

**The Congregation of the Sisters of  
Nazareth Generalate**

**Annual Report and Accounts**

**31 March 2021**

Charity Registration Number 1138876  
(England and Wales)

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

<b>Trustees</b>	Sister Brenda McCall (Chair), AKA Sister Mary Brenda McCall Sister Valma Beatrice Cooper, AKA Sister Dominica of the Cross Cooper Sister Hannah Marie Dwyer, AKA Sister Hannah Maria Dwyer Sister Mary Veronica Kealey, AKA Sister Veronica Anne Kealey Sister Anne Bernadette Walsh, AKA Sister St Teresa Walsh
<b>Superior General</b>	Sister Mary Brenda McCall
<b>Treasurer General</b>	Sister Hannah Maria Dwyer
<b>General Secretary</b>	Sister Veronica Anne Kealey
<b>Congregational Chief Executive</b>	Kevin Barnes
<b>Principal office</b>	St Michaels Nazareth House 169-175 Hammersmith Road London W6 8DB
<b>Email</b>	<a href="mailto:generalate@sistersofnazareth.com">generalate@sistersofnazareth.com</a>
<b>Website</b>	<a href="http://www.sistersofnazareth.com">www.sistersofnazareth.com</a>
<b>Charity registration number</b>	1138876 (England and Wales)
<b>Auditor</b>	Crowe U.K. LLP 55 Ludgate Hill, London EC4M 7JW
<b>Investment managers</b>	BlackRock Investment Management Limited 12 Throgmorton Avenue, London EC2N 2DL  Royal London Asset Management 55 Gracechurch Street, London EC3V 0UF
<b>Principal banker</b>	Barclays Bank 22-24 Upper Marlborough Road, St Albans, Hertfordshire AL1 3AL
<b>Principal solicitor</b>	Stone King LLP 13 Queen Square, Bath BA1 2HJ

## **OVERVIEW**

During the financial year, the second full year for the current trustees, the Congregation has continued to work towards delivering its Mission, Vision and Aim, and living by its values. These are set out in full on the next page.

The main achievements during the 2020/21 year include:

1. The official opening of the Heritage Centre by Bishop Michael Campbell OSA, in September 2020. The Heritage Centre includes an exhibition of the Congregation's Foundress, Victoire Larmenier, and her legacy of the Congregation of the Sisters of Nazareth, along with a new, permanent home for the archive, which ensures the Congregation's precious paper records can be stored in environmentally controlled conditions.
2. Supporting the regions to manage their response to the Covid-19 pandemic and to keep the vulnerable residents and children in the Congregation's care as safe as possible.
3. Five novices made their first profession in September 2020 and shortly after returned to the African and Australasian Regions to continue their religious journey as Sisters of Nazareth.
4. Providing finances to the UK Region to enable them to repay a loan for the construction of the Glasgow care home and retirement apartments.
5. Prepare Nazareth House Southend for marketing, ready for a future sale of the site.

The year has also had its challenges, including deciding to close Nazareth House San Rafael in America after more than 60 years. This is due to a reduced number of residents and the difficulty of recruiting suitably qualified staff, both of which were exacerbated by the pandemic.

The issue of historic abuse of children in the Congregation's care continues to impact on our activities today. In May 2019, a report was issued by the Scottish Child Abuse Inquiry following the testimony in 2018 of the survivors of abuse in four residential children's homes in Scotland operated by the Congregation. The Congregation formally apologised for any mistreatment of those in our care and deeply regrets any harm or shortcomings in the care that was provided. The Congregation has and continues to co-operate with the Scottish Inquiry and the Inquiries held in Northern Ireland, Australia and New Zealand, each at different stages, and with those governments as they set up their redress schemes. All residential children's homes in each of these countries have now been closed for many years.

The year was dominated by the Covid-19 pandemic. This affected the work of the Congregation, curtailing travel and activities, and more directly the provision of care to the elderly and children who are looked after in the care homes and other services in each region. The Trustees pay tribute to the exceptional hard work of all the Sisters, staff, volunteers and others in Nazareth Care who have worked tirelessly to keep the residents safe, often putting the care of others ahead of their own safety and wellbeing. There can be no greater example of their commitment and living by the Core Values. Sadly, we have lost one Sister and have seen some residents lose their lives to the disease, along with two members of staff. Their families and friends are remembered in our prayers.

## THE CONGREGATION'S AIM MISSION, VISION, AND VALUES

### Aim

The Constitutions of the Congregation of the Sisters of Nazareth set out its aim:

*"To glorify Almighty God by following Christ as our supreme rule of life. We do this by personal sanctification, by dedicating ourselves to the building up of God's kingdom, and by engaging in the particular ministries entrusted to us by the Church: care of the elderly, work with children, educational, pastoral and social works, and other ministries in accordance with the needs of time and place."* (Constitution 1.3)

### Mission

The Charity supports the work of the Congregation throughout the world. Its mission, therefore, is identical to the Congregation's own mission statement:

*"We, the Sisters of Nazareth, aim to share the love of God through our ministries of care and education and our openness to respond to the needs of the times."*

*"Whatsoever you do to the least of my people you do to me".* Words of Jesus Christ (Matt.25:40)

### Vision

The Sisters of Nazareth is a Catholic Congregation devoted to the dignity of life. We strive to maintain and improve the quality of life of those whose lives we touch.

### Core values

The Aim, Mission and Vision are supported by six Gospel based 'core values', derived from Scripture.

All who are associated with the work of the Congregation are expected to demonstrate a commitment to the Core Values:

- **Love** – Unselfish concern for the good of others shown through patience, kindness, trust, hope, endurance, truth and a strong affection.
- **Compassion** – Being open and attentive to the whole person, spiritually, physically and emotionally, showing empathy for the suffering of others and trying to relieve that suffering.
- **Respect** – Holding the unique dignity of each person in high esteem and with special consideration, showing thoughtfulness, courtesy and care.
- **Justice** – Upholding what is fair, decent and right, appreciating each person, respecting their rights in a balanced and fair manner.
- **Hospitality** – Welcoming and receiving all into a warm, friendly and open atmosphere.
- **Patience** – Persevering calmly and with understanding and endurance.

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A new programme, *Victoire's Legacy*, has been prepared and is ready to be delivered, which covers the legacy of the Foundress, the Core Values, safeguarding and interculturality. Meanwhile, the Congregation's *Mission Alive* programme continues to be used and reinforces the impact of its Mission and Core Values on its ministries. The programme provides training to staff and volunteers in the meaning and application of the Core Values and how to put them into practice in the workplace, ensuring the Core Values and Mission make each Nazareth House and service a distinctive place of care. The continuing and visible presence of Sisters in the services is a reminder to residents, relatives, staff and volunteers of the Congregation's origin and its ongoing commitment to providing spiritual and compassionate care to the elderly and others who benefit from these services.

The leadership of the Congregation has adopted the principles of 'servant-leadership' set out by Robert Greenleaf, which have a strong affinity with the core values.

## STRUCTURE

The Congregation of the Sisters of Nazareth Generalate ('the Charity') supports the religious, educational, care and other charitable work of the Congregation of the Sisters of Nazareth ('the Congregation') across the world. The Congregation is an unincorporated international body of religious women – the Sisters of Nazareth ('the Sisters') – who were founded by Victoire Larmenier and recognised by the Holy See in 1864. The five trustees of the Charity are also the five elected leaders of the Congregation, the Superior General and four General Councillors. The Charity is based in the United Kingdom.

As of 31 March 2021, there were 203 Sisters (2020: 206) and 8 novices (2020: 9).

Most of the Congregation's ministries, or services, are provided within Nazareth Houses, which are mainly care homes for older people. As of 31 March 2021, the Congregation operated 34 Nazareth Houses, 8 retirement villages, 3 education services and 2 children's services in 37 different locations. They are organised into four regions and one area: Africa, America, Australasia, Ireland and United Kingdom. For this report only, the four regions and one area are all referred to as regions.

Each region consists of both a regional branch of the Congregation and an operating entity, which are charitable or not-for-profit organisations. Each regional branch of the Congregation owns the properties – the Nazareth Houses – and looks after the mission of the Congregation and the welfare of the Sisters in the region. The operating entities function under the name Nazareth Care (Nazareth House in America) and are delivered on behalf of the Congregation. They manage the care homes and other services, receive the income and employ the staff. This structure ensures that the Sisters retain control over the assets and mission of the Congregation while lay staff can manage the services and provide the care.

Each Nazareth Care is a separate legal entity with its own governing document and board of trustees, consisting of a majority of Sisters and supplemented with lay trustees. Each board is chaired by the Regional Superior, who is a member of the Congregation. Each region has a similar legal structure, although each is necessarily tailored to the legal jurisdiction in which it operates.

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The Congregation, through the Superior General and the General Councillors, retains some decision making powers over the regions and the Charity holds the central reserves of the Congregation.

The Charity has no related parties or subsidiaries. There are several connected entities to the Charity, being other components of the Congregation. Those components in the United Kingdom are detailed in Note 21 to the accounts and consist of The Congregation of the Sisters of Nazareth Charitable Trust (charity registration number 228906 (England and Wales) and SC040507 (Scotland)) and Nazareth Care Charitable Trust (charity registration number 1113666 (England and Wales) and SC042374 (Scotland)) and a company limited by guarantee (Company Registration No 5518564 (England and Wales)) and its subsidiaries.

### REVIEW OF THE YEAR

The trustees present the report and accounts of the Congregation of the Sisters of Nazareth Generalate for the year ended 31 March 2021.

During the year the Charity has supported the mission and care provided in the regions in many ways. These include providing guidance, formal approval, financing and ongoing monitoring and support to building works, changes to governing documents and any other significant developments.

At the most recent General Chapter, held in June 2018 in Hammersmith, London, the future direction of the Congregation was agreed upon, which forms the basis of the Congregational Plan for the next six years. The key elements of the plan are to:

1. Acknowledge the gift of interculturality in all aspects of the Congregation.
2. Review the impact of the changing strengths and availability of Sisters, to maintain the viability of the Congregation.
3. Embrace, study, promote and implement the principles of Catholic Social Teaching and Pope Francis' social encyclical on the environment, *Laudato Si'*, concerning ecological and social issues affecting the life and mission of the Congregation.
4. Safeguard the partnership between the Congregation and Nazareth Care.
5. Promote vocations and the initial and ongoing formation of the Sisters.

Delivery of these Recommendations will take time. Actions towards their delivery have commenced and include:

- An interculturality course in Rome was attended by four Sisters from the Congregation who then cascaded the course through each of the regions;
- Developing a new programme of induction and training for all Sisters and staff, exploring Victoire's legacy, our mission, the partnership, core values and interculturality;

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- Reviewing the formation programme to support the training and ongoing formation of Sisters;
- Preparing and distributing a new Common Policy document for the Congregation including Nazareth Care to have a growing consciousness and practice around ecological and social issues.
- Considering ways of ensuring the viability of the Congregation with regard to the changing availability of Sisters;
- Strengthening the role of Sisters in the governance of the Congregation;
- Reviewing the partnership between the Congregation and Nazareth Care.

These and other actions are contained in the Global Congregational Plan and the Nazareth Care Global Plan, which are then cascaded down to the region, house and community plans.

### Planning

The Global Congregational Plan and the Nazareth Care Global Plan form the top layer of a planning system that requires each region, service and community of Sisters to produce their own plans. The intention is for a 'golden thread' to flow from the General Chapter through all the plans, ensuring that all activities are focused on the Recommendations. The plans identify the many elements common to both plans that require the same actions by Sisters and lay staff.

### Property

The Nazareth Heritage Centre in Hammersmith was officially opened in September 2020. The Centre contains a new exhibition commemorating and celebrating the life and legacy of the Congregation's Foundress, Victoire Larmenier, and provides a permanent home for the Congregation's archive. The collection has been added to during the year as the Centre becomes better known around the Congregation and more artefacts are gifted to the display.

The Novitiate was relocated during the year to a refurbished building on the Hammersmith site.

The volume of building work taking place in all regions has reduced during the pandemic, with just existing projects being continued and historic issues addressed. Consent was granted to permit the African Region to deal with a longstanding and complex land split in Port Elizabeth, South Africa and to the Australasian Region for a similar land transfer in Geraldton. Consent was also given for a new lease to be entered into for the care home in Ballymote, County Sligo in Ireland and to replace the roof of Nazareth House Northampton, which was urgently required.

Works previously approved have continued, including completing the refurbishment of part of Nazareth House Geraldton in Australia and the refurbishment and extension of Nazareth House Birkenhead in the UK. Plans are also being developed for upgrades and improvements to several other Nazareth Houses across all of the regions.



### Finance

Each region consists of one or more independent charities. Therefore, consolidated accounts are only produced at regional level and are not consolidated globally. Region accounts are prepared and audited according to their local standards and are available on request from each region.

Each region provides a quarterly report on its operational financial performance, covering the activities of Nazareth Care including each Nazareth House. Unaudited accounts for each region show that total turnover for 2020/21 was £109 million, a decrease from £111 million in 2019/20. The decrease is mainly attributed to the reduction in the number of residents and then the closure of San Rafael midway through 2020/21, along with a weakening of the Dollar to Sterling exchange rate.

Four of the five regions improved their financial performance, generating a larger surplus or smaller deficit than the previous year, which will be used for reinvestment in capital projects.

The Charity provided a new loan to the UK Region to refinance the building of the Nazareth House Glasgow care home, reducing the interest rate payable. The Charity also provided further advances of the previously agreed funding to the UK Region for the extension and refurbishment of Nazareth House Birkenhead.

### Nazareth House Southend

Nazareth House Southend was closed and the closing Mass was held on 28 February 2020. Since then, the site has been made available to the NHS as a Covid-19 test centre and to provide much needed temporary accommodation, pending a decision on the long-term future of the site. The site has subsequently been marketed for sale.

### Inquiries

The Scottish Child Abuse Inquiry published its report in May 2019 into the work of the Sisters of Nazareth in four homes for children, which were all closed in the early 1980s. The report details the suffering and abuse reported by some children in our homes, for which we apologise profoundly. Evidence has been given to the Inquiry, most recently in October 2020 relating to child migration. In addition, we continue to co-operate with the Scottish Government with their Advance Payment Scheme and the development of Redress Scotland, following the passing of the Redress for Survivors (Historical Child Abuse in Care) (Scotland) Act 2021, to support the survivors of abuse.

The Northern Ireland Historical Institutional Abuse Inquiry, the English inquiry, the Independent Inquiry into Child Sexual Abuse and in Australia, the Royal Commission into Institutional Responses to Child Sexual Abuse, have all previously published reports. The services that are cited in the reports have not been operated by any part of Congregation including the Charity, the UK Region or the Australasian Region for a long time. We continue our practice of co-operating with all of the Inquiries and providing ongoing support to the survivors.

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### Covid-19

The year was dominated by the Covid-19 pandemic. This affected the work of the Congregation, curtailing travel and activities, and more directly the provision of care to the elderly and children who are cared for in the care homes and other services in each region. The Sisters, management and staff response has been phenomenal, prioritising the care of others and we thank them for their efforts.

The Charity's activities have continued, with more activities delivered remotely, and the timing of others adjusted to reflect the ability to travel and making extensive use of video conferencing. All staff of the Charity have continued in their roles, many working remotely for at least part of the time.

Income and expenditure have only marginally been affected during the 2020/21 financial year. The largest source of income, donations from the regions, are based on an agreed methodology linked to the income in each region. Total donations have fallen by 4.6%, resulting from reductions in regional income referred to earlier in this report. This reduction has been compensated for by increases in interest charged on the loans provided, where a further £2.7m of loans have been advanced during the year.

Investment funds have performed strongly, increasing in value by £2.5m during the year, less the withdrawals to extend the loans. This follows a loss of £0.432m in the previous financial year.

### Other activities

Other activities during the year included:

- monitoring the financial and operational performance of the regions, based on quarterly reports and commentaries received from them;
- reviewing the governance in regions;
- considering applications by regions for consents of various types, in particular relating to major building works and constitutional requirements;
- allocating funds to consented projects by way of grants and loans;
- monitoring investment performance and reviewing the investment managers used;
- keeping in touch with the houses and regions, mainly by video and telephone this year. The focus of these visits by the Superior General and her General Councillors is their pastoral care of each Sister's welfare, as well as providing opportunities to observe the operations within houses, monitor the governance within regions, encourage a strong partnership between the Congregation and Nazareth Care and update their knowledge of issues in each region and house.

## **FINANCIAL REPORT FOR THE PERIOD**

The accounts have been prepared in accordance with the accounting policies set out on pages 26 to 31 of the attached accounts and comply with the Charity's trust deed, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

### **Income and expenditure**

The income and expenditure of the Charity are detailed in the Statement of Financial Activities, on page 23 of the accounts.

Unrestricted income for the year amounted to £2.003 million (2020 – £1.977 million). In addition, a restricted donation of £10 million was received in 2021 (2020 – nil). Unrestricted income is from two primary sources:

Donations and legacies of £1.540 million (2020 – £1.615 million). Donations are mainly from the regions and decreased this year, due to the closure of Nazareth House San Rafael and Nazareth House Southend, together with a weakening of the Dollar to Sterling exchange rate. In some other houses there has been an increase in occupancy and fees, which has resulted in increased donations to the Charity.

Income from investments totalled £0.464 million (2020 – £0.362 million), which is almost entirely interest on loans to fund building projects in the regions. Loans include funding for works at Nazareth Houses in Christchurch, New Zealand; Glasgow, Scotland; Dublin, Ireland; Mallow, Ireland; Belfast, Northern Ireland and Birkenhead, England. The loans for Glasgow and Birkenhead have been increased this year, which has resulted in more interest due.

An extremely generous, restricted donation was received during the year to fund the refurbishment of Nazareth House Hammersmith, the home of the Charity and the first house established by the foundress, Victoire Larmenier. The Charity and the Trustees are extremely grateful to the donor for their generosity, for which they have been thanked privately.

Expenditure increased to £1.627 million (2020 – £1.557 million) due to an increase in grants paid less a reduction in travel and not writing down a loan balance this year (2020 - £0.374 million). There were increases in depreciation following capital expenditure in the last few years in Hammersmith and an increase in foreign exchange losses reflecting a worsening of exchange rates used to calculate the Sterling equivalent of the loan balances.

Grants to the regions increased to £0.421 million (2020 - £0.195 million) to fund activities in Ireland and Southend and Hammersmith in the UK. Expenditure is detailed in Note 4 of the accounts.

Income less expenditure resulted in a gain for the year of £10.377 million (2020 – £0.421 million).

After investment gains of £2.463 million (2020 – loss of £0.432 million) the net movement in funds for the year was an increase of £12.840 million (2020 – decrease of £0.011 million), of which £9.710 million was held as a restricted fund at the end of the year.

### **Loans**

No new loans were approved during the year. A new loan was approved in March 2020 and paid in April 2020, to the UK Region to refinance a commercial loan for the care home and retirement apartments in Glasgow. The new loan is consolidated with an existing debt from the Charity, also relating to Glasgow, and improves the overall repayment terms for the Charity.

Additional advances were made during the year for a previously agreed loan to the UK Region to extend and refurbish Nazareth House Birkenhead. This loan has now been paid in full.

The new loan advances, less repayments during the year, increased the Charity's debtor balance to £16.822 million (2020: £13.319 million) at 31 March 2021. Notes 13 and 21 to the accounts provide further details of the outstanding balances and the funding arrangements.

### **Cash flow and investment performance**

The value of listed investments at 31 March 2021 was £20.215 million (2020 – £13.152 million). The increase represents investing £7 million of the £10 million restricted donation, the drawdown of funds from Royal London to fund the loan advances during the year and unrealised gains on revaluation.

A summary of movements on listed investments can be found in Note 11 to the accounts.

Investments with a market value at 31 March 2021 of £16.679 million (2019 – £7.270 million) were held within the BlackRock Catholic Charities Growth and Income Fund. This is a common investment fund set up to provide charities with ethical investment in line with Catholic teaching. A further £3.536 million (2020 – £5.881 million) was held with Royal London Asset Management and invested in cash, deposits, money market instruments and short-dated government securities, aimed at delivering a positive return without additional risk.

### **Funds and reserves policy**

The Charity's reserves of £42.528 million (2020 – £29.689 million) are divided between two designated funds, the tangible fixed assets fund, General Fund, and a restricted fund:

Designated funds:

- ♦ The Sisters' Support Fund: £7 million (2020 – £7 million) is retained to provide Sisters who need any support, including nursing or residential care in a Nazareth House, with the means to purchase it where public funds are not available and for other needs such as medical costs, training or emergencies. The amount is calculated based on the estimated future costs of providing care for Sisters, the number of Sisters, their ages, life expectancy, anticipated length of care and the cost of providing care. The level of the fund was reviewed during the year and the Charity confirmed that £7 million remained the appropriate level of the Fund.

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- ♦ The Property Fund: £22.500 million (2020 – £19.370 million) was increased by £3.130 million (2020 reduced by £0.817 million) as a result of the increase in the value of investments and surplus generated during the year. The fund will be used to provide loans or grants to regions requiring support for building or other major works. This is expected to be the primary focus of the utilisation of the Charity's funds for some years as many properties require upgrading and remodelling to comply with current standards and expectations. Trustees have already used a proportion of the fund, demonstrated through the loan balances. They anticipate using more of the fund over the next five to ten years to continue the process of upgrading properties, subject to retaining sufficient funds to respond to emergencies. This may include additional costs to refurbish Nazareth House Hammersmith, as well as other sites in the UK and overseas.

### Other funds:

The tangible fixed assets fund represents the value of the tangible fixed assets owned by the Generalate. The fund has increased from £2.318 million to £2.397 million during the year as new assets have been added and the existing assets have been depreciated.

The General Fund of £0.920 million (2020 – £1 million) is retained to cover the running costs of the Generalate in the event of a temporary loss of income, together with some capacity to support regions and houses experiencing unforeseen costs that cannot immediately be funded from other sources. The General Fund represents the only unrestricted and non-designated funds of the Charity, that can be spent as the trustees decide.

The General Fund is in line with the trustees' expectations and represents around nine months of operating expenditure, excluding foreign exchange losses. The trustees wish to retain between 6 and 12 months of operating expenditure in the General Fund to avoid any interruption to its activities in the case of a loss of income or the need for increased support to a region.

The restricted fund of £9.710 million (2020 - £0) is accounted for separately. £7 million (2020 - £0) is held in the BlackRock Catholic Charities Growth and Income Fund and the remainder is held in cash deposits to fund shorter-term cashflows.

During the year, £0.289 million (2020 - £0) had been spent from the fund on refurbishing and relocating the Novitiate. This has been capitalised and added to Fixed Assets.

### Going concern

The trustees have assessed the Charity's ability to continue as a going concern. The trustees have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements including a review of updated forecasts to 31 March 2023 covering income, expenditure, cash and reserves, the long-term cashflow forecast to 31 March 2026 and a consideration of key risks, including Covid-19, that could negatively affect the Charity.

## **Trustees' report 31 March 2021**

The Charity is funded primarily by donations from the Regions within the Congregation together with other donations from the Sisters and legacies. There is a risk that the pandemic will reduce income in each of the regions during the year and consequently this will reduce the income that is paid to the Charity. During the last year, most houses and most regions have remained resilient to the challenges and have continued to operate successful houses, with appropriate changes to their operating practices. Admissions have restarted in most locations and occupancy in the homes is beginning to increase. Admission embargoes are now much shorter than was the case in the early days of the pandemic and the number of residents dying has reduced considerably. The impact is reflected in the reports and forecasts reviewed by the Trustees. Debtor balances have been reviewed and assessed and, as all loans are to within the Congregation, they are considered to be repayable in full. The budget and forecasts for the forthcoming year are considered to be deliverable and the cashflow forecast shows that there are sufficient cash and liquid resources and forecast inflows for the period of review, with the support of the unrestricted reserves if required.

The Charity has not accessed any of the government grants or loans provided in response to the Covid-19 pandemic and does not anticipate doing so.

The Trustees therefore have a reasonable expectation that the Charity has sufficient resources to continue in operational existence for the foreseeable future and so should continue to adopt the going concern basis in preparing the annual report and financial statements.

### **FUTURE PLANS**

The focus over the next year and beyond will be implementing the Mandate and Recommendations from the General Chapter in 2018.

In addition, the Charity will continue to support the regions, particularly with their property developments and upgrades to ensure the best environment for delivering high quality care to residents. This has been especially difficult as they manage and come through the Covid-19 pandemic. The Charity continues to keep in regular contact with the regions to ensure they are coping, to understand the challenges they are facing and to see how they can be supported.

The Charity is also working closely with the UK Region to plan for the redevelopment of Nazareth House Hammersmith.

### **GOVERNANCE**

The members of the Congregation are led by the Superior General, supported by four General Councillors. These five Sisters are elected every six years at the General Chapter, which is attended by representatives of the whole Congregation. The General Chapter, while in session, is the highest authority in the Congregation. Before each Chapter there is considerable consultation with all Sisters through a series of Regional Chapters, other region-based meetings and papers distributed for discussion. The Regional Chapters elect Sisters to attend the General Chapter on behalf of all Sisters. The June 2018 General Chapter was attended by 32 *ex-officio* and elected Sisters from the Congregation. This consultative approach provides the elected representatives with information and views from all Sisters across the Congregation on the issues to be discussed.

## **Trustees' report 31 March 2021**

The Superior General and General Councillors oversee the mission and ministries of the Congregation and are accountable to the General Chapter for their stewardship of the Congregation's mission, ministries and assets between each General Chapter.

The trustees of the Charity comprise the Superior General and the four General Councillors *ex officio*. At the end of the year, the following trustees held office:

### **Sister Brenda McCall ('Sister Mary Brenda')**

Sister Brenda was elected Superior General in 2018, having been a General Councillor since 2012. Before joining the Council, Sister Brenda had been the UK Regional Superior since 2009, where she oversaw the combining of the North and South Regions and implemented new constitutional and staffing structures. Prior to this, she had ministered in various Houses within the UK, Ireland and South Africa. She is trained in the Residential Care of Children and Young People and is a Registered General Nurse.

### **Sister Valma Beatrice Cooper ('Sister Dominica of the Cross')**

Before her election to the General Council as Vicaress General in 2018, Sister Dominica worked in the Australasian Region. Being a Registered Nurse, Sister Dominica worked in aged care for many years before being appointed to leadership positions as a Superior and Regional Superior, a position she held for seven years. During this time, Sister Dominica was involved in the organisational restructure and setting up a new business entity as well as renovation and redevelopment programmes in the Region.

### **Sister Anne Bernadette Walsh ('Sister St Teresa')**

Sister Teresa served as Superior in the two Northern Ireland Houses for the nine years before her election as a General Councillor in 2012. Sister Teresa originally trained as a teacher and worked in education for thirty-five years. Her focus was on the primary school sector and she became principal of a nursery school. At the end of her teaching career, Sister Teresa was awarded an MBE for her contribution to early years' education in Northern Ireland. She was elected for a second term as a General Councillor in 2018.

### **Sister Mary Veronica Kealey ('Sister Veronica Anne')**

Sister Veronica trained as a teacher and worked in the primary school sector for fifteen years. She served as Superior in Dublin before going to Canada to study for a License in Canon Law. Sister Veronica worked with the Scottish Catholic Inter-Diocesan Tribunal for eight years working principally on marriage nullity cases before being elected to the General Council in 2018 and appointed as Secretary General.

### **Sister Hannah Maria Dwyer ('Sister Hannah Maria')**

Sister Hannah was elected to the General Council in 2018 and serves as the Treasurer General. Following a long career in teaching, 23 years as Headteacher in a London Catholic Primary School, she received the Pearson Teaching Award in 2014 for Lifetime Achievement. In 2002, Sister Hannah raised £7m to fund the building of a new school, which she supervised. The school was visited by the then Prime Minister Tony Blair, accompanied by Arnold Schwarzenegger. The library was opened by the future Prime Minister Boris Johnson. In 2015, she took a leadership role in the UK Region, as the Superior of the Cheltenham Community.

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The Superior General and General Councillors live and work on the Nazareth House site in Hammersmith, which was the first to be established by the Congregation's Foundress, Victoire Larmenier, in 1857 and which remains the 'Mother House' of the Congregation.

The trustees form a Part VII incorporated trustee body – *'The Trustees of the Congregation of the Sisters of Nazareth Generalate'*. The Charity Commission granted a Certificate of Incorporation on 23 March 2011.

The Charity is governed by a Trust Deed dated 1 October 2010. Its objects are to apply the Charity's property and income *'...for such charitable purposes as shall advance the religious, educational, care and other charitable work of the Congregation, for the public benefit, as the Trustees with the approval of the Superior General shall from time to time think fit...'*

Trustees' powers include but are not limited to:

- ◆ supporting and maintaining *'... all who are or have been engaged in the charitable works of the Congregation including ... Trustees of the Trust'*.
- ◆ making *'...grants and loans whether out of income or capital and upon such terms and conditions (if any) as to interest, repayment, security or otherwise and to guarantee money or to use the assets of the Trust as security for the performance of contracts entered into by any person, association, company, local authority, administrative or governmental agency or public body as may be thought fit or towards charitable purposes in any way connected with or calculated to further the objects of the Trust'*.
- ◆ establishing *'... such separate charity or charities as they think fit ... to carry on such charitable works as are within the ambit ... of this Deed'* and *'... trading companies to assist, or act as agents for, the Trust'*.

The Superior General and the General Councillors meet as a General Council, which focuses on the religious aspects of the Congregation. The Superior General and the General Councillors are also the trustees of the Charity and they meet separately to discuss the business aspects of the Congregation's activities. The trustee meetings are attended by the Congregational Chief Executive and are minuted separately. The trustees met formally four times during the year.

New trustees are inducted by the existing trustees and staff and training is provided.

### Charity Governance Code

The Charity has assessed its compliance with the principles of the Charity Governance Code, undertaking a detailed review in June 2020. It considers that it fully meets 54 of the 76 items of recommended practice in the Code and is working towards another nine items. Two items are not met and 11 that it considers are not relevant to the charity.

The two unmet areas are benchmarking with similar organisations and considering information from other similar organisations and reporting on how the charity evaluates the board effectiveness in this report. Formally assessing board effectiveness is one of the areas that it is working towards.



## **Trustees' report 31 March 2021**

The non-relevant areas are mostly concerning the recruitment of trustees, as the Constitutions require some appointments to be made from within the Congregation, which limits the advertising, diversity and breadth of board skills. This is compensated for by having trustees who are wholly committed to the Congregation and the Charity without outside distractions, and the use of external advisors and outside expertise on committees to provide greater diversity and breadth of skills.

### **Key management personnel**

The trustees consider that they, with the assistance of the Congregational Chief Executive, comprise the key management of the Charity in charge of directing and controlling, running and operating the Charity on a day to day basis. Decisions are made by the trustees unless they have been delegated to the Congregational Chief Executive as part of the approved general delegation or as agreed when making a specific decision.

All trustees 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. Additionally, they donate all their income to the Charity.

The performance and pay of the Congregational Chief Executive is reviewed annually. To deliver the charitable aims and to complement the skills of the Sisters, the Charity employs a small number of paid staff. 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 in delivering the Charity's objectives.

In accordance with the Statement of Recommended Practice we:

- ◆ disclose all payments to trustees (no trustees are paid) and expenses reimbursed (no trustees received expenses).
- ◆ disclose the number of staff in receipt of £60,000 and above (in bands of £10,000) (Note 7 to the accounts).
- ◆ disclose pensions and other benefits (Note 7 to the accounts).

Staff remuneration does not include any share options or long-term incentive schemes as there are none.

The period of notice for termination of contracts of employment is three months for any staff earning over £60,000.

### **Grant-making policy**

The Charity makes funds available as grants to individual houses and regions, which are to separately registered charities to support its ministries. The grants are accounted for as expenditure in the year in which they are approved.

During the year, a few small external grants were made by the trustees in response to identified needs. These were generally to support individuals or smaller not-for-profit organisations. Grants made by the Charity during the year are detailed in Note 4 to the accounts.

### **Investment policy**

The Charity's constitution does not restrict the trustees' powers of investment. The choice of investments is heavily influenced by the ethical investment policy, which is designed to avoid, as far as is reasonably possible, any significant investment in organisations that produce goods or services at odds with the teachings of Catholicism, particularly regarding the sanctity of human life.

The trustees take a total return approach to their investments, investing in funds that adhere to the ethical investment policy. The majority of investments are held in BlackRock Investment Management (UK) Limited's Catholic Charities Growth & Income Fund (CCGIF) and cash and cash equivalent funds with Royal London Asset Management Limited. CCGIF holds a diversified portfolio containing equities, gilts and other fixed-income securities, managed within an acceptable level of risk. The Treasurer General is a member of the CCGIF Advisory Committee.

The BlackRock fund's investment objective is to achieve a return net of fees in excess of its benchmark, over a period of five or more years, whilst adhering to its ethical investment policy.

The Royal London fund aims to deliver a positive return in a range of market conditions without taking additional risk, by investing in cash, deposits, money market instruments and short-dated government securities.

A review of the investment managers was undertaken during the year and some changes were agreed towards the end of the financial year, which will be implemented during 2021/22.

The Charity's practice is to re-invest income arising from the investment portfolio. The trustees consider the level of liquidity that is required to support grant and operational commitments in the short and medium-term.

The Charity uses the expertise from its investment managers to help with the management of its investment funds and will purchase additional advice where necessary as well as draw upon the knowledge of the Advisory Finance Committee members and the key management personnel.

### **Public benefit**

The trustees confirm that they have given due consideration to the Charity Commission's published guidance on the Public Benefit requirement under the Charities Act 2011 when considering the Charity's objectives and activities. All activities relate to the general objectives of the Charity through supporting Sisters and delivering care to the elderly and children, delivered through overseeing and supporting regions, providing financial contributions, advice and guidance within which regions operate. In these ways, the Charity is delivering a public benefit.

### **Risk management**

The Charity reviewed its risk management framework during the year and agreed that there are five primary categories of risk: Mission, Spirit and Values; Governance; Safeguarding; Financial; Organisational and External Environment risks. In each category, it has agreed how willing it is to take risks to achieve its objectives and how it would endeavour to reduce risks where they are unacceptable to the organisation, its purpose or values.

## Trustees' report 31 March 2021

Within each category, several specific risks and controls were identified that either are in place or could be put in place to reduce those risks. The major risks faced and how they are managed are considered to be:

- A loss of spirit or mission. The risk increases as the number of Sisters decrease and the role of paid staff in management positions increases. There are several programmes available in regions to ensure the mission is well understood and communicated, such as Victoire's Legacy, Mission Alive and the Core Values of the organisation. Sisters remain intrinsic to each house and are visible throughout each house. Mass is held each day in most houses. Visits occur from the Generalate to each region and each house (not in 2020/21). Alternative arrangements have been introduced in three regions to explore models that can operate with fewer Sisters including some sites operating as satellites with visiting Sisters. These are evaluated on an ongoing basis.
- Governance shortcomings. Governance arrangements ensure that the Charity board of trustees is made up entirely of Sisters who are supported by lay staff and advisors as necessary. In the regions, all boards consist of up to nine trustees, a majority of whom are Sisters. There is a strong set of Constitutions, Directives, Governance Handbook and reporting mechanisms covering all aspects of governance to ensure that regions administer their operations in accordance with the standards expected by the Charity.
- Safeguarding incidents either now or in the past. Current safeguarding risks are well managed through comprehensive training and procedures and are more likely to occur in one of the regions, where they directly interact with vulnerable individuals. The impact on the Charity is by association and the consequential impact on the Charity's reputation. The historical risk remains and is largely managed by the Charity. We have reviewed many practices and have and continue to cooperate fully with all public Inquiries and with individuals making their own enquiries or civil proceedings. Many safeguarding risks are covered by insurance.
- Financial failure through a region or the Charity not being able to meet its commitments, such as the repayment of a loan or a building project not being delivered to budget. The shared brand and support mechanisms ensure that if one part of the Congregation struggles, others will step in to support it. Due diligence is undertaken before commitments are made and insurance is taken out where it is appropriate to do so. There is a process of continual oversight of the financial performance of each region and cashflow forecasting for the Charity to ensure that there are sufficient, liquid funds to meet all reasonable eventualities.
- Organisational risks at the Charity include an over-reliance on key individuals, the reputational damage associated with the failure of a service either now or in the past or the impact of investment or foreign exchange fluctuations. There is an awareness of these risks and contingency plans built in wherever possible to minimise their impact, for example, through the recruitment of skilled individuals, the sharing of information and the use of professional advisors where appropriate to do so. All services are externally regulated to ensure standards are continually met and/or improved.

## **Trustees' report 31 March 2021**

- External environment changes have a material impact on the work of the Charity through, for example, major changes to the funding or legislation concerning the care of the elderly at the end of their lives or changed, public perceptions of the Catholic Church or a global health crisis or recession, such as the Covid-19 pandemic currently being faced.

### **Fundraising policy**

The Charity does not proactively fundraise or solicit donations towards its work. It has therefore not signed up to the Fundraising Regulator.

When fundraising income is received, the Charity aims to achieve best practice in the way 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 or swaps data and ensures that communication preferences can be changed at any time. The Charity does not employ the services of professional fundraisers. The Charity undertakes to react to and investigate any complaints regarding its fundraising activities and to learn from them and improve its service. During 2020/21 the Charity received no complaints about its fundraising activities (2019/20: none).

### **Trustees' responsibilities in relation to the financial statements**

The trustees are responsible for preparing the trustees' report and the accounts in accordance with applicable law and regulations.

Charity law requires the trustees to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under Charity law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of its net incoming / outgoing resources 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 to the United Kingdom and Republic of Ireland (FRS 102);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial

**Trustees' report 31 March 2021**

position of the Charity and 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.

Approved by the trustees and signed on their behalf by:

*Sx M. Brenda McBall.*

Superior General and Trustee

Date of approval: 10 SEPTEMBER 2021

## **Independent Auditor's Report to the Trustees of The Congregation of the Sisters of Nazareth Generalate**

### **Opinion**

We have audited the financial statements of The Congregation of the Sisters of Nazareth Generalate ('the charity') for the year ended 31 March 2021 which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including significant accounting policies. 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 financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2021 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 financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements 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**

In auditing the financial statements, we have concluded that the trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

### **Other information**

The trustees are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 this gives rise to a material misstatement in the financial statements themselves. 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 (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient and proper accounting records have not been kept by the charity; or
- the financial statements 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 set out on pages 18-19, the trustees are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 financial statements**

We have been appointed as auditor under section 151 of the Charities Act 2011 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

A further description of our responsibilities for the audit of the financial statements 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.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the charity operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Charities Act 2011 together with the Charities SORP (FRS 102). We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the charity's ability to operate or to avoid a material penalty. We also considered the opportunities

## **Independent auditor's report 31 March 2021**

and incentives that may exist within the charity for fraud. The laws and regulations we considered in this context for the UK operations were employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, and the Advisory Finance Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence with the Charity Commission and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

### **Use of our report**

This report is made solely to the charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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.

*Crowe U.K. LLP*

**Crowe U.K. LLP**  
Statutory Auditor

London

Date: 20th September 2021

Crowe U.K. LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.



# Statement of financial activities Year to 31 March 2021

	Notes	2021 Unrestricted Funds £	2021 Restricted Funds £	2021 Total Funds £	2020 Unrestricted Funds £	2020 Restricted Funds £	2020 Total funds £
<b>Income:</b>							
Donations and legacies	1	1,539,627	10,000,000	<b>11,539,627</b>	1,614,711	0	1,614,711
Investment income and interest receivable	2	463,809	0	<b>463,809</b>	362,455	0	362,455
<b>Total income</b>		<b>2,003,436</b>	<b>10,000,000</b>	<b>12,003,436</b>	<b>1,977,166</b>	<b>0</b>	<b>1,977,166</b>
<b>Expenditure:</b>							
Cost of raising funds							
- Investment managers' fees		9,117	0	<b>9,117</b>	7,797	0	7,797
Charitable activities							
- Coordination and direction of, and the provision of advice to, the regions of the Congregation	3	1,196,177	0	<b>1,196,177</b>	1,354,167	0	1,354,167
- Grants and donations in support of the Congregation's work	4	421,276	0	<b>421,276</b>	194,627	0	194,627
<b>Total expenditure</b>		<b>1,626,570</b>	<b>0</b>	<b>1,626,570</b>	<b>1,556,591</b>	<b>0</b>	<b>1,556,591</b>
<b>Net income/(expenditure) before net investment gains on listed investments</b>		<b>376,866</b>	<b>10,000,000</b>	<b>10,376,866</b>	<b>420,575</b>	<b>0</b>	<b>420,575</b>
Net investment gains / (losses) on listed investments	11	2,462,827	0	<b>2,462,827</b>	(432,032)	0	(432,032)
<b>Net income/(expenditure) and net movement in funds for the year</b>	6	<b>2,839,693</b>	<b>10,000,000</b>	<b>12,839,693</b>	<b>(11,457)</b>	<b>0</b>	<b>(11,457)</b>
Transfer between funds		289,186	(289,186)	0	0	0	0
<b>Reconciliation of funds:</b>							
Fund balances brought forward at 1 April 2020		29,688,555	0	<b>29,688,555</b>	29,700,012	0	29,700,012
Fund balances carried forward at 31 March 2021		<b>32,817,434</b>	<b>9,710,814</b>	<b>42,528,248</b>	<b>29,688,555</b>	<b>0</b>	<b>29,688,555</b>

All the Charity's operations are derived from continuing activities during each of the two financial years.

# Balance sheet 31 March 2021

	Notes	2021 £	2021 £	2020 £	2020 £
<b>Fixed assets:</b>					
Tangible assets	10		2,397,473		2,318,151
Listed investments	11		20,214,630		13,151,803
Investment properties	12		165,000		165,000
<b>Total fixed assets</b>			<b>22,777,103</b>		<b>15,634,954</b>
<b>Current assets:</b>					
Debtors					
- Amounts due within one year	13	2,312,529		899,094	
- Amounts due after one year	13	14,509,026		12,419,470	
Cash at bank and in hand		5,004,110		1,408,121	
<b>Total current assets</b>		<b>21,825,665</b>		<b>14,726,685</b>	
<b>Liabilities:</b>					
Creditors: amounts falling due within one year	14	(425,675)		(385,971)	
Provisions	15	(1,648,845)		(287,113)	
<b>Net current assets</b>			<b>19,751,145</b>		<b>14,053,601</b>
<b>Total net assets</b>			<b>42,528,248</b>		<b>29,688,555</b>
<b>The funds of the charity</b>	17,18				
<b>Unrestricted funds:</b>					
- Designated funds			29,500,000		26,370,404
- Tangible fixed assets fund			2,397,473		2,318,151
- General fund			919,961		1,000,000
<b>Total unrestricted funds</b>			<b>32,817,434</b>		<b>29,688,555</b>
<b>Restricted funds:</b>					
- Development fund			9,710,814		0
<b>Total charity funds</b>			<b>42,528,248</b>		<b>29,688,555</b>

Approved by the trustees on and signed on their behalf by:

*Fr H Brinde M<sup>c</sup> Ball*

Superior General and Trustee

Date of approval: 10 SEPTEMBER 2021

## Statement of cash flows Year to 31 March 2021

	Notes	2021 £	2020 £
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	A	<u>8,029,915</u>	<u>(2,425,298)</u>
<b>Cash flows from investing activities:</b>			
Investment income and interest received		463,809	362,455
Purchase of tangible fixed assets		(297,735)	(916,218)
Proceeds from the disposal of investments		2,400,000	3,350,000
Purchase of listed investment		(7,000,000)	0
Purchase of investment property		0	(85,929)
Net cash used in investing activities		<u>(4,433,926)</u>	<u>2,710,308</u>
<b>Change in cash and cash equivalents in the year</b>		<b>3,595,989</b>	<b>285,010</b>
<b>Cash and cash equivalents at 1 April 2020</b>	B	<b>1,408,121</b>	<b>1,123,111</b>
<b>Cash and cash equivalents at 31 March 2021</b>	B	<b><u>5,004,110</u></b>	<b><u>1,408,121</u></b>

### Notes to the statement of cash flows for the year to 31 March 2021

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

	2021 £	2020 £
<b>Net movement in funds (as per the statement of financial activities)</b>	<b>12,839,693</b>	<b>(11,457)</b>
<b>Adjustments for:</b>		
Investment income and interest receivable	(463,809)	(362,455)
Losses/(gains) on investments	(2,462,827)	432,032
Depreciation of tangible fixed assets	218,414	110,895
Increase in debtors	(3,502,991)	(2,453,391)
Increase/(decrease) in creditors	1,401,435	(140,922)
<b>Net cash used in operating activities</b>	<b><u>8,029,915</u></b>	<b><u>(2,425,298)</u></b>

#### B Analysis of cash and cash equivalents

	2021 £	2020 £
<b>Total cash and cash equivalents: Cash at bank and in hand</b>	<b><u>5,004,110</u></b>	<b><u>1,408,121</u></b>

## **Principal accounting policies 31 March 2021**

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

### **Charity information**

The Congregation of the Sisters of Nazareth Generalate ('the Charity') is registered with the Charity Commission for England and Wales, registration number 1138876. It is incorporated in the United Kingdom and has its registered address at 169-175 Hammersmith Road, London W6 8DB.

### **Basis of preparation**

These accounts have been prepared for the year to 31 March 2021 with comparative information given in respect to the year to 31 March 2020.

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 (financial statements) have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the previous Statement of Recommended Practice: Accounting and Reporting by Charities which was effective from 1 April 2005 but which has since been withdrawn.

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 financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining a depreciation charge;
- ◆ assessing the timing of the receipt of loan repayments for the purposes of classifying debtors as amounts due within one year and recoverable thereafter and assessing the recoverability of outstanding amounts;
- ◆ determining the value of designated funds needed at the year end, in particular in respect to the assumptions made in determining the values of the Sisters' support fund and the property fund;
- ◆ assessing the probability of the receipt of legacy income, where a notification of entitlement has been received;

## Principal accounting policies 31 March 2021

- ♦ assessing the probability of the payment of a legal claim against the Charity and the probability of the payment being covered by insurance, where a claim has been notified.

### Assessment of going concern

The trustees have assessed the Charity's ability to continue as a going concern. The trustees have considered several factors when forming their conclusion as to whether the use of the going concern basis is appropriate when preparing these financial statements including a review of update forecasts to 31 March 2023 covering income, expenditure, cash and reserves, the long-term cashflow forecast to 31 March 2026 and a consideration of key risks, including Covid-19, that could negatively affect the Charity.

The Charity is funded primarily by donations from the Regions within the Congregation together with other donations from the Sisters and legacies. There is a risk that the pandemic will reduce income in each of the regions during the year and consequently this will reduce the income that is paid to the Charity. During the last year, most houses and most regions have remained resilient to the challenges and have continued to operate successful houses, with appropriate changes to their operating practices. Admissions have restarted in most locations and occupancy in the homes is beginning to increase. Admission embargoes are now much shorter than was the case in the early days of the pandemic and the number of residents dying has reduced considerably. The impact is reflected in the reports and forecasts reviewed by the Trustees. Debtor balances have been reviewed and assessed and, as all loans are to within the Congregation, they are considered to be repayable in full. The budget and forecasts for the forthcoming year are considered to be deliverable and the cashflow forecast shows that there are sufficient cash and liquid resources and forecast inflows for the period of review, with the support of the unrestricted reserves if required.

The Charity has not accessed any of the government grants or loans provided in response to the Covid-19 pandemic and does not anticipate doing so.

The Trustees therefore have a reasonable expectation that the Charity has sufficient resources to continue in operational existence for the foreseeable future and so should continue to adopt the going concern basis in preparing the annual report and financial statements.

### Income recognition

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

Income comprises donations, legacies, investment income and interest receivable.

Donations, including salaries and pensions of individual religious received under 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

## **Principal accounting policies 31 March 2021**

within the control of the Charity and it is probable that those conditions will be fulfilled in the reporting period.

A small number of volunteers assist the work of the Charity, for example, providing Mass or assisting with the work of the Heritage Centre. Their contribution is greatly appreciated. In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

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

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

All of the Charity's listed investments comprise accumulation units and hence investment income from listed investments is not credited to the statement of financial activities as it is reflected in the market value of the relevant investment holding.

Interest on funds held on deposit and interest receivable on loans advanced to other entities is included when receivable and the amount can be measured reliably by the Charity. In the case of bank interest, this is normally upon notification of the interest paid or payable by the bank. In the case of interest on monies advanced, this will be when the Charity becomes entitled to the interest under the terms of the relevant loan agreement.

### **Expenditure recognition and the basis of allocating governance costs**

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

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

- a. The costs of raising funds comprise the fees paid to investment managers in connection with the management of the Charity's listed investments, net of rebates received. Rebates arise when the fees deducted automatically through charges for common investment funds and related transactions exceed the fees agreed between the Charity and its investment managers.

## Principal accounting policies 31 March 2021

- b. The costs of charitable activities comprise expenditure on the Charity's primary purposes as described in the trustees' report and include the support of the Congregation's work in the United Kingdom and overseas. In the main such expenditure comprises the coordination and direction of, and the provision of advice to, the regions of the Congregation, losses on foreign exchange and the provision of grants and donations to projects of the Congregation. Grants payable are included in the statement of financial activities when approved by the trustees and all conditions have been fulfilled by the intended recipient. Provision is made for grants and donations approved but unpaid at the period end.

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 governance costs are allocated to expenditure on coordination and direction of, and the provision of advice to, the regions of the Congregation.

### Tangible fixed assets

All assets costing more than £2,500 and with an expected useful life exceeding one year are capitalised. Tangible fixed assets are valued at historic cost.

Assets are depreciated at a rate calculated to write the value down to its estimated residual value over its expected useful life. The depreciation rates used are as follows:

Freehold land	not depreciated
Freehold buildings	50 years on a straight-line basis (2% per annum)
Leaseholder improvements	10 years on a straight-line basis (10% per annum) for refurbishments or component-based for new assets, varying from 10 to 50 years (2% to 10% per annum)
Motor vehicles	4 years on a straight-line basis (25% per annum)

### 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.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if 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.

### Financial instruments

The Charity has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise trade and other creditors. Investments are

## **Principal accounting policies 31 March 2021**

held at fair value at the balance sheet date, with gains and losses being recognised within income and expenditure.

### **Investment properties**

Investment properties are stated at their fair value at the balance sheet date.

### **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. 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.

### **Funds structure**

Restricted funds are monies given by a donor for specific purposes that can only be spent on the purpose for which they are given. Details of these funds are given in note 17.

The designated funds are monies set aside out of general funds and designated for specific purposes by the trustees. Details of these funds are given in note 17.

The tangible fixed assets fund represents the net book value of the tangible fixed assets used to further the Charity's objectives and work. Movements on the fund are shown in note 18.

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.

### **Services provided by members of the Congregation**

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

### **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.



## **Principal accounting policies 31 March 2021**

### **Pension contributions**

Contributions in respect of defined contribution pension schemes and personal pension schemes are charged to the statement of financial activities when they are payable to the scheme. The Charity's contributions are restricted to the contributions disclosed in note 7. 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.

## Notes to the accounts 31 March 2021

### 1 Donations and legacies

	2021 £	2020 £
Legacies	2,135	22,910
Pensions of individual Religious donated under a deed of covenant	130,843	125,773
Donations		
- American Area	370,780	416,724
- U.K. Region	284,180	361,490
- Australasian Region	318,046	310,888
- Irish Region	268,417	246,896
- African Region	10,000	13,000
- Other	5,287	1,000
- Restricted donation for Hammersmith redevelopment	10,000,000	0
Contribution from NCCT	100,000	100,000
Other voluntary income	49,941	16,030
	<b>11,539,627</b>	<b>1,614,711</b>

### 2 Investment income and interest receivable

	2021 £	2020 £
Interest receivable		
- Bank interest	17,374	1,897
- Interest on loans to connected entities (note 21)	446,435	360,558
	<b>463,809</b>	<b>362,455</b>

### 3 Coordination and direction of, and the provision of advice to, the regions of the Congregation

	2021 £	2020 £
Staff costs (note 7)	258,604	243,051
Maintenance of Sisters	136,709	109,834
Travel	1,033	94,413
IT and website development	119,893	48,898
Professional fees: finance and legal	58,296	48,106
Novitiate	46,946	29,916
Premises	29,121	21,809
Governance costs (note 5)	22,490	17,244
Foreign exchange losses	211,201	84,838
Depreciation – Hammersmith development	218,009	106,020
Loan write-down	0	374,234
Other	93,875	175,804
	<b>1,196,177</b>	<b>1,354,167</b>

Support costs incurred by the Charity are detailed in the table in Note 3. They comprise the governance costs and the support functions of IT expenditure and Professional fees: finance and legal.

## Notes to the accounts 31 March 2021

### 4 Grants and donations in support of the Congregation's work

	2021 £	2020 £
The Congregation of the Sisters of Nazareth, Irish Region	158,493	160
Grants to the U.K. Region:		
- General	88,923	72,224
- Nazareth House Southend	115,825	76,781
- Nazareth House Hammersmith	38,203	0
- Other donations	19,832	45,462
	<b>421,276</b>	<b>194,627</b>

Claims for alleged historic abuse in the UK have been paid on behalf of the Congregation by our insurers and totalled £2,360,906 in 2021 (2020 - £949,529). The expenditure and income from the insurers of £2,360,906 in 2021 (2020 - £949,529) have been netted off in the Statement of Financial Activities.

### 5 Governance

	2021 £	2020 £
Legal and professional fees	8,450	7,140
Audit and accountancy fees	14,040	10,104
	<b>22,490</b>	<b>17,244</b>

### 6 Net income/(expenditure) and net movement in funds for the year

This is stated after charging:

	2021 £	2020 £
Auditor's remuneration including VAT		
Statutory audit (current year)	14,040	10,104

### 7 Staff costs and remuneration of key management personnel

	2021 £	2020 £
Wages and salaries	222,504	208,676
National Insurance costs	21,121	19,752
Other pension costs	14,979	14,624
	<b>258,604</b>	<b>243,052</b>

The number of employees earning £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2021 Number	2020 Number
£120,001 - £130,000	1	1

## Notes to the accounts 31 March 2021

The average number of employees during the year was:

	2021	2020
Administration	3	4
Management	1	1

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 Congregational Chief Executive. The total remuneration (including taxable benefits, employer's national insurance and employer's pension contributions) of the key management personnel for the year was £145,098 (2020 – £140,858).

### 8 Trustees' expenses and remuneration and transactions with trustees

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 trustees (2020 – none).

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 £117,893 (2020 – £113,181).

### 9 Taxation

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

### 10 Tangible fixed assets

	Motor vehicles £	Cemetery £	Property refurbishment £	Total £
<b>Cost</b>				
At 1 April 2020	19,500	1	2,512,231	<b>2,531,732</b>
Additions	0	0	297,736	<b>297,736</b>
At 31 March 2021	19,500	1	2,809,967	<b>2,829,468</b>
<b>Depreciation</b>				
At 1 April 2020	19,094	0	194,487	<b>213,581</b>
Charge for the year	406	0	218,009	<b>218,415</b>
At 31 March 2021	19,500	0	412,496	<b>431,995</b>
<b>Net book values</b>				
At 31 March 2021	0	1	2,397,471	<b>2,397,472</b>
At 31 March 2020	406	1	2,317,744	<b>2,318,151</b>

In 2014, at the time of disposing of Nazareth House Isleworth, the Charity entered into a 999-year lease in respect to the cemetery on that site at a peppercorn rent. This is disclosed on the balance sheet as a tangible fixed asset at the value of £1.

## Notes to the accounts 31 March 2021

There is an informal arrangement between The Congregation of the Sisters of Nazareth Charitable Trust, which owns the property at Nazareth House, Hammersmith, and the Charity, that the Charity may use space on the site of Nazareth House Hammersmith. During the financial year, the Charity has paid for the cost of refurbishing one of the buildings used. This has been funded from a restricted donation and the cost of refurbishment has been shown as a tangible asset and as a restricted fund. The remainder of the restricted donation is shown as a restricted fund until it is spent.

In previous years, other buildings have been refurbished or extended. These are being treated as leaseholder improvements and are being depreciated according to the depreciation policy.

### 11 Listed investments

	2021 £	2020 £
<b>Listed investments</b>		
Market value at 1 April 2020	13,151,803	16,933,835
Additions at cost	7,000,000	0
Disposals at book value	(2,400,000)	(3,350,000)
Net (losses)/gains on revaluation	2,462,827	(432,032)
Market value at 31 March 2021	20,214,630	13,151,803
Cost of listed investments at 31 March 2021	15,172,536	10,565,367

Listed investments held at 31 March 2021 comprised the following:

	2021 £	2020 £
U.K. fixed interest	3,535,824	5,881,460
U.K. common investment funds	16,678,806	7,270,343
	20,214,630	13,151,803

At 31 March 2021, listed investments included the following individual holdings which are deemed significant in the context of the portfolio as a whole:

	2021		2020	
	Market value of holding £	Percentage of portfolio %	Market value of holding £	Percentage of portfolio %
BlackRock Catholic Charities Growth & Income Fund	16,678,806	82.51	7,270,343	55.28
Royal London Cash Plus Z Accumulation Fund	3,535,824	17.49	5,881,460	44.72
	20,214,630	100.00	13,151,803	100.00

### 12 Investment properties

	2021 £	2020 £
Investment properties	165,000	165,000
	165,000	165,000

## Notes to the accounts 31 March 2021

The Charity owns two residential investment properties in Wellingborough, Northamptonshire that were gifted many years ago to the Charity and another local charity. In 2019 the Charity purchased the local charity's share of the properties and now owns both properties outright.

In preparation for the purchase, an independent valuation was carried out. Both properties are held in our accounts at the market value, taking into account the incumbent tenants and the fair rent clauses in their tenancies. The intent is to revalue the properties periodically or if there is a material change in the condition or circumstances of the properties.

The income due from the properties is treated as income from operating leases. The leases are registered with fair rent clauses, preventing a market rate of rent from being charged. They do not have expiry dates and the arrangement will continue for as long as the tenants wish to remain in the properties. The income received in 2020/21 was £3,800. It is expected that a similar amount will be received in each future year.

### 13 Debtors

	2021 £	2020 £
Loan to The Congregation of the Sisters of Nazareth Charitable Trust*	5,926,785	3,259,576
Loan to NRV Development (Blackburn) Limited*	683,766	1,179,766
Loan to Irish Region of The Congregation of the Sisters of Nazareth in respect to Nazareth House Dublin*	334,520	337,634
Loan to Irish Region of The Congregation of the Sisters of Nazareth in respect to the Dublin, Mallow and Belfast developments*	6,806,176	6,869,279
Loan to Australasian Region of The Congregation of the Sisters of Nazareth in respect to development at Christchurch New Zealand*	1,474,631	1,338,927
Legal claims reimbursed by insurance	1,573,844	287,113
Other debtors and prepayments	21,833	46,269
	<b>16,821,555</b>	<b>13,318,564</b>

\* Details in respect to each of these loans and the contribution due are given in note 21.

The legal claims debtor represents the expected amount to be reimbursed by our insurers in relation to the settlement of legal claims against the Congregation, which are shown as a provision in Note 15. The above debtors are due for receipt as follows:

	2021 £	2020 £
Amounts falling due within one year	2,312,529	899,094
Amounts falling due after one year	14,509,026	12,419,470
	<b>16,821,555</b>	<b>13,318,564</b>

## Notes to the accounts 31 March 2021

### 14 Creditors: amounts falling due within one year

	2021 £	2020 £
Amounts held on behalf of individual members of The Congregation of the Sisters of Nazareth	168,061	191,655
Trade Creditors	77,837	75,346
Sundry Creditors	15,151	14,205
Accruals and Deferred income	157,288	97,657
Social Security Creditor	7,338	7,108
	<b>425,675</b>	<b>385,971</b>

### 15 Provisions

	2021 £	2020 £
Legal claims	1,648,845	287,113
	<b>1,648,845</b>	<b>287,113</b>

The Congregation ran children's homes across England & Wales, Scotland and Northern Ireland until they closed in the 1980s. The legal claims provision represents ongoing claims at the year end for compensation in respect of alleged historic abuse of children in the Congregation's care. These amounts are expected to be paid within the next financial year. The vast majority is expected to be covered by insurance, shown as a debtor in Note 13. Further detail is provided in the contingent liabilities note.

### 16 Financial Instruments

At the balance sheet date, the Charity held financial assets at amortised cost of £21,825,665 (2020 £14,414,150) and Financial liabilities at amortised cost of £425,675 (2020 £385,971). The total income received in respect of financial assets held at amortised cost totalled £17,374 (2020: £1,897). The Charity held assets at fair value through income and expenditure of £20,214,630 (2020: £13,151,803). Movements in the year through the statement of financial activities comprised gains of £2,462,827 (2020: Loss £432,032)

### 17 Movement in funds

	At 1 April 2020	Net movement in funds	At 31 March 2021	At 1 April 2019	Net movement in funds	At 31 March 2020
<b>Restricted funds</b>						
Development fund – Hammersmith	0	9,710,814	<b>9,710,814</b>	0	0	0
<b>Unrestricted funds</b>						
Property fund – Designated	19,370,404	3,129,596	<b>22,500,000</b>	20,187,184	(816,780)	19,370,404
Sisters support fund – Designated	7,000,000	0	<b>7,000,000</b>	7,000,000	0	7,000,000
Tangible fixed assets fund	2,318,151	79,322	<b>2,397,473</b>	1,512,828	805,323	2,318,151
General fund	1,000,000	(80,039)	<b>919,961</b>	1,000,000	0	1,000,000
	<b>29,688,555</b>	<b>12,839,693</b>	<b>42,528,248</b>	<b>29,700,012</b>	<b>(11,457)</b>	<b>29,688,555</b>

## Notes to the accounts 31 March 2021

The net movement in the Development Fund and the General Fund includes a transfer of £289,186 from the Development Fund to the General Fund in respect of capital expenditure incurred during the year from the Development Fund.

The restricted funds of the Charity represent a restricted donation that is being used to refurbish an asset.

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

### Property Fund

The Property Fund of £22.5m is set aside to provide loans or grants to regions requiring support for substantial building works.

### Sisters' Support Fund

The Sisters' Support Fund of £7m is retained to provide Sisters who need nursing, care or other support, with the means to purchase it should public funding not be available. It is intended that care will usually be provided within one of the care homes operated by the Congregation.

The unrestricted funds also include the tangible fixed assets fund which represents the net book value of the Charity's tangible fixed assets used to further the Charity's objectives and work. A decision was made to separate this fund from the general fund in recognition of the fact that the assets are used in the day to day work of the Charity, and the fund value would not be realisable easily if needed to meet future contingencies.

## 18 Analysis of net assets between funds

	Designated funds £	Tangible fixed assets fund £	General fund £	Restricted fund £	Total 2021 £
<b>Fund balances at 31 March 2021 are represented by:</b>					
Tangible fixed assets	0	2,397,473	0	0	<b>2,397,473</b>
Listed investments	13,214,630	0	0	7,000,000	<b>20,214,630</b>
Investment property	165,000	0	0	0	<b>165,000</b>
Net current assets	16,120,370	0	919,961	2,710,814	<b>19,751,145</b>
<b>Total net assets</b>	<b>29,500,000</b>	<b>2,397,473</b>	<b>919,961</b>	<b>9,710,814</b>	<b>42,528,248</b>

	Designated funds £	Tangible fixed assets fund £	General fund £	Restricted fund £	Total 2020 £
<b>Fund balances at 31 March 2020 are represented by:</b>					
Tangible fixed assets	0	2,318,151	0	0	2,318,151
Listed investments	13,151,803	0	0	0	13,151,803
Investment property	165,000	0	0	0	165,000
Net current assets	13,053,601	0	1,000,000	0	14,053,601
<b>Total net assets</b>	<b>26,370,404</b>	<b>2,318,151</b>	<b>1,000,000</b>	<b>0</b>	<b>29,688,555</b>

The total unrealised gains as at 31 March 2021 constitute movements on revaluation and are as follows:



## Notes to the accounts 31 March 2021

	2021 £	2020 £
<b>Unrealised gains included above:</b>		
On investments	5,055,974	2,600,316
<b>Total unrealised gains at 31 March 2021</b>	<b>5,055,974</b>	<b>2,600,316</b>
<b>Reconciliation of movements in unrealised gains</b>		
Unrealised gains at 1 April 2020	2,600,316	3,032,348
In respect to disposals in the year	(7,169)	13,880
Net (losses)/gains arising on revaluation in the year	2,462,827	(445,912)
<b>Total unrealised gains at 31 March 2021</b>	<b>5,055,974</b>	<b>2,600,316</b>

### 19 Contingent liabilities and contingent assets

At 31 March 2021, the Charity was funding legal and other costs incurred relating to statutory inquiries that have been established in Northern Ireland, Scotland and England and Wales, into the alleged historical abuse of children. The inquiries are at various stages, with the Historical Institutional Abuse Inquiry in Northern Ireland having reported in January 2017, the England and Wales Independent Inquiry into Child Sexual Abuse has published an interim report and continues to hear evidence, and the Scottish Child Abuse Inquiry publishing their report into the Sisters of Nazareth in May 2019.

The Charity expects to incur further legal costs in relation to all three inquiries. It is not possible at the present time to provide any meaningful estimate of future costs, some of which may be covered by insurance. It is also not possible to provide any meaningful estimate of the future costs of ongoing claims being brought against the Congregation for which there is no reliable estimate of the value or probability of a claim being paid, some of which may be covered by insurance.

Redress schemes are being established, in March 2020 for Northern Ireland, and currently being set up in Scotland. England and Wales have not yet announced their intentions. Contributions to the redress schemes, if any, have not yet been agreed upon. It is not possible at the present time to provide any meaningful estimate of future contributions.

### 20 Other commitments

The Charity has provided a guarantee to Allied Irish Bank to support a loan taken out by the Irish Region for building works.

The Charity has provided a letter of comfort to Barclays Bank plc in respect to banking facilities the Bank may make available to The Congregation of the Sisters of Nazareth Charitable Trust.

At 31 March 2021, the Charity did not have any future capital commitments. In March 2020 there were no commitments.

### 21 Related parties: connected entities

The Charity is connected to The Congregation of the Sisters of Nazareth (the Congregation), an unincorporated international religious organisation recognised by the Vatican.

The Charity is also connected to two other UK registered charities:

## Notes to the accounts 31 March 2021

Name	Registration numbers etc.	Principal activities
The Congregation of the Sisters of Nazareth Charitable Trust (CSNCT)	A registered charity (Charity Registration Nos 228906 (England and Wales) and SC040507 (Scotland))	<ul style="list-style-type: none"> <li>♦ The support of the religious ministries and works by members of the Congregation (the Sisters) in the United Kingdom and the care of those Sisters.</li> <li>♦ Ownership of 14 homes in England, Wales, Scotland and Northern Ireland known as Nazareth Houses and which are used to provide nursing, residential and care services to older people in need, and a nursery.</li> </ul>
Nazareth Care Charitable Trust (NCCT)	A registered charity (Charity Registration Nos 1113666 (England and Wales) and SC042374 (Scotland)) and a company limited by guarantee (Company Registration No 5518564 (England and Wales))	<ul style="list-style-type: none"> <li>♦ The provision of nursing, residential and care services to older people in need through the operation of 12 homes within England, Wales and Scotland, and a nursery.</li> <li>♦ The provision of management and support services to older people at the retirement villages in Blackburn, Glasgow and Plymouth.</li> </ul>

The Superior General of the Congregation is also a trustee of the Charity. She appoints the trustees of CSNCT and is the sole member of NCCT and appoints their trustees. CSNCT and NCCT have three trustees in common.

At no point during the accounting period did any of the three charities control one or more of the others. As a consequence, consolidated accounts are not prepared.

NCCT has a number of subsidiary companies with which it forms the Nazareth Care Charitable Trust Group. Consolidated accounts of the Nazareth Care Charitable Trust Group are prepared and filed with the Charity Commission and Companies House.

The Charity has a financial relationship with the following NCCT subsidiaries:

Name	Registration numbers etc.	Principal activities
NRV Development (Blackburn) Limited	Company Registration No 05906057 (England and Wales)	The development of a retirement village in Blackburn.
NRV Development (Plymouth) Limited	Company Registration No 05940933 (England and Wales)	The development of a retirement village in Plymouth.

During the period there have been a number of transactions between the Charity and its connected entities. The detail of grants and donations provided to connected entities is shown in Note 4. Details of the indebtedness between the Charity and its connected entities and of commitments is given below.

## Notes to the accounts 31 March 2021

### ***The Congregation of the Sisters of Nazareth Charitable Trust***

The Charity made a loan to CSNCT towards the cost of development and construction of a new Nazareth House care home on the existing site in Glasgow. This was increased by £1.88 million in the financial year. The loan is repayable by 2035 with interest charged at a commercial rate. The balance at 31 March 2021 was £4.4 million (2020 – £2.735 million). In 2018/19 the Charity agreed a loan of up to £1.5 million towards the refurbishment of the Nazareth House care home in Birkenhead with interest charged at a commercial rate. The balance at 31 March 2021 was £1.527 million (2020 – £0.524 million).

### ***NRV Development (Blackburn) Limited***

In 2012 the Charity agreed a loan to NRV Development (Blackburn) Limited for up to £4.2 million to be used to part-finance the construction of apartments and bungalows at the Larmenier Retirement Village, Preston New Road, Blackburn. At 31 March 2021, the loan balance was £683,766 (2020 – £1.18 million).

The Charity has a financial relationship with two overseas connected charities:

### ***Irish Region***

A loan of €0.45 million to the Irish Region to finance refurbishment works at the Dublin House was approved by the trustees in 2013 and 2014. At 31 March 2021, the balance of this loan, when converted to Sterling, amounted to £0.335 million (2020 – £0.338 million) and is due to be repaid by 2025. Interest is charged at a commercial rate.

A loan of €3.66 million to fund the redevelopment of the nursing homes in Dublin, Mallow and Belfast was approved by the trustees during 2016/17. This was increased to €7.36 million in 2018/19. The balance at 31 March 2021, in Sterling, was £6.806 million (2020 – 6.689 million). Repayment of the loan is expected to commence in 2023. Interest is charged at a commercial rate.

The remaining external funding for the redevelopments in Ireland comes from a commercial bank loan taken out by the Irish Region. The Charity has provided a guarantee in respect of this loan and funding for any cost overruns.

### ***Australasian Region***

A loan of £5 million, converted into New Zealand dollars, was approved by the trustees in December 2014 to assist in financing the rebuilding of Nazareth House Christchurch. The loan will be repaid between 2018 and 2028, with interest charged at a commercial rate. Repayments have commenced; however, none were received in this financial year and the balance at 31 March 2021 was £1.475 million (2020 – £1.339 million).

## **22 Ultimate control**

The trustees of the Charity are the Superior General and four General Councillors of the Congregation *ex officio*.

## **23 Custodian funds**

As at 31 March 2021, the Congregation of the Sisters of Nazareth Generalate held funds on behalf of Nazareth House Aids Fund in Standard Bank of South Africa. This bank account acts as a holding account for money coming in and out of the Charity. These assets are not included in these financial statements. The value of the funds held in the bank account at 31 March 2021 was £9,397 (2020 – £22,830).