

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

**Annual Report and Accounts**

31 December 2018

Charity Registration Number  
241434

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<b>Trustees</b>	Sister Michelle Reilly Sister Catherine Francis Farrell Sister Joyce Mary Fryer Sister Ellen O’Riordan  (The trustees are incorporated under the Charities Act 2011)
<b>Prioress Provincial</b>	Sister Michelle Reilly
<b>Provincial Treasurer</b>	Sister Dominic Savio Edwards
<b>Administrative address</b>	St Mary’s Convent 90 Suffolk Road London N15 5RH
Telephone	0208 809 5674
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E-mail	michelle.osm1@btinternet.com
<b>Charity registration number</b>	241434
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Principal bankers</b>	HSBC Bank plc 69 Pall Mall London SW1Y 5EY

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

The trustees present their report together with the accounts of The Congregation of Servants of Mary (London) (the "charity") for the year ended 31 December 2018.

The accounts have been prepared in accordance with the accounting policies set out on pages 25 to 30 of the attached accounts and comply with the charity's trust deed, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

### **Introduction**

The Congregation of Servants of Mary (the "Congregation"), commonly known as Servites, is an international Roman Catholic religious congregation supporting 168 sisters worldwide. It was founded in 1864 in France. Its Generalate is located in London and it is divided into three Provinces and two Regions across the world.

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

### **Charitable objectives: Mission**

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

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

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

### **Activities, objectives and achievements of the UK community**

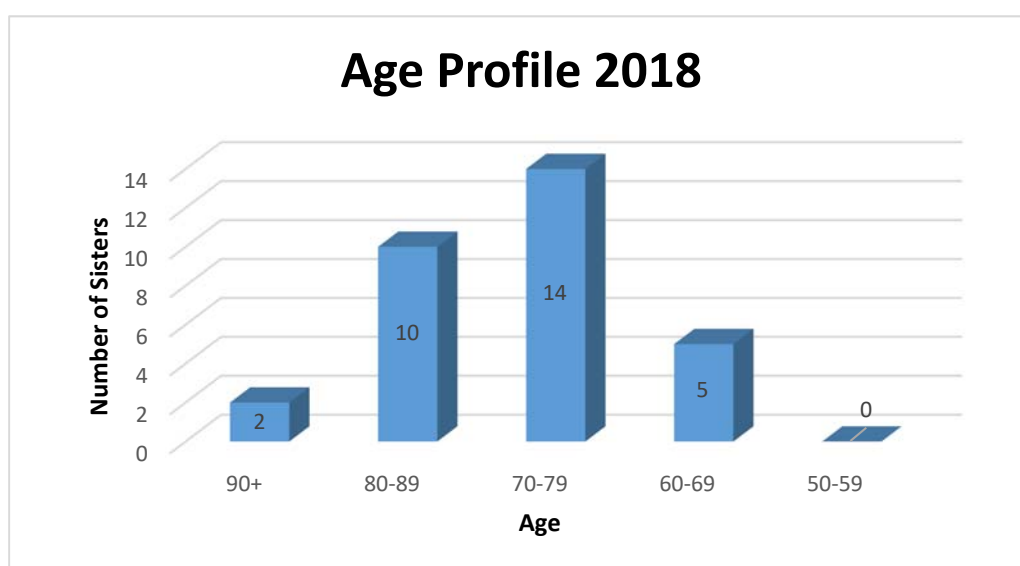
The spiritual principles which underpin the apostolic activity of our Religious Congregation are designed to benefit the public and also to demonstrate our key ministry which is the provision of quality care for our frail elderly sisters. The privileges of charitable status and the benefits which accrue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

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

#### ♦ Caring for members of the Congregation

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

The age profile of the Congregation in the UK at 31 December 2018 is shown graphically below:



As the age profile of the Congregation increases so too does the need to provide increasing and increasingly expensive care to the sisters. At present, nine of the members of the Congregation are receiving care in the charity's care home. Over the next decade, the trustees expect this number requiring care to increase. As a consequence, the trustees are giving careful consideration to the impact of this on the work of individual members of the Congregation, the property requirements of the Congregation and the financial implications. In this regard, the objectives of the trustees over the current year are summarised below. All these objectives will continue to be applicable for the next few years also.

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

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

◆ **Caring for members of the Congregation (continued)**

- ◇ All properties owned by the charity have been included in a 5-year update and maintenance programme;
- ◇ Enabling all members of the Congregation to continue with their individual ministries for as long as possible;
- ◇ Investing time and finances in properties suitable to meet the charity's objectives; and
- ◇ Inviting interested persons to become members of the Province and looking at new ways of attracting and widening membership of the Congregation.

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

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

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

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

◆ **Worship and prayer**

Members of the Congregation are given the opportunity for private worship and to continue to develop their knowledge and trust in Jesus and the Church through quiet prayer, study of the Gospel and spiritual development. In addition, members of the Congregation celebrate and pray with the wider community including people of all faiths and none. They do this through the provision of spiritual guidance or by just being available to listen to others in times of need, through the giving of retreats and the celebration of the Liturgy through prayer groups and church services. The sisters are involved in a number of activities which include:

- ◇ Promoting the values and vision set out in the Gospel including the promotion of human dignity, teaching respect of different cultures, working for a society based on justice and peace and encouraging care and respect for all creation;
- ◇ Offering prayer groups giving members of the public from all walks of life the opportunity to escape the stresses of everyday life for a short time and take time for quiet contemplation and reflection and the chance to study and consider the Gospel;

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

♦ **Worship and prayer (continued)**

- ◇ Providing religious instruction and supervision;
- ◇ The provision of retreats where those who attend can reflect in a peaceful atmosphere, rooted in Gospel values;
- ◇ Praying with those who are housebound, sick or dying;
- ◇ Pastoral work in support of the development of other religious institutes;
- ◇ Programmes of preparation of the sacraments in multiple parishes;
- ◇ Supporting adults who seek membership in the Roman Catholic Church;
- ◇ Supporting cancer sufferers and the bereaved through St Peregrine Ministry and CRUSE; and
- ◇ Visiting the sick and housebound in their homes on behalf of the Church.

♦ **Social and pastoral work**

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

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

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



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

◆ **Social and pastoral work (continued)**

The charity continues to realise its objectives by:

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

◆ **Education in all its forms**

A Servite Sister is Assistant Chaplain at Our Lady's High School. Links with the Servite Sisters are still very strong, and Servite values continue to inform many of the school's processes and priorities. There are also international links with schools and students in countries such as Australia, United States of America, South Africa, France and Italy.

Part of the School's Mission Statement reads:

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

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

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

♦ **Education in all its forms (continued)**

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

Part of the mission statement reads:

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

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

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

One Servite sister is chairperson on the governing body of Our Lady Immaculate Primary School, Chelmsford and one sister is a governor of St John Payne Secondary School, Chelmsford.

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

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

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

#### ◆ **Education in all its forms (continued)**

- ◇ Training of Democratic Republic of Congo sisters in English language and culture;
- ◇ Supporting the Mama wa Rehema Primary School operated by the International Community in Butembo, Democratic Republic of Congo; and
- ◇ Work with "Way Up" charity in Solihull by allowing it to use the Bethany property and supporting education by training grief councillors to work with secondary school pupils.

#### ◆ **Social and pastoral work**

Many members of the Congregation are involved in various forms of social or pastoral work throughout the country, including care of the elderly and people with special needs, family support and chaplaincy in hospitals, educational establishments and refugees. The sisters aim to help the poor and marginalised in society regardless of their personal background, faith, gender or individual circumstances.

#### ◆ **Overseas missionary work**

The charity also helps support sisters working in healthcare and social and pastoral fields in the Democratic Republic of Congo, thereby helping some of the world's poorest and most disadvantaged people.

### **Future plans**

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

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

### **Relevant policies**

#### ◆ **Fundraising policy**

The charity aims to achieve best practice in the way in which it communicates with donors and other supporters. It takes care with both the tone of its communications and the accuracy of its data to minimise the pressures on supporters. It applies best practice to protect supporters' data and never sells data, it never swaps data and ensures that communication preferences can be changed at any time. The charity manages its own fundraising activities and does not employ the services of Professional Fundraisers.

### **Relevant policies (continued)**

#### ♦ **Fundraising policy (continued)**

The charity undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During 2018, the charity received no complaints about its fundraising activities.

#### ♦ **Investment policy**

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

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

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

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

The performance of the portfolio and the charity's investment strategy are reviewed by the trustees and their representative who meet with the investment managers at least twice a year.

The trustees receive quarterly reports and summaries detailing the performance of the portfolios.

#### ♦ **Grants, donations and support of missionary work and ministry**

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

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

### **Volunteers**

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

## Financial review

### ◆ Results for the year

A summary of the year's results can be found on page 22 of this report and accounts.

During 2018 total income amounted to £1,197,700 (2017 - £1,708,127). Of the income, a total of £447,153 (2017 - £657,956) related to donations and legacies. This figure includes salaries and pensions of the sisters amounting to £388,015 (2017 - £392,867) covenanted to the charity. Investment income and interest receivable totalled £734,04 (2017 - £730,444).

Expenditure totalled £1,262,498 compared to £1,302,709 in 2017. Expenditure incurred on maintaining the members of the Congregation and supporting them in their pastoral work and ministry amounted to £1,155,117 (2017 - £1,196,752). This included staff costs of £486,120 (2017 - £503,133) with £480,022 (2017 - £490,862) being spent on staff employed to care for the sisters in the home in Bognor Regis. Charitable grants and donations made amounted to £53,850 (2017 - £45,916). Further details about grants and donations are provided in note 3 to the accounts. Fees paid to the charity's investment managers during the year amounted to £53,531 (2017 - £60,041).

Net expenditure for the year before losses, therefore, was £64,798 (2017 - net income of £405,418). Investment losses of £1,632,072 (2017 - gains of £1,491,672) and an exchange loss of £37 (2017 - £nil) resulted in net expenditure or a decrease in funds for the year of £1,696,907 (2017 net income of £1,897,090).

### ◆ Investment performance

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

During the year the charity's listed investments achieved an income yield of 2.97% (2017 - 2.98%) and a capital yield of negative 6.31% (2017 - 6.18%). The decrease in value of investments at the year end is consistent with a global decrease in value. Throughout the year, the trustees have continued to liaise closely with the charity's investment advisers and seek their advice. Given that the charity has no immediate need to realise value from the portfolio other than through income, and given that the trustees' intention is to hold investments over the long term, the advice given has been to continue to monitor the investment performance but not to radically amend the investment policy that has been followed in recent years.

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

The charity has one investment property held to generate rental income.

## Financial review (continued)

### ◆ Reserves policy and financial position

#### ***Reserves policy***

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

#### ***Financial position***

The balance sheet shows total reserves of £27.8 million (2017 - £29.5 million). Of this, £2.6 million is represented by properties and other tangible fixed assets essential for the support and work of the sisters.

In addition, the trustees have set aside £15.5 million as designated funds to meet the cost of the care and welfare of the sisters in their retirement. The funds set aside to provide for the sisters in their retirement, none of whom have resources of their own, have been re-assessed during the year. The calculations are based on actuarial methods to provide £75,000 per annum for sisters over 85 years of age, £65,000 per annum for sisters being looked after at St Juliana's, the charity's home in Bognor Regis, £50,000 per annum for sisters over 75 years of age, £45,000 per annum for sisters over 70 years of age and £30,000 per annum for sisters over 65 years of age.

A further fund of £2 million has been set aside by the trustees to refurbish its properties in the next five years as properties held by the charity are in need of extensive repairs/renovations.

Funds available to support the work of the sisters in the future, in particular the support of the Congregation's ministry and its missionary and charitable work overseas, are shown as general funds on the balance sheet and amount to £7.7 million. This figure needs to be considered in the light of the increasing age profile of the sisters and the need for the charity to continue to support the work of the Congregation, both in this country and overseas. Investment assets are important to the charity because of the income generated therefrom. Given the continuing volatility in world stock markets and the low interest rates, there is a real need to retain monies to enable the long term financial stability of the charity.

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

## **Financial review (continued)**

### **♦ Tax exemptions etc**

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

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

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

## **Governance, structure and management**

### **♦ Governance**

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

## **Governance, structure and management (continued)**

### ◆ **Governance (continued)**

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

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

The names of the trustees who served during the year are set out on page 1.

The names of the current trustees are:

Sister Michelle Reilly OSM - UK Prioress Provincial, Head Trustee

Sister (Catherine) Francis Farrell OSM – 1<sup>st</sup> Assistant – Parish apostolate and working with the sick and elderly.

Sister Joyce Mary Fryer OSM – Trustee

Sister Ellen O'Riordan OSM – Trustee

### ◆ **Statement of trustees' responsibilities**

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

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

- ◇ select suitable accounting policies and then apply them consistently;
- ◇ observe the methods and principles of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);
- ◇ make judgements and estimates that are reasonable and prudent;



## **Governance, structure and management (continued)**

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

- ◇ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- ◇ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

### ◆ **Structure and management reporting**

The trustees are ultimately responsible for the policies, activities and assets of the charity. They meet every six weeks to review developments with regard to the charity or its activities and make any important decisions. When necessary, the trustees seek advice and support from the charity's professional advisers including property consultants, investments managers, solicitors and accountants. The day to day management of the charity's activities, and the implementation of policies, is delegated to the appropriate members of the Congregation or senior staff.

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

Trustee training included attendance at various courses and conferences, including:

- ◇ Catholic Charities Conference;
- ◇ Financial Risk Assessment Training;
- ◇ Investment Training;
- ◇ GDPR Training;
- ◇ Risk Assessment Training;
- ◇ Apostolic and Missionary Training; and
- ◇ Religious Training.

## **Governance, structure and management (continued)**

### **◆ Key management**

The trustees consider that they together with the Provincial Bursar, 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 and the Provincial Bursar are members of the Congregation and whilst their living and personal expenses are borne by the charity they receive no remuneration or reimbursement of expenses in connection with their duties as trustees or Provincial Bursar.

### **◆ Risk management**

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

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

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

- ◇ An analysis of the age profile of the members of the Congregation shows that the average age in the Province at 31 December 2018 was 78 years. The trustees are aware that there is both a moral and legal obligation to care for the older members. None of the sisters have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. As the age profile increases, so too does the need to provide care for the sisters. Key elements of the management of this risk are: (a) ensuring that the charity has the available financial resources to finance this care both now and in the years ahead by setting aside assets in a designated fund, the value of which has been based on actuarial principles; and (b) ensuring that processes are in place to review regularly the ministries and needs of individual sisters encouraging those who need it to take on less demanding ministries and for identifying those who need extra care and help.

## Governance, structure and management (continued)

### ◆ Risk management (continued)

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

**Governance, structure and management** (continued)

♦ **Safeguarding**

The Congregation ensures compliance with all current safeguarding procedures and has adopted the policies of Conference of Religious whilst being affiliated to the Diocese of Westminster for safeguarding training and keeping abreast of current changes. The Congregation has supported the work of the Independent Inquiry into Child Sexual Abuse in the Catholic Church. Within the Congregation, Mrs Marion Grimm is our named Lay Adult responsible for DBS checks and attending forums/courses. Sister Shirley Kelly has also attended the aforementioned courses. There are policies and procedures in place to ensure immediate action should the need arise.

**Employees, volunteers, and members of the Congregation**

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

Approved by the trustees and signed on their behalf by:

Sister Michelle Reilly  
Trustee

Approved by the trustees on: 25 October 2019

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

**Opinion**

We have audited the accounts of The Congregation of the Servants of Mary (London) (the 'charity') for the year ended 31 December 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 December 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 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](http://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

30 October 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 31 December 2018

	Notes	Unrestricted funds	
		2018 £	2017 £
<b>Income from:</b>			
Donations and legacies	1	<b>447,153</b>	657,956
Investments and bank interest	2	<b>744,968</b>	730,444
Other sources:			
. Surplus on disposal of tangible fixed assets		—	318,595
. Miscellaneous income		<b>5,579</b>	1,132
<b>Total income</b>		<b>1,197,700</b>	1,708,127
<b>Expenditure on:</b>			
Raising funds			
. Investment management		<b>53,531</b>	60,041
Charitable activities			
. Charitable grants and donations	3	<b>53,850</b>	45,916
. Support of members of the Congregation and enabling their ministry	4	<b>1,155,117</b>	1,196,752
<b>Total expenditure</b>		<b>1,262,498</b>	1,302,709
<b>Net (expenditure) income before (losses) gains on investments</b>	6	<b>(64,798)</b>	405,418
Net (losses) gains on investments	11	<b>(1,632,072)</b>	1,491,672
<b>Net (expenditure) income</b>		<b>(1,696,870)</b>	1,897,090
Loss on exchange		<b>(37)</b>	—
<b>Net movement in funds</b>		<b>(1,696,907)</b>	1,897,090
<b>Reconciliation of funds:</b>			
Total funds brought forward at 1 January 2018		<b>29,508,487</b>	27,611,397
Total funds carried forward at 31 December 2018		<b>27,811,580</b>	29,508,487

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

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



**Balance sheet** 31 December 2018

	Notes	2018 £	2017 £
<b>Fixed assets:</b>			
Tangible assets	10	<b>2,590,776</b>	2,622,273
Investments	11	<b>24,674,371</b>	26,361,780
<b>Total fixed assets</b>		<b>27,265,147</b>	28,984,053
<b>Current assets:</b>			
Debtors	12	<b>17,312</b>	18,954
Cash at bank and in hand		<b>581,503</b>	554,187
<b>Total current assets</b>		<b>598,815</b>	573,141
<b>Liabilities:</b>			
Creditors: amounts falling due within one year	13	<b>(52,382)</b>	(48,707)
<b>Net current assets</b>		<b>546,433</b>	524,434
<b>Total net assets</b>		<b>27,811,580</b>	29,508,487
<b>The funds of the charity:</b>			
Unrestricted income funds			
. Tangible fixed assets fund	14	<b>2,590,776</b>	2,622,273
. Designated funds	15	<b>17,500,000</b>	17,500,000
. General funds		<b>7,720,804</b>	9,386,214
<b>Total charity funds</b>		<b>27,811,580</b>	29,508,487

Approved by the trustees  
and signed on their behalf by:

Sister Michelle Reilly  
Trustee

Approved on: 25 October 2019

## Statement of cash flows Year to 31 December 2018

	Notes	2018 £	2017 £
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	A	<b>(769,559)</b>	(721,053)
<b>Cash flows from investing activities:</b>			
Investment income and interest received		<b>746,474</b>	728,428
Proceeds from the disposal of tangible fixed assets		—	577,849
Purchase of tangible fixed assets		<b>(4,936)</b>	(7,114)
Proceeds from the disposal of investments		<b>5,364,399</b>	4,155,191
Purchase of investments (excluding listed investments donated in year)		<b>(5,234,280)</b>	(4,765,011)
<b>Net cash provided by investing activities</b>		<b>871,657</b>	689,343
<b>Change in cash and cash equivalents in the year</b>		<b>102,098</b>	(31,710)
<b>Cash and cash equivalents at 1 January 2018</b>	B	<b>1,408,139</b>	1,439,849
<b>Cash and cash equivalents at 31 December 2018</b>	B	<b>1,510,237</b>	1,408,139

### Notes to the statement of cash flows for the year to 31 December 2018

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

	2018 £	2017 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>(1,696,907)</b>	1,897,090
<b>Adjustments for:</b>		
Depreciation charge	<b>36,433</b>	50,839
Gains (losses) on investments	<b>1,632,072</b>	(1,491,672)
Investment income and interest receivable	<b>(744,968)</b>	(730,444)
Surplus on disposal of tangible fixed assets	—	(318,595)
Donation of listed investments	—	(169,856)
Decrease in debtors	<b>136</b>	53,786
Increase (decrease) in creditors	<b>3,675</b>	(12,201)
<b>Net cash used in operating activities</b>	<b>(769,559)</b>	(721,053)

#### B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	<b>581,503</b>	554,187
Cash instruments	<b>640,989</b>	640,989
Cash held by investment managers	<b>287,745</b>	212,963
<b>Total cash and cash equivalents</b>	<b>1,510,237</b>	1,408,139

## **Principal accounting policies** Year to 31 December 2018

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

### **Basis of preparation**

These accounts have been prepared for the year to 31 December 2018 with comparative figures given for the year to 31 December 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 to make significant judgements and estimates.

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

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

### **Assessment of going concern**

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

**Assessment of going concern** (continued)

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 December 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 and the risk management sections of the trustees' report for more information).

**Income recognition**

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

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

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

Donations of assets other than cash are included in the accounts at their fair value at the date of receipt. In particular, donations of listed investments are included at their market value at the date of the gift.

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

**Income recognition** (continued)

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

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

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

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

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

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

**Expenditure recognition**

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

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds comprises investment management fees.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include charitable grants and donations and costs in respect to the support of members of the Congregation and enabling their ministry, including governance costs.

**Expenditure recognition** (continued)

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

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

All expenditure is stated inclusive of irrecoverable VAT.

**Support and governance costs**

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

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

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

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

**Tangible fixed assets**

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

♦ **Freehold land and buildings**

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

**Tangible fixed assets** (continued)

◆ **Freehold land and buildings** (continued)

Land and buildings comprise:

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

◆ **Furniture and equipment**

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

◆ **Motor vehicles**

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

**Fixed asset investments**

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

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

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

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

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

**Debtors**

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

**Cash at bank and in hand**

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

**Creditors and provisions**

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

**Fund structure**

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

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

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

**Pension contributions**

Contributions in respect to the charity's defined contribution pension scheme are charged to the statement of financial activities when they are payable to the scheme. There were no outstanding contributions at the year end. The charity has no liability beyond making its contributions and paying across the deductions for the employees' contributions.

**Services provided by members of the Congregation**

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

**Leased assets**

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



## 1 Donations and legacies

	2018 £	2017 £
Salaries and pensions of individual religious received under Gift Aid or Deed of Covenant	388,015	392,867
Donation of listed investments	—	169,856
General donations	15,739	60,632
Legacies	43,399	34,601
	<b>447,153</b>	<b>657,956</b>

## 2 Investment income

	2018 £	2017 £
Income from listed investments		
. UK fixed interest	72,632	75,830
. UK equities	93,860	120,185
. UK unit trusts common investment funds	446,234	434,654
. Overseas fixed interest	47,391	29,694
. Overseas equities	64,722	47,646
. UK alternatives and other	4,092	8,906
	<b>728,931</b>	<b>716,915</b>
Rental income	<b>10,920</b>	<b>11,433</b>
Interest receivable		
. Cash instruments	3,835	2,093
. Bank interest	1,282	3
	<b>5,117</b>	<b>2,096</b>
<b>Total</b>	<b>744,968</b>	<b>730,444</b>

### 3 Charitable grants and donations

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

	2018 £	2017 £
Grants in support of the missionary work and ministry of The Congregation of Servants of Mary:		
. Generalate of the Congregation	32,500	33,000
. Overseas missions of the Congregation	2,000	2,178
Grants paid to Institutions:		
. Age Concern	120	—
. Alzheimer's Society	—	100
. Catholic Bishops' Conference of England and Wales	—	3,200
. Other	30	—
Grants paid to individuals	19,200	7,438
	<b>53,850</b>	<b>45,916</b>

Donations approved but unpaid at 31 December 2018 amounted to £nil (2017 - £1,000).

### 4 Support of members of the Congregation and their ministry

	2018 £	2017 £
Staff costs (note 7)	486,120	503,133
Premises	212,145	224,789
Sisters' living and personal expenses	335,738	360,843
Education, training, spiritual renewal and holidays	46,742	42,193
Governance costs (note 5)	27,611	28,034
Other support costs	46,761	37,760
	<b>1,155,117</b>	<b>1,196,752</b>

### 5 Governance costs

	2018 £	2017 £
Professional fees	27,611	28,034

### 6 Net (expenditure) income before (losses) gains on investments

This is stated after charging:

	2018 £	2017 £
Staff costs (note 7)	486,120	503,133
Auditor's remuneration (including VAT)		
. Statutory audit services	18,410	18,600
. Other services: accountancy	8,190	8,280
Depreciation	36,433	50,839
Surplus on disposal of tangible fixed assets	—	318,595

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

	2018 £	2017 £
Staff costs during the year were as follows:		
Wages and salaries	450,908	470,542
Social security costs	29,311	30,558
Pension costs	5,901	2,033
	<b>486,120</b>	<b>503,133</b>

	2018 £	2017 £
Staff costs per function were as follows:		
Support of members of the Congregation and their ministry	480,022	497,182
Administration	6,098	5,951
	<b>486,120</b>	<b>503,133</b>

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

	2018	2017
Support of members of the Congregation and their ministry	32	36
Administration	1	1

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

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

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

**8 Transactions with trustees**

As members of the Congregation, none of the trustees have resources of their own as all earnings, pensions and other income have been donated to the charity under a Gift Aid compliant Deed of Covenant. During the year, the total amount donated by the trustees to the charity was £17,729 (2017 - £43,985).

**9 Taxation**

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

**10 Tangible fixed assets**

	Land and buildings		Furniture and equipment	Motor vehicles	Total
	Specialised £	Non-specialised £	£	£	£
<b>Cost or valuation</b>					
At 1 January 2018	1,025,000	1,940,358	98,543	99,540	<b>3,163,441</b>
Additions	—	—	4,936	—	<b>4,936</b>
Fully written down assets	—	—	(43,490)	(8,140)	<b>(51,630)</b>
At 31 December 2018	<u>1,025,000</u>	<u>1,940,358</u>	<u>59,989</u>	<u>91,400</u>	<b><u>3,116,747</u></b>
At cost	—	1,309,358	59,989	91,400	<b>1,460,747</b>
Deemed cost – 1997 and 1998 valuation	1,025,000	631,000	—	—	<b>1,656,000</b>
	<u>1,025,000</u>	<u>1,940,358</u>	<u>59,989</u>	<u>91,400</u>	<b><u>3,116,747</u></b>
<b>Depreciation</b>					
At 1 January 2018	369,916	—	77,122	94,130	<b>541,168</b>
Charge for the year	20,500	—	11,997	3,936	<b>36,433</b>
On fully written down assets	—	—	(43,490)	(8,140)	<b>(51,630)</b>
At 31 December 2018	<u>390,416</u>	<u>—</u>	<u>45,629</u>	<u>89,926</u>	<b><u>525,971</u></b>
<b>Net book values</b>					
At 31 December 2018	<u>634,584</u>	<u>1,940,358</u>	<u>14,360</u>	<u>1,474</u>	<b><u>2,590,776</u></b>
At 31 December 2017	<u>655,084</u>	<u>1,940,358</u>	<u>21,421</u>	<u>5,410</u>	<b><u>2,622,273</u></b>

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

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

Included in non-specialised land and buildings are five long leasehold properties with a total cost of £721,425. All other land and buildings are freehold.

**11 Investments**

	Investment property £	Listed investments £	2018 £
Market value at 1 January 2018	225,000	25,282,828	25,507,828
Additions at cost	—	5,234,280	5,234,280
Disposals at opening book value (proceeds: £5,364,399; gains: £78,835)	—	(5,285,564)	(5,285,564)
Net unrealised gains/losses	(75,000)	(1,635,907)	(1,710,907)
Market value at 31 December 2018	150,000	23,595,637	23,745,637
Cash instruments	—	640,989	640,989
Cash held by investment managers	—	287,745	287,745
	150,000	24,524,371	24,674,371
Cost of investments at 31 December 2018	*	19,651,184	19,651,184
	Investment property £	Listed investments £	2017 £
Market value at 1 January 2017	225,000	23,011,480	23,236,480
Additions at cost	—	4,934,867	4,934,867
Disposals at opening book value (proceeds: £4,155,191; gains: £90,345)	—	(4,064,846)	(4,064,846)
Net unrealised gains	—	1,401,327	1,401,327
Market value at 31 December 2017	225,000	25,282,828	25,507,828
Cash instruments	—	640,989	640,989
Cash held by investment managers	—	212,963	212,963
	225,000	26,136,780	26,361,780
Cost of investments at 31 December 2017	*	19,649,948	19,649,948

\* The cost of the investment property is not readily available but it is believed to be negligible.

The freehold investment property comprises a property, access to which is via the grounds of a school formerly owned by the charity. It was valued by the trustees as at 31 December 2018, with professional assistance, at £150,000, such value reflecting the proximity of the school and the severe access issues.

Listed investments held at 31 December 2018 comprised the following:

	2018 £	2017 £
UK fixed interest	1,927,166	2,190,351
UK equities	2,451,580	2,954,018
UK unit trusts and common investment funds	14,548,879	15,322,591
Overseas fixed interest	1,050,999	952,433
Overseas equities	2,731,912	3,727,183
UK alternatives	885,101	136,252
	23,595,637	25,282,828

# **11 Investments (continued)**

At 31 December 2018, the following individual holding was deemed material:

Holding	2018		2017	
	Market value of holding £	Percentage of total portfolio %	Market value of holding £	Percentage of total portfolio %
BlackRock Charifaith common investment fund	<b>13,101,510</b>	<b>55.53</b>	13,899,166	54.97

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

# **12 Debtors**

	2018 £	2017 £
Interest and investment income receivable	<b>6,263</b>	7,769
Prepayments	<b>8,889</b>	9,025
Other debtors	<b>2,160</b>	2,160
	<b>17,312</b>	18,954

# **13 Creditors: amounts falling due within one year**

	2018 £	2017 £
Taxation and social security costs	<b>7,027</b>	6,907
Other creditors	<b>1,375</b>	1,000
Accruals	<b>43,980</b>	40,800
	<b>52,382</b>	48,707

# **14 Tangible fixed assets fund**

	2018 £	2017 £
At 1 January 2018	<b>2,622,273</b>	2,945,252
Net movement in year	<b>(31,497)</b>	(322,979)
At 31 December 2018	<b>2,590,776</b>	2,622,273

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

**15 Designated funds**

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

	At 1 January 2018 £	New designations £	Utilised/ released £	At 31 December 2018 £
Sisters' retirement fund	15,500,000	—	—	15,500,000
Property maintenance fund	2,000,000	—	—	2,000,000
<b>Total designated funds</b>	<b>17,500,000</b>	<b>—</b>	<b>—</b>	<b>17,500,000</b>

	At 1 January 2017 £	New designations £	Utilised/ released £	At 31 December 2017 £
Sisters' retirement fund	15,500,000	—	—	15,500,000
Property maintenance fund	—	2,000,000	—	2,000,000
<b>Total designated funds</b>	<b>15,500,000</b>	<b>2,000,000</b>	<b>—</b>	<b>17,500,000</b>

***Sisters' retirement fund***

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

***Property maintenance fund***

The property maintenance fund comprises monies to be applied towards the maintenance and updating of the charity's properties over the next five years.

**16 Analysis of net assets between funds**

	Tangible fixed assets fund £	Designated funds £	General funds £	Total 2018 £
<b>Fund balances at 31 December 2018</b>				
<b>are represented by:</b>				
Tangible fixed assets	2,590,776	—	—	2,590,776
Investments	—	17,500,000	7,174,371	24,674,371
Net current assets	—	—	546,433	546,433
<b>Total net assets</b>	<b>2,590,776</b>	<b>17,500,000</b>	<b>7,720,804</b>	<b>27,811,580</b>

	Tangible fixed assets fund £	Designated funds £	General funds £	Total 2017 £
<b>Fund balances at 31 December 2017</b>				
<b>are represented by:</b>				
Tangible fixed assets	2,622,273	—	—	2,622,273
Investments	—	17,500,000	8,861,780	26,361,780
Net current assets	—	—	524,434	524,434
<b>Total net assets</b>	<b>2,622,273</b>	<b>17,500,000</b>	<b>9,386,214</b>	<b>29,508,487</b>

# **16 Analysis of net assets between funds (continued)**

The total unrealised gains as at 31 December 2018 constitute movements on revaluation and are as follows:

	2018 £	2017 £
<b>Unrealised gains included above on investments:</b>	<b>3,869,454</b>	5,632,880
<b>Reconciliation of movements in unrealised gains</b>		
Unrealised gains at 1 January 2018	5,632,880	4,525,572
Investments		
. Less: in respect to disposals in the year	(52,520)	(294,019)
. Add: net (losses) gains on revaluations	(1,710,906)	1,401,327
<b>Total unrealised gains at 31 December 2018</b>	<b>3,869,454</b>	5,632,880

# **17 Ultimate control**

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