time equivalent	
	2016	2015	2016	2015
Fundraising	1	1	1	1
Publishing	22	19	19	17
Operation of a retail shop	6	6	4	4
	29	26	24	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 £241,516 (2015 - £241,818).

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 (2015 - £nil); three members of the Board of Management received reimbursement of out-of-pocket expenses which amounted to £819 (2015 - £228).

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 2016	38,513	85,483	130,776	21,710	276,482
Additions	—	—	2,950	2,000	4,950
At 31 December 2016	38,513	85,483	133,726	23,710	281,432
Depreciation					
At 1 January 2016	38,513	85,453	130,776	18,126	272,868
Charge for year	—	29	601	1,624	2,254
At 31 December 2016	38,513	85,482	131,377	19,750	275,122
Net book values					
At 31 December 2016	—	1	2,349	3,960	6,310
At 31 December 2015	—	30	—	3,584	3,614

11 Stocks

	2016 £	2015 £
Publications for sale	483,385	514,764

12 Debtors

	2016 £	2015 £
Publication sales	76,621	109,507
Other debtors	22,873	26,470
Legacies receivable	121,000	29,951
Prepayments and other accrued income	24,905	37,346
	245,399	203,274

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Expense creditors	66,749	98,048
Taxation and social security costs	16,243	28,039
Royalties	80,600	104,183
Other creditors	15,227	2,589
Accruals and deferred income	42,801	42,659
	221,620	275,518

14 Restricted funds

	At 1 January 2016 £	Income £	Expenditure £	Transfers £	At 31 December 2016 £
Prisoners' appeal	13,855	7,838	(10,368)	—	11,325

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 ended 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 over and above that which was needed for its general purposes.

15 Designated funds

	At 1 January 2016 £	New designations £	Utilised/ released £	At 31 December 2016 £
Anniversary fund	350,000	—	—	350,000
Relocation fund	500,000	—	—	500,000
	850,000	—	—	850,000

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 relocation fund represents funds set aside towards a possible relocation of the Society's office premises and warehousing facilities in 2017/18.

16 Analysis of net assets between funds

	General funds £	Designated funds £	Restricted funds £	Total 2016 £
Fund balances at 31 December 2016 are represented by:				
Tangible fixed assets	6,310	—	—	6,310
Net current assets	1,611,993	850,000	11,325	2,473,318
Total net assets excluding pension liability	1,618,303	850,000	11,325	2,479,628

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 2016 was £1,284,000 (2015 - £1,127,000).

The Society's contributions to the scheme were £6,950 per month. The scheme is closed to new members and no existing employees are members.

18 Pension commitments (continued)

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

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Fair value of scheme assets	1,284	1,127	1,041	921	769
Present value of scheme liabilities	(2,029)	(1,510)	(1,659)	(1,264)	(1,198)
Deficit in scheme	(745)	(383)	(618)	(343)	(429)

Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit at 1 January 2016	(383)	(618)
Contributions	90	66
Net return on scheme	(13)	(20)
Actuarial (losses) gains	(439)	189
Deficit at 31 December 2016	(745)	(383)

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

	2016 £'000	2015 £'000
Fair value of assets at start of period	1,127	1,041
Expected return on scheme assets	46	38
Actuarial gains (losses)	21	(18)
Contributions by the Society	90	66
Fair value of assets at end of period	1,284	1,127

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

	2016 £'000	2015 £'000
Present value of liabilities at start of period	1,510	1,659
Interest cost	59	58
Actuarial losses (gains)	460	(207)
Present value of liabilities at end of period	2,029	1,510

The estimated value of the employer contributions for the year ending 31 December 2017 is £84,681 (2016 - £89,700).

18 Pension commitments (continued)**Actuarial assumptions**

A full actuarial valuation was carried out at 30 June 2014 and updated to 31 December 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	2016	2015	2014	2013	2012
Discount rate	2.70%	3.90%	3.50%	4.50%	4.50%
Rate of increase in pensions in payment for pensionable service from 6 April 1997	3.70%	3.70%	3.60%	3.80%	3.00%
Inflation assumption (RPI)	3.40%	3.30%	3.10%	3.50%	2.90%

The mortality assumptions adopted at 31 December 2016 imply the following life expectancies in years:

	Current pensioners	Retiring in 20 years
Males	23.5	25.2
Females	25.5	27.4

The assets in the scheme and the expected rate of return

	Value at 31 December 2016* £'000	Value at 31 December 2015* £'000	Long-term rate of return expected 2014 %	Value at 31 December 2014 £'000
Assets				
Equities	93	95	7.30%	93
Bonds	18	17	4.40%	17
Unitised with profits	614	569	5.20%	553
Cash	559	446	3.20%	378
Total market value of assets	1,284	1,127	4.71%	1,041
Actuarial value of liability	(2,029)	(1,510)		(1,659)
Deficit	(745)	(383)		(618)

* No long term expected rate of return at 31 December 2016 or 31 December 2015 has been provided, as for accounting periods beginning on or after 1 January 2015, the expected return and interest cost have been replaced with a single net interest cost.

Performance statement information*Analysis of net return on pension scheme*

	2016 £'000	2015 £'000
Net interest cost and net return	(13)	(20)

18 Pension commitments (continued)

Performance statement information (continued)

Analysis of net return on pension scheme (continued)

Amounts recognised as other gains and losses

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	21	(22)
Change in financial and demographic assumptions underlying the scheme assets	(460)	211
Actuarial (losses) gains recognised	(439)	189

19 Leasing commitments

Operating leases

At 31 December 2016 the Society had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016 £	2015 £	2016 £	2015 £
Operating lease payments which expire:				
Within one year	31,500	31,500	5,160	5,160
Between one and two years	31,500	31,500	2,150	5,160
Between two and five years	15,750	47,250	—	2,150
	78,750	110,250	7,310	12,470

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