

**Society of
the Sacred
Heart
Charitable
Trust**

Annual Report and Accounts

30 June 2018

Charity Registration Number 227848



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Reference and administrative details of the charity its trustees and advisers

Trustees	Sister Christine Austin Sister Carol Condon Sister Maureen Cunnion (Resigned June 2018) Sister Christine Edwards Sister Jane Maltby Sister Sheila McNamara Sister Lorraine Pratt Sister Margaret Walshe The trustees are incorporated under section 251 of the Charities Act 2011 as “The Trustees for the Society of the Sacred Heart”.
Provincial Superior	Sister Jane Maltby
Administrative Address	3 Bute Gardens Hammersmith London W6 7DR
Telephone	020 8741 4688
Facsimile	020 8834 7380
Charity Registration Number	227848
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC Bank plc 53-55 Uxbridge Road London W5 5SA
Solicitors	Pothecary Witham Weld 70 St George’s Square London SW1V 3RD
Investment managers	Sarasin & Partners LLP Juxon House 100 St Paul’s Church Yard London EC4M 8BU

The trustees present their annual report together with the accounts of the Society of the Sacred Heart Charitable Trust (the 'charity') for the year ended 30 June 2018.

The accounts have been prepared in accordance with the accounting policies set out on pages 33 to 39 of the attached accounts and comply with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 United Kingdom and Republic of Ireland (FRS 102) have been followed in the preparation of this report and accounts.

Introduction

The Society of the Sacred Heart (the 'Society') is an international Roman Catholic religious order of women. It is governed by its own Constitution. The Society is present on all continents and in forty-one countries, and is divided into Provinces by country or region. The central government of the Society - the General Council and the Treasurer General – is based in Rome.

The Society established its first community in England in December 1842: it is now present in several locations around England and retains a retreat centre in Wales. In the Province of England and Wales we mostly live in small communities. Central to our lives is a rhythm of prayer and reflection in solitude and together. This pattern of prayer and reflection, coupled with the desire to live as simply as we can and to meet the needs of our world – locally, nationally and globally - supports us and challenges us to live gospel values and to keep alive a vision of a world where justice and peace may flourish and God's love be made known to all.

The international Society of the Sacred Heart holds a General Chapter every eight years, and the priorities set by this inform the direction and priorities of the members in the ensuing eight year period. The most recent Chapter was held in July-August 2016, and since then, the members of the England-Wales Province have met among themselves, and in a joint meeting with RSCJ from Ireland-Scotland, to begin to discern how these priorities will influence our lives and mission in the coming years. The four priorities of the 2016 Chapter are:

- ◆ To reach new frontiers – *geographical and existential*
- ◆ To live more humanly – *in the radical style of Jesus of Nazareth*
- ◆ To create silence – *to deepen our interior life*
- ◆ To be and to act as one Body – *to revitalise our unity in diversity*

In addition, there were seven recommendations:

- ◆ Sharing resources
- ◆ Service of Education

Introduction (continued)

- ♦ Vocation Ministry
- ♦ International Volunteer Service
- ♦ Justice Peace and the Integrity of Creation
- ♦ Languages in the Society
- ♦ Ways of organising ourselves

The accounts accompanying this report are the accounts of the Charitable Trust on which the assets of the Province of England and Wales are held and through which its finances operate. The charity is governed by a Trust Deed dated 27 March 1931 and is registered with the Charity Commission, Charity Registration No. 227848. An amendment to the Trust Deed was agreed and signed on 21 March 2013.

Objectives

The objectives of the charity cover a range of charitable activities, which include:

- ♦ The support of the members of the Society and their charitable works;
- ♦ The advancement of education;
- ♦ The advancement of the Roman Catholic religion; and
- ♦ The relief of poverty.

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

In preparing this report, we have focused on the ways in which we have sought to respond to the objective of the advancement of education.

This report will begin with an overview of our work in meeting the other objectives. However, much of our work is interwoven, and our core belief in God and our membership of the Roman Catholic Church underpins every aspect of our lives and mission, as do the Society's educational focus, our commitment to being at the service of the materially and spiritually poor and the marginalised, and the effort to meet the needs of our own members in this Province and in the wider international Society.

Review of activities

♦ **Support of the members and their charitable works**

The Society is obliged, legally and morally, to support its members and their charitable ministries. Because of their vow of poverty and the completion of a Deed of Covenant or Gift Aid declaration in favour of the charity, none of the members has resources of her own. Each one, however, has dedicated her life to the worship of God and the good works of the charity.

Review of activities (continued)

◆ Support of the members and their charitable works (continued)

Those who serve in the government and administration of the Province, Sisters and laity, do so in support of the members.

The local community is the primary place where each member receives the support she needs, for herself personally and in undertaking our charitable works. By their vows, made in and to the Society, the members ('Sisters' or 'RSCJ') are also committed, at local and structural levels, to facilitate each other's personal, spiritual and psychological growth and wellbeing.

Support of the members begins from the very first stages of formation and incorporation, and continues, in various ways, throughout our lives. Those in formation are enabled to attend courses and meetings with their peers in other congregations and in the Society in Europe, thus helping them to deepen their understanding of religious life and the spirituality and mission of the Society, and to grow in the relationship with God which will sustain them in living our aims and priorities.

We offer care to our sick and frail sisters in **Duchesne House**, a small care home run by an experienced manager who works closely with the Society of the Sacred Heart. The home receives consistently good reports from the Care Quality Commission and the manager is often called on to advise other care homes. The aim of the home is to enable the sisters to live their lives as fully as possible until the end. This year, changes in community mean numbers have fluctuated between nine and thirteen resident sisters, although, as they themselves say: *We see 'community' as the household; the sisters, each one of whom is here because she needs some sort of support; the care staff and all who contribute to our health and well-being. This includes domestics, cooks, co-ordinators and other regular visitors/volunteers.*

Two sisters who live nearby support the community and others visit regularly. The Society appoints a chaplain and two part-time community coordinators, who, along with these two sisters, cover the week between them, responding to the pastoral, spiritual and social needs of the sisters. They also facilitate communication with families and friends, and links with the local community, including the local nursery and primary schools, who visit at certain times, and use the chapel for Mass. Wherever possible, the resident sisters are encouraged and supported in pursuing personal interests and hobbies, in attending Province meetings and in going on outings.

Review of activities (continued)

◆ **Support of the members and their charitable works** (continued)



Our Superior General and the General Council visiting Duchesne House as part of their visit to the Province in March 2018

The Society continues to review the care and support provided to its older members. Consequently, an extensive refurbishment is currently taking place at Duchesne, in order to extend the care possibilities there to include people who are semi-independent, as well as to make the building more up-to-date, and in line with current best practice in Elder Care. The project is under the direction of an award-winning architect and has been on-going the whole of this year. Certain unforeseen obstructions have extended the period of reconstruction but the results so far are excellent. The resident community and the wider Province have been involved at every stage of the planning and execution of the project.

The Society is very aware of the support its members receive from colleagues and employees, and always seeks to find ways to include them in events and acknowledge their contribution. Just as the sisters at Duchesne have widened their definition of 'community' to include the entire household, so the Province-wide community includes those colleagues whose contribution enables us to live our mission as fully as possible. Our senior colleagues meet together annually, and reflect on their collaboration with one another and with the sisters.

◆ **The advancement of the Roman Catholic religion**

Since its foundation in 1800 the 'end and mission' of the Society of the Sacred Heart has been to make known the love of God, and all the members are committed to this, whatever their ministries or circumstances. By living vowed lives exemplifying Gospel values in the context of the Roman Catholic Church, we are each and all contributing to the advancement of religion.

Review of activities (continued)

♦ **The advancement of the Roman Catholic religion** (continued)

Some of the members carry out their ministries in specifically Roman Catholic contexts, but most have an outreach to people of all faiths and none. We believe that by our presence, as well as the witness of our activities, we meet this object of the charitable trust. Members contribute to the achievement of this objective through their work and presence in parishes, chaplaincies and local communities, in ministry with young Catholics, in ecumenical and inter-faith settings and in spirituality and formation in faith and prayer.



Sister Margaret Wilson with the two girls she prepared for Confirmation in Walker, Newcastle

In October 2017 the Province opened a new community in Thornley, Co Durham. Like the community in Walker, Newcastle, the sisters live in a former presbytery, and have been finding ways to engage with Catholics and others through participating in local ecumenical events and programmes, as well as initiating some spiritual and community activities in the parish and taking Communion to housebound, often isolated parishioners.

Members of this community also offer spiritual direction, as do several other sisters who have been trained in this. Sisters Pat Murphy and Sheila McNamara both do this full-time, as well as providing supervision and directing retreats in some residential centres, including Llannerchwen, in Wales, which is owned by the Society but managed on our behalf by two lay women. Sister Sheila is also part of the Hexham & Newcastle Diocesan Spirituality Network, leading quiet days, retreats and sessions for a variety of groups around the diocese. She also belongs to a team which trains others in spiritual accompaniment. Sister Pat is also a visiting Director at St Beuno's retreat centre in Wales.

Review of activities (continued)

◆ The advancement of the Roman Catholic religion (continued)

Meanwhile, in Roehampton the community members at Rodway Road have made a commitment to support the chaplaincy at the University of Roehampton; they also liaise with the Chaplaincy Community Workers, one of whom is financially supported by the Society, who live with and support the students at Barat House, as they aim to build up community among themselves. One of these sisters, Sister Lorraine Pratt, is part of the Province Young Adults Ministry group, which meets two or three times per year, to support each other in their work and to provide a “sounding board” for new ideas and initiatives. She, and Sister Silvana Dallanegra, also support Sister Barbara Sweeney in her ministry of meeting with and accompanying women who are discerning the possibility of religious life.

Sister Barbara is also Vicar for Religious in Hexham & Newcastle Diocese, and says of her work: *I arrange two meetings per year for the Association of Religious, looking for ways to support religious in the diocese, and host a small group every two months in our house. Along with a small steering group, we also look for ways to raise the profile of religious life and let our voice be heard. Two members of our Association are now members of the newly constituted Diocesan Lay Council.*

◆ The relief of poverty

The Society's commitment to the poor and the marginalised and to justice, peace and the integrity of creation, permeates so much of our lives and our choices, individually, as local communities and as a Province community. The Province also administers the Ministry Support Fund (MSF), which every spring gives grants to small, often local projects nominated by RSCJ who are in some way associated with them.

Much of this aim is fulfilled through volunteering, although Sister Silvana Dallanegra is employed by Caritas Westminster, the social action agency of the Archdiocese of Westminster, and part of the Catholic Church's worldwide Caritas family. The Province also supports the work of Sisters Chris Austin and Monica McGreal, who work with Fair Trade and specifically with Traidcraft.

Several RSCJ volunteer in projects supporting refugees, or working to alleviate material poverty, or the poverty of social isolation. Sister Margaret Walshe, for example, volunteers with the local Irish Pensioners' Group, while the Wednesday café run by the Walker community enables elderly members of the parish community to meet each other as well as young mothers and their children. Meanwhile, the Boleyn Road community in East London aims to be good neighbours in a highly diverse, multi-cultural, multi-faith setting, sharing their neighbours' celebrations as well as their times of sorrow and stress.

Boleyn Road and Walker are both in areas of urban deprivation, whereas Thornley is an ex-mining village, in a region with pockets of economic and social deprivation, exacerbated by poor transport links.

Review of activities (continued)

◆ The relief of poverty (continued)

Sister Anne Martin, who lives in Binegar, near Shepton Mallet, focuses on meeting the needs of those around her living in rural poverty and isolation. In addition to her involvement in various projects, she emphasises the need for personal contact: As rural poverty is so hidden it is often only through personal contact that one discovers needs and can help someone. But she has also been able to work and achieve things in less hidden ways, and reports: *During the past year I registered Shepton Mallet as a Dementia Action alliance, and with a growing number of organisations and businesses, work to make the town a place where those with dementia can live as fully as possible.*



At the end of a presentation on migrants and refugees by Florence de la Villeon RSCJ, we showed our willingness to 'share the journey' (an international campaign by Caritas)

◆ The advancement of education

The Society of the Sacred Heart was founded in Paris in 1800 in the aftermath of the French Revolution, with the aim of aiding the rebuilding of a fractured society through the Christian education of girls. In this Province we expanded from providing schools for girls to running co-educational primary schools, secondary schools and teacher training colleges, one of which is now incorporated into the University of Roehampton. Over the past fifty or so years, however, as our understanding of education broadened, many of our sisters moved out of working in schools, with several re-training and working in related fields, and newer members discerning different ministries according to their background and skills.

But whatever we do, there is a strong educational dimension to the lives of all of the members which permeates all our ministries, service and relationships. This implies a willingness to be open to accept, listen to, and learn from others, and a generosity of spirit which leads each one to give freely from her experience and wisdom, desiring the growth and development of the other.

Review of activities (continued)

♦ The advancement of education (continued)

For many, this daily effort to live in genuine relationships of mutual interaction is lived out in a variety of contexts and in collaboration with many other people so that together all may grow.

Only two members of the Province currently work in formal education: our candidate, Sharon Mbotela, who is a classroom assistant in a school for children with special needs, and Sister Siobhan Burke, who works as a maths coach at a school originally founded by the Society and currently part of the Province's Network of Schools. She writes:

This year has been my third year working at Sacred Heart High School in Newcastle. It is a girls' school for students aged 11 to 18, with a cohort of 1,400 from a wide variety of backgrounds. The proportion of girls supported through the pupil premium (additional government funding for looked after children, those from service families and pupils known to be eligible for free school meals) is above the national average. An above-average proportion of girls is from minority ethnic groups and a well-above average proportion speaks English as an additional language.

My role is as a maths coach, which involves supporting students with maths on a one to one basis, as well as assisting in classes. I work with students who struggle with maths, helping them to understand maths better as well as helping them to believe more in themselves and their abilities. A new initiative this year was to run after-school tuition sessions for any students that wanted to sign up. The uptake was fantastic, especially amongst GCSE students, with almost every available slot taken. Around 40% of the students signing up were pupil premium students, giving them the opportunity of free maths tuition that they would otherwise be unlikely to be able to access.

Some sisters are on the governing bodies of schools: Sister Margaret Wilson was a governor at the Sacred Heart Catholic High School, Fenham, Newcastle; Sister Margaret Walshe at a London primary school and Sister Janet Hopper at the Sacred Heart High School in Hammersmith, London, the one school still in the trusteeship of the Society in this Province. Sister Chris Edwards and Sister Lorna Brockett serve on the Council of Roehampton University; Sister Lorna is a member of the Honorary Awards Committee and of the recently established Equality, Diversity and Inclusion Committee, set up to further these objectives among staff and students of the University. Sister Chris is on the ad hoc group appointed for the recruitment of a new Vice Chancellor. Sisters Chris and Lorraine Pratt are members of the Digby Stuart Liaison Group, and also meet individually with the Head of Digby Stuart College, the Chaplain and other members of the team to support the development of the mission in Barat House, and to explore ethos within the College.

Review of activities (continued)

♦ The advancement of education (continued)

Having retired from teaching, some sisters now volunteer in local primary schools, and all those who live near to or have connections with a Sacred Heart school will join the school for special events and Masses. In October 2017, the Society established a new community in Bute Gardens, beside the Sacred Heart High School in Hammersmith. Although they do not work in the school the sisters would nonetheless like to make a contribution to its life, and they have met with a couple of senior staff to explore some possible ways they could more concretely support them in developing our Sacred Heart charism and ethos within the school, with staff and pupils.



Other sisters have been able to transfer their skills and experience as educators to related fields. One example is Sister Lorraine Pratt (pictured left, in pink scarf), who teaches sacred dance, leads dance retreats and runs study days for those wanting to explore dance. In East London Sister Carol Condon has been teaching English to migrants for over twenty years, and has been able to develop her practice over time, aiming to address largely unmet needs she identifies in her students, and in the local community. She writes:

When I began a class for Literacy for Migrants some years ago I knew there were people who could never have kept up with the demands and rigours of a regular class and the speed of change from spoken to written English. Few are eligible for work through age or ill-health, but they do manage to attend and some are beginning to read now; but it is slow work for older adults who speak little English, though they have lived in England for many years, or who have never known school life. Presently I have thirteen students though the ideal number for individual reading would be eight but we manage with a lot of goodwill and patience on everyone's part. Some have been with me for some years, some attend pro-tem until registered classes are available to take them. Some also come pro-tem but then decide to stay.

It seems that this class is answering a need that most other English classes cannot. We are grateful to Applecart Arts which is still available and willing to accommodate us.

This broader understanding of our educational mission means that whatever our ministry, we approach and carry it out with the hearts of educators. For example, Sister Silvana Dallanegra says this about her work for the Catholic social action agency Caritas Westminster:

Review of activities (continued)

♦ The advancement of education (continued)



My role means working very closely with parishes and schools, to help them grow in awareness of issues and needs, and to support them in their responses and any projects. We use a programme, Love in Action, which is based on Catholic Social Teaching, and can be adapted for different age groups and contexts. As well as running the programme in some parishes I have also developed and delivered workshops on themes like motivation and befriending, in which participants are encouraged to reflect on their own experience, to share and learn from each other. I have also adapted Love in Action for different groups, such as teenagers preparing for Confirmation.

In schools I have developed assemblies and workshops for reception, primary and secondary pupils. In two schools I have also helped with the formation of Caritas Ambassadors, who will become the school's leaders in awareness-raising and social outreach. Catholic Social Teaching is part of the RE syllabus, but in my work I hope to enable these children and adolescents to see it as much more than a subject to be learnt – rather, it's about how they live, their attitudes and responses.

My Sacred Heart and ministry worlds came together in June: at the Sacred Heart Mass at the Hammersmith High School I presented badges to the new Caritas Ambassadors, and spoke briefly about the connection between our charism and the ethos of Caritas.

Meanwhile, in Walker, Sister Margaret Wilson has become increasingly involved in Capacitar training (a health and wellness training programme), and has been co-leading the national training at St Antony's Priory in Durham. In October she resigned as a Governor of Sacred Heart High School in Fenham and offered to work with small groups of children by developing a 'Capacitar for Kids' programme. This was a successful programme, the groups consisting of girls who had either behavioural problems or issues connected with anxiety or confidence. She worked alongside the School Chaplain and School Counsellor and all the sessions were co-ordinated by the Head of Pastoral Care. Contact was also established with the primary school, and with her co-trainer she then offered a four session training to staff in both the high school and primary school and fourteen staff were released from class to take part. It was a very successful training programme and was supported by the Ministry Support Fund. Sister Margaret has also worked with a small group of staff from the parish primary school in Walker for a number of health and wellbeing sessions.

Review of activities (continued)

♦ **The advancement of education (continued)**

The Sacred Heart Schools and College Network

Through the Sacred Heart Schools and College Network we support the work of schools and a college founded by the Society, but which have since been handed over to others to manage. The English Network is part of a European Network, and also has close links with the United States/Canada Network and with schools and their staff in other countries. The Society employs a Network Co-ordinator, Ms Hilary Thompson, and we will end this section with her report on a few aspects of her work this year:

Following on from the Society's Chapter Calls and in keeping with the bicentenary of one of our earliest sisters, St Rose Philippine Duchesne's crossing the Atlantic, "Crossing Frontiers" has become a theme in the Schools and College Network this year. The sisters, through the Ministry to Young Adults group, decided to create a "Frontiers Award" to mark the 175th anniversary of their arrival in England. This is a section from the document sent to the Network:

"Through the award the Society would like to support the promotion of student involvement, understanding and leadership in activities related to the Frontiers Calls from their Chapter. Interested students will be invited to submit applications to their institution explaining their particular project. To win the award their project should challenge them to cross "frontiers". It must be related to one or more of the criteria which are drawn from the Call of the Society's Chapter. The project should include first-hand experience.

The Award could be given to an individual or a group."

Students from the school in Hammersmith completed the application process during the summer term and were awarded £500 to share over two projects, one connected with homelessness, the other with loneliness in old age. The other schools will be completing their applications in the next academic year.

The story of Philippine has been highlighted in the schools and College through sessions on her life at the Goals Coordinators' Meeting in September 2017 and with key Digby Stuart staff in March 2018. The refurbished hall space in the High School in Newcastle has been named the Rose Auditorium. Assembly themes throughout the network have encouraged students to reflect on their own frontiers and how to develop the skills and qualities to cross them.

Our internationality was celebrated when eight schools leaders, the Network Coordinator and two RSCJ participated in the European Sacred Heart Network's Conference held at the Colegio Sagrado Corazon in Placeres, Pontevedra, Spain in October 2017.

Review of activities (continued)

◆ **The advancement of education (continued)**

The Sacred Heart Schools and College Network (continued)

The theme was “Heart and Mission”, with two main presentations: the first inviting leaders to reflect on their own spiritual development and the second on the call to educate the young to care for creation, looking specifically at the papal document, *Laudato Si*. There were a range of workshops for the delegates too. The conference, held every four years, is an opportunity to build relationships and community across the province networks and schools. This can lead to joint projects and exchanges involving students.

The network coordinator and a group of school leaders were invited to speak with members of the Society’s General Council during their visit to the province in March 2018. The leaders shared their understanding of Sacred Heart Education and how they saw this in action in their schools. They spoke about how they valued the connection with the Society and the gift the charism brought to the schools. It was a very positive and affirming meeting.

Sacred Heart Primary School in Newcastle was delighted to welcome a sister from India who was in England for an international experience. She spent time working with different classes.

Another new venture for the network coordinator came when she was invited to collaborate with Margaret Wilson RSCJ leading a 2-day session on “Education and the Society of the Sacred Heart” for the European novices, at a session held in Roehampton in June 2018. She led sessions on the origin of the educational calling of the Society, Janet Stuart and Education, and Sacred Heart Education in schools today. The group also visited the Sacred Heart Primary School in Roehampton where they heard about the many strategies the school has to engage its many socially deprived students



Review of activities (continued)

♦ The advancement of education (continued)

The Sacred Heart Schools and College Network (continued)

The high school in Newcastle has become part of a Multi Academy Trust (MAT) in partnership with one primary school presently, but soon to be joined by Sacred Heart Primary School as well. The network coordinator, already a member to the Governing Body of the high school, was asked to join the Trustees of the MAT as the Society's representative.

Our usual programme of conferences continued during the year for staff and students. At the moment we are preparing for the next 'Heartfest' gathering of students representing all the schools and the College, in October 2018. There has been much fundraising in all the schools over the year for a variety of charities, some appeals for Sacred Heart Educational establishments in the developing world, specifically a nursery in Jakarta and a primary school in the Kibera slum in Nairobi. The connection brings home to our students the differences in opportunities across the world.



Sister Jane Maltby and Sister Teresa Ryden (currently serving in Indonesia) accepting a cheque for £12,000 raised by pupils at Sacred Heart High School, Hammersmith, for the nursery in Jakarta

Future plans

We will continue to work with the other provinces of Europe in a process towards the restructuring/networking of the European provinces. The specific topics to be concentrated on this coming year are a) The Initial formation of our members across our European provinces and the planning for a European noviceship to commence in 2021. b) Networking in other areas of ministry, e.g. schools, eldercare, etc. c) The encouragement of grass-roots gatherings for ministry and support, e.g. in age cohorts etc.

Future plans (continued)

Following the 2017 Assembly of our members with those of the province of Ireland-Scotland, we are implementing the Action Plan drawn up at the Assembly, and are actively supporting the groups created to take forward ways of working more closely together. A Biography workshop will take place during the coming year. There will be another inter-provincial Assembly in April 2019, to continue this work.

We will review the Province strategic plan for the use of our assets and resources for the sake of mission, and make adjustments as needed.

Our November and March Province days will provide opportunities for us to review the recommendations of the Central Team, following their visit this year, to assess our current reality and province needs, and to prepare for the change of Province leadership next year.

We will have an annual team building day for our senior lay staff from across the Province, seeking to inform and involve them in the development of our policies and action plans.

We will complete the refurbishment of our care home, Duchesne House. Our earlier plan to enable our Care Manager to experience good practice in other homes for religious sisters, and encourage her to make full use of the new opportunities that the refurbishment will offer, had to be put on hold because of the demands on her time during the works. We will ensure that this necessary up-dating will take place once the building is completed.

We will induct the newly-appointed Health Advisor into her role and ensure that the membership take advantage of her support and advice.

During the year to 30 June 2018, the trustees discussed with their professional advisors the benefits of converting the charity from a charitable trust to a Charitable Incorporated Organisation (CIO). The advantages and drawbacks of a CIO were discussed together with the key issues to consider. Agreement was reached and a decision was made to request Stone King LLP to draw up the necessary documents to incorporate a Charitable Incorporated Organisation registered with the Charity Commission.

Draft documents, including the proposed constitution and by-laws, were reviewed by the trustees and approved. Authorisation was given for Stone King LLP to submit the application for the establishment of the new CIO and, thereafter, to request the necessary Order to enable the activities, assets and liabilities of the charitable trust to be transferred to the CIO. It is anticipated that the activities, assets and liabilities of the charitable trust will be transferred to the CIO, Society of the Sacred Heart CIO (Charity Registration No 1179288), by deed of transfer effective as at midnight on 30 June 2019.

Relevant policies

◆ Investment policy

The charity has a number of investment properties which are occupied by tenants at a market rent determined by the trustees with professional advice. At 30 June 2018 the market value of the investment properties was £2,350,000 (2017 - £2,960,000).

The charity has a portfolio of listed investments, which together with cash held by the investment managers for investment, had a value of £33,995,024 at 30 June 2018 (2017 - £32,157,672).

There are no restrictions on the charity's power to invest.

The listed investments of £32,320,713 held at 30 June 2018 (2017 - £32,079,418) were managed by Sarasin & Partners LLP, who operated within specific guidelines which are set and regularly reviewed by the trustees.

The investment strategy is set by the trustees and takes into account income requirements, the risk profile and, in respect to listed investments, the investment manager's views of the market prospects in the medium term. The overall policy with regard to listed investments is to maximise total return through a diversified portfolio, aiming to provide the level of income advised by the trustees and, at the same time, with a view to ensuring that the real capital value of the fund exceeds inflation over any five year period. The investment policy requires the investment manager to take account of the ethical, social and environmental concerns of the trustees as expressed in the policy.

The trustees, or representatives of the trustees, meet with the investment manager regularly to review the performance of the portfolio and the investment strategy. The target income for 2017-2018 has been met.

The performance of the charity's listed investments has improved with the portfolio giving a capital return of 0.75% (2017 – 8.91%). The income yield for the year was 3.19% (2017 – 3.34%).

The charity has invested £529,598 (2017 - £525,128) with Dynamic Cash Management, an organisation which advises on the placement of cash balances with the United Kingdom registered banks and building societies, with a view to maximising interest receivable.

The charity also has funds invested with Oikocredit, Ecumenical Development Co-Operative Society U.A. This represents an ethical investment which is not held specifically to make a financial return but is held in support of development projects which benefit disadvantaged and marginalised individuals. As a result, these funds are deemed programme related investments and are included on the balance sheet at cost. The cost of the funds held at 30 June 2018 was £242,211 (2017 - £239,836).

Relevant policies (continued)

◆ **Investment policy** (continued)

The charity owns a property that is leased to the Medaille Trust at a peppercorn rent. The Medaille Trust uses this property to provide accommodation to those who have been victims of human trafficking. This represents property which is not held specifically to make a financial return and directly furthers the charitable purposes of the charity. As a result, this property is considered to be a programme related investment and has been included on the balance sheet at cost, less any provision for diminution in value, of £600,000.

The trustees are satisfied that the charity's investment objectives are being met.

◆ **Donations and grant making policy**

Donations and grants, principally for the support of those organisations with objectives consistent with those of the charity, are decided on by the trustees. The charity supports the work of the Society overseas by means of donations to the Generalate. These are in support of the Congregation's Solidarity Fund and administration of the central governance.

During the year £870,226 (2017 - £285,327) was donated to individuals, small and large organisations.

Further details can be found in note 5 to the attached accounts.

◆ **Fundraising policy**

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 senior member of staff or trustee.

Financial review

The Province now has 49 members, all of whom have given their working lives to the charitable activities of the Society. Where their work is for organisations or institutions independent of the charity, any earnings are covenanted to the charity; however, as the average age of the membership is increasing, there is a reduction in the earned income generated by members. The charity has an ongoing commitment to support members of the Society, many of whom continue doing charitable work well past the normal age of retirement. With 90% of the Province at retirement age the investment income will continue to be relied upon to supplement the decline in salary and pension income. Sufficient funds need to be built up to ensure that investment income will guarantee the continuance of ministries, development of the Novitiate, as well as provision for present care needs and future retirement.

Financial review (continued)

As the aims of the trustees for the coming year show, the charity will continue to support members of the Society who in the main will undertake voluntary work in the areas of education, healthcare, social and pastoral provision as an expression of their commitment “to radiate the very love of the Heart of Christ through love and service” (Constitutions Para 7).

For the purposes of the accounts, no monetary value has been placed on the services of Sisters working in the care home or administrative services provided by members of the Society, either in the provincial offices or in communities throughout the Province. As Sisters retire from these positions, both care and administrative costs will rise as paid staff are engaged to replace Sisters.

A summary of the year’s results can be found on page 30 of this report and accounts. The figures represent the financial underpinning of the work of the Society.

During the year the total income was £8,465,886 compared to £2,189,778 in the previous year. The increase was mostly due to the surplus on disposal of properties of £5,990,255.

Expenditure totalled £3,527,405 (2017 – £2,823,067).

Net income for the year, therefore, amounted to £4,938,481 (2017 – net expenditure £633,289) before net investment gains. The net investment gains of £241,295 (2017 – £3,222,718) give rise to a net increase in funds of £5,179,776 (2017 – net increase in funds of £2,589,429).

Reserves policy

The trustees have examined the requirement for free reserves, i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The trustees consider that, given the nature of the charity’s work and the on-going commitment to support members of the Society, the level of free reserves should be approximately equal to one year’s expenditure on unrestricted funds.

The trustees are of the opinion that this provides sufficient flexibility:

- ◆ to cover temporary shortfalls in income due to timing differences in income flows;
- ◆ to ensure adequate working capital for core costs;
- ◆ to allow the charity to cope and respond to unforeseen emergencies whilst specific action plans are implemented.

Financial position

The balance sheet shows total funds of £51,454,722 (2017 - £46,274,946), and of this £7,488,183 (2017 - £6,472,160) represents the tangible fixed assets used by the sisters. The tangible fixed assets fund represents the net book value of the charity’s tangible fixed assets. A decision was made to separate this fund from the general fund in recognition of the fact that the freehold property and other tangible assets are used in the day to day work of the charity and the fund cannot therefore be realised easily if needed to meet future contingencies.

Financial review (continued)

Financial position (continued)

Similarly, those investments held as programme related investments are held as a separate designated fund - the programme related investments fund. These investments comprise land and buildings owned by the charity but used by another charity with charitable objectives consistent with those of the charity, and equity shares in Oikocredit, Ecumenical Development Cooperative Society UA, an ethical investment which finances development projects benefiting disadvantaged and marginalised people. It is the intention of the trustees that such assets should continue to be used for these purposes for as long as needed and as such their value should not be regarded as realisable with ease in order to meet future contingencies and/or obligations.

An amount of £16,500,000 (2017 - £18,500,000) has been designated by the trustees to provide for the sisters in their retirement. The value of the fund has been calculated using actuarial principles to provide for each of the Province's sisters. Given the increasing age profile of the sisters and few new vocations this sum will provide only modest resources to look after the sisters, many of who will need increasing support and increasingly expensive residential and nursing care. There is also £1,395,076 (2017 - £1,384,962) designated to care for the elderly religious in Malta.

The building maintenance fund of £5,000,000 (2017 - £3,000,000) is used to support an action plan for the charity's properties, several of which are in need of substantial maintenance work. The ministry support fund will be used to support charitable work and at 30 June 2018 amounted to £500,000 (2017 - £200,000) whilst the international development fund of £6,000,000 (2017 - £3,500,000) will be used to support the international work of the society. A social justice fund of £7,500,000 (2017 - £5,000,000) is used to provide funds in support of social justice activities. One further designated fund is the Barat House Hostel fund of £117,142 (2017 - £94,401). (See note 20).

Funds which are available to support the work of the sisters in the future are shown on the balance sheet as general funds and amount to £6,101,479 (2017 - £8,112,792).

The trustees are aware that this level of reserves is in excess of the amount required by the above policy. However, they are aware also of the charity's dependence on its investment portfolio for income. Given the continuing volatility in world stock markets, the trustees believe that it is prudent to hold the high level of free reserves at the present time.

The charity's assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the accounts.

Governance, structure and management

◆ **Trustees**

On 26 July 2016 Sister Jane Maltby began her second three year mandate as Provincial Superior, supported by her Provincial Council – Sister Carol Condon, Sister Sheila McNamara and Sister Lorraine Pratt.

Governance, structure and management (continued)

♦ Trustees (continued)

New trustees are appointed by those trustees already in office at the time of the appointment and the process of appointment is organised by the Chair of Trustees, the Provincial Superior. At any one time there must be a minimum of six trustees but not more than twelve trustees.

Members of the Provincial Council, who are nominated by the members of the Province of England and Wales with nominations being ratified by Rome, are three of the trustees.

The remaining trustees have all held posts of responsibility within the Province and are well equipped through experience, skill and qualification to exercise the duties of trusteeship.

The following trustees were in office at 30 June 2018 and served throughout the year except where shown:

Trustees

Sister Christine Austin
Sister Carol Condon
Sister Maureen Cunnion (resigned June 2018)
Sister Christine Edwards
Sister Jane Maltby
Sister Sheila McNamara
Sister Lorraine Pratt
Sister Margaret Walshe

Brief biographic details of the current trustees are as follows:



Sister Christine Austin is a retired teacher who worked in Secondary Education in the Society's boarding schools at Woldingham and in Kalungu, Uganda. She also taught at St Julian's in Malta. For the last 25 years she has done voluntary work promoting Fair Trade, particularly with Traidcraft and has been involved in raising awareness of Third World issues. Sister Christine joined the Trustees in January 2011. She is a member of the Finance Advisory Committee.



Sister Carol Condon is a qualified teacher and RGN with an additional certificate in ESOL. Her experience has been in private then comprehensive schools and in NHS hospitals. However, her most significant time has been in care, teaching and management within the voluntary sector. For the last 25 years she has lived in a religious community which has chosen to be in multicultural area where all this variety of life's experience is an advantage. Since reaching retiring age she is engaged in teaching ESOL and literacy to adults in a community centre and at home, most of which is on a voluntary basis. She is a member of the Provincial Team.

Governance, structure and management (continued)

♦ Trustees (continued)



Sister Christine Edwards has held a variety of teaching posts in the course of her professional career and has also engaged in youth work. Her last post was as chaplain at a diocesan girl's school in London. She was Chair of Governors to the Sacred Heart Comprehensive School in Newcastle-upon-Tyne for three years. She was a member of the Provincial Team for several years until summer 2009 and was appointed the Canonical Treasurer for the Province in July 2010. She retired from this position in March 2014. She is currently a member of Council at the University of Roehampton. She chairs the Investment Committee.



Sister Jane Maltby worked for many years in primary education, and as a head teacher also enjoyed networking with a variety of groups outside school – colleagues, parents, parish workers etc. An increasing interest in inter-generational relationships within families, as well as the internal world of the child, led her to undertake a four year post-graduate training in child psychoanalysis. Jane subsequently worked in this field, both with individual children and adolescents up to 18 years,

and with their families, as well as consulting professionals supporting families. Following eight years serving at the international level of the Society, and visiting Sisters in all the continents, she worked for four years as a consultant to a variety of international and local groups, facilitating meetings, team building sessions etc. Since July 2013 she has been the Provincial Superior of the Society of the Sacred Heart in England-Wales Province.



Sister Sheila McNamara has worked for many years in Primary Education as a classroom teacher, Deputy Headteacher and Acting Headteacher in schools on Tyneside and North London. Following further study in Dublin in 2000, she continued her journey in education as Diocesan Primary Schools Adviser first in the Archdiocese of Westminster for six years and then in the Diocese of Hexham and Newcastle for seven years. For the last seven years her ministry has been in spirituality, accompanying others in their spiritual journey, leading days of reflection and retreats.

Her passion for nurturing the spirituality of the educator inspires her to lead sessions on a local and national level with school staff and leaders. She has served on a number of Provincial Committees as well as serving two years as Chair of Sacred Heart High School, Hammersmith. At present she is a member of the Provincial Team.



Sister Lorraine Pratt has spent almost all of her life working in education, as head of department in the Sacred Heart Comprehensive School in Newcastle, chair of governors at the Sacred Heart School in Hammersmith, a Diocesan Youth Officer, school chaplain and living with the student community both in Oxford and London. Sister Lorraine also helps young people begin to see their contribution to society by exploring how they themselves can develop. She works with adults using dance as a medium for both enjoyment and spiritual growth.

Governance, structure and management (continued)

◆ Trustees (continued)



Sister Margaret Walshe is a retired teacher who has taught in schools for the Society in Tunbridge Wells, Woldingham, Fenham and Malta and been a lecturer in Professional Education at Roehampton University. She has served on the Executive Committee of the Provincial Bursars Association and was Provincial Bursar from 1996 to 2007. Between 1989 and 1995 she was a member of the Provincial Council. She has been on the governing bodies of Digby Stuart College, the schools in Fenham and Woldingham and been a member of Roehampton University Council. In retirement she is a volunteer with the Pensioners Group at the local Irish Centre, and is a Governor at a primary school in Richmond-on-Thames.

◆ Trustees' responsibilities statement

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

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

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

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

Governance, structure and management (continued)

♦ **Management**

The trustees have the final responsibility for the policies, activities and assets of the charity. They meet annually to review developments with regard to the charity and to make significant decisions. The day-to-day management of the charity's activities and the implementation of policies are delegated to:

- ♦ The trustees, three of whom, together with the Provincial Superior, form the Provincial Council;
- ♦ The Finance Advisory Committee; and
- ♦ The appropriate senior staff.

♦ **Key management personnel**

The trustees consider that they together with the Finance and General Manager and the Care Manager of Duchesne House comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

All trustees are members of the Society and, whilst their living and personal expenses are borne by the charity, they receive no remuneration or reimbursement of expenses in connection with their duties as trustees.

The performance and pay of the Finance and General Manager and the Care Manager of Duchesne House is reviewed annually. The commitment to staff is to pay them a fair and appropriate salary that is affordable. This is to attract and retain people with the right skills and who, therefore, will have the greatest impact on delivering the charity's objectives.

♦ **Connected charity**

Details of the connected charity are given in note 23 to the attached accounts.

♦ **Risk management**

The management of risk is an on-going process and the trustees undertake regular reviews of the principal risks and uncertainties that the charity faces. They regularly review the measures already in place, or needing to be put in place, to establish policies, systems and procedures to mitigate those risks identified in the annual review and ensure that action is taken to implement changes to those policies, systems and procedures should they be needed to minimise or manage any potential impact on the charity should those risks materialise.

Following a trustees' meeting devoted entirely to this area, the following risks faced by the charity were identified together with the principal ways in which they are mitigated:

Governance, structure and management (continued)

◆ **Risk management** (continued)

◇ Loss of key staff

The people who work for the charity are a key resource and the charity does all it can to ensure that it has good employment practices and fulfils its duty of care to its employees. The charity is reliant on a small number of key staff – in particular, the Finance and General Manager and the Care Manager at Duchesne House. There is an overriding commitment to pay all employees fair and appropriate salaries and to ensure that staff receive the training they need to enable them to carry out their roles and contribute positively towards delivering the charity's objectives. Wherever possible, the charity aims to enable staff to develop their skills and knowledge so as to attract and retain the right people and to build into contracts of employment notice periods that provide some protection to the charity.

◇ Age profile of the members and over-commitment of a few in administration

An analysis of the age profile of the members of the Society shows that the average age at 30 June 2018 was 78 (2017: 78) years. The trustees are aware that there is both a moral and legal obligation to care for the older sisters. None of the sisters have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. As the age profile increases, so too does the need to provide care for the sisters. Key elements of the management of this risk are: (a) ensuring that the charity has the available financial resources to finance this care both now and in the years ahead by setting aside assets in a designated fund, the value of which has been based on actuarial principles; and (b) ensuring that processes are in place to review regularly the ministries and needs of individual sisters encouraging those who need it to take on less demanding ministries and for identifying those who need extra care and help.

All our committees are up to strength, and we are involving our new entrants in serving on these committees in order to train them for the responsibilities of the Province. We encourage participation from all the members, and constantly involve them in processes of decision making.

◇ Safeguarding

Members of the charity work with children and adults, including older people, and the trustees recognise the importance and necessity of ensuring the protection and safety of all those that the charity services. This means that sisters who are employed or engaged in any ministry, work or volunteering with children or vulnerable adults must obtain clearance from the Disclosure and Barring Service (DBS) and receive training regarding safeguarding. Staff employed at Duchesne are also required to obtain clearance from the Disclosure and Barring Service and also undergo regular safeguarding training. Policies are updated and reviewed on a regular basis.

Governance, structure and management (continued)

◆ **Risk management** (continued)

- ◇ IT service for both the Treasurer's Office and Secretariat are currently not reliable

The charity has experienced quite significant problems with the IT service this past year. The trustees have assessed the situation, have appointed alternative providers and continue to review the IT needs of the charity.

- ◇ Restructuring of the care facility

The restructuring of Duchesne House is being undertaken by an award-winning architect. The trustees hope to see this project completed by November 2018. The residents are fully engaged in the process, and the Province is kept up to date with developments by the project manager.

- ◇ Maintenance and upgrading of properties

The trustees have reviewed all properties, their current use and needs, and are now in the second year of a rolling maintenance plan in order to ensure the properties are upgraded and maintained. Three properties have been renovated during the year and a maintenance programme is underway at Barat House.

- ◇ General Data Protection Regulation (GDPR)

The trustees have engaged a professional company to work with them to ensure the charity is compliant with the Regulation.

- ◇ Health and Safety

The trustees have undertaken a major health and safety review with the charity's insurers. Any areas of concern are being addressed.

In summary, the trustees have assessed the major risks to which the charity is exposed, in particular those relating to the specific operational areas of the charity, its investments and its finances. The trustees believe that by monitoring reserve levels, by ensuring controls exist over key financial systems, by having in place appropriate insurances and by examining the operational and business risks faced by the charity, they have established effective systems to mitigate those risks

Report of the trustees Year to 30 June 2018

Employees and members of the Society

The trustees wish to record their recognition of the professionalism and commitment of all their staff and individual members of the Society. Their dedication, enthusiasm and positive approach to the Society's aims, objects and work are very much appreciated.

Approved by and signed on the behalf of the trustees:

Sister Jane Maltby
Trustee

Approved by the trustees on: 9 January 2019

Independent auditor's report to the trustees of Society of the Sacred Heart Charitable Trust

Opinion

We have audited the accounts of Society of the Sacred Heart Charitable Trust (the 'charity') for the year ended 30 June 2018, which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, 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 30 June 2018 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.

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 United Kingdom 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 requires us to report to you if, in our opinion:

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

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. 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

12 February 2019

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 30 June 2018

	No.	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Income from:					
Donations and legacies	1	1,031,343	—	1,031,343	732,310
Investments and interest receivable	2	1,177,302	—	1,177,302	1,168,015
Charitable activities	3	160,438	—	160,438	166,430
Other sources:					
. Surplus on disposal of tangible fixed assets	4	5,990,255	—	5,990,255	2,749
. Miscellaneous sources		106,548	—	106,548	120,274
Total income		8,465,886	—	8,465,886	2,189,778
Expenditure on:					
Charitable activities					
. Donations payable	5	870,226	—	870,226	285,327
. Support of members of the Society and their ministry	6	2,652,085	—	2,652,085	2,532,780
. Provision of hostel accommodation	7	5,094	—	5,094	4,960
Total expenditure		3,527,405	—	3,527,405	2,823,067
Net income (expenditure) before gains on investments	9	4,938,481	—	4,938,481	(633,289)
Net gains on listed investments	13	241,295	—	241,295	2,967,718
Net gains on investment properties	13	—	—	—	255,000
Net income and net movement in funds		5,179,776	—	5,179,776	2,589,429
Reconciliation of funds:					
Balances brought forward at 1 July 2017		46,264,315	10,631	46,274,946	43,685,517
Balances carried forward at 30 June 2018		51,444,091	10,631	51,454,722	46,274,946

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

All activities relate to continuing operations for the above two financial years.

Balance sheet 30 June 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	12		7,488,183		6,472,160
Investments	13		37,716,833		<u>38,882,636</u>
			45,205,016		45,354,796
Current assets					
Debtors	14	4,434,977		141,778	
Cash at bank and in hand		2,144,526		893,083	
		6,579,503		<u>1,034,861</u>	
Creditors: amounts falling due within one year	15	(304,797)		<u>(114,711)</u>	
Net current assets			6,274,706		920,150
Creditors: amounts falling due after more than one year	16		(25,000)		<u>—</u>
Total net assets			51,454,722		<u>46,274,946</u>
The funds of the charity:					
Restricted income funds	17		10,631		10,631
Unrestricted income funds					
. General funds			6,101,479		8,112,792
. Tangible fixed assets fund	18		7,488,183		6,472,160
. Programme related investments fund	19		842,211		—
. Designated funds	20		37,012,218		<u>31,679,363</u>
			51,454,722		<u>46,274,946</u>

Approved by the trustees and signed
on their behalf by:

Sister Jane Maltby
Trustee

Approved by the trustees on: 9 January 2019

Statement of cash flows Year to 30 June 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(6,168,697)	(1,634,816)
Cash flows from investing activities:			
Investment income and interest received		1,170,536	1,181,760
Proceeds from the disposal of tangible fixed assets		5,992,756	2,750
Purchase of tangible fixed assets		(1,145,138)	(187,951)
Proceeds from the disposal of investments		—	2,876,018
Purchase of programme related investments		(2,375)	(4,658)
Disposal (purchase) of investment cash deposits		2,500,418	(3,000,000)
Net cash provided by investing activities		8,516,197	867,919
Change in cash and cash equivalents in the year		2,347,500	(766,897)
Cash and cash equivalents at 1 July 2017	B	971,337	1,738,234
Cash and cash equivalents at 30 June 2018	B	3,318,837	971,337

Notes to the statement of cash flows for the year to 30 June 2018.

A Reconciliation of net movement in funds to net cash used in operating activities

	2018 £	2017 £
Net movement in funds (as per the statement of financial activities)	5,179,776	2,589,429
Adjustments for:		
Depreciation charge	235,462	222,638
Gains on listed investments	(241,295)	(2,967,718)
Gains on investment properties	—	(255,000)
Investment income and interest receivable	(1,177,302)	(1,168,015)
Surplus on disposal of tangible fixed assets	(5,990,255)	(2,749)
Increase in debtors	(4,291,222)	(4,784)
Increase (decrease) in creditors	116,139	(48,617)
Net cash used in operating activities	(6,168,697)	(1,634,816)

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	2,144,526	893,083
Cash held by investment managers	1,174,311	78,254
Total cash and cash equivalents	3,318,837	971,337

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 30 June 2018 with comparative information given in respect to the year to 30 June 2017.

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 and management to make significant judgements and estimates.

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

- ◆ assessing the probability of the receipt of legacy income;
- ◆ estimating the value of investment properties;
- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation charge; and
- ◆ determining the value of the designated funds needed at the year end and, in particular, estimating the size of the retirement reserve created in order to provide for the continuing care of the members for the remainder of their lives.

Assessment of going concern

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

Assessment of going concern (continued)

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 30 June 2019, 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 section of the trustees' report for more information).

Income

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

Income comprises donations, legacies, investment income, interest receivable, hostel income, other rents receivable from charitable activities, and other income including the surplus on the disposal of tangible fixed assets.

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 and grants pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation or grant 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.

Income (continued)

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.

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.

Hostel income and rents receivable from charitable activities are recognised when the income is contractually due to the charity under rental and tenancy agreements. It is accounted for at fair value and on an accruals basis to the extent that it is probable that the economic benefits will flow to the charity.

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

All other income is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be measured reliably. It is measured at fair value and accounted for on an accruals basis.

Expenditure

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 stated inclusive of irrecoverable VAT.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs.

The costs of charitable activities comprise expenditure on the charity's primary charitable purposes as described in the trustees' report. Such costs include:

- ◆ Donations payable

Donations payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the donation and has satisfied all related conditions. When such donations have not been paid at the end of the financial year they are accrued for.

Expenditure (continued)

- ◆ The support of members of the Society and their ministry
Expenditure on the support of members of the Society and their ministry enables the members to carry out the charitable work of the charity in the areas of the advancement of the Roman Catholic Religion, the advancement of education and the relief of poverty.
- ◆ Provision of hostel accommodation
Expenditure on Barat House which provides accommodation for five students.

Support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs are the costs associated with the governance arrangements of the charity including audit costs and the necessary legal procedures for compliance with statutory requirements.

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

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
Freehold land and buildings are shown on the balance sheet at cost or, where donated, at their value at the date of donation.
 - ◇ Residential
Buildings designed as, and used wholly or mainly for, private residential accommodation, are stated at cost. Such buildings are not depreciated. Their value and condition are reviewed annually by the trustees, who are satisfied that their residual value is not materially different from their book value.
 - ◇ Purpose built residential care home
Other buildings comprising a residential care home for elderly sisters are stated at cost. Depreciation is provided on a straight-line basis over a 15 year period.

Tangible fixed assets (continued)

- ◆ Leasehold property
Leasehold property is shown on the balance sheet at cost less depreciation. Depreciation is provided so as to write off the cost of the leasehold property over the remaining period of the lease.
- ◆ Building improvements
Expenditure on items classed as building improvements is capitalised and depreciated over a ten year period on a straight line basis.
- ◆ Fixtures and fittings
Expenditure on the purchase and replacement of fixtures and fittings is capitalised and depreciated over a three or four year period on a straight line basis.
- ◆ Motor vehicles
Motor vehicles are capitalised and depreciated over a four year period, on a straight line basis, in order to write off the cost of each vehicle over its estimated useful life.

Investments

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

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

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

Properties held for investment purposes are included in these accounts at open market value. The valuations have been determined as set out in note 13a. to these accounts.

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.

Programme related investments

Programme related investments are social investments made directly in pursuit of the charity's charitable purposes.

Unquoted equity investments are held at cost, less any provision for diminution in value, while loans are recorded at cost less any provisions to reflect non-recoverability.

Property is held at cost, less any provision for diminution in value.

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 general fund comprises those monies which may be used towards meeting the charitable objectives of the charity and which may be applied at the discretion of the trustees.

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets.

The programme related investments fund represents the value of the charity's programme related investments. These investments comprise land and buildings owned by the charity but used by another charity with charitable objectives consistent with those of the charity, and equity shares in Oikocredit, Ecumenical Development Cooperative Society UA, an ethical investment which finances development projects benefiting disadvantaged and marginalised people. It is the intention of the trustees that such assets should continue to be used for these purposes and as such their value should not be regarded as realisable with ease in order to meet future contingencies and/or obligations.

The designated funds are monies set aside out of general funds and designated for specific purposes by the trustees.

The restricted funds comprise monies raised for, or their use restricted to, a specific purpose or monies subject to donor imposed restrictions in use.

Services provided by members of the Society

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

Pension costs

Employer's contributions in respect of defined contribution pension schemes are charged to the statement of financial activities in the year in which they are payable to the scheme.

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.

1 Income from: Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Salaries and pensions of individual religious received under Deed of Covenant or Gift Aid	741,934	—	741,934	713,168
Other donations	13,809	—	13,809	7,002
Legacies	275,600	—	275,600	12,140
2018 Total funds	1,031,343	—	1,031,343	732,310
2017 Total funds	732,310	—	732,310	

2 Income from: Investments and interest receivable

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Income from listed investments				
. UK Common investment funds	1,030,136	—	1,030,136	1,017,713
Interest on cash instruments	5,141	—	5,141	7,022
Income from programme related investments	2,375	—	2,375	4,658
Rental income from investment property	127,389	—	127,389	128,739
Bank interest and interest on short term deposits	12,261	—	12,261	9,883
2018 Total funds	1,177,302	—	1,177,302	1,168,015
2017 Total funds	1,168,015	—	1,168,015	

3 Income from: Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Hostel income	27,835	—	27,835	20,618
Other rent receivable from charitable activities	132,603	—	132,603	145,812
2018 Total funds	160,438	—	160,438	166,430
2017 Total funds	166,430	—	166,430	

4 Income from: Surplus on disposal of tangible fixed assets

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Surplus on the disposal of community properties	5,990,255	—	5,990,255	—
Surplus on the disposal of motor vehicles	—	—	—	2,749
2018 Total funds	5,990,255	—	5,990,255	2,749
2017 Total funds	2,749	—	2,749	

5 Expenditure on: Donations payable

The charity makes donations to both individuals and institutions in accordance with the donations policy set out in the report of the trustees.

The donations payable during the year were as follows:

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Contributions to the Generalate of the Society of the Sacred Heart	611,004	—	611,004	108,609
Donations to institutions (see below)	259,222	—	259,222	173,518
Donations to individuals (see below)	—	—	—	3,200
2018 Total funds	870,226	—	870,226	285,327
2017 Total funds	285,327	—	285,327	

5 Expenditure on: Donations payable (continued)

Donations paid to institutions and individuals during the year comprised the following:

Recipient	Total 2018 funds £	Total 2017 funds £
Body & Soul Charity	3,000	—
CAFOD	10,000	10,000
The Calais Appeal	1,000	1,000
Capacitar	2,500	—
Cardinal Hume Centre	5,000	5,000
Catholic Trust	—	1,590
The Claretian Missionaries	—	10,000
Courtyard Project	—	10,000
Crew Trust	—	5,000
Digby Stuart Association	1,000	7,000
Durham Centre for Catholic Studies	10,000	—
Fenham Association of Residents (FAR) (including swimming project)	80,500	5,500
Friends of Abbey Gardens	2,000	—
Hope for Homeless	—	10,000
Immaculate Heart of Mary Parish, Hayes (Claritians)	—	7,000
Irish Pensioners' Group	2,500	2,500
Justice & Peace Refugee Programme: Destitute Asylum Fund	5,000	2,500
Literacy for ESOL Learners	3,000	3,000
Manna Society	5,000	5,000
The Medaille Trust	10,000	10,000
MIND	3,000	5,400
Minsteracres Retreat Centre	15,598	16,528
Missio	10,000	10,000
The Passage	5,000	5,000
Pax Christi	5,000	5,000
The Peoples' Kitchen	2,000	1,000
The Rahab Project Limited	—	1,000
The Refugees and Migrant Project (RAMP)	10,000	5,500
Sacred Heart Primary School Fenham Fencing Project	36,564	—
Sacred Heart Primary School MSF Cooking Project	5,000	—
St Augustine's Regeneration Project	—	10,000
St Anthony's Priory	3,000	3,000
Traidcraft Exchange	10,000	10,000
University of Oxford Development Trust Fund	—	1,000
UK Disaster Appeal	10,000	—
Walker Community	—	1,000
West End Refugee Service (WERS)	2,250	3,000
	257,912	172,518
Donations of less than £1,000	1,310	1,000
Total donations paid to institutions	259,222	173,518
Donations to individuals	—	3,200
Total donations	259,222	176,718

6 Expenditure on: Support of members of the Society and their ministry

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
Premises	353,652	—	353,652	345,296
Sisters' living and ministry expenses	1,737,041	—	1,737,041	1,621,873
Education, training and spiritual renewal	58,682	—	58,682	70,368
Other support costs	471,570	—	471,570	456,173
Governance costs (note 8)	31,140	—	31,140	39,070
2018 Total funds	2,652,085	—	2,652,085	2,532,780
2017 Total funds	2,532,780	—	2,532,780	

7 Expenditure on: Hostel charges and provision of hostel accommodation

This relates to the provision of hostel accommodation, primarily for those in higher education.

8 Governance costs

	Unrestricted funds £	Restricted funds £	Total 2018 funds £	Total 2017 funds £
2018 Total funds: Auditor's remuneration	31,140	—	31,140	39,070
2017 Total funds	39,070	—	39,070	

9 Net income (expenditure) before gains on investments

This is stated after charging:

	Total 2018 £	Total 2017 £
Staff costs (note 10)	1,062,374	1,155,777
Auditor's remuneration		
. Statutory audit services	27,540	34,000
. Other accountancy services (under accrual of £3,600 for prior year)	3,600	5,070
Depreciation	235,462	222,638

10 Staff costs, key management personnel, trustees' remuneration and expenses and transactions with trustees

	2018 £	2017 £
Staff costs during the year were as follows:		
Wages and salaries	973,891	1,019,476
Social security costs	64,660	68,713
Pension costs	22,268	31,272
	1,060,819	1,119,461
Contractors' fees	1,555	36,316
	1,062,374	1,155,777
Staff costs per function were as follows:		
Support of members of the Society and their ministry	1,062,374	1,155,777

No employees earned £60,000 per annum or more (including benefits but excluding employer's pension contributions) during the year (2017 - none).

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

	2018	2017
Support of members of the Society and their ministry	49	52

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, the Finance and General Manager and the Care Manager at Duchesne House. The total remuneration of the key management personnel of the charity for the year was £120,432 (2017 - £99,850).

The charity's trustees are all members of the Society and consequently their living and personal expenses, all of which are consistent with the amounts paid in respect to other members of the Society, are borne by the charity. No trustee received any remuneration or reimbursement of expenses in connection with their duties as trustees or members of key management (2017 - none).

As members of the Society, none of the trustees have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. During the year, the total amount donated by the trustees to the charity was £130,636 (2017 - £124,796).

11 Taxation

The Society of the Sacred Heart Charitable Trust 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.

12 Tangible fixed assets

	Total land and buildings (see below) £	Building improvements £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 July 2017	8,589,180	721,091	88,223	252,399	9,650,893
Additions	600,071	579,604	64,410	—	1,244,085
Disposals	(2,600)	(56,755)	(1,725)	(8,746)	(69,826)
Reclassification from investment property	610,000	—	—	—	610,000
Reclassification as a programme related investment	(1,008,237)	—	—	—	(1,008,237)
At 30 June 2018	8,788,414	1,243,940	150,908	243,653	10,426,915
Depreciation					
At 1 July 2017	2,723,234	220,818	21,177	213,504	3,178,733
Charge for the year	129,941	67,718	21,629	16,174	235,462
On disposals	—	(56,755)	(1,725)	(8,746)	(67,226)
Reclassification as a programme related investment	(408,237)	—	—	—	(408,237)
At 30 June 2018	2,444,938	231,781	41,081	220,932	2,938,732
Net book values					
At 30 June 2018	6,343,476	1,012,159	109,827	22,721	7,488,183
At 30 June 2017	5,865,946	500,273	67,046	38,895	6,472,160

Land and buildings

	Freehold land and buildings			
	Residential £	Purpose built £	Long leasehold property £	Total land and buildings £
Cost				
At 1 July 2017	3,882,626	3,634,450	1,072,104	8,589,180
Additions	—	600,071	—	600,071
Disposals	(2,600)	—	—	(2,600)
Reclassification from investment property (note 13)	610,000	—	—	(610,000)
Reclassification as a programme related investment (note 13)	—	(1,008,237)	—	(1,008,237)
At 30 June 2018	4,490,026	3,226,284	1,072,104	8,788,414
Depreciation				
At 1 July 2017	—	2,630,130	93,104	2,723,234
Charge for the year	—	119,241	10,700	129,941
Reclassification as a programme related investment (note 13)	—	(408,237)	—	(408,237)
At 30 June 2018	—	2,341,134	103,804	2,444,938
Net book values				
At 30 June 2018	4,490,026	885,150	968,300	6,343,476
At 30 June 2017	3,882,626	1,004,320	979,000	5,865,946

12 Tangible fixed assets (continued)

Land and buildings (continued)

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 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.

Certain of the charity's properties are subject to covenants which restrict their use and disposal.

A property situated at 11 Norham Gardens, Oxford was leased on a short term basis to Ampleforth Abbey Trustees Limited, a company limited by guarantee (Company Registration No 396036 (England and Wales)) acting in its capacity as the sole corporate trustee of Ampleforth Abbey Trust (Charity Registration No 1026493). The property is used as a hostel to accommodate students of Benet Hall, Oxford. Ampleforth Abbey Trustees Limited purchased the said property for the sum of £6 million during the year.

A residential property with a carrying value of £610,000 has been reclassified from freehold investment property (note 13) to tangible fixed assets during the year as the property is used directly by the charity in the furtherance of its objectives. Whilst classified as an investment property, it was held at open market value and the carrying value includes an unrealised gain of £391,140. On transfer to tangible fixed assets, which are held at cost, the carrying value has been treated as deemed cost and no adjustment has been made to reverse the unrealised gain of £391,140.

The charity owns a property that is now leased to The Medaille Trust, a registered charity (Charity Registration No 1117830) at a peppercorn rent to provide accommodation to those who have been victims of human trafficking. As a consequence, the property has been reclassified as a programme related investment in these accounts (see note 13). The property had a net book value at the date of reclassification of £600,000 being its cost figure of £1,008,237 net of accumulated depreciation of £408,237.

13 Fixed asset investments

At 30 June 2018 investments comprised:

	2018 £	2017 £
Freehold investment property (see a. below)	2,350,000	2,960,000
Listed investments, cash investments and cash held for re-investment (see b. below)	33,995,024	35,157,672
Programme related investments (see c. below)	842,211	239,836
Cash deposits	529,598	525,128
	37,716,833	38,882,636

13 Fixed asset investments (continued)

Movements on each category of investment are summarised below:

a. Freehold investment property

	2018 £	2017 £
Market value at 1 July 2017	2,960,000	2,705,000
Gains on revaluation	—	255,000
Reclassification (note 12)	(610,000)	—
Market value at 30 June 2018	2,350,000	2,960,000

One of the properties was valued as at 30 June 2015 by the trustees with professional assistance, on an open market value basis. The other property was revalued as at 30 June 2017 by Messrs Gerald Eve, Chartered Surveyors, on an open market value basis. The trustees are of the opinion that there has been no material change in the market value of investment properties since the valuations.

A residential property with a carrying value of £610,000 has been reclassified as a tangible fixed asset during the year as it is used directly by the charity in furtherance of its objectives (see note 12).

b. Listed investments

	2018 £	2017 £
Listed investments		
Market value at 1 July 2017	32,079,418	31,987,718
Disposals at opening book value	—	(2,758,421)
Net unrealised investment gains	241,295	2,850,121
Market value at 30 June 2018	32,320,713	32,079,418
Cash instruments	500,000	3,000,000
Cash held by investment managers for re-investment	1,174,311	78,254
	33,995,024	35,157,672
Cost of listed investments at 30 June 2018	24,913,612	24,913,612

At 30 June 2018 the following individual holdings were deemed material in comparison with the market value of the total listed investment portfolio as at that date:

	Market value £	Percentage of total portfolio %
Sarasin Endowments Fund	29,546,608	91.4
Sarasin Income and Reserves Fund	2,774,105	8.6

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

13 Fixed asset investments (continued)

b. Listed investments (continued)

Investment manager fees are deducted automatically from the portfolio on a quarterly basis and are inherent in arriving at the market value of funds held. The fees deducted are based on a fixed percentage which exceeds that contractually payable by the charity. As such, the investment manager rebates fees to the charity every quarter. The rebates, which amount to £100,800 (2017 - £98,029) are included in the accounts as miscellaneous income.

c. Programme related investments

	2018 £	2017 £
Carrying value at 1 July 2017	239,836	235,178
Additions	2,375	4,658
Reclassification	600,000	—
Carrying value at 30 June 2018	842,211	239,836

The charity has funds of £242,211 (2017 - £239,836) held in equity shares of Oikocredit, Ecumenical Development Cooperative Society U.A (Oikocredit). Oikocredit is an ethical investment opportunity which finances development projects benefiting disadvantaged and marginalised people.

The charity owns a property that is now leased to The Medaille Trust (Charity Registration No. 1117830) at a peppercorn rent to provide accommodation to those who have been victims of human trafficking. As the property is no longer used directly by the charity for financial purposes but instead is used by another charity for purposes consistent with the charitable objects of the Society of the Sacred Heart Charitable Trust, it has been reclassified as a programme related investment rather than a tangible fixed asset in these accounts.

14 Debtors

	2018 £	2017 £
Investment income	126,311	124,334
Other debtors	33,145	17,444
Proceeds receivable in respect to the disposal of freehold property	3,999,921	—
Legacies receivable	275,600	—
	4,434,977	141,778

Other debtors includes an interest free loan of £10,000 made to a family member of a Sister of the Society during 2018. This was repayable on the sale of a property and has been repaid after the year end.

The proceeds receivable in respect of the disposal of a freehold property represent the balance due on the sale of 11 Northam Gardens, Oxford to Ampleforth Abbey Trustees Limited (see note 12). The debt is secured by a First Legal Charge over the property and falls due in February 2019.

15 Creditors: amounts falling due within one year

	2018 £	2017 £
Expense creditors	—	7,000
Social security costs	23,145	21,733
Accruals	157,795	85,978
Additions to tangible fixed assets – refurbishment of Duchesne House	98,947	—
Donations payable	25,000	—
	304,797	114,711

16 Creditors: amounts falling due after more than one year

	2018 £	2017 £
Donations payable	25,000	—

17 Restricted funds

	At 1 July 2017 £	Income £	Expenditure £	At 30 June 2018 £
Peace garden	5,631	—	—	5,631
Other	5,000	—	—	5,000
	10,631	—	—	10,631

18 Tangible fixed assets fund

	2018 £
At 1 July 2017	6,472,160
Net movements in year	1,016,023
At 30 June 2018	7,488,183

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

19 Programme related investments

	2018 £
At 1 July 2017	—
Designated in year	842,211
At 30 June 2018	842,211

19 Programme related investments (continued)

The programme related investment fund represents the value of the charity's programme related investments. As explained in note 13, these investments comprise land and buildings owned by the charity but used by another charity with charitable objectives consistent with those of the charity, and equity shares in Oikocredit, Ecumenical Development Cooperative Society UA, an ethical investment which finances development projects benefiting disadvantaged and marginalised people. It is the intention of the trustees that such assets should continue to be used for these purposes for as long as needed and as such their value should not be regarded as realisable with ease in order to meet future contingencies and/or obligations.

20 Designated funds

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

	At 1 July 2017 £	New designations £	Utilised/ released £	At 30 June 2018 £
Retirement fund	18,500,000	—	(2,000,000)	16,500,000
Social Justice fund	5,000,000	2,500,000	—	7,500,000
International development fund	3,500,000	2,500,000	—	6,000,000
Barat House Hostel fund	94,401	27,835	(5,094)	117,142
Ministry support fund	200,000	500,000	(200,000)	500,000
Building maintenance fund	3,000,000	2,110,480	(110,480)	5,000,000
Malta fund	1,384,962	10,114	—	1,395,076
	31,679,363	7,648,429	(2,315,574)	37,012,218

♦ *Retirement fund*

This consists of monies which the trustees have set aside in order to provide for the Sisters for the remainder of their lives. The value of the fund has been calculated using actuarial principles.

♦ *Social Justice fund*

This fund consists of monies which the trustees have set aside to provide funds in support of social justice activities of the Society of the Sacred Heart.

♦ *International development fund*

This consists of monies which the trustees have set aside to support the international work of the Society of the Sacred Heart.

♦ *Barat House Hostel fund*

This fund represents the net assets of Barat House. The assets have been designated for use by the House only.

♦ *Ministry support fund*

This consists of monies which the trustees have set aside for the support of charitable work.

20 Designated funds (continued)

♦ *Building maintenance fund*

This fund represents monies designated by the trustees to support a detailed review of the charity's properties.

♦ *Malta fund*

This represents monies which the trustees have designated for the care of the elderly religious in Malta.

21 Analysis of net assets between funds

	General fund £	Tangible fixed assets fund £	Programme related investments fund £	Designated funds £	Restricted funds £	Total 2018 £
Fund balances at 30 June 2018 are represented by:						
Tangible fixed assets	—	7,488,183	—	—	—	7,488,183
Investments	—	—	842,211	36,874,622	—	37,716,833
Current assets	6,431,276	—	—	137,596	10,631	6,579,503
Creditors falling due within one year	(304,797)	—	—	—	—	(304,797)
Creditors falling due after more than one year	(25,000)	—	—	—	—	(25,000)
Total net assets	6,101,479	7,488,183	842,211	37,012,218	10,631	51,454,722

The total unrealised gains as at 30 June 2018 constitute movements on revaluation and are as follows:

	2018 £	2017 £
Total unrealised gains included above:		
On listed investments	7,407,101	7,165,806
On investment property	2,091,184	2,482,324
	9,498,285	9,648,130
Reconciliation of movements in unrealised gains		
Unrealised gains at 1 July 2017	9,648,130	6,949,298
Less: in respect to disposals in the year	—	(523,886)
Add: net gains arising on revaluation in the year	241,295	3,222,718
Removal of unrealised gain on reclassification as a tangible fixed asset (gain included as 'deemed cost')	(391,140)	—
Total unrealised gains at 30 June 2018	9,498,285	9,648,130

22 Capital commitments

At 30 June 2018 the charity had capital commitments of £1,300,000 (2017: £nil) in respect to the refurbishment of Duchesne House.

23 Connected charity

The charity is connected to the Digby Stuart College Trust, Charity Registration No 1050470, by virtue of the fact that the two charities have some trustees in common, use the same principal address and share some of their administrative facilities.

At 30 June 2018, Digby Stuart College Trust owed the charity £10,000 (2017: £12,085).

24 Ultimate control

The charity, which is constituted as a trust, was controlled throughout the period by the England-Wales Province of the Society of the Sacred Heart by virtue of the fact that the Provincial Superior of the Province oversees the appointment of the trustees. The Province does not hold any assets, incur liabilities or enter into any transactions in its own right. Assets and liabilities of the England-Wales Province are vested in the trustees of the charity, who undertake all transactions entered into in the course of the Province's charitable activities.

25 Post balance sheet events

- ◆ During the year to 30 June 2018, the trustees discussed with their professional advisors the benefits of converting the charity from a charitable trust to a Charitable Incorporated Organisation (CIO). The advantages and drawbacks of a CIO were discussed together with the key issues to consider. Agreement was reached and a decision was made to request Stone King LLP to draw up the necessary documents to incorporate a Charitable Incorporated Organisation registered with the Charity Commission.

Draft documents, including the proposed constitution and by-laws, were reviewed by the trustees and approved. Authorisation was given for Stone King LLP to submit the application for the establishment of the new CIO and, thereafter, to request the necessary Order to enable the activities, assets and liabilities of the charitable trust to be transferred to the CIO. It is anticipated that the activities, assets and liabilities of the charitable trust will be transferred to the CIO, Society of the Sacred Heart CIO (Charity Registration No 1179288), by deed of transfer effective as at midnight on 30 June 2019.

- ◆ Subsequent to the year end the property at 6 Bader Way, Roehampton was sold on 4 October 2018. Net proceeds of £739,718, after selling costs, were received, resulting in a surplus on disposal of £253,654.