

The Pious Society of the Daughters of St Paul

Annual Report and Accounts

31 December 2017

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

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

Trustees	Sister Angela Grant fsp (<i>Delegate Superior</i>) Sister Mary Connell fsp (<i>Secretary</i>) Sister Rosetta (Gregoria) Mignolli fsp (<i>Bursar</i>) Sister Germana Santos fsp (<i>resigned May 2018</i>)
Council	Sister Angela Grant fsp Sister Maria Healy fsp Sister Mary Ann Salvilla fsp Sister Elaine Penrice fsp
Principal office	Middle Green Slough SL3 6BS
Telephone	01753 577629
Facsimile	01753 511809
Website	www.paulineuk.org
Charity registration numbers	296042 (England and Wales) SC037889 (Scotland)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc PO Box 756 Slough SL1 4SG

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

Solicitors Stone King LLP
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J McSparran & McCormick
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Property consultants Gerald Eve LLP
72 Welbeck Street
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and at 140 West George Street
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Insurance consultants Jelf Insurance Brokers Limited
1st Floor
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Trustees' Report



BOOKS & MEDIA

an expression of the ministry of

The Daughters of St Paul

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



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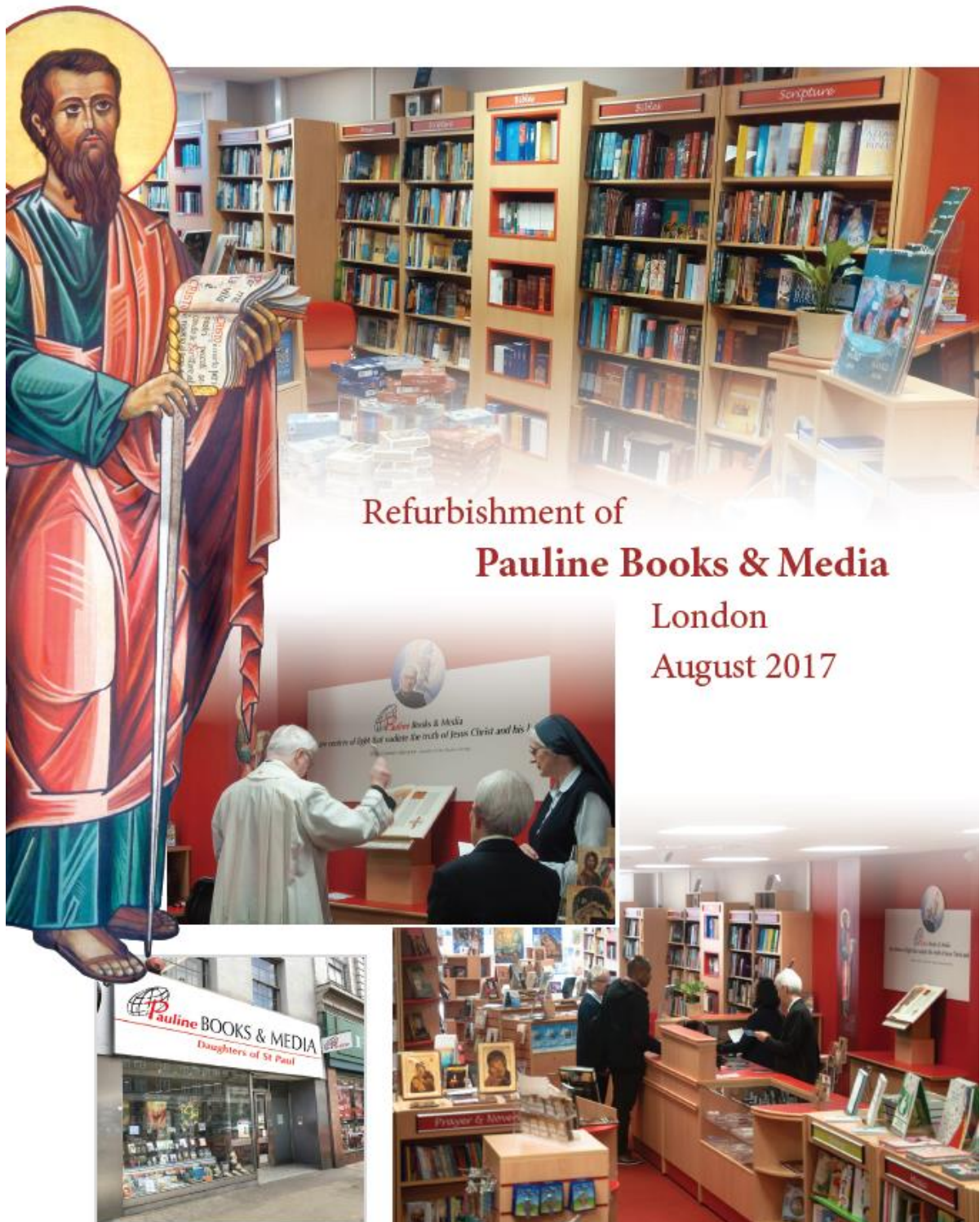


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The Trustees present their statutory report together with the accounts of the Pious Society of the Daughters of St Paul (the "charity") for the year ended 31 December 2017. The charity trades under the name Pauline Books & Media.

The accounts have been prepared in accordance with the accounting policies set out on pages 24 to 28 of the attached accounts and comply with the charity's trust deed, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) effective from accounting periods commencing 1 January 2015.

Introduction

The Daughters of St Paul (the "Congregation") is an international Roman Catholic religious Congregation founded by Blessed James Alberione in Alba, Italy, in 1915. Mother Thecla Merlo was the co-foundress and first Superior General of the Daughters of St Paul. On 1 January 2018, the Daughters of St Paul numbered 2,180 sisters throughout 51 countries and comprised 229 communities. The Congregation forms part of a worldwide group of Congregations known as the Pauline Family. The Daughters of St Paul follow the Congregation's Constitutions and Directory, approved by the Holy See on 26 January 1984.

Mission

As stated in the Constitutions of the Congregation, the name Daughters of St Paul expresses a fundamental relationship with St Paul the Apostle. The main objective of the Congregation is the perfection of charity (to be attained through the spirit and practice of the evangelical counsels of poverty, chastity and obedience in common life) and to communicate the Good News of Jesus Christ in the world with the most modern means of social communication.

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

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

Objectives, activities and relevant policies

Outreach

As Pauline Books & Media continues to reach out to new people, the sisters explore the most modern ways of proclaiming Jesus Christ to the world. Aware of the potential of the internet, email and developments in technology, they avail themselves of these new means in order to fulfil their mission and appreciate the interest and feedback they receive from the public.

General Government and British Delegation

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

General Governments of the Pauline Family

On 11 January 2017 the Participants at the XXXIV Meeting of the General Governments of the Pauline Family, of which the Daughters of St Paul are members, met in Rome for their Annual Meeting. During the Meeting special attention was given to the theme of Association of Pauline Co-operators. The leaders of the Pauline Congregations underlined the importance of our Lay Co-operators and of preparing for the celebration of the Centenary of the Foundation of the Association of Pauline Co-operators.

The British Delegation (Daughters of St Paul)

The British Delegation is made up of 22 sisters from 7 different countries: Kenya, the United States of America, Ireland, Italy, Malta, the Philippines and Scotland. Two of the trustees, Sister Mary Connell (Secretary) and Sister Rosetta Mignolli (Treasurer), reside at Convent of Our Lady, Langley. The third member of the trustee team, Sister Angela Grant, resides at our convent in Glasgow and supervises the Glasgow and Newcastle Pauline Books & Media Centres.

The Trustees are aware of their specific roles and ensure that all resources are used efficiently and effectively to further the charitable objects (evangelisation through the media of social communication). The Secretary, Sister Mary Connell, keeps up to date with Charity Commission and Office of the Scottish Regulator announcements and publications to ensure that the trustees comply with all legal and regulatory requirements.

Objectives, activities and relevant policies (continued)

The British Delegation (Daughters of St Paul) (continued)

Two members of our trustee team attended the Catholic Charity Conference held on 10 May 2017, at Church House Conference Centre, Westminster. The Conference was hosted by Sarasin & Partners. The theme was "Achieving local impact globally".

The Annual General Meeting of trustees took place at Langley on 1 June 2017. Members of the Delegation Council joined the meeting.

Trustee Training

Sister Angela Grant, trustee, attended Buzzacott's Trustee Training Workshop in January 2017. The Workshop provided trustees with an overview of their responsibilities in key areas of charity regulation.

General Government FSP (Rome) and Daughters of St Paul, Great Britain

In January 2017, Sister Anna Maria Parenzan, Superior General of the Daughters of St Paul, visited our communities in Great Britain: Langley, London, Liverpool and Glasgow. We shared our experiences of living together in community and working with the Laity in view of the common good as we carry out our mission of evangelisation through the media of social communication.

From 3-22 March 2017, two members of our General Council: Sister Anna Caizza and Sister Karen M Anderson carried out a fraternal visit to our 4 communities: Langley, London, Liverpool and Glasgow. They also visited Pauline Books & Media, Newcastle.

Langley

There are 13 sisters (4 nationalities) in the Langley community. The members of the Langley community are in good relationship with Bishop Peter Doyle (Northampton Diocese) and with the clergy, religious sisters, members of the local Holy Family Catholic Church and with other nearby non-Catholic Churches.

On various occasions members of the Anglican Church come to our Chapel to pray or to hold special meetings.

It is at Langley that we hold our Delegation Meetings, at least twice a year, when the sisters from the other three communities join the Langley community.

Objectives, activities and relevant policies (continued)

Langley (continued)

The theme of the 2017 *Week of Prayer for Christian Unity*, was “*Reconciliation: The Love of Christ*”. On 21 January, members of other denominations joined the Daughters of St Paul at our Chapel in Langley for a special service. It was a prayerful occasion during which those present shared their thoughts, hopes and prayers for reconciliation among all Christians, whether Catholics, Protestants or Orthodox, throughout the world.

The *Week of Prayer for Christian Unity* has a history of over 100 years.

Northampton

On Sunday 26 March, Bishop Peter Doyle (Northampton Diocese) and Father Kevin O'Driscoll, our local Parish Priest, shared a meal with our sisters in Langley. Bishop Peter expressed his sincere appreciation for our presence and mission in the Northampton diocese. We are grateful for the presence of Father Bosco who celebrates Mass at our Convent on a regular basis.

On Tuesday 27 September, our sisters in Langley welcomed Canon Kevin O'Driscoll and the newly arrived Father Michael Bates, Assistant Priest at Holy Family Church, Langley. Father Michael celebrates Mass once a week at our Convent in Langley.

Westminster: London

The year 2017 was a very special year for our sisters living in London. Pauline Books & Media underwent a period of restructuring of our apostolic Centre. On 13 July 2017, a pre-contract meeting was held at Pauline Books & Media Kensington High Street, London, regarding the refurbishment of Pauline Books & Media. Having discussed and approved the contract presented by OPEN London, a company of experienced architects and designers, the trustees agreed to sign the contract.

The Chapel space in our Kensington Centre was extended making the Chapel more spacious, a sacred space for prayer and reflection not only for our sisters and lay staff but also for those who frequent our Centre, which re-opened on 21 August. Monsignor Jim Curry (Parish Priest of Our Lady of Victories, Kensington), presided over the blessing of the Centre. Over 80 people attended the ceremony, including priests, teachers, sisters from various Congregations, friends and members of the public who frequent the Centre. All expressed their appreciation for our mission, especially in today's world. They also acknowledged the importance of the service offered to the public and the witness and commitment of our sisters and staff. The Daughters of St Paul thanked all involved in the successful outcome of the refurbishment.

Objectives, activities and relevant policies (continued)

Glasgow

While on visit to our Glasgow community, our Superior General, Sister Anna Maria Parenzan joined our sisters, members of staff and of the public, at Pauline Books & Media, St Enoch Square, for the celebration of Mass by Archbishop Emeritus Mario Conti. The Archbishop expressed his appreciation for our Pauline apostolate carried out in the heart of Glasgow.

On 4 February 2017, before leaving the UK to take up his new appointment to serve the Holy Father in the Secretariat of State with particular reference to the State of Italy, the Apostolic Nuncio Archbishop Antonio Mennini visited Pauline Books & Media Centre at St Enoch Square, Glasgow. He was impressed with the new Centre and openly expressed his appreciation for our Pauline Mission. During his visit he recalled his meeting with our Co-foundress Mother Thecla Merlo in Rome in 1950.

On 30 January, members of Pauline Books & Media from Glasgow and Newcastle met at our Centre at St Enoch's Square. It was an opportunity to offer ongoing support to our staff while also underlining the importance of customer service. Creative book marketing ideas to promote our centres were exchanged. The "Lent Book Bank" initiative was appreciated by all.

Liverpool

Archbishop Malcolm McMahon was appointed by Pope Francis on 21 March 2014 and enthroned in a special service at Liverpool Metropolitan Cathedral on 1 May 2014 before a Congregation of three thousand attendees. Among them were the Daughters of St Paul.

Archbishop Malcolm McMahon is a regular visitor to Pauline Books & Media in Bold Street and on special occasions celebrates Mass at our convent in Darby Road, Liverpool. The Archbishop is most appreciative of the service offered by Pauline Books & Media to the clergy, schools, people of the Archdiocese and the nearby Dioceses and to the many visitors to the city who also frequent our Centre in search of religious resources. As chair of the Catholic Education Service the Archbishop oversees 2,230 schools.

The trustees agree on the importance of maintaining our presence in Liverpool. At the present time we realise that the Centre is too big for purpose. We also agree that we need quality time to review our overall situation, including our property in Bold Street and our property at Thecla House, 16 Darby Road, Liverpool. The situation will be reviewed in 2018 when decisions will be taken by our General and Delegation Governments in the best interests of all concerned.

Objectives, activities and relevant policies (continued)

Newcastle

Two Councillors from our General Government, Rome, visited Pauline Books & Media in Newcastle. Councillors expressed their appreciation for the service and the various initiatives undertaken by staff members to promote the Word of God. The Councillors, together with Sister Angela Grant, met with Bishop Cunningham who is most appreciative of the service offered by Pauline Books & Media to the people of the diocese.

Employment, Pay Review, Insurance

The trustees keep up to date regarding employment legislation and during 2017 our Staff Policy, which was published in 2014 was reviewed. A copy of the Policy will be made available to each member of staff.

Pay Review

In February 2017, we carried out a pay review and ensured that each member of staff received the National Living Wage. Pauline Books & Media provides a workplace pension for all employees who meet the criteria governing automatic enrolment. Pauline Books & Media remains committed to adhering to the ongoing requirements governing automatic enrolment.

Safeguarding

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

Financial review

Results for the year

Total income for the year amounted to £1,097,476 (2016 – £3,078,319 of which £1,856,409 was the gain made on the disposal of the Royal Exchange Square premises in Glasgow). Of the total income, £1,013,421 was derived from the charity's primary purpose trading activities (2016 – £1,082,455).

Total expenditure for the year amounted to £1,445,521 (2016 – £1,613,972). Of this total, £1,439,228 (2016 – £1,461,924) was directly related to the costs of the charity's primary purpose trading activities. Despite operating in an increasingly cost competitive market, the charity has managed to maintain gross profit margins at an average of 45% (2016 – 45%).

Therefore, net expenditure for the year was £348,045 (2016 – net income of £1,464,347).

Financial review (continued)

Reserves policy

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

Financial position

The balance sheet shows total funds of £5,596,866. Of this, £4,371,571 (2016 – £4,440,712) represents the net book value of the charity's tangible fixed assets used to support the work of the sisters. A further £1,000,000 (2016 – £1,000,000) represents designated monies set aside to support the sisters in the long term.

Free reserves, therefore, are those shown on the balance sheet as general funds and amounted to £225,295 at 31 December 2017 (2016 – £504,199). The charity has in recent years been suffering annual deficits and there remains a desire to increase the amounts designated for the future care of the sisters – both of these factors will continue to place pressure on free reserves over the longer term and the trustees are considering options to manage this.

Future plans

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

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

Principal risks and uncertainties

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

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

Principal risks and uncertainties (continued)

Competition from large scale retailers

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

Planning for the care of elderly sisters

An analysis of the age profile of the members of the Delegation shows that the average age of members at 31 December 2017 was 70 years. The trustees are aware that there is both a moral and legal obligation to care for the older members. None of the sisters have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. As the age profile increases, so too does the need to provide care for the sisters. Key elements of the management of this risk are: (a) ensuring that the charity has the available financial resources to finance this care both now and in the years ahead by setting aside assets in a designated fund, the value of which has been based on actuarial principles, but constrained by the availability of unrestricted reserves; and (b) ensuring that processes are in place to review regularly the ministries and needs of individual sisters encouraging those who need it to take on less demanding ministries and for identifying those who need extra care and help.

Availability of financial resources

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

Governance, structure and management

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

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

Governance, structure and management (continued)

In terms of Civil law, the charity is governed by a Trust Deed dated 16 January 1987 and a Scheme of the Charity Commission dated 14 January 1997. The Charity Registration number in England and Wales is 296042. The Charity is registered with the Office of the Scottish Charity Regulator in Scotland (Scottish Charity Registration Number SC0 37889).

Trustees

The following trustees were in office at the date on which this report was approved and served throughout the year to 31 December 2017.

Trustee	Resigned
Sister Angela Grant fsp (Delegate Superior)	
Sister Mary Connell fsp (Secretary)	
Sister Gregoria Mignolli fsp (Bursar)	
Sister Germana Santos fsp	Resigned May 2018

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

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

Statement of trustees' responsibilities

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

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

- ♦ select suitable accounting policies and then apply them consistently;

Governance, structure and management (continued)

Statement of trustees' responsibilities (continued)

- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, applicable Charity Accounts and Reports Regulations, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006, and the provisions of the charity's trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Structure and management reporting

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

- ◆ Editorial/production: researching new products and arranging for their production and launch;
- ◆ Graphic design: an in-house origination and design service for new products, web pages and advertising;
- ◆ Wholesale sales at Slough: a warehouse operation, serving wholesale and retail outlets, Church and educational establishments;
- ◆ Retail sales: the retail operation of the Pauline Books & Media Centres in London, Liverpool, Newcastle upon Tyne and Glasgow;
- ◆ Marketing and publicity: market research, product publicity and trade exhibitions;
- ◆ Central administration: secretarial, accounting, finance and computer services;

Governance, structure and management (continued)

Structure and management reporting (continued)

- ◆ Website; and
- ◆ Communities: administration of the religious and private lives of the sisters.

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

Key management personnel

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

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

Members of the Delegation

At the end of 2017 there were 23 sisters in the British Delegation who live as part of four communities in Slough, London, Liverpool and Glasgow. The active sisters in the Delegation are employed as follows:

- ◆ Delegate superior: 1
- ◆ The retail centres: 11 sisters
- ◆ Accounts Department, Web, Production, and Wholesale operations: 5 sisters
- ◆ Secretarial work: 1 sister
- ◆ Graphic designer: 1 sister
- ◆ Home care: 4 sisters

The average age of the sisters in 2017 was 70 years. The sisters do not receive a wage for their services. They continue to use the wisdom and experience of the years as they hold administrative and responsible posts within the central administration, production and retail departments.

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

Governance, structure and management (continued)

Employees

The charity is an equal opportunities employer and will apply objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability. Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

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

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

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

Signed on behalf of the trustees:

Sr Mary Connell fsp
Trustee

Approved on: 4 July 2018

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

Opinion

We have audited the accounts of The Pious Society of the Daughters of St Paul (the 'charity') for the year ended 31 December 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the accounts:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 December 2017 and of its income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ◆ the trustees' use of the going concern basis of accounting in the preparation of the accounts is not appropriate; or
- ◆ the trustees have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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 and proper accounting records have not been kept; or
- ◆ the accounts are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

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

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

20 July 2018

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 2017

	Notes	Unrestricted funds	
		2017 £	2016 £
Income from:			
Donations and legacies	1	72,497	66,562
Bank interest	2	4,637	1,274
Charitable activities			
. Communications media income	3	1,013,421	1,082,455
Other sources			
. Gain on disposal of tangible fixed assets		100	1,856,409
. Foreign exchange gains		6,821	71,619
Total income		1,097,476	3,078,319
Expenditure on:			
Charitable activities			
. Spreading the Gospel through communications media	4	1,439,228	1,461,924
Other items			
. Loss on disposal of tangible fixed assets		—	262
. Foreign exchange losses		6,293	151,786
Total expenditure		1,445,521	1,613,972
Net (expenditure) income and net movement in funds	7	(348,045)	1,464,347
Reconciliation of funds			
Total funds brought forward at 1 January 2017		5,944,911	4,480,564
Total funds carried forward at 31 December 2017		5,596,866	5,944,911

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

Balance sheet 31 December 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	10		4,371,571		4,440,712
Current assets					
Stocks	11	302,218		310,358	
Debtors	12	92,324		105,864	
Short term deposits		800,000		—	
Cash at bank and in hand		173,272		1,308,395	
		1,367,814		1,724,617	
Liabilities:					
Creditors: amounts falling due within one year	13	(142,519)		(220,418)	
Net current assets			1,225,295		1,504,199
Total net assets			5,596,866		5,944,911
The funds of the charity:					
Unrestricted funds					
. Tangible fixed assets fund	14		4,371,571		4,440,712
. Designated funds	15		1,000,000		1,000,000
. General fund			225,295		504,199
			5,596,866		5,944,911

Approved by the trustees
and signed on their behalf by:

Sr Rosetta Gregoria Mignolli fsp
Trustee

Approved on: 4 July 2018

Statement of cash flows Year to 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(236,828)	(250,840)
Cash flows from investing activities:			
Bank interest received		4,637	1,274
Purchase of tangible fixed assets		(103,032)	(703,965)
Disposal of tangible fixed assets		100	2,296,892
Net cash (used in) provided by investing activities		(98,295)	1,594,201
Cash flows from financing activities:			
Net cash outflows from loan repayments		—	(421,208)
Net cash used in financing activities		—	(421,208)
Change in cash and cash equivalents in the year		(335,123)	922,153
Cash and cash equivalents at 1 January 2017	B	1,308,395	386,242
Cash and cash equivalents at 31 December 2017	B	973,272	1,308,395

Notes to the statement of cash flows for the year to 31 December 2017.

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

	2017 £	2016 £
Net (expenditure) income (as per the statement of financial activities)	(348,045)	1,464,347
Adjustments for:		
Depreciation charge	172,173	167,972
Interest receivable	(4,637)	(1,274)
Deficit on disposal of tangible fixed assets	—	262
Surplus on disposal of tangible fixed assets	(100)	(1,856,409)
Decrease in stocks	8,140	10,401
Decrease (increase) in debtors	13,540	(29,267)
Decrease in creditors	(77,899)	(6,872)
Net cash used in operating activities	(236,828)	(250,840)

B Analysis of cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	173,272	1,308,395
Short term deposits	800,000	—
Total cash and cash equivalents	973,272	1,308,395

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 2017 with comparative information provided in respect to the year to 31 December 2016.

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

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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

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

Critical accounting estimates and areas of judgement

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

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

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

Assessment of going concern

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

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due.

Income recognition

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

Income includes income from charitable activities, donations, bank interest and other income.

Income from charitable activities relates to the turnover derived from the charity's primary purpose trading activity, principally the sale of religious book, media and artefacts. The income is recognised when the significant risks and rewards of ownership have transferred to the buyer. This is usually when the stock has been dispatched to the customer.

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

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

The gains on the sale of property assets are 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.

Services provided by members of the Congregation

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

Expenditure recognition

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

All expenditure is accounted for on an accruals basis. The majority of expenditure is directly attributable and any apportionment between headings is negligible. The classification between activities is as follows:

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

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

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

Pension costs

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

Tangible fixed assets

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

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

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

Tangible fixed assets (continued)

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

Stocks

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

Debtors

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

Cash at bank and in hand

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

Creditors and provisions

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

Fund accounting

The tangible fixed assets fund comprises the net book value of charity's tangible fixed assets, the existence of which is fundamental to the charity being able to perform its charitable work and thereby achieve its charitable objectives. The value represented by such assets should not be regarded, therefore, as realisable.

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

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

Foreign currencies

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

Leased assets

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

1 Donations and legacies

	2017 £	2016 £
Salaries and pensions of individual religious received under Gift Aid or Deed of Covenant	40,354	35,389
Donations	27,143	31,173
Legacies	5,000	—
	72,497	66,562

2 Bank interest

	2017 £	2016 £
Interest receivable	4,637	1,274

3 Communications media income

	2017 £	2016 £
Turnover from trading activities	1,012,921	1,082,014
Royalties and copyright income	500	441
	1,013,421	1,082,455

4 Spreading the Gospel through communications media

	2017 £	2016 £
Costs of goods sold	593,770	622,576
Community living and personal expenses	134,139	125,479
Support costs (note 5)	711,319	713,869
	1,439,228	1,461,924

5 Support costs

	2017 £	2016 £
Staff costs (note 8)	216,901	224,270
Depreciation	172,173	167,972
Book centre and office expenses	307,130	312,052
Governance costs (note 6)	15,115	9,575
	711,319	713,869

6 Governance costs

	2017 £	2016 £
Auditor's remuneration	15,115	9,575

7 Net (expenditure) income and net movement in funds

This is stated after charging:

	2017 £	2016 £
Staff costs (note 8)	216,901	224,270
Auditor's remuneration		
. Statutory audit services	15,115	9,575
Rentals under operating leases	4,947	5,615
Depreciation	172,173	167,972

8 Staff costs and remuneration of key management personnel

Staff costs during the year were as follows:

	2017 £	2016 £
Wages and salaries	205,113	213,145
Social security costs	7,537	7,281
Other pension costs	4,251	3,844
	216,901	224,270

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

	2017 FTE	2016 FTE	2017 Average number	2016 Average number
Charitable activities				
. Spreading the Gospel through communications media	12	13	21	22

No employees earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year (2016 – none).

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

The trustees are all members of the Delegation and whilst their living and personal expenses are borne by the charity they receive no remuneration or reimbursement of expenses in connection with their duties to the charity (2016 – £nil).

9 Taxation

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

10 Tangible fixed assets

	Freehold land and buildings £	Fixtures and fittings £	Computer software and equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2017	5,683,144	846,885	458,545	57,809	7,046,383
Additions	10,981	71,485	9,011	11,555	103,032
Disposals	—	(177,229)	(7,758)	(6,749)	(191,736)
At 31 December 2017	5,694,125	741,141	459,798	62,615	6,957,679
At historic cost	5,291,028	741,141	459,798	62,615	6,554,582
At deferred cost (1997 valuation)	403,097	—	—	—	403,097
	5,694,125	741,141	459,798	62,615	6,957,679
Depreciation					
At 1 January 2017	1,469,728	694,305	390,358	51,280	2,605,671
Charge for the year	116,379	33,138	19,794	2,862	172,173
Disposals	—	(177,229)	(7,758)	(6,749)	(191,736)
At 31 December 2017	1,586,107	550,214	402,394	47,393	2,586,108
Net book values					
At 31 December 2017	4,108,018	190,927	57,404	15,222	4,371,571
At 31 December 2016	4,213,416	152,580	68,187	6,529	4,440,712

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

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

11 Stocks

	2017 £	2016 £
Finished goods and goods for resale	302,218	310,358

12 Debtors

	2017 £	2016 £
Trade debtors	21,221	21,773
Other debtors	647	5,394
Prepayments	49,035	34,345
Amount due from the Congregation's Generalate	21,421	44,352
	92,324	105,864

13 Creditors: amounts falling due within one year

	2017 £	2016 £
Expense creditors	73,628	111,685
Payments due in respect to tangible fixed assets	5,340	60,447
Other creditors and accruals	46,466	30,246
Deferred income	17,085	18,040
	142,519	220,418

14 Tangible fixed assets fund

	Total £
At 1 January 2017	4,440,712
Net movement in year	(69,141)
At 31 December 2017	4,371,571

15 Designated fund

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

	At 1 January 2017 £	New designations £	Transferred to general fund £	At 31 December 2017 £
Retirement fund	1,000,000	—	—	1,000,000

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

16 Analysis of net assets between funds

	General fund £	Designated fund £	Tangible fixed asset fund £	Total 2017 £
Fund balances at 31 December 2017 are represented by:				
Tangible fixed assets	—	—	4,371,571	4,371,571
Current assets	367,814	1,000,000	—	1,367,814
Creditors: amounts falling due within one year	(142,519)	—	—	(142,519)
Total net assets	225,295	1,000,000	4,371,571	5,596,866

17 Pension scheme

The charity operates a group personal pension plan. The assets of the plan are held separately from those of the charity in independently administered funds. Employees may contribute 3% of their gross salary to the plan, which is matched by an equal contribution from the charity. The pension cost charge represents contributions payable by the charity to the plans and amounted to £4,251 (2016 – £3,844).

18 Ultimate control

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

19 Related party transactions

Income from donations and legacies includes the salaries and pensions of certain trustees of the charity received under Gift Aid or Deed of Covenant. For the year ended 31 December 2017, the total value of these receipts amounted to £12,817 (2016 – £10,629). Other transactions with trustees are disclosed in note 8.