

**The
Order of
Friars
Minor
Charitable
Trust**

Annual Report and Accounts

31 December 2017

Charity Registration Numbers:
232177 (England and Wales)
SC039191 (Scotland)

Contents

Reports

Reference and administrative details of the charity, its trustees and advisers	1
Trustees' report	2
Independent auditor's report	18

Accounts

Statement of financial activities	21
Balance sheet	22
Statement of cash flows	23
Principal accounting policies	24
Notes to the accounts	30

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

Trustees	Rev Patrick Lonsdale OFM (Chairman) Rev Antony Jukes OFM Rev Edmund Highton OFM Rev Donal Walsh OFM Rev Isidore Faloona OFM The trustees are incorporated under the Charities Act 2011
Custos	Rev Patrick Lonsdale OFM
Custodial Secretary	Rev Antoine Baya OFM
Provincial Bursar	Rev Antoine Baya OFM
Principal address	The Franciscan Friary 557 High Road Woodford Green Essex IG8 0RB
Charity registration numbers	232177 (England and Wales) SC039191 (Scotland)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Solicitors	SBP Law Glade House 52-54 Carter Lane London EC4V 5EF
Stockbrokers	J M Finn & Co 4 Coleman Street London EC2R 5TA
Principal bankers	National Westminster Bank plc PO Box 3244 300 Romford Road London E7 9SH

Trustees' report 31 December 2017

The trustees present their statutory report together with the accounts of The Order of Friars Minor Charitable Trust for the year ended 31 December 2017.

The accounts have been prepared in accordance with the accounting policies set out on pages 24 to 29 and comply with applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102).

INTRODUCTION

The Order of Friars Minor was founded by St Francis of Assisi in 1209. It has maintained its essential character through the centuries. Friars live in communities, observing the Gospel of Our Lord Jesus Christ, under vows of poverty, celibate chastity and obedience, in accordance with the 'Rule of 1223' written by the Founder. The Minister General's headquarters are in Rome where he is assisted by a General Definitory or Council, governing the Order Worldwide. The British custody is part of the Order.

CONSTITUTION

The accounts accompanying this report are the accounts of the charitable trust on which the assets of the British Custody are held and through which its finances operate. The charity is governed by a trust deed dated 1 December 1963 as amended by a scheme dated 12 June 1973, and is registered under the Charities Act 2011. Since 2007 the trust has also been registered with the Office of the Scottish Charity Regulator (OSCR).

The trustees of the charity are an incorporated body under the Charities Act 2011.

ACTIVITIES, OBJECTIVES AND SPECIFIC POLICIES

The principal aims of the charity are the support of charitable purposes connected with the Roman Catholic Religion and the support of the charitable work of the Order generally. This work is described in more detail in the following paragraphs. Although the majority of friaries are situated in England, the charity had two houses in Scotland – Glasgow and Craigmillar (Edinburgh). The objectives described below apply in Scotland with special emphasis on the overseas mission work.

In setting out and planning the activities of the charity, the trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

ACTIVITIES, OBJECTIVES AND SPECIFIC POLICIES (continued)

Pastoral

The Order of Friars Minor in this Custody has four parishes in its care. Most of the friars of the Custody are engaged in pastoral and educational work – supporting and encouraging prayer and worship, administering the sacraments, preaching, teaching, providing spiritual and material sustenance to those in need. In addition, they give retreats and missions to other parishes and to convents. There is an obvious benefit from these activities, as they are designed to promote harmony and cooperation in the parishes concerned and in the wider community.

Educational

To be able to provide the pastoral and spiritual support mentioned above, the members of the Custody must have the opportunity to obtain firstly the initial formation needed in the preparation for their ministry and then the further training and formation to equip them to serve the Church and the faithful in a rapidly changing society. The trustees need, therefore, to keep a close eye on the requirements to remain active and fruitful preachers of the Gospel. In addition, the friars take an active interest and play a part in the provision of primary, secondary and tertiary education in the schools of their parishes. These schools have a Catholic ethos and have no restriction with regard to colour, race, or income, thus providing an obvious public benefit.

Overseas missions

The Order of Friars Minor is the largest missionary Order in the Church. This Custody began missionary work in India and South Africa over 60 years ago. Initially they sent men out to those countries to begin the work of serving the people and establishing a Catholic presence there. Over time these missions have grown and now provide their own indigenous friars. With the decline in vocations in this country, the support now takes the form of grants financed by donations from Franciscan parishes and educational assistance to overseas students at the Franciscan International Study Centre Canterbury and elsewhere.

Grant making policy

The bulk of the grants made by the charity usually arise through the restricted funds i.e. the Franciscan Missionary Union (FMU) and Saint Antony's Bread. In both cases money is deposited with the friars by the faithful to be used in the Franciscan missions and for the relief of poverty. The policy of the charity, therefore, is to use all the money so contributed for the furtherance of those two aims.

ACTIVITIES, OBJECTIVES AND SPECIFIC POLICIES (continued)

Grant making policy (continued)

In total, grants of approximately £496,000 (2016 – £274,000) have been made during the year both as direct donations from the income of the charity and from disbursement of contributions by the faithful to the FMU and St Antony's Bread. As usual, the Franciscan Missionary Union made contributions to missionary areas, especially in India and South Africa, for both general support and specific projects amounting to approximately £275,000 during the year (2016 – £178,000). Other grants outside the United Kingdom amounted to circa £160,000 (2016 – £43,000) including support to Franciscan students in poor countries. In addition, the charity makes a regular annual donation to about a dozen charities that provide services allied to the Franciscan ethos e.g. Shelter, NSPCC and CAFOD totalling circa £24,000 (2016 - £22,000). More details are given in note 4 to the accounts.

Investment policy

The charity has a portfolio of investments with a market value as at 31 December 2017 of £13,100,101 (2016 - £10,152,298).

The charity has set up a Sick and Retired Reserve to provide assistance to communities with elderly and infirm friars. This reserve is represented by a large part of the charity's portfolio of stocks and shares, managed under the guidance of a fund manager. The fund managers have been asked by the trustees to keep a prudent balance between gilts and equities and to ensure the risk is spread by investing in a wide range of industrial shares of the larger companies. The twin aims are to raise some income to support the present elderly friars and to achieve a capital appreciation so as to build up the fund for future years.

The trustees have also instructed the fund managers to refrain from buying shares in companies associated with armaments, tobacco and contraceptives, as well as any pursuing activities at variance with the charity's objectives. It has also recently disposed of its holdings in fossil fuel shares and invested in renewable energy instead, following the lead given by Pope Francis.

Review of the year

Pastoral work

Formation, training and education

This work involves liaising with the Order in Ireland, and the organising of three meetings a year of the Interprovincial Secretariat for Formation and Studies (ISFS). These meetings were attended by all friars involved in formation ministry in the Irish Province and the Custody in Great Britain. Antony Jukes has been the Secretary for Formation and Studies throughout the year.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the year (continued)

Pastoral work (continued)

Formation, training and education (continued)

As Secretary for Formation and Studies, Antony corresponded on a regular basis with members of the Irish Secretariat and members of the Formation Secretariat in Great Britain. He was also in correspondence with the Secretaries for Formation throughout the English Speaking Conference (ESC) of Franciscans. Antony was responsible for reporting back on meetings to the Custos in Great Britain.

Overseas missions

The Franciscan Missionary Union was established many years ago to help the Missionary endeavours of the Order of Friars Minor. In the 1930s and 1940s the then English Province established Missionary Dioceses in India and South Africa. The work done in both countries was considerable and is now in the care of indigenous Franciscan Friars.

The Franciscan Missionary Union has, therefore, opened out towards other Missionary endeavours in various parts of the world. While still keeping in contact with our older Missionary work in India and South Africa, we have branched out considerably to help the poor and marginalised in both East and West Africa as well as the Sudan and Eritrea. We also try to respond to emergency situations such as the Philippines and Haiti as well as endeavouring to answer calls for help from Pakistan. We endeavour to obtain detailed estimates and reports for any proposed projects. These grants are made to particular Franciscan Provinces and are administered by fellow Franciscans. The source of these monies comes from the wonderful generosity of friends of the Missions who continue to support the work done by the FMU.

Promotion of vocations

The website of the British Custody of the Franciscan Order of Friars Minor, www.friar.org, has been a great advert for interest in the Franciscan life, so that there are many enquiries emailed to the Vocations Director, coming from men of various age groups. Another means of communicating interest is by circulating vocation literature in the form of brochures and cards to parishes, University and School chaplaincies. During 2017, some brochures and cards have been sent, and some chaplains and priests have responded requesting a visit to meet and talk to the students and parishioners in various areas in England. The Vocations Director spoke during the Masses one weekend in our church in Glasgow about the Franciscan life and calling. At Woodford Green a few "Vocation Days and talks" were arranged for men showing an interest, with some Franciscans speaking on varied subjects on our vocation.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the year (continued)

Promotion of vocations (continued)

In 2017, enquiries on the Franciscan vocation totalled about 25 with about two thirds from outside Great Britain where we direct them to a more local Franciscan presence in or near to their own country. For those in Great Britain, contact is made, followed if thought suitable by a meeting. If this seems to go well, they are invited to one or two friaries. The opinions and observations of other friars are then sought before deciding on the next stages of possible application and assessments.

Vigilance with regard to the care of children and vulnerable persons, and relevant training

The friars of the Custody accepted at the November 2014 Chapter that we would co-operate fully with the implementation of the Safeguarding policies of the Catholic Church in England, Wales and Scotland. The trustees, at their monthly meeting as the Council of the Custody, include a review of safeguarding policies and any issues that may have been raised. The Custos and the Safeguarding Officer of the Custody have been in regular contact with the Diocesan Safeguarding Officer of the Diocese of Brentwood, with which the Order in Great Britain is aligned. They have also taken part in training sessions and conferences organised by the Conference of Religious of England and Wales. The Safeguarding Officer of Brentwood Diocese has been invited to address the Chapter of the Custody in July 2018.

The trustees have been notified of potential claims in respect to the care and welfare of children in the care of the charity during and after the 1960's. The amounts involved, if any, cannot be quantified at the current time.

Guardians' Report 2017

Canterbury

The Franciscan International Study Centre was closed during 2017 and the friary was also closed, the friars being transferred to other houses in the Custody. The Study Centre was sold and the proceeds shared between the Custody and The Friars Minor Conventual. Further detail is given in note 1 to the attached accounts.

Woodford

We are now a Community of 10 friars, having had three elderly friars join in 2017 from two closed friaries. Due to their own needs as well as essential work needed throughout an old building, renovation and decoration has taken place and been completed. This includes the upgrading of three ensuite bed and study rooms, other small rooms, the friary oratory, and some communal showers, along with renovation work in the flat area at the front of the house. These and other maintenance works on the house, roof, boilers and heating are ongoing and frequent works are being done now and in the immediate future on the friary and church, at great expense. One of the major changes in the house and to the benefits of some friars, is the installation of a domestic lift for easier access, and a second handrail for each stairway. It is a hope, that after maintenance on the roof of the friary, further renovation and decoration in the friary may continue, if we are to stay in Woodford.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the year (continued)

Guardians' Report 2017 (continued)

Woodford (continued)

Attached to the friary is a public church within a very large parish covering a big area, so we have many families, many of whom are young with children, attending here for religious services, catechetical education, socials, and meetings in the Friary public rooms and Becket Centre. Some of the Friars are directly involved in the parish assisted by a few other friars, with some now not so actively involved. What is vital and which happens in this active parish, are the many volunteer parishioners who give up some free time to serve and help in and out of the church and parish. Many are involved with charitable works to the poor, locally and from here outwards. People give food and clothing for the team who go fortnightly to the homeless. Homes and families who are in need, are helped and visited by some of the parish. So, we are not just in church praying to our God, but out to God on the margins and streets with the poor. The Becket Centre facilities are used by groups from the locality who may not be parishioners or members of the church. We see this as a good way of thanking the local population for having us here, living and working along-side so many who visit and come to us from the wider communities.

Craigmillar

The friary and parish were transferred to the Diocese of Edinburgh and St Andrews and the friars transferred to other houses in the Custody.

Stratford

Stratford is in a rapidly developing part of East London in the Borough of Newham. There are housing developments in the Olympic Park and on the road to Bow. Some of these developments are now finished and we are getting new parishioners e.g., from Chobham Manor. Along with the Stratford Churches Group we also try to reach out to the people of this area. The area is still in the process of developing transport links across London and Crossrail is due to be finished by the end of the year. Much of the development is by way of gentrification with parishioners struggling with accommodation problems.

The Parish is involved in various social activities:

- ◆ Providing tea/coffee and sandwiches for 20-30 homeless daily from Monday to Friday morning and on Saturdays, a hot meal to homeless people, all assisted by a lay Franciscan Group.
- ◆ Campaigning as a member of TELCO (The East London Communities Organisation, also known as London Citizens) for a living wage and for low cost housing on the Olympic Park.
- ◆ Hosting English classes for Brazilian workers.
- ◆ Welcoming many different ethnic groups from around the globe. There are more ethnic groups in the Borough of Newham than in New York.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the year (continued)

Guardians' Reports 2017 (continued)

Stratford (continued)

- ♦ Working with trafficked women/sex workers in an ecumenical collaboration with a neighbouring Anglican Parish.
- ♦ Providing support to our disadvantaged and local poor, through our St Vincent de Paul Society.
- ♦ Organising soup runs.
- ♦ Assisting with the local foodbank.
- ♦ Making available the Parish Hall for the hosting of various functions for community development purposes.

Clevedon

Two friars are in residence at the Clevedon friary. Another assigned there is in a home.

The friary church serves several towns and villages and has a church-going population of 260 whose spiritual needs are met through various liturgical celebrations as well as parish-visiting. The church has in the past been used for non-religious music functions. The church hall is used by various non-religious groups and local community groups including religious ones. It is also used for a variety of functions including exercise, art and language classes. The mother and toddler group meets every Friday. The hall is hired by the Rotary Club for quiz nights as well as for family celebrations. The spiritual needs of the Parish's primary school in Nailsea are also assured by the Superior of the friary who is also its Chaplain.

Glasgow

With the departure of one member, the community has been reduced to two friars, one aged 77 and the other 85 - both in good health.

Parish activities continue thanks to the great help and participation of many parishioners. The Halls of St Francis and Blessed John Duns Scotus, as well as our rooms, are available for use by the local community and include the AA and GA (Gamblers) groups, art classes and a reading and poetry group called "Oor Voices" and a slimming group. The "Bridging the Gap" group, with its weekly "Drop-in", provides interaction between local and immigrant groups as well as helping the transition of children from Primary to Secondary School. The halls also function as a food bank, venues for conferences of various sorts, and space for both religious and cultural activities e.g., for the Vietnamese and Tamil communities and for other functions beneficial to the local community. The St Francis Pipe Band, which celebrated its 90th anniversary last year, continues to make use of our facilities to train young people in the great Scottish tradition of the playing of the pipes and drums.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the year (continued)

Guardians' Reports 2017 (continued)

Glasgow (continued)

Church activities include Masses for Vietnamese and Tamil communities and the hosting of the Archdiocesan Youth on a monthly basis, St Vincent de Paul Society and Union of Catholic Mothers meetings, as well as the Council of Religious Safeguarding meetings.

The refurbishing of toilet facilities in both halls has been completed, including the establishment of baby change facilities.

Health and safety considerations are under constant review and kept updated. Child and vulnerable adult protection are ongoing concerns, with the Diocese providing an awareness programme attended by both Parishioners and others. Again, this is under constant review but we have an excellent co-ordinator whose ordinary full time job is in Safeguarding.

FUTURE PLANS

The Custody will celebrate its triennial Chapter in July 2018. This will include a review of events since the last Chapter (November 2014), planning for the future, and the election of a new governing body. With ageing and infirmity, we have fewer Friars capable of taking on key posts of leadership.

We celebrated the Ordination to Priesthood of one of our Brothers, Michael O'Grady, in March 2018.

The friary at Woodford Green will require further maintenance in the months ahead. The roof of the friary will need replacing and the Custody will fund the greater part of this expense. The roof of the church will need to be replaced at a later date.

Further work will be needed on the heating system. After extensive maintenance work over recent months there are still outstanding issues regarding the heating of the friary and the church. The Custody will also need to fund this work, at least in part. Since we have a number of elderly, semi-retired friars at Woodford Green, this will be regarded as a legitimate use of Custody funds.

FINANCIAL REVIEW

Investment performance

The portfolio comprises 52% equities, 22% gilts, and 26% unit trusts and fixed interest funds. The overall value of the portfolio increased by £2.95 million from a market value of £10,152,298 at the end of 2016 to a value of £13,100,101 at the end of 2017.

Income and expenditure

A summary of the year's results can be found on page 21 of this annual report and accounts. Total income amounted to £6,979,105 compared to £1,069,879 in 2016. The significant increase arises as a result of the donation received on the closure of the Franciscan International Study Centre in Canterbury. The donation amounted to £5,785,543. £2.5 million of the donation was paid during the year to the Order of the Friars Minor Conventual (Charity Registration No. 249881) which had been jointly responsible for the operation and ownership of the Centre. This payment has resulted in expenditure during the year increasing from £885,638 in 2016 to £3,729,058 in 2017.

Net income for the year before gains on investments, therefore, amounted to £3,250,047 (2016 - £184,241). Net gains on investments of £481,557 (2016 - £620,902) resulted in a net increase in funds for the year of £3,731,604 compared to £805,143 in 2016.

Financial position and reserves policy

The balance sheet shows total funds of £19,668,455 (2016 - £15,936,851). Of this, £586,365 (2016 - £616,184) is restricted for specific purposes. £554,974 (2016 - £572,685) is restricted in respect of the Franciscan Missionary Union, which receives money specifically for the Order's missions abroad. The remainder of the restricted funds represent a number of individually small funds made up of donations for specific purposes.

The charity has unrestricted funds of £19,082,090 (2016 - £15,320,667). Of this £2,660,309 (2016 - £2,621,467) represents tangible fixed assets. About 14 per cent of the total resources owned by the charity comprise tangible fixed assets. The Franciscan Custody in this country can only carry out the aims set out in the first part of this report if it has the use of such assets. Not only are the assets an essential prerequisite for the work of the Custody, but much of the property is not at the complete disposal of the Custody; if the trustees were to vacate any of this property they would regard themselves as obliged to offer it to the Bishop or some other religious order that was prepared to carry on the same work.

In these circumstances, therefore, it seems advisable to recognise the resource as a separate fund rather than as an available resource.

FINANCIAL REVIEW (continued)

Financial position and reserves policy (continued)

The charity has four designated funds.

The first of these is the Sick and Retired Reserve. The average age of the friars in the Custody is steadily increasing and the elderly and infirm friars now outnumber those who have to provide the supporting income. Given the small number of vocations in recent years, there may not be sufficient support available within the Custody unless some of the present resources are set aside for the future. A Sick and Retired Reserve has been set up to provide for the current members of the Order. The trustees propose carrying out an in-depth review of the anticipated cost of meeting retirement needs in the face of ever-increasing care costs. A further adjustment may be made to the Sick and Retired Reserve when the review has been completed.

The second designated fund is the Maintenance Fund standing at £1,000,000 at the end of the year. A quinquennial review carried out at the end of 2015 on one of the charity's major properties indicated that this fund will need to be enlarged over the next ten years in respect to that one property alone.

As mentioned above, the Custody is faced with a reducing number of friars in the coming years. That will of necessity give rise to decisions on changes to present activities and new ventures necessitating additional capital expenditure. Therefore, it is deemed prudent to set aside through a designated Mission and Development Fund a reserve which the trustees can utilise as and when needed for new initiatives in furthering the mission of the OFM.

The fourth designated fund is the Formation Fund which comprises monies set aside towards funding the formation and education of friars.

The amount of free reserves available after deducting the above designated funds and tangible fixed assets is £5,421,781 (2016 - £4,949,200). The policy of the trustees towards the General Reserve is to hold an amount roughly equivalent to one and a half year's unrestricted expenditure and this figure obviously exceeds that. However, the charity has recently embarked on a programme of quinquennial reviews of the charity's properties and it is expected that the results will show that significant investment will be needed in the properties over the next decade. Once the results of the reviews are known, it is the intention to increase the value of the Maintenance Fund thereby reducing free reserves.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Governance

Until 11 November 2014, according to the Statutes of the Order, the friars in Great Britain constituted a Province, i.e., an entity with more than forty professed friars. As such, the Province was administered by a governing body, known as the Definitory, consisting of the Minister Provincial, a Vicar-Provincial, and five other friars, elected by all the brethren at the triennial Chapter. The members of the Definitory were also trustees of the charity.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Governance (continued)

Because of the decreasing numbers and ageing of the friars, the Province became, as of the Chapter held in November 2014, a Dependent Custody of the Province of Ireland. In effect, for Canon law purposes, the friars in Great Britain became a semi-autonomous entity, led by the Custos and a Council of three friars. They were appointed by the Minister General of the Order, but after three years there will be an election of the Custos and Council and thereafter there will be an election every three years. Major appointments and decisions regarding the friars and houses of the Custody need to be ratified by the Provincial of Ireland and his Definitory. The trustees, however, continue to administer the charity and they are solely responsible for the financial management of the Custody.

The Council assigns friars to the various friaries and parishes served by the Franciscans and appoints officers needed for the administration of the Custody. Each friary has a Guardian and Vicar, appointed by the Council, who have responsibility for the friars in their community. The running of each friary is discussed regularly by the whole community.

As all trustees are members of the Order they have a detailed knowledge of the work of the charity and of its structure. On being appointed, new trustees are required to spend one full day with those trustees leaving office. They also meet with the Order's legal, accounting, investment and property advisers during the course of a day to obtain a full briefing of their responsibilities and the charity's position.

The names of the trustees who served during the year are set out as part of the reference and administrative details on page 1 of this annual report and accounts and brief biographical details on each of the trustees in office at 31 December 2017 are given below:

Reverend Patrick Lonsdale OFM

Father Patrick Lonsdale entered the Order in 1965. He gained a BA at the University of Kent in Canterbury. Since Ordination in 1974 he has worked in various friaries and parishes of the Custody, and has been Guardian at Craigmillar, Woodford, Forest Gate, Glasgow, Chilworth and Nottingham. He was also Parish Priest at Craigmillar, Glasgow and Chilworth. He was a trustee and Definitor from 1996 to 2005 and has been again since 2011. From 1996 to 2002 he was a member of a hermitage community at Penmaenmawr, which was a joint project with the Capuchins. Over the years Patrick has also served as Secretary of the Province, Vocations Animator, National Assistant to the Secular Franciscan Order and Secretary for Formation.

Reverend Antony Jukes OFM

Father Antony Jukes joined the Order of Friars Minor in 2002, having previously worked and completed his training as an accredited Chartered Accountant. As part of his formation as a Franciscan Friar, Antony completed a BA and an MA degree in Theology at the Franciscan International Study Centre in Canterbury. After ordination as a priest he served in our Franciscan parish in the Gorbals area of Glasgow for two years and then worked for two years in youth ministry at the Cold Ash Centre before returning to Canterbury to help with the formation of friars and to teach in the Study Centre.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Governance (continued)

Reverend Edmund Highton OFM

Father Edmund Highton has been a member of the Order since 1966. He had commercial experience of economics, commercial law and the finance of foreign trade through the "Institute of Export" prior to joining the Order. He spent many years as a missionary in South Africa, where he was a member of the Bishop's Council for about ten years with duties including the distribution of educational bursaries for secondary and tertiary education. He was a Parish Priest, caring for financial and pastoral concerns, from 1975 onwards. Now back in Britain, his present duties include the care of the Franciscan Missionary Union and being a Definitor of the Province.

Reverend Donal Walsh OFM

Father Donal Walsh entered the Franciscan Order in 1976, having worked in Government and Local Authority offices and as a hospital porter. Donal studied for the priesthood in London, Canterbury and Ireland and was ordained priest in March 1983. He has ministered in Ipswich, Nottingham, Glasgow (twice), Craigmillar, and now Woodford Green. Along with parish work, Donal has spent much of his ministry as a hospital chaplain to several hospitals and hospices, including full-time for nine years in Glasgow. Since April 2015 he has been Vocations Director for the Custody. He was appointed Guardian at Woodford in January 2015 and as Counsellor and Trustee for the Custody of the Franciscan Order in April of the same year.

Reverend Isidore Faloona OFM

Father Isidore joined the Order of Friars Minor in 1960. After completing his studies and ordination at East Bergholt, Suffolk in 1968, he was assigned to the parish at Forest Gate. He has served in Glasgow, Stratford, Edinburgh, Woodford Green, Clevedon, and now Craigmillar. He has been Guardian and Parish Priest in Stratford, Edinburgh, Woodford Green and at present in Craigmillar. In all this time he has been involved in parochial ministry. He was elected Councillor and a trustee for the Custody in October 2015.

Structure and management

The trustees are ultimately responsible for the policies, activities and assets of the charity. They meet monthly to review developments with regard to the charity and its activities and make any important decisions. When necessary, the trustees seek advice and support from the charity's professional advisers including property consultants, investment 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 Order or senior staff. Financial decisions are overseen by the trustees. Mandates with the principal bankers are in place, to the effect that any cheque above £5,000 must have two signatures, including one by a trustee.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Structure and management (continued)

The Custody comprises 34 friars (as at 31 December 2017) who lived as part of six communities during the year. Two of these community houses, whilst open for part of the year, were closed during 2017. The friary in Canterbury was closed and the property has been sold since the year end whilst the friary at Craigmillar, Scotland was closed and the property transferred for no consideration to the Diocese of Edinburgh and St Andrews. Three of the other community houses are situated in the South of England (Clevedon (Somerset), Stratford in East London and Woodford Green (Essex)) whilst the sixth community house is in Glasgow, Scotland. The four houses that remain open continue to exercise parochial responsibilities in collaboration with the bishops of the dioceses concerned.

As stated above, each community has a local guardian appointed by the Council. The local guardian is responsible for both the needs and the care of the friars in his community and he liaises regularly with the trustees. All local superiors meet together occasionally with the trustees to discuss developments and future plans and strategy.

Key management personnel

The strategic direction and the day-to-day management of the work of the charity is in the hands of the trustees and the Guardians at each friary. They are all members of the Order of Friars Minor and receive no remuneration for this work. All these friars have had many years' experience in the Order and are well aware of their responsibilities without the need for specific performance indicators.

Working with other organisations

The friars in the parishes served by the Custody work very closely with the bishops administering the dioceses within which the parishes are situated. That will include membership of the local deanery and helping out in neighbouring parishes where possible. In addition, most communities have a primary school in the parish and there is close connection with these schools as well as secondary schools serving the parishes of the friars. The friars are also engaged in working with statutory bodies, other Christian Churches, other faith communities, and other voluntary groups.

Trustees' responsibilities statement

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

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees' responsibilities statement (continued)

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

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the 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 judgments 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 are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, the relevant 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.

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. They also 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.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

The trustees have identified five main areas where risks may occur: governance and management; operational; financial; reputational; and regulatory.

- ♦ **Governance and management** looks at the risk of the Order, and hence the charity, suffering from a lack of direction, at the skills and training of its members and staff, and the good use of its resources.
- ♦ **Operational** looks at the risks inherent in the charity's activities including the members of the Order engaging in inappropriate activities, the unsuitability of buildings, poor maintenance, shortcomings in the services provided, poor health and safety, lack of a disaster recovery plan, etc.
- ♦ **Financial** risks include those arising as a result of poor budgetary control, inappropriate spending, poor accounting, inappropriate investment policies, etc.
- ♦ **Reputational** looks at possible damage to the Order's, and hence the charity's, reputation.
- ♦ **Regulatory** looks at the effects of government policies, the consequences of non-compliance with laws and regulations and poor risk assessment.

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. They also work in close collaboration with their insurers so as to maintain adequate coverage of the 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:

- ♦ The trustees are aware that there is both a moral and legal obligation to care for the older members of the Order. None of the friars 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 friars. 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 loosely based on actuarial principles; and (b) ensuring that processes are in place to review regularly the ministries and needs of individual friars 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)

- ♦ The charity donates significant sums in support of the work of the Order and other organisations. The vast majority of donations sent overseas are to fund projects administered directly by members of the Order. Whether or not the funds are used here in Great Britain or overseas, the trustees always ensure that they are fully briefed about and are 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 investment strategy is assessed regularly to ensure it remains appropriate to the charity's needs, both now and in the future.

Fundraising statement

The charity does not carry out any direct fundraising with the public. It does not use the services of any third party organisation to help in its fundraising activities and no complaints were received about its fundraising activities during the financial year. However, if a complaint was to be received, it would be handled by a trustee.

MEMBERS OF THE ORDER

The trustees wish to record their recognition of the professionalism and commitment of the individual members of the Order.

Their dedication and positive approach are much appreciated.

Signed on behalf of the trustees:

Patrick Lonsdale
Trustee

Approved by the trustees on: 4 July 2018

Independent auditor's report to the trustees of The Order of Friars Minor Charitable Trust

Opinion

We have audited the accounts of The Order of Friars Minor Charitable Trust (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 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).

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.

Use of our report

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.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

27 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 £	Restricted funds £	2017 Total funds £	2016 Total funds £
Income from:					
Donations and legacies	1	6,156,854	316,594	6,473,448	646,483
Investments and bank interest	2	391,116	550	391,666	392,217
Charitable activities					
. Church repository sales		13,762	—	13,762	13,920
Other sources	3	86,125	14,104	100,229	17,259
Total income		6,647,857	331,248	6,979,105	1,069,879
Expenditure on:					
Raising funds					
. Investment management fees		51,554	—	51,554	34,417
Charitable activities					
. Grant to the Order of the Friars Minor Conventual	1	2,500,000	—	2,500,000	—
. Grants and donations in support of the work of the Order and other charities	4	207,074	298,612	505,686	273,990
. Support of members of the Order and their ministry	5	596,612	62,455	659,067	566,133
. Supplies for church repositories		12,751	—	12,751	11,098
Total expenditure		3,367,991	361,067	3,729,058	885,638
Net income (expenditure) before gains on investments	7	3,279,866	(29,819)	3,250,047	184,241
Net investment gains		481,557	—	481,557	620,902
Net income (expenditure) and net movement in funds for the year		3,761,423	(29,819)	3,731,604	805,143
Reconciliation of funds:					
Total funds brought forward at 1 January 2017		15,320,667	616,184	15,936,851	15,131,708
Total funds carried forward at 31 December 2017		19,082,090	586,365	19,668,455	15,936,851

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

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

Income from church repository sales, investment management fees and expenditure on supplies for church repositories related wholly to unrestricted funds in both 2016 and 2017.

Balance sheet 31 December 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible fixed assets	11		2,660,309		2,621,467
Investments	12		13,100,101		10,152,298
			<u>15,760,410</u>		<u>12,773,765</u>
Current assets					
Debtors					
. Amounts falling due after one year	13	313,653		1,324,481	
. Amounts falling due within one year	13	1,245,121		68,219	
Cash at bank and in hand		2,501,617		1,819,957	
		<u>4,060,391</u>		<u>3,212,657</u>	
Creditors: amounts falling due within one year	14	(107,979)		(49,571)	
Net current assets			<u>3,952,412</u>		<u>3,163,086</u>
Total assets less current liabilities			<u>19,712,822</u>		<u>15,936,851</u>
Creditors: amounts falling due after more than one year					
.Grants payable	14		(44,367)		—
Total net assets			<u>19,668,455</u>		<u>15,936,851</u>
The funds of the charity					
Restricted funds	15		586,365		616,184
Unrestricted funds					
. Designated funds	16	11,000,000		7,750,000	
. Tangible fixed assets fund	17	2,660,309		2,621,467	
. General fund		<u>5,421,781</u>		<u>4,949,200</u>	
			<u>19,082,090</u>	<u>19,083,090</u>	<u>15,320,667</u>
			<u>19,668,455</u>		<u>15,936,851</u>

Approved by and signed
on behalf of the trustees by:

Patrick Lonsdale
Trustee

Approved by the trustees on: 4 July 2018

Statement of cash flows Year to 31 December 2017

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	A	2,886,734	(107,705)
Cash flows from investing activities:			
Investment income and bank interest received		389,389	394,740
Purchase of tangible fixed assets		(128,217)	—
Proceeds from the disposal of investments		697,581	321,832
Purchase of investments		(2,825,933)	(332,056)
Net cash (used in) provided by investing activities		(1,867,180)	384,516
Change in cash and cash equivalents in the year		1,019,554	276,811
Cash and cash equivalents at 1 January 2017		1,878,537	1,601,726
Cash and cash equivalents at 31 December 2017	B	2,898,091	1,878,537

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

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

	2017 £	2016 £
Net movement in funds (as per the statement of financial activities)	3,731,604	805,143
Adjustments for:		
Depreciation charge	89,375	88,820
Loss on disposal of tangible fixed assets	—	(1,871)
Gains on investments	(481,557)	(620,902)
Investment income and bank interest receivable	(391,666)	(392,217)
(Increase) decrease in debtors	(163,797)	32,583
Increase (decrease) in creditors	102,775	(19,261)
Net cash provided by (used in) operating activities	2,886,734	(107,705)

B Analysis of changes in cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	2,501,617	1,819,957
Cash held by investment managers	396,474	58,580
Total cash and cash equivalents	2,898,091	1,878,537

Principal accounting policies 31 December 2017

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

Basis of accounting

The accounts have been prepared for the year to 31 December 2017 with comparative information given in respect to the year to 31 December 2016.

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

The accounts have been prepared in accordance with the principles set out 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 UK 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 discount rate to be applied when calculating the present value of amounts receivable after one year; and
- ◆ estimating the amounts to be set aside as designated reserves.

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.

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.

Principal accounting policies 31 December 2017

Assessment of going concern (continued)

With regard to the next accounting period, the year ending 31 December 2018, 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, interest receivable, church repository sales, the surplus on disposal of assets and other income.

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

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

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

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

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

Principal accounting policies 31 December 2017

Income recognition (continued)

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. Income from repository sales is recognised when the risks and rewards of ownership have transferred to the buyer.

All other income is measured at fair value and accounted for on an accruals basis.

Expenditure recognition and the basis of allocating costs

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 governance support costs.

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. These costs are allocated directly to support of members of the Order and their ministry. All other costs are directly allocated to the headings in the statement of financial activities and there is no apportionment. The classifications in the statement of financial activities are as follows:

- a. The costs of raising funds comprise the fees paid to investment managers in connection with the management of the charity's investment portfolio.
- b. The costs of charitable activities comprise expenditure on the charity's primary charitable purposes as described in the trustees' report and include:
 - ◆ A grant to the Order of the Friars Minor Conventual as further explained in note 1 to these accounts.
 - ◆ Grants and donations in support of the work of the Order and other charities
This is made up entirely of grants, including grants to support the Order's generalate and grants in support of the Order's work both in the UK and overseas. Charitable grants and donations are included in the statement of financial activities when approved for payment. Provision is made for grants approved but unpaid at the period end.
 - ◆ Support of members of the Order and their ministry
This enables the members to carry out the charitable work of the Order in the areas of the advancement of the Roman Catholic religion and the relief of poverty.

Principal accounting policies 31 December 2017

Expenditure recognition and the basis of allocating costs (continued)

- ◆ Supplies for church repositories
This is expenditure on repository items, such as books, which are purchased for resale.

All expenditure is stated inclusive of irrecoverable VAT.

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
 - ◇ Parishes
The trustees are the legal owners of churches and other parish land and buildings. In the event of the Order ceasing its ministry in a parish, the trustees would consider themselves obliged to allow such assets to continue to be used indefinitely and rent free to meet the needs of the parish for a church and related accommodation. As such assets are not therefore susceptible to a meaningful valuation and there is no reliable information as to their cost, they are not valued for the purposes of these accounts.

The buildings consist of churches, presbyteries and parish halls and were constructed up to 100 years ago, with additions and improvements since. They are situated in Clevedon (Somerset), Yatton (Somerset), Stratford (London) and Woodford Green (London).
 - ◇ School occupied land and buildings
The freehold of the land and buildings legally owned by the charity and occupied rent free on behalf of the Trustees of Nottingham Academy are valued at £nil. The trustees consider that no meaningful value can be attributed to these assets, since they are not used directly by the charity, do not generate income and cannot be disposed of in the open market or put to alternative use while such occupation, which may be indefinite, continues.
 - ◇ Other land and buildings
Where these have been owned at least from 1983, they are stated at a trustees' valuation made in 1993 based on replacement cost for existing use. Under the transitional rules of FRS 102 this valuation is now regarded as deemed cost. Additions to other land and buildings since 1983 are stated at cost. 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 Order.

Principal accounting policies 31 December 2017

Tangible fixed assets (continued)

- ◆ Freehold improvements
Depreciation is provided at the rate of 5% per annum on cost in order to write each asset off over its expected useful life.
- ◆ Motor vehicles
Depreciation is provided at the rate of 20% per annum on cost in order to write each asset off over its expected useful life.
- ◆ 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.

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.

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 the 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.

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.

Funds structure

The funds of the charity are in the main unrestricted and available for use in furtherance of the charity's objectives at the discretion of the trustees. Within the total unrestricted funds of the charity are funds representing non-liquid assets and funds which the trustees have designated for specific purposes. Details of these are provided in notes 16 and 17.

Details of funds raised for a specific purpose or subject to donor-imposed conditions, and therefore restricted, are given in note 15.

Services provided by members of the Order

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

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 to the statement of financial activities on a straight-line basis over the term of the lease.

1 Income from: Donations and legacies

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Donations				
. Donation on closure of the Franciscan International Study Centre (Charity Registration Number 260851)	5,785,543	—	5,785,543	—
. Pastoral offerings	160,597	—	160,597	172,956
. General donations	10,579	197,345	207,924	192,725
	<u>5,956,719</u>	<u>197,345</u>	<u>6,154,064</u>	<u>365,681</u>
Legacies	75,318	119,249	194,567	160,521
Salaries and pensions of individual religious received under deed of covenant and Gift Aid	124,817	—	124,817	120,281
2017 Total funds	<u>6,156,854</u>	<u>316,594</u>	<u>6,473,448</u>	<u>646,483</u>
2016 Total funds	<u>300,905</u>	<u>345,578</u>	<u>646,483</u>	

The charity received a donation from the Franciscan International Study Centre (Charity Registration No 260851) on the closure and sale of the Centre in Canterbury. The trustees then agreed to make a donation of £2.5 million to the Order of the Friars Minor Conventual (Charity Registration No. 249881), a charity which had been jointly responsible for the operation of the Centre.

2 Income from: Investments and bank interest

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Income from listed investments	389,753	—	389,753	386,858
Other interest receivable	1,033	550	1,583	4,454
Unwinding of debtor held at present value (note 13)	330	—	330	905
2017 Total funds	<u>391,116</u>	<u>550</u>	<u>391,666</u>	<u>392,217</u>
2016 Total funds	<u>390,992</u>	<u>1,225</u>	<u>392,217</u>	

3 Income from: Other sources

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Rent and accommodation	7,379	—	7,379	8,495
Sale of books and artefacts	46,947	—	46,947	—
Sundry income	31,799	14,104	45,903	8,764
2017 Total funds	<u>86,125</u>	<u>14,104</u>	<u>100,229</u>	<u>17,259</u>
2016 Total funds	<u>9,158</u>	<u>8,101</u>	<u>17,259</u>	

4 Expenditure on: Grants and donations in support of the work of the Order and other charities

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
<i>Grants to institutions</i>				
Support of the Order's Generalate	—	—	—	8,000
For the relief of poverty and advancement of education and religion generally				
. Foreign Missions of the Order of Friars Minor	—	274,934	274,934	177,641
. Miscellaneous grants to institutions	25,493	12,930	38,423	32,492
For the advancement of education				
. OFM Generalate Economo (Poor Students' Fund)	160,235	—	160,235	21,300
For the advancement of religion				
. Support of Franciscan parishes in the UK- mainly church refurbishment	9,500	—	9,500	—
Other donations	11,846	10,748	22,594	34,557
2017 Total funds	207,074	298,612	505,686	273,990
2016 Total funds	83,591	190,399	273,990	

5 Expenditure on: Support of members of the Order and their ministry

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Living and personal expenses of friars	215,599	4,048	219,647	211,291
Premises	98,387	3,201	101,588	116,178
Depreciation of freehold property	81,204	—	81,204	78,640
Grants to former members	36,680	—	36,680	17,217
Friars' formation	60,774	6,202	66,976	59,112
Governance costs (note 6)	67,787	—	67,787	44,245
Other costs	36,181	49,004	85,185	39,450
2017 Total funds	596,612	62,455	659,067	566,133
2016 Total funds	536,631	29,502	566,133	

6 Governance costs

	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Legal and professional	64,459	—	64,459	26,664
Meeting costs	3,328	—	3,328	17,581
2017 Total funds	67,787	—	67,787	44,245
2016 Total funds	44,245	—	44,245	

7 Net income (expenditure) before gains on investments

This is stated after charging:

	2017 Total funds £	2016 Total funds £
Auditor's remuneration (including VAT)		
. Statutory audit services	13,200	13,200
. Other services	8,800	8,800
Depreciation	89,375	88,820
Operating lease rentals	1,716	2,026

8 Staff costs and remuneration of key management personnel

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 Guardians at each friary. They received no remuneration in the year (2016 - none).

There are no staff costs as the charity does not employ staff (2016 - none).

9 Trustees expenses and transactions with trustees

As members of the Order, the trustees' living expenses during the year were borne by the charity.

As members of the Order, none of the trustees have resources of their own as all earnings, pensions and other income have been donated to the charity under gift aid. During the year the amount donated by the trustees to the charity was £4,390 (2016 - £3,300).

The trustees have purchased insurance to protect the charity from any loss arising from negligent acts, errors or omissions on the part of the trustees and to indemnify the trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity during the year totalled £470 (2016 - £460) and provides cover of up to a maximum of £500,000 (2016 - £500,000).

10 Taxation

The Order of Friars Minor Charitable Trust is a registered charity and, therefore, is not liable to taxation on income and gains derived from its charitable activities, as it falls within the various exemptions available to registered charities.

11 Tangible fixed assets

	Freehold land and buildings £	Improvements to freehold buildings £	Motor vehicles £	Furniture and equipment £	Total £
Cost or valuation					
At 1 January 2017	3,932,129	—	104,530	2,399	4,039,058
Additions	—	128,217	—	—	128,217
Disposals	—	—	(26,150)	—	(26,150)
At 31 December 2017	<u>3,932,129</u>	<u>128,217</u>	<u>78,380</u>	<u>2,399</u>	<u>4,141,125</u>
At cost	931,822	128,217	78,380	2,399	1,140,818
At deemed cost (1983 valuation)	<u>3,000,307</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,000,307</u>
	<u>3,932,129</u>	<u>128,217</u>	<u>78,380</u>	<u>2,399</u>	<u>4,141,125</u>
Depreciation					
At 1 January 2017	1,319,166	—	97,465	960	1,417,591
Charge for the year	79,266	2,564	7,065	480	89,375
Disposals	—	—	(26,150)	—	(26,150)
At 31 December 2017	<u>1,398,432</u>	<u>2,564</u>	<u>78,380</u>	<u>1,440</u>	<u>1,480,816</u>
Net book values					
At 31 December 2017	<u>2,533,697</u>	<u>125,653</u>	<u>—</u>	<u>959</u>	<u>2,660,309</u>
At 31 December 2016	<u>2,612,963</u>	<u>—</u>	<u>7,065</u>	<u>1,439</u>	<u>2,621,467</u>

As permitted under Financial Reporting Standard 102 (FRS 102), the charity has continued to adopt a policy of not revaluing its tangible fixed assets.

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 some properties, i.e. the churches and other parish buildings, and the effects of inflation. The amount of such differences cannot be ascertained without incurring significant costs, which, in the opinion of trustees, is not justified in terms of the benefit to the users of the accounts.

The historical cost of the freehold land and buildings included above at a 1983 valuation cannot be ascertained with accuracy. Under the transitional rules of FRS 102 this valuation is now regarded as deemed cost.

12 Investments

	Total 2017 £	Total 2016 £
Listed investments		
Market value at 1 January 2017	10,093,718	9,462,592
Additions at cost	2,825,933	332,056
Disposals at opening book value (proceeds: £697,581; realised losses £35,484)	(733,065)	(310,299)
Unrealised gains	517,041	609,369
Market value at 31 December 2017	12,703,627	10,093,718
Cash held by investment managers for reinvestment	396,474	58,580
	13,100,101	10,152,298
 Cost of listed investments at 31 December 2017	 9,845,761	 7,670,566

Listed investments held at 31 December 2017 comprised the following:

	Total 2017 £	Total 2016 £
UK government securities	2,752,649	1,109,724
International fixed interest	37,593	36,296
Unit trusts	2,587,695	2,494,023
UK fixed interest	719,597	610,757
UK equities	6,606,093	5,842,918
	12,703,627	10,093,718

At 31 December 2017, the following individual holdings were deemed material in comparison with the market value of the entire listed portfolio held at that date.

	Market value £	Percentage of total portfolio %
United Kingdom Treasury 1.25% Index Linked 2025	1,110,780	8.7%
United Kingdom Treasury 0.125% Index Linked Gilt 22/03/29	1,006,245	7.9%

13 Debtors

	Total 2017 £	Total 2016 £
Legacy receivable	125,426	—
Taxation recoverable	—	8,112
Amount due from sale of books and artefacts	46,947	—
Loan to the parish of Clevedon (see below)	18,441	—
Prepayments and other sundry debtors	41,328	28,433
Proceeds from disposal of freehold properties (see below)		
. Amounts falling due within one year	1,012,979	31,674
	1,245,121	68,219
Proceeds from disposal of freehold properties (see below)		
. Amounts falling due after one year	313,653	1,324,481
	1,558,774	1,392,700

The loan to the parish of Clevedon in Somerset represents the balance on a loan advanced during the year to enable the parish to carry out refurbishment work. The loan is interest free and not subject to any specific repayment terms.

The charity has disposed of two properties in recent years for which the receipt of the proceeds is deferred.

1. In 2011 the charity disposed of a freehold property located in Chilworth, Surrey to another charity for agreed proceeds of £2.15 million. In 2014, the charity received £1.16 million as a part payment of these proceeds with the balance due on confirmation of the sale of a property by the purchaser. At 31 December 2017 £990,000 remained due, although £500,000 has been received since the year end in April 2018.
2. In 2012 the charity disposed of a freehold property in Dundee, Scotland for agreed proceeds of £510,000. Under the agreed payment schedule, £110,000 was received prior to 31 December 2015. A further £32,500 was received by the charity in 2016 and in 2017. The balance will be received as follows: 2018 - £20,000, 2019 - £25,000, 2020 and 2021 - £30,000 each year, 2022 and 2023 - £35,000 each year and £40,000 for each of the following four years. This sale agreement constitutes a financial arrangement as defined by FRS 102. Therefore, in order to comply with the Charities SORP FRS 102 and FRS 102 itself, the proceeds receivable from the disposal of the property have been discounted to their present value using an effective discount rate of 0.25%, the rate available to the charity on commercial bank deposits. The notional interest is credited to the statement of financial activities as the discount is “unwound”.

14 Creditors: amounts falling due within one year

	Total 2017 £	Total 2016 £
Grants payable	44,366	—
Accruals	22,000	23,387
Deferred income (see below)	20,232	24,784
Expense and other creditors	21,381	1,400
	107,979	49,571

14 Creditors (continued)

	Total 2017 £	Total 2016 £
Deferred income relates to payments for Masses and may be reconciled as follows:		
At 1 January 2017	24,784	23,814
Income deferred in the year	5,300	4,208
Amounts released	(9,852)	(3,238)
At 31 December 2017	20,232	24,784

15 Restricted funds

The income funds of the charity include the following restricted funds, comprising the unexpended balances of donations received for specific purposes:

	At 1 January 2017 £	Income £	Expenditure £	At 31 December 2017 £
Franciscan Missionary Union	572,685	319,871	(337,582)	554,974
Stratford Building Project	11,169	751	—	11,920
Other restricted funds	32,330	10,626	(23,485)	19,471
	616,184	331,248	(361,067)	586,365

The Franciscan Missionary Union represents monies received specifically for the Order's missions abroad.

The Stratford Building Project represents monies received specifically to assist with the remodification of buildings of a parish administered on behalf of the local diocese by the friars in Stratford, London. The majority of the building work was undertaken in 2010.

Other restricted funds represent a number of individually small funds made up of donations for specific purposes.

16 Designated funds

The unrestricted funds of the charity include the following funds designated for specific purposes.

	At 1 January 2017 £	Designated in year £	Utilised/ Released in year £	At 31 December 2017 £
Sick and retired reserve	6,000,000	2,000,000	—	8,000,000
Maintenance fund	750,000	430,184	(180,184)	1,000,000
Mission and development fund	1,000,000	—	—	1,000,000
Formation fund	—	1,000,000	—	1,000,000
	7,750,000	3,430,184	(180,184)	11,000,000

16 Designated funds (continued)

♦ Sick and retired reserve

This consists of monies which the trustees have set aside in order to provide for older friars and those in ill health. The reserve has been calculated so as to provide income to communities with elderly or sick friars to care for.

♦ Maintenance fund

The maintenance fund represents monies set aside by the trustees for the upkeep and repair of the buildings of the Custody. A quinquennial review carried out towards the end of 2015 on one of the charity's major properties indicated that this fund will need to be expended over the next ten years in respect to that one property alone.

♦ Mission and development fund

The mission and development fund comprises monies set aside towards funding new initiatives in furtherance of the mission of the Order.

♦ Formation fund

The formation fund comprises monies set aside towards funding the formation and education of friars.

17 Tangible fixed assets fund

	Total £
At 1 January 2017	2,621,467
Net movement in year	38,842
At 31 December 2017	2,660,309

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets. This fund has been established to recognise the fact that the assets are required for the day-to-day operation of the charity and are not available for other purposes or as a general reserve.

18 Analysis of net assets between funds

	General funds £	Designated funds £	Tangible fixed assets fund £	Restricted funds £	Total 2017 £
Fund balances at 31 December 2017 are represented by:					
Tangible fixed assets	—	—	2,660,309	—	2,660,309
Investments	2,100,101	11,000,000	—	—	13,100,101
Net current assets	3,366,047	—	—	586,365	3,952,412
Creditors: amounts falling due after more than one year	(44,367)	—	—	—	(44,367)
Total net assets	5,421,781	11,000,000	2,660,309	586,365	19,668,455

18 Analysis of net assets between funds (continued)

The total unrealised gains at 31 December 2017 constitute movements on revaluation and are as follows:

	Total 2017 £	Total 2016 £
Unrealised gains included above:		
On investments	2,857,866	2,423,152
Total unrealised gains at 31 December 2017	2,857,866	2,423,152
Reconciliation of movements in unrealised gains		
Unrealised gains at 1 January 2017	2,423,152	1,818,083
Less: in respect to disposals in the year	(82,327)	(4,300)
Add: net gains arising on revaluation in the year	517,041	609,369
Total unrealised gains at 31 December 2017	2,857,866	2,423,152

19 Ultimate control

The charity, which is constituted as a trust, was controlled throughout the period by the Order of Friars Minor by virtue of the fact that the Superior of the Province has the power to appoint the trustees.

20 Connected charities and related party transactions

The Order of Friars Minor Charitable Trust is connected to one other charity by virtue of the fact that the trustees of the Order have the power to appoint trustees of the connected charity and the charities use the same principal address.

The connected charity is:

Name	Charity Reg No	Charitable objectives
Commissariat of the Holy Land	263616	The support of the work of the Custody of the Holy Land, the advancement of the Roman Catholic religion and the relief of poverty.

The Order of the Friars Minor Charitable Trust is connected to the following charity with which it has two trustees in common.

Name	Charity Reg No	Charitable objectives
Franciscan International Study Centre	260851	Provision of courses in Franciscan Studies, theology and religious studies.

During the year, £nil (2016 - £nil) was granted to the Franciscan International Study Centre as disclosed in note 4 of these accounts.

During the year, the Franciscan International Study Centre closed and sold its property in Canterbury. Subsequently, a donation of £5,785,543 was received by the charity as disclosed in note 1 of these accounts.

21 Related party transactions

Rev Patrick Lonsdale, a trustee of the charity, is also a trustee of the St Francis Leprosy Guild, a charity which received a donation of £20,000 during the year (2016 - £600) from The Order of Friars Minor Charitable Trust.

Other than as disclosed in note 9, there were no further related party transactions (2016 - none).

22 Operating lease commitments

At 31 December 2017, the charity had the following future minimum commitments in respect of non-cancellable operating leases:

	Motor Vehicles	
	2017	2016
	£	£
Payments due in less than one year	420	921

23 Post balance sheet events

Since the year end the charity has disposed of two properties situated in Canterbury, Kent following the closure of the friary in 2017. The gross proceeds from the sale of the properties amounted to approximately £1.1 million. The net book value of the two properties in these accounts was approximately £360,000.

In addition, subsequent to the year end, and following the closure of the friary in Craigmillar, Edinburgh in 2017, the charity has made a grant to the Roman Catholic Diocese of Edinburgh and St Andrews of the properties in Edinburgh comprising the friary building and the church. The net book value of the properties in these accounts is £285,600. Negotiations with the Diocese were still ongoing at the year end and, as such, the transfer of ownership will be accounted for as a grant in the accounts for the year ending 31 December 2018.

24 Contingent liability

The trustees have been notified of potential claims in respect to the care and welfare of children in the care of the charity during and after the 1960's. The amounts involved, if any, cannot be quantified at the current time.