

**The Congregation
of Servants of
Mary (London)**

Annual Report and Accounts

31 December 2016

Charity Registration Number
241434

Contents

Reports

Reference and administrative information	1
Trustees' report	3
Independent auditor's report	18

Accounts

Statement of financial activities	20
Balance sheet	21
Statement of cash flows	22
Principal accounting policies	23
Notes to the accounts	29

Trustees	Sister Michelle Reilly Sister Catherine Francis Farrell Sister Catherine Ryan Sister Ruth Campbell (The trustees are incorporated under the Charities Act 2011)
Prioress Provincial	Sister Michelle Reilly
Provincial Bursar	Sister Ruth Campbell
Administrative address	St Mary's Convent 90 Suffolk Road London N15 5RH
Telephone	0208 809 5674
Website	www.servitesistersinternational.org
E-mail	michelle.osm1@btinternet.com
Charity registration number	241434
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Principal bankers	HSBC Bank plc 69 Pall Mall London SW1Y 5EY

Investment managers	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
	HSBC Global Asset Management Limited 78 St James's Street London SW1A 1EJ
Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ

The trustees present their report together with the accounts of The Congregation of Servants of Mary (London) (the "charity") for the year ended 31 December 2016.

The accounts have been prepared in accordance with the accounting policies set out on pages 23 to 28 of the attached accounts and comply with the charity's trust deed, the Charities Act 2011 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).

Introduction

The Congregation of Servants of Mary (the "Congregation"), commonly known as Servites, is an international Roman Catholic religious congregation supporting 195 sisters worldwide. It was founded in 1864 in France. Its Generalate is located in London and it is divided into three Provinces and two Regions across the world.

The accounts accompanying this report are the accounts of the charitable trust on which the assets of the Congregation in England are held.

Charitable objectives: Mission

The object of the Congregation of Servants of Mary (London), as set out in its governing document, is the furtherance of the Roman Catholic faith.

By caring for individual members of the Congregation throughout their lives with the Congregation, the charity aims to enable and support the sisters to live out their faith and to put that faith into practice through a wide variety of religious and other charitable works.

When setting the objectives and planning the work of the charity for the year, and when encouraging the work of individual sisters, the trustees have given careful consideration to the Charity Commission's guidance on public benefit.

Activities, objectives and achievements of the UK community

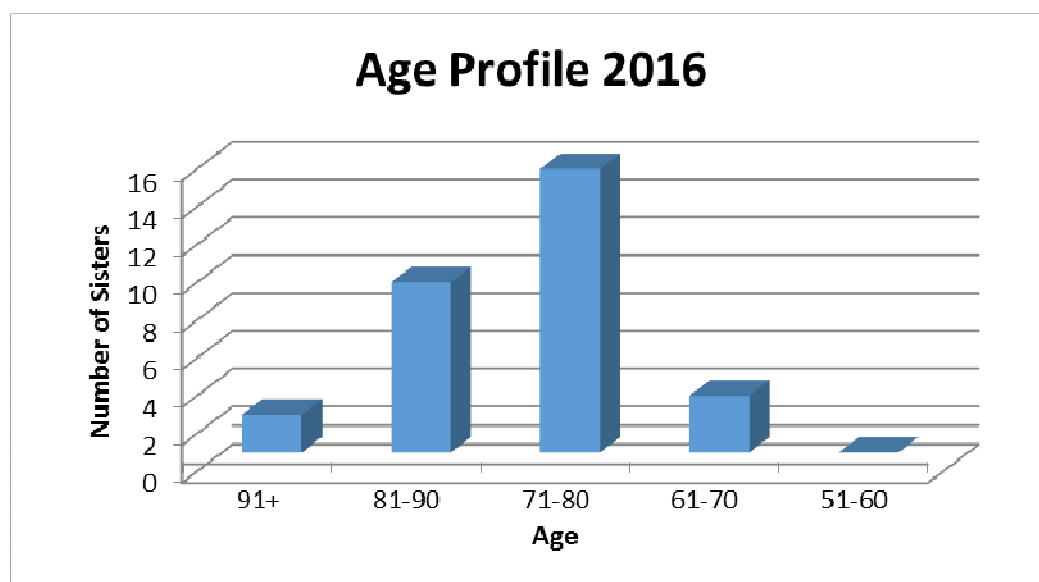
The spiritual principles which underpin the apostolic activity of our Religious Congregation are designed to benefit the public and also to demonstrate our key ministry which is the provision of quality care for our frail elderly sisters. The privileges of charitable status and the benefits which accrue act as an incentive for us to fashion our Mission and Ministries so as to meet the legal definition of charity and to comply with the requirements laid down by the Charity Commission. If we, as a charity, benefit from certain financial exemptions, then we are obliged to demonstrate by clear reporting that the exemptions convey a benefit to society that outweighs the lost revenue.

Activities, objectives and achievements of the UK community (continued)

♦ Caring for members of the Congregation

In common with many religious congregations in the UK, the age profile of the members of the Congregation is increasing and currently there are no new vocations emerging. The Congregation has an obligation, both moral and legal, to provide care for its members, none of whom have resources of their own and all of whom have devoted a significant part of their lives to the care of the elderly, poor and marginalised in our society.

The age profile of the Congregation in the UK is shown graphically below:



As the age profile of the Congregation increases so too does the need to provide increasingly expensive care to the sisters. At present 13 of the members of the Congregation are receiving care in St Juliana's, our designated Care Home. Over the next decade, it is possible and the trustees expect that the number requiring care may increase. The trustees are giving careful consideration to the impact of this on the work of individual members of the Congregation, the property requirements of the Congregation and the financial implications of the foregoing.

Caring for individual members of the Congregation involves:

- ♦ Employing healthcare staff and overseeing care provision at St Juliana's Convent, Bognor Regis, home to 13 members of the Congregation;
- ♦ Ensuring the properties inhabited by the members are suitable and well maintained thereby enabling them to carry out their ministries;
- ♦ Ensuring each member has her physical needs met and providing specialist care i.e. if a sister requires Dementia Care in a specialised facility run by another Congregation.

Activities, objectives and achievements of the UK community (continued)

♦ **Enabling and supporting members in a variety of religious and charitable works**

Throughout the year sisters continued to carry out various forms of charitable works in order to fulfil their individual ministries. This work enables the charity to reach out to those in need within society generally and benefit a very significant number of people.

The religious and charitable works of individual members of the Congregation can be divided into these principal areas: worship and prayer, the social and pastoral work of the sisters; trusteeships and support of schools; ministry and the support of overseas missionary work.

With the reducing number of sisters, the trustees decided to sell the charity's property known as Villa Maria, situated at Campbell Road, Bognor Regis. The property was sold in 2017. The sisters moved into three smaller properties during 2016, from where they continue to carry out charitable works in order to fulfil their individual ministries.

♦ **Worship and prayer**

The charity is committed to helping as many people as possible to join with the sisters in worship with the aim of putting faith into action through prayer and scripture, music and sacrament. The sisters are involved in a number of activities which include:

- ◇ Promoting the values and vision set out in the Gospel including the promotion of human dignity, teaching respect of different cultures, working for a society based on justice and peace and encouraging care and respect for all creation;
- ◇ Offering prayer groups giving members of the public from all walks of life the opportunity to escape the stresses of everyday life for a short time and take time for quiet contemplation and reflection and the chance to study and consider the Gospel;
- ◇ Providing religious instruction and supervision;
- ◇ The provision of retreats where those who attend can reflect in a peaceful atmosphere, rooted in Gospel values;
- ◇ Praying with those who are house bound, sick or dying;
- ◇ Pastoral work in support of the development of other religious institutes.
- ◇ Programmes of preparation of the sacraments in multiple parishes;
- ◇ Supporting adults who seek membership in the Roman Catholic Church;
- ◇ Supporting cancer sufferers and the bereaved through St Peregrine Ministry and CRUSE;
- ◇ Visiting the sick and housebound in their homes on behalf of the Church;

Activities, objectives and achievements of the UK community (continued)

◆ **Social and pastoral work**

The charity enables and supports individual members of the Congregation in ministry and outreach work thereby furthering the message set out in the Gospel to help one another and love one's neighbour.

The following are examples of the social and pastoral work undertaken by individual sisters, all of which benefit numerous members of the general public:

- ◇ Pastoral work in parishes; spiritual direction, retreat and chaplaincy work;
- ◇ Pastoral work in hospitals;
- ◇ Facilitation work with other Religious Congregations;
- ◇ Caring for those affected by Multiple Sclerosis;
- ◇ Ministry to cancer sufferers and the bereaved;
- ◇ Art therapy/counselling;
- ◇ One sister is assistant chaplain in an Inner London Secondary School;
- ◇ Ministry to the Travelling Community;
- ◇ Ministry to refugees, asylum seekers and the homeless; and
- ◇ Working with the Catholic Fund for Overseas Development (CAFOD).

The charity continues to realise its objectives by:

- ◇ Enabling all members of the Congregation to carry out meaningful social and pastoral work within the community after assessing their skills and the needs of the local area;
- ◇ Encouraging and motivating members to work with and assist the poor, elderly and marginalised;
- ◇ Wherever possible, ensuring sisters are remunerated for such work by way of salary or stipend. Such income is donated to the charity and thereby ensures that the work of the sisters and charity may continue into the future and develop.

◆ **Education in all its forms**

A Servite Sister is Assistant Chaplain at Our Lady's and one sister serves on the governing body of the school. Links with the Servite Sisters are still very strong, and Servite values continue to inform many of the school's processes and priorities. There are also international links with schools and students in countries such as Bolivia, South Africa, France and Italy.

Activities, objectives and achievements of the UK community (continued)

♦ Education in all its forms (continued)

Part of the School's Mission Statement reads:

'Our Lady's Convent High School aims to meet the needs of all its pupils in the 11-19 age range. We provide high quality Catholic comprehensive education within a secure and caring environment, in accordance with Gospel values. Religious education is developed through the whole curriculum and life of the school which is fortunate enough to have its own chapel. The school seeks to enable its pupils: to reach their maximum potential in all areas of the curriculum, using their talents to the greater glory of God to gain a broad cultural enrichment and awareness and leave the school as informed, adaptable young people, well prepared for the next stage of their lives, whether in higher or further education, or in the world of work.'

Our Lady's has high expectations of its pupils in every aspect of their school life. Girls are expected to be attentive during lessons, to be courteous to their teachers, considerate of their fellow pupils and to work to their best of their ability. The school endeavours to enable every girl to do full justice to her God-given talents, to see the wonders of God's creation in the subjects she studies and to learn to be a useful and generous member of the school community. Every member of the teaching staff is involved in the system of pastoral care and discipline. The work is co-ordinated each year by the Year Leader, who is a member of the senior staff and who works together with form and subject teachers, heads of department, deputies and the head teacher.

The sisters are no longer trustees of St Mary's Priory Voluntary Aided Infant School and St Mary's Priory Junior School in the London Borough of Haringey. One sister remains on the Governing Body. The School like Our Lady's retains a strong Servite link and the Servite values. St Mary's School wants to develop a happy, caring and secure community which celebrates the multicultural diversity of the pupils.

Part of the mission statement reads:

'Everyone at our school aspires to create an inclusive environment where we all feel valued and respected so that we can achieve our full potential for lifelong learning'

The children are encouraged to take some responsibility for protecting the resources of the earth. The Walking Bus helps to save energy and creates a sense of community. Our mission is to provide a positive, inclusive, Catholic environment for learning and growth which promotes excellence and inspires each individual to discover, develop and fulfil their spiritual, intellectual and personal potential and to become lifetime learners. We believe that the school should provide a nurturing caring social environment, based on Christian values, in which the views of all members are heard, valued and respected and in which students are supported in their complete development as young adults.

A Servite sister continues her work as a governor at Servite Primary School in Kensington & Chelsea.

Activities, objectives and achievements of the UK community (continued)

♦ Education in all its forms (continued)

One Servite sister was invited recently to become a governor of Our Lady Immaculate School, Chelmsford.

The following are examples of the other education work undertaken by the sisters:

- ◇ Catechesis in parishes;
- ◇ School chaplaincy;
- ◇ Education about the Roman Catholic faith with adults (Rite of Christian Initiation of Adults programme);
- ◇ Education re Third World Issues (CAFOD);
- ◇ Support of other agencies which deliver education in a direct way (MBI etc);
- ◇ Consultancy with religious communities in strategic planning and identifying educational needs.
- ◇ The provision of an education grant to Margaret Beaufort Institute, Cambridge;
- ◇ Work in primary schools in support of the development work carried out by CAFOD;
- ◇ Religious training of Sisters in the Democratic Republic of Congo;
- ◇ Education of a sister to become a Doctor of Medicine and support further studies in Belgium;
- ◇ Training of Democratic Republic of Congo sisters in English language and culture.

Future plans

Other objectives of the trustees (who are all religious sisters) are laid out below. It is considered that they will continue to be applicable for the next few years.

- ♦ Ensuring all members of the Congregation receive the high level of care they require to provide them with the quality of life they have a right to expect;
- ♦ Reviewing the charity's properties used as community houses and assessing their suitability as homes for the elderly and frail. Those identified as being unsuitable will be adapted or, if this proves impossible, sold and replaced with properties more appropriate for the elderly;
- ♦ Enabling all members of the Congregation to continue with their individual ministries for as long as possible; and
- ♦ Inviting interested persons to become members of the Province.

Relevant policies

◆ Investment policy

The charity's investments are managed by BlackRock Investment Managers Limited and HSBC Global Asset Management (UK) Limited. There are no restrictions on the charity's power to invest.

The trustees' investment powers are set out in the charity's trust deed. The investment strategy is set by the trustees and takes into account income requirements, the risk profile and the investment managers' views of the market prospects in the medium term

The policy is to maximise total return through a diversified portfolio whilst providing a level of income advised by the trustees from time to time. There is also an ethical policy precluding investment in any company which, after reasonable enquiry, clearly has significant profits from an activity which is contrary to the objectives of the Roman Catholic Church, mainly armaments, pornography and oppressive regimes.

Policies on social investment are achieved by investing in the BlackRock Charifairth common investment fund which has ethical restrictions in line with the Catholic Church and Conference of Religious.

The performance of the portfolio and the charity's investment strategy are reviewed by the trustees and their representative who meet with the investment managers at least twice a year. The trustees require a full report once a year, at their year-end, which is 31 December, together with less detailed summaries every quarter. The full reports and summaries are to contain comparisons of the performance of the portfolios against a selection of appropriate indices, mostly UK. In accordance with modern practice, a comparison of total return is also required.

◆ Grants, donations and support of missionary work and ministry

Grants, donations and other payments in support of missionary work and ministry are decided on by the trustees in consultation with other members of the Congregation as appropriate. In the main, the charity supports the ministries of the Congregation of Servants of Mary in overseas countries. During the year the charity made two donations to the Congregation. Details can be found in note 3 to the accounts.

Grants to the Sisters in the DRC via Belgium (Servite Sisters) have established the new first aid post. The Prioress Provincial made a visit in October 2016.

The trustees continue to give financial support also to United Kingdom organisations whose work is within the objects of the charity. Applications for grants and donations are not invited and the charity does not regard itself as a grant making entity.

Volunteers

Volunteers are friends of the Community and they share their spiritual gifts with the sisters and general public. Our Associates are in constant communication, their contribution both active and passive i.e. in supportive prayer is invaluable to our works.

Financial review

◆ Results for the year

A summary of the year's results can be found on page 20 of this report and accounts.

During 2016 total income amounted to £1,264,225 (2015 - £1,150,601). Of the income, a total of £475,858 (2015 - £453,557) related to donations and legacies. This figure includes salaries and pensions of the sisters amounting to £410,142 (2015 - £412,147) covenanted to the charity. Investment income and interest receivable totalled £758,003 (2015 - £696,159).

Expenditure totalled £1,354,521 compared to £1,296,963 in 2015. Expenditure incurred on maintaining the members of the Congregation and supporting them in their pastoral work and ministry amounted to £1,270,560 (2015 - £1,216,139). This included staff costs of £508,156 (2015 - £483,447) with £493,155 (2015 - £470,540) being spent on staff employed to care for the sisters in the home in Bognor Regis. Charitable grants and donations made amounted to £27,765 (2015 - £23,270). Further details about grants and donations are provided in note 3 to the accounts. Fees paid to the charity's investment managers during the year amounted to £56,196 (2015 - £57,554).

Net expenditure for the year before gains on investments, therefore, was £90,296 (2015 - £146,362). Investment gains of £1,914,996 (2015 - £170,998) resulted in net income or an increase in funds for the year of £1,824,700 (2015 - £24,636).

◆ Investment performance

The investment managers continued to invest in accordance with the trustees' investment policy set out earlier in this report and complied with the ethical guidelines given to them.

During the year the charity's listed investments achieved an income yield of 3.31% (2015 - 3.11%). At the end of the year the charity's portfolio of listed investments comprised 4% UK fixed interest securities, 9.4% UK equities, 18% UK unit trusts, 56% UK common investments funds and 13% overseas investments. Throughout the year, the trustees have continued to liaise closely with the charity's investment advisers and seek their advice. Given that the charity has no immediate need to realise value from the portfolio other than through income, and given that the trustees' intention is to hold investments over the long term, the advice given has been to continue to monitor the investment performance but not to radically amend the investment policy that has been followed in recent years.

The trustees will continue to review performance by meeting with the investment managers twice a year and monitoring investments on a quarterly basis. The trustees view their investments as being for the long term, they remain confident that the policy adopted is appropriate for the charity.

Financial review (continued)

◆ Reserves policy and financial position

Reserves policy

The reader will discern from the foregoing that the charity carries out a diverse range of activities and is responsible for care and support of sisters whose average age is increasing and whose needs are changing. The trustees have examined the need for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The trustees consider that, given the nature of the charity's work and its commitments, the level of free reserves should be equal to three to five years' expenditure.

Financial position

The balance sheet shows total reserves of £27.61 million (2015 - £25.79 million). Of this, £2.95 million is represented by properties and other tangible fixed assets essential for the support and work of the sisters.

In addition, the trustees have set aside £15.5 million to meet the cost of the care and welfare of the sisters in their retirement. The funds set aside to provide for the sisters in their retirement, none of whom have resources of their own, have been re-assessed during the year. The calculations are based on actuarial methods to provide £60,000 per annum for sisters over 85 years of age, £45,000 per annum for sisters being looked after at St Juliana's, the charity's home in Bognor Regis, £35,000 per annum for sisters over 75 years of age and £25,000 per annum for sisters over 65 years of age.

Funds available to support the work of the sisters in the future, in particular the support of the Congregation's ministry and its missionary and charitable work overseas, are shown as general funds on the balance sheet and amount to £9.13 million. This figure needs to be considered in the light of the increasing age profile of the sisters and the need for the charity to continue to support the work of the Congregation, both in this country and overseas. Investment assets are important to the charity because of the income generated therefrom. Given the continuing volatility in world stock markets and the low interest rates, there is a real need to retain monies to enable the long term financial stability of the charity.

The sisters in the UK will be reviewing their ministries and looking towards new members in the future. This may take the form of an investment in properties to allow sisters to extend and develop their work. Another factor that is pertinent to the future plans is a number of the properties held by the charity are in need of extensive repairs/renovations. Over a period of 3 years a maintenance project will be put into place to ensure good stewardship of the properties owned by the charity. As a number of rental properties have come to the end of their contracts, it may be necessary to purchase accommodation for the younger members of the Congregation and the trustees are consulting with the sisters to develop plans for the next 3 to 5 years.

Financial review (continued)

◆ Reserves policy and financial position (continued)

Financial position (continued)

In addition, over the next twelve months there will be continued discussions at an international level about the structure and work of the Congregation going forward. These discussions may have an impact on the focus of the charity's work and hence its need for financial reserves. Consequently, the trustees will be reviewing the charity's financial position and its reserves policy over the coming year with a view to ensuring both are consistent with the charity's future plans and commitments. In the meantime, the trustees are content that the free reserves are adequate but not excessive.

◆ Tax exemptions etc

The beneficiaries of the work of the charity have the assurance that all of the income of the charity must be applied for charitable purposes in furtherance of the charity's object of furthering the Roman Catholic faith. The charity enjoys tax exemption on income from its activities and on its investment income and gains provided these are applied for its charitable aims. As a charity, it is also entitled to a reduction of 80% on business rates on the property it occupies for its charitable purposes. The financial benefits received as a result of these exemptions are all applied for the purposes of furthering the Roman Catholic faith by enabling and supporting the sisters to live out their faith and to put that faith into practice through a wide variety of religious and other charitable works.

The nature of the charity's activities means that it is unable to reclaim VAT input tax on its costs as it is exempt for VAT purposes. The charity also pays tax as an employer through the national insurance contributions it makes.

The charity brings very substantial benefits to the local communities and society in general through the sisters' ministries, the social and pastoral work provided by sisters (often on a voluntary basis), and to the pupils/staff in the schools in which the sisters work or have an association.

Governance, structure and management

◆ Governance

In terms of Canon law, the Congregation is governed at an international level by the Superior General and her General Council. They are elected every five years at a General Chapter or meeting of representatives of all provinces of the Congregation. The English Province is governed by the Prioress Provincial and her Provincial Council, who are elected by members of the English Province. Members of the Provincial Council are chosen for their personal qualities, their understanding and experience of the ministries of the sisters throughout England and to secure a good skills mix among them. To ensure that there is a system of accountability operational throughout the Province, the Provincial and her council receive regular updates about the progress and development of the ministries carried out by the sisters of the Province. At least once in her term of office the Provincial will formally visit all the communities and those sisters who live singly. A visit by the Superior General is made to the English Province at least once every five years.

Governance, structure and management (continued)

◆ **Governance** (continued)

In terms of Civil law, the charity is governed by a trust deed dated 12 October 1966 and is a registered charity – Charity Registration No. 241434. The trustees of the charity are the members of the Provincial Council. The trustees are incorporated under the Charities Act 2011. The Prioress Provincial appoints the trustees after discussion with the other trustees. As all trustees are members of the Congregation they have a detailed knowledge of the work of the charity and of its structure. On being appointed new trustees are required to spend time with those trustees leaving office. They also meet with the Congregation's legal, accounting, investment and property advisers to obtain a full briefing of their responsibilities and the charity's position.

All trustees are members of The Congregation of Servants of Mary (London) and as such their living and personal costs are borne by the charity. However, they receive no remuneration or expenses for their services as trustees.

The names of the trustees who served during the year are set out below:

Sister Michelle Reilly - UK Congregational Prioress

Sister (Catherine) Francis Farrell – 1st Assistant – Parish apostolate and working with the sick and elderly.

Sister Catherine Ryan - 2nd Assistant - Facilitator with other religious congregations

Sister Ruth Campbell – Provincial Bursar – Voluntary literacy work in local school

◆ **Statement of trustees' responsibilities**

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

The law applicable to charities in England and Wales requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that year. In preparing accounts giving a true and fair view, the trustees are required to:

- ◇ select suitable accounting policies and then apply them consistently;
- ◇ observe the methods and principles of 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;

Governance, structure and management (continued)

◆ **Statement of trustees' responsibilities (continued)**

- ◇ 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 which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the accounts comply with the Charities Act 2011, the applicable Charity (Accounts and Reports) Regulations and the provisions of the 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 trustees are ultimately responsible for the policies, activities and assets of the charity. They meet every six weeks to review developments with regard to the charity or its activities and make any important decisions. When necessary, the trustees seek advice and support from the charity's professional advisers including property consultants, investments managers, solicitors and accountants. The day to day management of the charity's activities, and the implementation of policies, is delegated to the appropriate members of the Congregation or senior staff.

The Province comprises thirty-nine sisters. The sisters in the Province live in fourteen houses under the jurisdiction of the Prioress Provincial and her Council. The charity owns nine of these Convents. Of the remaining five, four properties are rented and the fifth belongs to the Parish of High Green, in Sheffield. A house in the grounds of the old Olton Convent known as Bethany is also owned by the charity but is rented out to the charity 'This Way Up Youth Project'.

Trustees are encouraged to attend various relevant training sessions such as: Legal Responsibilities of Trustees (sponsored by Stone King and Sarasin & Partners); Financial Responsibilities and Investments (sponsored by BlackRock, haysmacintyre and the Catholic Charity Conference); various courses which outline the legal responsibilities of school governors; and attending the annual conference of the Association of Provincial Bursars. School Governors also attend Away Days for Governors with input from the Local Authority and Diocesan representatives from the Department For Education. Trustees also make use of the information about their responsibilities which is available on the internet.

◆ **Key management**

The trustees consider that they together with the Provincial Bursar, who is also a trustee, comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

Governance, structure and management (continued)

◆ **Key management (continued)**

All trustees and the Provincial Bursar are members of the Congregation 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 as trustees or Provincial Bursar.

◆ **Risk management**

The trustees undertake an annual review of the principal risks and uncertainties that the charity faces categorising the risks between those affecting the governance and management of the charity, operational risks, financial risks, reputational risks and those which occur because of circumstances outside of the charity's control such as changes in government policy, laws and regulations. They regularly review the measures already in place, or needing to be put in place, to establish policies, systems and procedures to mitigate those risks identified in the annual review and ensure that action is taken to implement changes to those policies, systems and procedures should they be needed to minimise or manage any potential impact on the charity should those risks materialise.

Having assessed the major risks to which the charity is exposed, the trustees believe that by monitoring reserve levels, by ensuring controls exist over key financial systems, and by examining the operational and business risks faced by the charity, they have established effective systems to mitigate those 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:

- ◇ An analysis of the age profile of the members of the Congregation shows that the average age in the Province at 31 December 2015 was 77 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; 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.

Governance, structure and management (continued)

◆ **Risk management** (continued)

- ◇ Operationally the charity works with children and vulnerable adults including older people. The trustees recognise the absolute necessity of ensuring the protection and safety of all those that the charity serves. This means that sisters engaged in any ministry in Great Britain and all those who work or volunteer for the charity and work with children or vulnerable adults must obtain clearance from the Disclosure and Barring Service (DBS). The trustees are committed fully to implementing the policies of the Catholic Safeguarding Advisory Service (CSAS).
- ◇ The charity donates sums in support of the wider Congregation and other organisations. The vast majority of donations sent overseas are to fund projects administered directly by members of the Congregation. Whether or not the funds are used here in Great Britain or overseas, the trustees always ensure that they are fully briefed about and familiar with the work of a potential recipient of funds, that funds are transferred via bank transfer, that proof of receipt is obtained and that, wherever possible (and always in the case of monies sent overseas), a full written report of how the monies have been utilised and applied is obtained from the recipient.
- ◇ The charity's principal asset comprises listed investments, the value of which is dependent on movements in UK and world stock markets. The investments are managed by reputable investment managers who adhere to a policy agreed by the trustees. The trustees meet twice a year with the investment managers and the manager's performance and that of the portfolio are monitored. The investment strategy is assessed regularly to ensure it remains appropriate to the charity's needs- both now and in the future.
- ◇ The risk of lack of new members is being mitigated by actively recruiting new members. The Congregation is growing in Africa and the sisters from the Democratic Republic of Congo (DRC) are promoting the objectives of the charity by assisting in the UK and in the DRC.
- ◇ The risk of lack of personnel is high and succession planning is taking place. Funds have been allocated to cover employing the necessary lay professionals required to carry out administrative tasks the sisters can no longer cover.
- ◇ Risk of Cyber crime and fraud are high but policies and programmes have been put into place to try to keep risk to a minimum.

Employees, volunteers, and members of the Congregation

The trustees wish to record their recognition of the professionalism and commitment of all their staff, volunteers and the individual members of the Congregation. Their dedication and positive approach are very much appreciated.

Approved by the trustees and signed on their behalf by:

Sr Michelle H.E. Reilly OSM

Trustee

Approved by the trustees on: 28 September 2017

Independent auditor's report to the trustees of The Congregation of the Servants of Mary (London)

We have audited the accounts of The Congregation of the Servants of Mary (London) 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 made under Section 154 of that Act. 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 the 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 and report in accordance with regulations made under Section 154 of that Act. 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 the 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.

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 requires 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 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

6 October 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	475,858	453,557
Investments and bank interest	2	758,003	696,159
Other sources:			
. Surplus on disposal of tangible fixed assets		4,500	600
. Miscellaneous income		25,864	285
Total income		1,264,225	1,150,601
Expenditure on:			
Raising funds			
. Investment management		56,196	57,554
Expenditure on charitable activities			
. Charitable grants and donations	3	27,765	23,270
. Support of members of the Congregation and enabling their ministry	4	1,270,560	1,216,139
Total expenditure		1,354,521	1,296,963
Net expenditure before gains on investments	6	(90,296)	(146,362)
Net gains on investments		1,914,996	170,998
Net income and net movement in funds for the year		1,824,700	24,636
Reconciliation of funds:			
Total funds brought forward at 1 January 2016		25,786,697	25,762,061
Total funds carried forward at 31 December 2016		27,611,397	25,786,697

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

All recognised gains and losses are included in the above statement of financial activities.

Balance sheet 31 December 2016

	Notes	2016 £	2015 £
Fixed assets:			
Tangible assets	10	2,945,252	2,451,826
Investments	11	24,056,619	22,889,818
Total fixed assets		27,001,871	25,341,644
Current assets:			
Debtors	12	70,724	35,719
Cash at bank and in hand		619,710	623,970
Total current assets		690,434	659,689
Liabilities:			
Creditors: amounts falling due within one year	13	(80,908)	(214,636)
Net current assets		609,526	445,053
Total net assets		27,611,397	25,786,697
The funds of the charity:			
Unrestricted income funds			
. Tangible fixed assets fund	14	2,945,252	2,451,826
. Designated funds	15	15,500,000	15,500,000
. General funds		9,166,145	7,834,871
Total charity funds		27,611,397	25,786,697

Approved by the trustees
and signed on their behalf by:

Sr Michelle H.E. Reilly OSM

Trustee

Approved on: 28 September 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	(975,307)	(612,411)
Cash flows from investing activities:			
Investment income and interest received		773,312	702,882
Proceeds from the disposal of tangible fixed assets		4,500	600
Purchase of tangible fixed assets		(554,960)	(23,524)
Proceeds from the disposal of investments		4,979,973	4,146,250
Purchase of investments		(4,286,999)	(3,967,477)
Net cash provided by investing activities		915,826	858,731
Change in cash and cash equivalents in the year		(59,481)	246,320
Cash and cash equivalents at 1 January 2016	B	1,499,330	1,253,010
Cash and cash equivalents at 31 December 2016	B	1,439,849	1,499,330

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 operating activities

	2016 £	2015 £
Net movement in funds (as per the statement of financial activities)	1,824,700	24,636
Adjustments for:		
Depreciation charge	61,534	65,630
Gains on investments	(1,914,996)	(170,998)
Investment income and interest receivable	(758,003)	(696,159)
Surplus on disposal of tangible fixed assets	(4,500)	(600)
(Increase) decrease in debtors	(30,314)	3,541
(Decrease) increase in creditors	(153,728)	161,539
Net cash used in operating activities	(975,307)	(612,411)

B Analysis of cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	619,710	623,970
Cash instruments	640,989	640,989
Cash held by investment managers	179,150	234,371
Total cash and cash equivalents	1,439,849	1,499,330

Principal accounting policies Year to 31 December 2016

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 figures given for 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:

- ◆ estimating the useful economic life of tangible fixed assets for the purpose of determining the annual depreciation charge;
- ◆ determining the size of the sisters' retirement fund, in order to provide for the continuing care of the members; and
- ◆ determining the value of the investment property.

Assessment of going concern

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

Assessment of going concern (continued)

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. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 December 2017, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the trustees' report for more information).

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations, legacies, investment income, bank interest, surplus on disposal of tangible fixed assets and miscellaneous income.

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

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

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

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

Income recognition (continued)

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

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.

The surplus on the disposal of tangible fixed assets is calculated as the difference between the sale proceeds net of sale costs and the net book value of the asset immediately prior to disposal. It is accounted for once legal completion of the disposal has taken place.

All other 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 and accounted for on an accruals basis.

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 comprises investment management fees.
- ◆ 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 charitable grants and donations and costs in respect to the support of members of the Congregation and enabling their ministry, including governance costs.

Charitable grants and donations are made where the trustees consider there is real need following a review of the details of each particular case and comprise single year payments rather than multi-year grants. Grants and donations are included in the statement of financial activities when approved for payment. Provision is made for grants and donations approved but unpaid at the period end.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all performance conditions. Grants approved but not paid at the end of the financial year are accrued. Grants where the beneficiary has not been informed or has to fulfil performance conditions before the grant is released are not accrued for but are disclosed as financial commitments in the notes to the accounts.

All expenditure is stated inclusive of irrecoverable VAT.

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.

All expenditure in support and governance is attributable directly to the charitable activity of supporting members of the Congregation and enabling their ministry and hence there has been no apportionment between headings.

Any support and/or governance costs in relation to the provision of donations and grants is considered to be negligible.

Tangible fixed assets

All assets costing more than £1,500 and with an expected useful life exceeding one year are capitalised.

◆ Freehold land and buildings

Land and buildings purchased prior to 1998 are included in the accounts at a valuation determined by the trustees as at 1997 or 1998 valuations with professional assistance, based on replacement cost for existing use. As permitted by FRS 102, with effect from 1 January 2014 the value assigned to these properties is now deemed their cost. Land and buildings purchased on or after 1 January 1999 are shown on the balance sheet at cost.

Land and buildings comprise:

- ◇ Non-specialised land and buildings are those designed as, and used wholly or mainly for, private residential accommodation. Such land and buildings are not depreciated. Their value and condition are reviewed annually by the trustees, who are satisfied that their residual value is not materially less than their book value.
- ◇ Specialised buildings comprise the Congregation's large residential convents and the care home for the elderly sisters. Depreciation is provided at 2% per annum on a straight-line basis to write the buildings off over their estimated useful economic life to the charity.

◆ Furniture and equipment

Expenditure on the purchase and replacement of furniture and equipment is capitalised and depreciated over a five year period, based on the estimated useful life of the asset, on a straight line basis.

Tangible fixed assets (continued)

♦ **Motor vehicles**

Motor vehicles are capitalised and depreciated over a four-year period, on a straight line basis, in order to write off the cost of each vehicle over its estimated useful life.

Fixed asset investments

- ♦ Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

As noted above the main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

- ♦ Properties held for investment purposes are included in these accounts at open market value. The valuation has been determined by the trustees, with professional assistance.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

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 structure

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

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.

Services provided by members of the Congregation

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

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 term of the lease.

1 Donations and legacies

	2016 £	2015 £
Salaries and pensions of individual religious received under Gift Aid or Deed of Covenant	410,142	412,147
General donations	62,716	41,410
Legacies	3,000	—
	475,858	453,557

2 Investment income

	2016 £	2015 £
Income from listed investments		
. UK fixed interest	18,625	1,680
. UK equities	103,839	101,104
. UK unit trusts	112,997	121,244
. UK common investment funds	398,828	393,843
. Overseas fixed interest	17,093	23,695
. Overseas equities	68,336	30,497
. Overseas unit trusts	21,392	8,596
	741,110	680,659
Rental income	12,086	10,510
Interest receivable		
. Cash instruments	3,360	3,373
. Bank interest	1,447	1,617
	4,807	4,990
Total	758,003	696,159

3 Charitable grants and donations

The charity makes grants and donations, principally in support of the overseas work of The Congregation of Servants of Mary (London) and other causes which further the Christian faith and alleviate poverty.

	2016 £	2015 £
Grants in support of the missionary work and ministry of The Congregation of Servants of Mary:		
. Generalate of the Congregation	24,000	18,000
. Overseas missions of the Congregation	2,000	—
Grants paid to Institutions:		
. Jesuit Refugee Service UK	—	1,000
Grants paid to individuals	1,765	4,270
	27,765	23,270

Donations approved but unpaid at 31 December 2016 amounted to £3,000 (2015 - £3,000).

4 Support of members of the Congregation and their ministry

	2016 £	2015 £
Staff costs (note 7)	508,156	483,447
Premises	288,159	261,041
Sisters' living and personal expenses	336,372	340,292
Education, training, spiritual renewal and holidays	58,600	43,006
Governance costs (note 5)	26,932	27,213
Other support costs	52,341	61,140
	1,270,560	1,216,139

5 Governance costs

	2016 £	2015 £
Professional fees	26,932	27,213

6 Net expenditure before gains on investments

This is stated after charging:

	2016 £	2015 £
Staff costs (note 7)	508,156	483,447
Operating lease rentals – land and buildings	—	3,924
Auditor's remuneration (including VAT)		
. Statutory audit services	18,600	18,600
. Other services	7,200	7,200
Depreciation	61,534	65,630

7 Staff costs and remuneration, key management personnel and Trustees' remuneration and expenses

	2016 £	2015 £
Staff costs during the year were as follows:		
Wages and salaries	477,706	456,628
Social security costs	26,862	26,086
Pension costs	3,588	733
	508,156	483,447

	2016 £	2015 £
Staff costs per function were as follows:		
Support of members of the Congregation and their ministry	502,089	483,447
Administration	6,067	—
	508,156	483,447

The average number of employees during the year, analysed by function, was:

	2016	2015
Support of members of the Congregation and their ministry	36	36
Administration	1	—

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

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the trustees and the Provincial Bursar, who is also a trustee.

The charity's trustees are all members of the Congregation and consequently their living and personal expenses, all of which are consistent with the amounts paid in respect to other members of the Congregation, are borne by the charity. No trustee received any remuneration or reimbursement of expenses in connection with their duties as a trustee (2015 - none).

8 Transactions with trustees

As members of the Congregation, none of the trustees 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. During the year, the total amount donated by the trustees to the charity was £38,368 (2015 - £32,861).

9 Taxation

The Congregation of Servants of Mary (London) is a registered charity and, therefore, is not liable to income tax or corporation tax on income on gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

10 Tangible fixed assets

	Land and buildings		Furniture and equipment	Motor vehicles	Total
	Specialised £	Non-specialised £	£	£	£
Cost or valuation					
At 1 January 2016	1,448,688	1,399,803	123,045	143,360	3,114,896
Additions	—	540,555	8,510	5,895	554,960
Disposals	—	—	(38,311)	(8,995)	(47,306)
At 31 December 2016	<u>1,448,688</u>	<u>1,940,358</u>	<u>93,244</u>	<u>140,260</u>	<u>3,622,550</u>
At cost	238,688	1,309,358	93,244	140,260	1,781,550
Deemed cost – 1997 and 1998 valuation	1,210,000	631,000	—	—	1,841,000
	<u>1,448,688</u>	<u>1,940,358</u>	<u>93,244</u>	<u>140,260</u>	<u>3,622,550</u>
Depreciation					
At 1 January 2016	464,876	—	78,892	119,302	663,070
Charge for the year	28,974	—	18,648	13,912	61,534
On disposals	—	—	(38,311)	(8,995)	(47,306)
At 31 December 2016	<u>493,850</u>	<u>—</u>	<u>59,229</u>	<u>124,219</u>	<u>677,298</u>
Net book values					
At 31 December 2016	<u>954,838</u>	<u>1,940,358</u>	<u>34,015</u>	<u>16,041</u>	<u>2,945,252</u>
At 31 December 2015	<u>983,812</u>	<u>1,399,803</u>	<u>44,153</u>	<u>24,058</u>	<u>2,451,826</u>

As permitted under FRS 102, the charity has opted to adopt a policy of not revaluing its tangible fixed assets. The book value of the land and buildings owned at 31 December 1998 is based on trustees' valuations made, with professional assistance, in 1997 and 1998 on the basis of replacement value for existing use. As permitted by FRS 102, with effect from 1 January 2014 the value assigned to these properties is now deemed to be cost. Additions subsequent to 31 December 1998 are stated at cost. Other tangible fixed assets are stated at 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. 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 the users of the accounts.

Included in non-specialised land and buildings are five long leasehold properties with a total cost of £717,319. All other land and buildings are freehold.

Since the year end the charity has disposed of its freehold land and buildings situated at Villa Maria, Campbell Road, Bognor Regis for proceeds of £589,005. The property had a net book value of £279,254 at 31 December 2016.

11 Investments

	Investment property £	Listed investments £	2016 £	2015 £
Market value at 1 January 2016	225,000	21,789,459	22,014,458	22,022,233
Additions at cost	—	4,286,999	4,286,999	3,967,477
Disposals at opening book value (proceeds: £4,979,973: gains: £238,920)	—	(4,741,053)	(4,741,053)	(4,075,184)
Net unrealised gains	—	1,676,076	1,676,076	99,932
Market value at 31 December 2016	225,000	23,011,480	23,236,480	22,014,458
Cash instruments	—	640,989	640,989	640,989
Cash held by investment managers for re-investment	—	179,150	179,150	234,371
	225,000	23,831,619	24,056,619	22,889,818
Cost of investments at 31 December 2016	*	18,665,685	18,665,685	18,581,341

The freehold investment property comprises a property, access to which is via the grounds of a school formerly owned by the charity. It was valued by the trustees as at 31 December 2012, with professional assistance, at £225,000, such value reflecting the proximity of the school and the severe access issues. The trustees are of the view that there has been no material change in value since that date.

*The cost of the investment property is not readily available.

Listed investments held at 31 December 2016 comprised the following:

	2016 £	2015 £
UK fixed interest	936,484	97,724
UK equities	2,170,185	3,028,355
UK unit trusts	4,160,401	4,067,857
UK common investment funds	12,822,329	11,725,551
Overseas fixed interest and corporate bonds	1,151,307	1,088,805
Overseas equities	1,112,487	1,488,954
Overseas unit trusts	658,287	292,212
	23,011,480	21,789,458

At 31 December 2016, the following individual holding was deemed material:

Holding	Market value of holding £	Percentage of total portfolio %
BlackRock Charifaith common investment fund	12,822,329	55.72

All listed investments were dealt in on a recognised stock exchange.

12 Debtors

	2016 £	2015 £
Deposit on disposal of property held by solicitor (see below)	20,000	—
Payments in advance relating to future disposal of land and buildings	18,320	—
Accrued income	15,000	—
Interest and investment income receivable	5,753	21,062
Prepayments	9,491	9,766
Other debtors	2,160	4,891
	70,724	35,719

As explained in note 10, since the year end the charity has disposed of one of its freehold buildings. Upon exchange of contracts, which took place prior to 31 December 2016, a deposit of £20,000 was paid by the purchaser and lodged with the charity's solicitor pending completion.

13 Creditors: amounts falling due within one year

	2016 £	2015 £
Deposit received in advance of disposal of property (see note 12)	20,000	—
Taxation and social security costs	7,174	6,377
Monies administered by the charity on behalf of individual members of the Congregation	—	161,051
Other creditors	3,000	3,508
Accruals	50,734	43,700
	80,908	214,636

14 Tangible fixed assets fund

	2016 £	2015 £
At 1 January 2016	2,451,826	2,493,932
Net movement in year	493,426	(42,106)
At 31 December 2016	2,945,252	2,451,826

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 and other designated funds 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 funds

The income 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 £	Utilised/ released £	At 31 December 2016 £
Sisters' retirement fund	15,500,000	—	—	15,500,000

Sisters' retirement fund

The sisters' retirement fund comprises monies set aside to provide for the care and support of members of the Congregation as they grow older. The fund will be utilised over the expected lives of the sisters.

16 Analysis of net assets between funds

	Tangible fixed assets fund £	Designated funds £	General funds £	Total 2016 £
Fund balances at 31 December 2016 are represented by:				
Tangible fixed assets	2,945,252	—	—	2,945,252
Investments	—	15,500,000	8,556,619	24,056,619
Net current assets	—	—	609,526	609,526
Total net assets	2,945,252	15,500,000	9,166,145	27,612,386

The total unrealised gains as at 31 December 2016 constitute movements on revaluation and are as follows:

	2016 £	2015 £
Unrealised gains included above on investments on:		
. Listed	4,524,945	3,208,117
. Property	225,000	225,000
Total unrealised gains at 31 December 2016	4,749,945	3,433,117
Reconciliation of movements in unrealised gains		
Unrealised gains at 1 January 2016	3,433,117	3,597,530
Investments		
. Less: in respect to disposals in the year	(359,248)	(264,345)
. Add: net gains on revaluations	1,676,076	99,932
Total unrealised gains at 31 December 2016	4,749,945	3,433,117

17 Ultimate control

The charity, which is constituted as a trust, was controlled throughout the period by the English Province of The Congregation of Servants of Mary (London) by virtue of the fact that the Prioress Provincial of the Province appoints the trustees. The Province does not hold any assets, incur liabilities or enter into any transactions in its own right. Assets and liabilities of the English Province are vested in the trustees of the charity, who undertake all transactions entered into in the course of the Province's charitable activities.