

**St Mary's Priory
Fernham
Residual Fund**

Annual Report and Accounts

31 December 2021

Charity Registration Number
229393

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Reference and administrative information

Trustees	Rt Rev David Cuthbert Brogan – Visitor Rev Dr Stephen David Morgan (to February 2022) Mother Winsome Angela Durrant Rev Dom Brendan Patrick Creeden Rev Dom Michal Dymitr Mycka Fra Richard John Berkley-Matthews (from 11 August 2022) Mr Richard Hawker (from 11 August 2022)
Bursar	Rev Dom Michal Dymitr Mycka
Principal address	Saint Michael's Abbey 280 Farnborough Road Farnborough Hampshire GU14 7NQ
Charity registration number	229393
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers (Until February 2022)	The Royal Bank of Scotland plc Dundee Broughty Ferry 5 th Floor Bath Street Glasgow G2 4RS
(From August 2021)	Metro Bank PLC One Southampton Row London WC1B 5HA
Investment managers	Rathbone Investment Management Limited 8 Finsbury Circus London EC2M 7AZ

Reference and administrative information

Solicitors	Irwin Mitchell LLP Davidson House Forbury Square Reading RG1 3EU
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The trustees present their report together with the accounts of St Mary's Priory Fernham Residual Fund (the 'charity' or the 'trust') for the year ended 31 December 2021.

The accounts have been prepared in accordance with the accounting policies set out on pages 25 to 29 of the attached accounts and comply with the charity's trust deed, applicable laws and the requirements of Statement of Recommended Practice on Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (effective 1 January 2019).

INTRODUCTION

The charity was created by a deed dated 16 May 1963 and was known, until 7 March 2003, as the Community of Benedictine Nuns of St Mary's Priory. The deed was amended on 1 December 1998 by a Scheme of the Charity Commissioners. A further Deed of Variation, dated 7 March 2003, was accepted by the Charity Commissioners following a decision to close the house at Fernham and disperse the individual members of the Community to other locations. Under this latter Deed of Variation, although the Community did not cease to exist, it ceased to carry on or direct any charitable works as a Community. The trustees now hold the assets of the charity for such charitable purposes connected with the advancement of the Roman Catholic Religion as they decide.

OVERALL OBJECTIVES

The trustees aim to use the assets of the charity, and the income thereof, for the support of the members of the Community, the advancement of the religious and other charitable works of the individual members, and for the advancement of the Roman Catholic religion - primarily by giving grants. The trustees are mindful of the need for the charity to demonstrate that it provides public benefit and they have had regard to the general guidance on the provision of public benefit published by the Charity Commission.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES

Activities and specific objectives

The activities of the charity can be divided into two main areas: caring for the sole remaining member of the Community, including supporting her ministry; and the advancement of the Roman Catholic religion - primarily by giving grants.

Care of member

The trustees have a moral and legal obligation to care for the one remaining member of the Community. The sister has no private income of her own as all earnings, gifts or donations, and pensions have been covenanted to the charity.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

Activities and specific objectives (continued)

Grants for the advancement of the Roman Catholic religion

The trustees continue the material work of the former monastic community of Fernham by giving grants from the Fernham Residual Fund. Their current priority is to support the English Province of the Subiaco-Cassinese Congregation to which St Mary's Priory belonged. Other particular interests of the trust include the wider Benedictine world and other causes which advance the Catholic Faith.

Investment policy

The trustees agreed in 2003 that the assets of the charity would be invested with a view to producing a return to cover future charitable expenditure. The trustees reviewed their investment policy in 2019 and agreed that the investment objective is to achieve a balanced return from income and capital growth while accepting a moderate degree of risk consistent with the charity's ethical investment policies.

There are no restrictions on the charity's power to invest. However, the trustees have requested that the investment managers do not invest in any company whose primary business is concerned with the manufacture of armaments, tobacco or any products which would be used in connection with contraception or abortion or whose primary business entails labour exploitation. The trustees have delegated discretionary powers of management to Rathbone Investment Management Limited. The portfolio is managed with a view to producing a balance between income and capital returns.

Grant making policy

The trustees give consideration to applications for grants in accordance with the provisions of the trust deed and application forms have been drawn up to assist this process objectively. The primary aim of any such grants would be, as stated in the trust deed, the advancement of the Roman Catholic religion and applicants are required to state how the purpose for which they make the request conforms to this objective. The trustees' policy is to distribute excess income but this does not preclude, in exceptional cases, the expenditure of capital.

The trustees have continued the priorities which have always been those of the charity, namely the Subiaco-Cassinese Congregation English Province, the wider Subiaco-Cassinese Congregation, and the other Catholic causes.

The majority of the English Province monasteries are financially well-off. Rather than wait for applications for funds, the trustees have taken a pro-active approach, aiming in particular to focus on the historic Grade One and Grade Two Listed buildings in the care of the Province. These restorations will be attentive to public access, health and safety, heating and lighting, wheelchair access, sounds systems etc., which are all of public benefit. The onus is on the Abbot Visitor, who is a trustee of the charity, to identify the needs and to assess the financial abilities of the various communities during his canonical visitations of the houses.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

Policy on receipt of donations and legacies

The charity aims to achieve best practice in the way in which it communicates with donors and other supporters. It protects donors' data and never sells data, it never swaps data and ensures that communication preference 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 approach to those who give it money and to learn from them. During the year, the charity received no such complaints.

ACHIEVEMENTS AND PERFORMANCE

Review of the activities

Care of member

The charity continued to support the remaining member of the Community.

Grants for the advancement of the Roman Catholic religion

The trustees made various grants and donations to advance the Roman Catholic religion. Grants and donations were made to organisations in accordance with the policy set out above.

Further details of the grants and donations payable during the year are included in note 4 to the attached accounts.

Grants from the Fernham Fund for 2021 included the following:

Impressed by the pastoral dynamism of the **Oxford Oratory Community**, particularly their liturgical outreach of livestreaming the Mass during the Covid crisis, the trust made a grant to further their mission.



A grant to **Benedictine Abbey of Chilworth** enabled the Subiaco-Cassinese monks there to clean and conserve the historic rood screen in the Listed Abbey Church. Provision was also made of a confessional with wheelchair access. Side altars were also cleaned and the nave roof ridge tiles of the Abbey Church were secured with fresh mortar.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)

Grants were awarded for monastic and liturgical studies at the **Benedictine Pontifical Institute of Sant Anselmo**. Two brothers from the English Subiaco-Cassinese Province were assisted in their studies for the priesthood, and a diocesan priest was given a grant to further his liturgical doctoral studies at the Benedictine Pontifical Liturgical Institute in Rome.



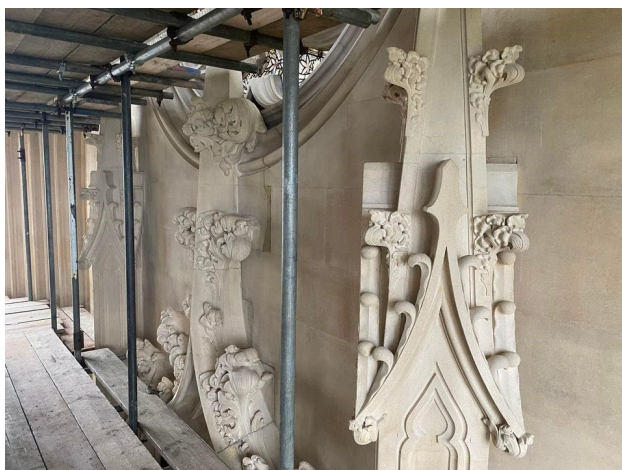
The trustees have resolved to be proactive in the restoration of the historic buildings for which the Subiaco-Cassinese Congregation cares. **Farnborough Abbey** is a Grade One Listed Building of international importance, being the mausoleum of the French Emperor Napoleon III and his family. Grants this year have focussed on the cleaning and restoration of the interior stonework, and the re-leading of windows which were in danger of falling. Once access has been made safe, the trustees will consider further grants to enable wheelchair access and wider intellectual through livestreaming. New electrics, lighting, heating and sound system will also enhance the quality of public access.



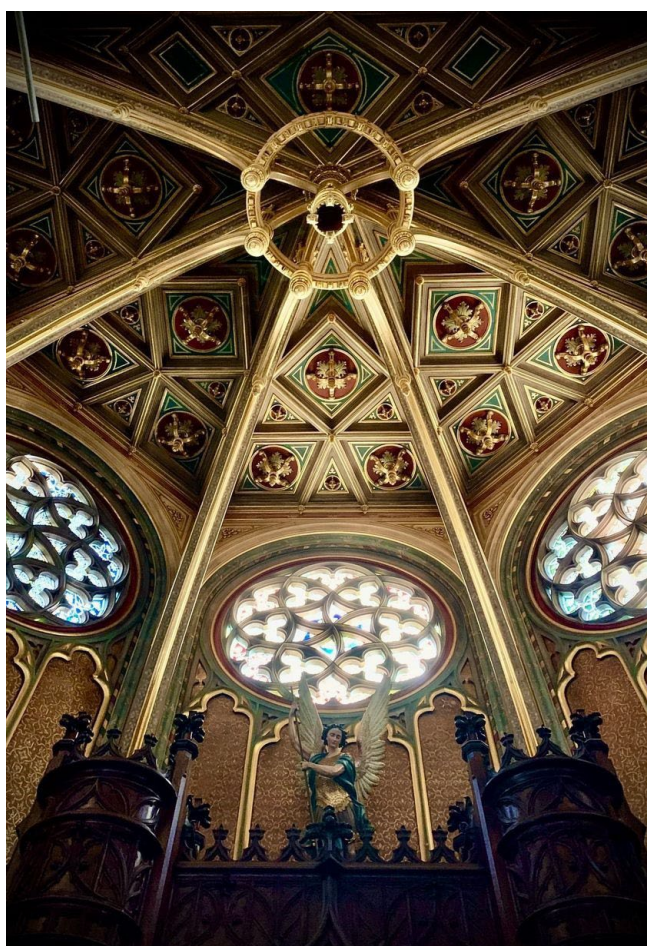
ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)

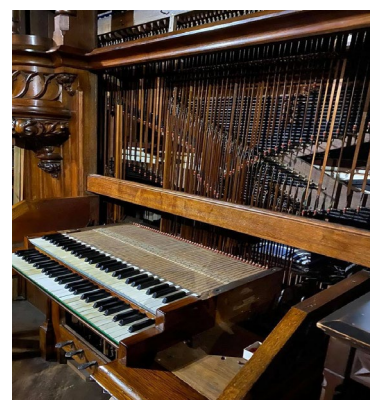


The apse corona – before and after conservation and cleaning



The trust has funded the restoration of the historic Cavaillé-Coll organ of Farnborough Abbey. This instrument is the finest example in this country of the work of this French organ builder who created some of the most famous church and cathedral organs of France.

This delicate and precise work was entrusted to Willis Organ Builders of Liverpool.



ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)



The community of Subiaco-Cassinese monks at Farnborough has enough young members for the monks to carry out most of the manual work of maintenance of their estate. The Fernham Fund gave the monks a grant to replace their ancient tractor which had served them well for many years but was neither safe nor reliable. A topper and trailer were also purchased. The tractor was blessed outside the Abbey Church at the end of Sunday Mass.

ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)



The monastic range at Farnborough Abbey which includes both Grade One and Grade Two Listed buildings, has had extensive works in 2021. The first stage has ensured that the building is watertight by provision of reliable roofs and gutters. The increase in the number of monks is necessitating the provision of suitable accommodation. An increase in pilgrims to the National Shrine of St Joseph makes it imperative that the buildings are safe and have suitable facilities.



ACHIEVEMENTS AND PERFORMANCE (continued)

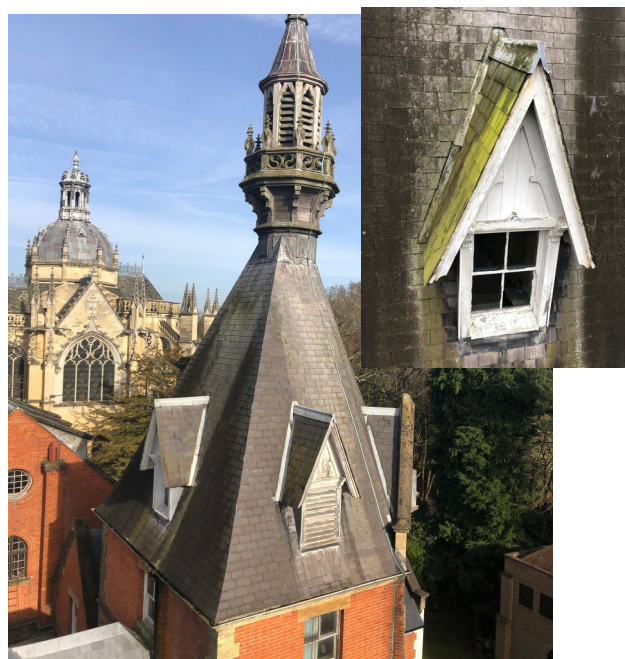
Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)



A grant to Prinknash Abbey, of the Subiaco-Cassinense Congregation, made possible medical treatment for an elderly monk, whose restored mobility has returned him to full and active participation in the life of the community there. The trustees are endeavouring to be attentive to the needs of the elderly and provision for suitable facilities for them. Part of the trust's dreams for the future include provision for the elderly in those communities which are aging.

The next stage of the restoration of the monastic buildings at Farnborough will be the restoration of its Listed bell turret which is dangerous at present. In 2021 the trust financed urgent works and also granted funds for preliminary architectural surveys for proposed works. In 2022 the trustees will be duly equipped with these surveys to make grants for further restoration of this important and unique historic building.



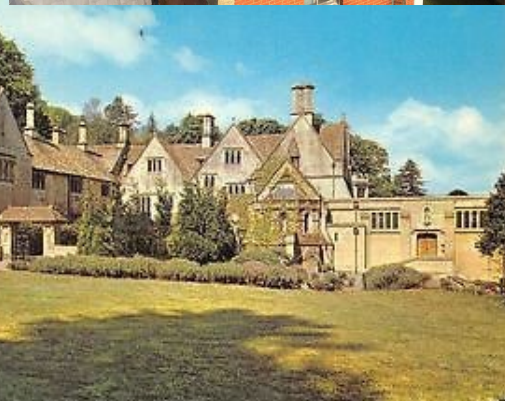
ACHIEVEMENTS AND PERFORMANCE (continued)

Review of the activities (continued)

Grants for the advancement of the Roman Catholic religion (continued)

Future plans in relation to grants

The trust has financed, in 2021, surveys and architectural reports with a view to restoring the 1972 monastery at Prinknash Abbey as a new house of nuns in partnership with another Charitable Trust. Its chapel will also be opened to the public. This will help ensure the future of the monastic estate of Prinknash Abbey, originally a hunting lodge of the pre-Reformation abbots of Gloucester. The house of nuns will complement the monastery of monks who own the estate. The medieval house of monks will be included in the programme of restoration.



FINANCIAL REVIEW

Income for the year was £268,271 (2020 – £235,026). Income comprises £260,869 (2020 – £227,821) from investments and £7,402 (2020 – £7,205) from pensions of individual religious received under Deed of Covenant.

Expenditure totalled £1,192,839 compared to £732,947 in 2020. During the current and the previous year the living expenses of the one remaining member of the Community who lives alone were paid. Expenditure on grants and donations, excluding allocated support costs and the costs of the feasibility study at Prinknash Abbey, totalled £1,081,648 as compared to £627,177 in the previous year. Further details of grants and donations are provided in note 4 to the attached accounts and earlier in this report.

Net expenditure before investment gains for the year amounted to £924,568 (2020 – £497,921). Investment gains totalled £1,020,986 (2020 – £22,690) and the for the year, and net income and net movement in funds therefore, amounted to £96,418 (2020 – net expenditure of £475,231).

Investment performance

The charity has a portfolio of investments with a market value at 31 December 2021 of £9,182,379 (2020 – £8,692,811) including cash awaiting investment of £78,325 (2020 – £141,377).

During the year, the charity's investments achieved an income yield of 2.96% (2020 – 2.67%) and a capital yield of 14.52% (2020 – 0.27%). The performance of the portfolio reflected the condition of the markets generally throughout the period. The investment managers continued to invest in accordance with the trustees' investment policy set out earlier in this report and in compliance with the ethical guidelines given to them. Further details of the investment portfolio are included in note 10 to the attached accounts.

The trustees continue to take a long term view regarding investment strategy and believe their policy remains appropriate.

Reserves policy and financial position

Reserves policy

The trustees have examined the requirement for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed.

The trustees agreed in 2003 that the bulk of the sale proceeds of the Fernham property would be invested with a view to producing a return to cover the future charitable expenditure outlined above.

In addition, the objectives of the charity would outlive the last member of the Community and funds should be invested with this in mind, though the trustees have no intention in declaring these invested funds as permanent endowment, as they may wish to spend capital.

FINANCIAL REVIEW (continued)

Reserves policy and financial position (continued)

Reserves policy (continued)

The trustees' policy is to distribute excess income but this does not preclude the expenditure of capital.

The trustees consider that, given the nature of the charity's work, the level of free reserves should be sufficient to generate sufficient income to meet annual expenditure after accounting for investment gains. The trustees are of the opinion that this provides sufficient flexibility, provides adequate working capital to cover core costs, and will allow the charity to cope and respond to changes in the arrangements for the care of the last remaining member of the Community.

Financial position

The balance sheet shows general funds of £9,059,411 (2020 - £8,962,993) of which £8,886,828 (2020 - £8,786,712) are free reserves. The trustees are of the opinion that this level of reserves meets the reserves policy outlined above

GOVERNANCE, STRUCTURE AND MANAGEMENT

Governance

The Community continues to exist as an entity in Canon Law under the care of the Abbot Visitor of the English Province of the Benedictine Subiaco-Cassinese Congregation, even though, following the decision of the Community in December 2001, the house at Fernham was closed and the individuals dispersed to other locations.

The charity is governed by the trustees. The Prioress appointed the original trustees. The minimum number of trustees is five, to include any ex officio trustee and a maximum of two community members. Further trustees are appointed by the Visitor, who is an ex officio trustee, and is the Abbot Visitor of the English Province of the Benedictine Subiaco-Cassinese Congregation. The Visitor has the power to remove trustees.

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

Structure and management reporting

The trustees are ultimately responsible for the policies, activities and assets of the charity. They meet regularly to review developments with regard to the charity or its activities and make any important decisions. When necessary, the trustees seek advice and support from the charity's professional advisers, e.g. investments managers, solicitors and accountants.

Statement of trustees' responsibilities

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

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Statement of trustees' responsibilities (continued)

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

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

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

Key management personnel

The trustees consider that they comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

The last remaining member of the Community, Eileen Murdoch, was a trustee of the charity until 3 June 2020 and her living and personal expenses are borne by the charity. However, in common with the other trustees, she received no remuneration in connection with her duties as a trustee.

No trustees received reimbursement for travel expenses in the year (2020 – £nil).

Risk management

In line with the requirement for trustees to undertake a risk assessment exercise and report on the same in their annual report, the trustees have looked at the risks the charity currently faces and have reviewed the measures already in place, or needing to be put in place, to deal with them.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Risk management (continued)

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

The Community currently has one member. The trustees are aware that there is both a moral and legal obligation to care for the member, as she has no substantial resources of her own. As the sister grows older, so the need to provide care for the sister may increase. A key element of the management of this risk is ensuring that the charity has the available financial resources to finance this care both now and, in the years, ahead by carefully reviewing reserves.

The charity donates significant sums in donations to advance the Roman Catholic religion. The trustees currently see their priorities as beginning with the support of the English Province of the Subiaco-Cassinese Congregation where there may be need; radiating outwards to the Congregation worldwide, the Benedictine world, particularly in the UK; other monastic and religious needs wherever they may arise; and ultimately the needs of the Church in general.

Whether or not the funds are used here in Great Britain or overseas, the trustees always ensure that they are fully briefed about and familiar with the work of a potential recipient of funds, that proof of receipt is obtained and that, wherever possible (and always in the case of monies sent overseas), a full written report of how the monies have been utilised and applied is obtained from the recipient.

The charity's principal asset comprises listed investments, the value of which is dependent on movements in UK and world stock markets. The investments are managed by a reputable investment manager who adheres to a policy agreed by the trustees. The investment strategy is assessed regularly to ensure it remains appropriate to the charity's needs – both now and in the future. In the aftermath of the Covid-19 pandemic and given the current macroeconomic and geopolitical environment, the trustees will continue to communicate with their investment managers and, whilst there are concerns over the volatility in world stock markets, they acknowledge also that the charity is a long term investor. As such, the charity will be able to wait for markets to stabilise over time whilst the trustees keep a watching brief.

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

FUTURE PLANS FOR THE CHARITY

It is not anticipated that there will not be any significant changes to the charity's activities in the forthcoming year.

The trustees will pay due heed to the aftermath of the Covid-19 pandemic and impact of the current macroeconomic and geopolitical environment, both socially and economically, and will continue to work towards the good stewardship of the funds they hold for the present and future beneficiaries.

The trustees are finalising the plans for refurbishing a disused building on the Prinknash Abbey Estate in Gloucestershire in order to give a permanent home to the Sisters of the Blessed Virgin Mary in Kingstanding. Following various preparatory surveys and architectural reports, the charity has since the 31 December 2021 accepted a £1 million donation from The St Barnabas Society towards the cost of the refurbishment. Architectural plans have been completed and it is hoped that the construction works will begin before the end of 2022.

Approved by the trustees and signed on their behalf by:

David Cuthbert Brogan

Trustee

Date: 21 October 2022

Independent auditor's report to the trustees of St Mary's Fernham Residual Fund

Opinion

We have audited the accounts of St Mary's Fernham Residual Fund (the 'charity') for the year ended 31 December 2021, which comprise the statement of financial activities, the balance sheet, the cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

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

Conclusions relating to going concern

In auditing the accounts, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the accounts 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 accounts 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. The other information comprises the information included in the Annual Report and Accounts, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

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

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

Auditor's responsibilities for the audit of the accounts

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

How the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the charity through discussions with representatives from the trustees, and from our knowledge and experience of the charity sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the accounts or the activities of the charity. These included but were not limited to the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102) (effective 1 January 2019); and
- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of those charged with governance and reviewed minutes of trustees' meetings.

We assessed the susceptibility of the charity's accounts to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of representatives from the trustees as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Auditor's responsibilities for the audit of the accounts (continued)

How the audit was considered capable of detecting irregularities including fraud (continued)

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested and reviewed journal entries to identify unusual transactions;
- ◆ performed substantive testing on expenditure including the authorisation thereof;
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- ◆ investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing accounts disclosures to underlying supporting documentation;
- ◆ reading the minutes of meetings of trustees; and
- ◆ enquiring of representatives from the trustees as to actual and potential litigation and claims.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the trustees and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

28 October 2022

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of financial activities Year to 31 December 2021

		Unrestricted funds	
	Notes	2021 £	2020 £
Income from:			
Donations and legacies	1	7,402	7,205
Investments and interest receivable	2	260,869	227,821
Total income		268,271	235,026
Expenditure on:			
Raising funds			
. Investment management and related advisory fees		54,922	51,515
Charitable activities			
. Care of members of the Community and the support of their ministry	3	19,661	27,597
. Advancement of the Roman Catholic religion through the provision of grants	4	1,118,256	653,835
Total expenditure		1,192,839	732,947
Net expenditure before net investment gains	6	(924,568)	(497,921)
Net investment gains		1,020,986	22,690
Net income (expenditure) and net movement in funds		96,418	(475,231)
Reconciliation of funds:			
Total funds brought forward at 1 January 2021		8,962,993	9,438,224
Total funds carried forward at 31 December 2021		9,059,411	8,962,993

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

All activities of the charity derived from continuing operations during the above two financial years.

Balance sheet 31 December 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible assets	9		172,583		176,281
Investments					
. Listed investments	10		9,182,379		8,692,811
			9,354,962		8,869,092
Current assets					
Debtors	11	34,112		55,881	
Cash at bank and in hand		205,989		171,619	
		240,101		227,500	
Current liabilities					
Creditors: amounts falling due within one year	12	(535,652)		(133,599)	
Net current (liabilities) assets			(295,551)		93,901
Total net assets			9,059,411		8,962,993
Represented by:					
The funds of the charity					
Unrestricted funds			9,059,411		8,962,993

Approved by the trustees
and signed on their behalf by:

David Cuthbert Brogan

Trustee

Approved on: 21 October 2022

Statement of cash flows Year to 31 December 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash used in operating activities	A	(756,297)	(529,444)
Cash flows from investing activities:			
Investment income and interest received		259,249	229,417
Repayment of loan classified as a programme related investments		—	50,000
Purchase of tangible fixed assets		—	(168,616)
Proceeds from the disposal of investments		1,134,540	1,706,439
Purchase of investments		(666,174)	(1,803,785)
Net cash provided by investing activities		727,615	13,455
Change in cash and cash equivalents in the year		(28,682)	(515,989)
Cash and cash equivalents at 1 January 2021	B	312,996	828,985
Cash and cash equivalents at 31 December 2021	B	284,314	312,996

Notes to the statement of cash flows for the year to 31 December 2021.

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

	2021 £	2020 £
Net movement in funds (as per the statement of financial activities)	96,418	(475,231)
Adjustments for:		
Depreciation charge	3,698	3,698
Gains on investments	(1,020,986)	(22,690)
Investment income and interest receivable	(260,869)	(227,821)
Decrease in debtors	23,389	89,789
Increase in creditors	402,053	102,811
Net cash used in operating activities	(756,297)	(529,444)

B Analysis of changes in net debt

	As at 31 December 2020 £	Cash flows £	As at 31 December 2021 £
Cash at bank and in hand	171,619	34,370	205,989
Cash held by investment managers	141,377	(63,052)	78,325
Total cash and cash equivalents	312,996	(28,682)	284,314

No separate statement of changes in net debt has been prepared as there is no difference between the movements in cash and cash equivalents and movement in net cash (debt).

Principal accounting policies 31 December 2021

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

Basis of preparation

These accounts have been prepared for the year to 31 December 2021 with comparatives provided for the year to 31 December 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 have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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

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

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees to make judgments and estimates. The key judgements and estimates used in the preparation of these accounts are the estimated useful lives of tangible fixed assets for the purpose of determining the annual depreciation charge; the allocation of support costs; and estimating future income and expenditure flows for the purpose of assessing going concern (see below).

Assessment of going concern

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

In the aftermath of the Covid-19 pandemic and given the current macroeconomic and geopolitical environment, the trustees continue to communicate with their investment managers and, whilst there are concerns over fluctuations in world stock markets, they acknowledge also that the charity is a long-term investor. As such, the charity will be able to wait for markets to stabilise over time whilst the trustees keep a watching brief.

Undoubtedly there will be challenges ahead but the trustees do not expect material concerns to arise over the charity's financial position or going concern. The trustees have concluded that the charity will have sufficient resources to meet its liabilities as they fall due.

Income recognition

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

Income comprises donations, investment income and interest receivable.

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

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.

In accordance with the Charities SORP FRS 102 volunteer time is not valued and recognised in these accounts.

Investment income is recognised once the dividend has been declared and notification has been received of the dividend due.

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

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered.

Expenditure comprise costs of raising funds and charitable activities. Costs of raising funds comprises investment management fees. Expenditure on charitable activities includes expenditure on the charity's primary charitable purposes as described in the trustees' report. Such costs include:

- (i) Expenditure on the care of members of the Community and their ministry. Such expenditure enables the members to contribute to religious work.
- (ii) The advancement of the Roman Catholic religion through the provision of grants. These are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the donation and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for.

Support and governance costs

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

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.

Support and governance costs are allocated to expenditure on charitable activities in proportion to the direct costs incurred on each charitable activity.

Services provided by members of the Community

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

Tangible fixed assets

All assets costing more than £200 and with an expected useful life exceeding one year are capitalised.

♦ Freehold land

The freehold land held by the charity comprises the cemetery attached to Fernham House in which some thirty members of the Community are buried. It is held in the accounts at £1.

Tangible fixed assets (continued)

◆ Freehold residential building

The freehold residential building is designed, and used wholly, as private residential accommodation. It is stated at cost but not depreciated. The value and condition of the property is reviewed annually by the trustees, who are satisfied that its residual value is not materially less than its book value.

Disposals and additions are accounted for on legal completion of the relevant transaction.

◆ Motor vehicles and computer equipment

Expenditure on the purchase and replacement of both motor vehicles and computer equipment is stated at cost and depreciated over a four year period on a straight line basis.

Investments

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

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

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

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

Debtors

Debtors are recognised at 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.

Creditors and provisions

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

Fund structure

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

1 Income from: Donations and legacies

	2021 £	2020 £
Pensions or other income of individual religious received under Deed of Covenant	7,402	7,205

2 Income from: Investments and interest receivable

	2021 £	2020 £
Investment income		
. UK fixed interest	20,331	16,925
. UK equities	149,177	112,164
. Overseas fixed interest	10,604	15,992
. Overseas equities	51,406	62,929
. Alternatives	29,351	19,114
	260,869	227,124
Interest received		
. Interest on cash held by investment managers	—	697
Total	260,869	227,821

3 Expenditure on: Care of members of the Community and the support of their ministry

	2021 £	2020 £
Living and personal expenses	16,250	18,329
Depreciation of motor vehicle	3,101	3,101
Cemetery expenses	—	5,042
	19,351	26,472
Allocated support costs (note 5)	310	1,125
	19,661	27,597

4 Expenditure on: Advancement of the Roman Catholic religion through the provision of grants

	2021 £	2020 £
Grants and donations	1,081,648	627,177
Feasibility study costs	18,970	—
Allocated support costs (note 5)	17,638	26,658
	1,118,256	653,835

Feasibility study costs include expenditure on architects, surveyors and other professionals to establish the feasibility of the plans for development of a property on the estate of Prinknash Abbey, Gloucestershire (note 15).

The charity makes grants to advance the Roman Catholic religion. Grants are made to organisations in accordance with the policy set out in the trustees' report.

4 Expenditure on: Advancement of the Roman Catholic religion through the provision of grants (continued)

The grants payable during the year were as follows:

Recipient	Purpose of grant	2021 £	2020 £
St Augustine Abbey, Ramsgate	To contribute towards the renovation of St Augustine's Abbey's archive room	—	10,000
	Restoration of the historic rood screen at Chilworth Abbey, and replacement of confessional	20,000	—
Monastero Delle Benedicte	To the Abbey of Santa Cecilia, Rome, for the support of the Benedictine community there, and of its liturgical and educational enterprises, such as the School of Gregorian Chant and Liturgical Spirituality.	—	139,020
Monastery of the Holy Cross, Chicago Priory	To provide financial assistance during the Covid-19 pandemic	—	40,020
Subiaco Solidarity Fund (Curia della Congregazione Sublacense Cassinese)	To support the charitable work of the Subiaco-Cassinese Congregation to which the Community belongs	—	1,733
Empress Eugenie Memorial Trust (a charity associated with St Michael's Abbey, Farnborough)	To support the major renovation works being conducted at St Michael's Abbey, Farnborough	—	307,654
St Michael's Abbey Trust, Farnborough	For the restoration of the historic Cavaillé-Coll organ at Farnborough	6,250	103,750
	For the restoration of the bell turret	30,000	—
	For conservation works on the Farnborough Abbey church interior and windows	616,626	—
	Towards the restoration of Farnborough Abbey including ongoing projects including heating for the Abbey Church, and disabled access	120,000	—
	Emergency fund for the Abbot Visitor	10,000	—
	To purchase a car for the Visitor's provincial work	4,990	—
	Additional grounds work as a result of work on the drive and dangerous trees	56,476	—
	High Mass vestments - so that the Imperial historic and irreplaceable 'Sultan of Turkey' set can be re-moved from over use.	7,000	—
	Furnishings for the Grade One historic abbey church	39,000	—
	For university fees, accommodation, and expenses for a monk studying for ordination to the priesthood in our province	7,600	—
	To assist with living expenses for a monk on legitimate leave from his community.	20,000	—
St Michael's Abbey Press, Farnborough (Controlled by – Empress Eugenie Memorial Trust a charity associated with St Michael's Abbey, Farnborough)	Printing cost of the Monastic Diurnal	—	25,000
	Towards the costs of a tractor, trailer and toppler for the Farnborough monks to maintain their estate and farm.	54,332	—
	Towards the purchase of a 'genie' for Farnborough Abbey to give access to roofs for high-level work to gutters, thereby avoiding extensive scaffolding costs	20,760	—
Chicago monks	Towards urgent roof works	30,000	—
Prinknash Abbey	Medical treatment for an Abbot	11,978	—
The Ghana (Sunyani) Monastery Trust	Theological studies for a brother of Kristo Buase Monastery in Ghana	5,000	—
Benedictine University of Sant Anselmo	To finance the liturgical studies of a priest student at the Benedictine University of Sant Anselmo	1,636	—
The Oxford Oratory of St Philip Neri	For their work and mission.	20,000	—
		1,081,648	627,177

4 Expenditure on: Advancement of the Roman Catholic religion through the provision of grants (continued)

The Right Reverend Dom Cuthbert Brogan is a trustee of St Michael's Abbey Charitable Trust, Farnborough, The Prinknash Abbey Charities, The Ghana (Sunyani) Monastery Trust and Empress Eugenie Memorial Trust (Realty), which maintains Farnborough Abbey on behalf of St Michael's Abbey. As Abbot Visitor of the English Province, he is Major Superior of the Province and, therefore involved with every monastery of the Province. He has made the other trustees aware of his various offices and membership of various trusts when seeking approval of grants payable to those charities.,

As noted above, grants of £1,010,012 (2020 - £436,404) were payable to these charities during the year. Grants of £476,786 (2020 - £103,750) payable to the St Michael's Abbey Charitable Trust, were unpaid at 31 December 2021 and are included within creditors (note 12).

Dom Stanislaus Mycka is a member of the Empress Eugenie Memorial Trust (Realty) and the Saint Michael's Abbey Trust. He took no part in the discussions relating to grants awarded to these charities.

Mother Winsome Durrant is a trustee of the Sisters of the Blessed Virgin Mary Trust. Whilst this trust has not had a direct grant from the Fernham Residual Fund in 2021, there is a possibility that the Community supported by the Sisters of the Blessed Virgin Mary Trust may occupy part of the refurbished property at Prinknash Abbey in due course. Hence, Mother Winsome has taken no part in discussions regarding the Prinknash Abbey feasibility plans.

5 Support costs

	2021 £	2020 £
Insurance	1,115	1,168
Other expenses	6	—
Depreciation of computer equipment	597	597
Governance costs		
. Auditor's remuneration	16,230	11,960
. Legal fees	—	14,058
	17,948	27,783

Support costs have been allocated in proportion to direct costs incurred on charitable activities as follows:

	2021 £	2020 £
Advancement of the Roman Catholic religion through the provision of grants	17,638	26,658
Care of members of the Community and the support of their ministry	310	1,125
	17,948	27,783

6 Net expenditure before net investment gains

This is stated after charging:

	2021 £	2020 £
Depreciation	3,698	3,698
Auditor's remuneration (including VAT)		
. Statutory audit services		
.. This year	9,000	8,960
.. Previous year	30	—
. Other services: accountancy support		
.. This year	4,200	3,000

7 Staff costs, key management personnel and trustees' remuneration

The charity did not employ any staff during the year (2020 – none).

The trustees consider that they comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis. No trustees received any remuneration (2020 – none). No trustees were reimbursed expenses during the current or the previous year.

8 Taxation

St Mary's Priory Fernham Residual Fund 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.

9 Tangible fixed assets

	Freehold land £	Freehold residential building £	Computer equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2021 and 31 December 2021	1	168,616	2,387	12,405	183,409
Depreciation					
At 1 January 2021	—	—	1,426	5,702	7,128
Charge for the year	—	—	597	3,101	3,698
At 31 December 2021	—	—	2,023	8,803	10,826
Net book values					
At 31 December 2021	1	168,616	364	3,602	172,583
At 31 December 2020	1	168,616	961	6,703	176,281

10 Listed investments

	2021 £	2020 £
Listed investments		
Market value at 1 January 2021	8,551,434	8,431,398
Additions at cost	666,174	1,803,785
Disposals at book value (see below)	(1,070,738)	(1,983,333)
Net unrealised gains	957,184	299,584
Market value 31 December 2021	9,104,054	8,551,434
Cash held by investment managers	78,325	141,377
	9,182,379	8,692,811
Cost of listed investments at 31 December 2021	6,548,963	6,650,902

Disposals at book value included above are made up of the following:

	2021 £	2020 £
Proceeds	1,134,540	1,706,439
Net realised (gains) losses	(63,802)	276,894
Disposals at book value	1,070,738	1,983,333

Listed investments held at 31 December 2021 comprised the following:

	2021 £	2020 £
UK fixed interest	786,747	405,370
UK equities	2,880,295	3,241,552
Overseas fixed interest	167,863	512,355
Overseas equities	3,826,651	3,617,869
Alternatives	1,442,498	774,288
	9,104,054	8,551,434

At 31 December 2021 listed investments included the following investment deemed material when compared to the overall portfolio valuation as at that date:

	Market value of holding £	Percentage of portfolio %
JP Morgan Asset Managers (UK) US Equity Income Hedged K income units	555,905	6.11

11 Debtors

	2021 £	2020 £
Investment income and interest receivable	8,271	6,651
Amount held by St Michael's Abbey Charitable Trust on behalf of the charity (note 14)	25,841	49,230
	34,112	55,881

12 Creditors: amounts falling due within one year

	2021 £	2020 £
Donations payable	506,786	103,750
Investment managers' fees	13,784	13,049
Accruals	13,200	12,000
Expense creditors	1,882	4,800
	535,652	133,599

13 Unrealised gains

The funds of the charity include unrealised gains as follows:

	2021 £	2020 £
Total unrealised gains:		
On investments	2,555,091	1,900,532
Reconciliation of movements in unrealised gains		
Unrealised gains at 1 January 2021	1,900,532	2,093,376
In respect to disposals in year	(302,625)	(492,428)
Net gains arising on revaluation in the year	957,184	299,584
Unrealised gains at 31 December 2021	2,555,091	1,900,532

14 Transactions with trustees and related parties

During the period of transition from the former trustees to the current trustees, and while the charity was in the process of addressing the complexities of transferring the bank mandate, the transactions of the charity were administered through a dedicated bank account held by St Michael's Abbey Trust, Farnborough. As explained in note 4, Rt Rev David Cuthbert Brogan, is a trustee of that charity. During the year to 31 December 2021, the bank account received £648,075 (2020 - £175,678) and paid out £671,464 (2020 - £126,448) on behalf of the charity leaving a balance of £25,841 (2020 - £49,230). This balance is included within debtors in note 11.

Other transactions connected to trustees are disclosed in notes 4, and 7 to the accounts.

There were no other related party transactions requiring disclosure (2020 – none).

15 Post balance sheet events

The trustees are finalising plans for financing by way of grant the cost of refurbishing a disused building on the Prinknash Abbey Estate in Gloucestershire. It is anticipated that the refurbished building may be used to give a permanent home to the Community in Kingstanding, Birmingham which is supported by the Sisters of the Blessed Virgin Mary Trust. Following various preparatory surveys and architectural reports, since 31 December 2021 the charity has accepted a £1 million donation from The St Barnabas Society to enable the grant to be made towards the cost of the refurbishment. Architectural plans have been completed and it is hoped that the construction works, and hence grant payments, will begin before the end of 2022.