



INSTITUTE OF OUR LADY OF MERCY



ANNUAL REPORT
JULY 2024 - JUNE 2025

Registered Charity No. 290544



REPORT FOR THE YEAR ENDED 30 JUNE 2025

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TRUSTEES AND ADVISORS FOR THE YEAR ENDED 30 JUNE 2025

Name of the Charity

Institute of Our Lady of Mercy

Date of Registration

30 November 1984

Charity Registration No

290544

Principal Address

Institute of Our Lady of Mercy

Convent of Mercy

Cemetery Road

Yeadon

Leeds

LS19 7UR

Trustees

Mary Bernadette Holmes	(Sr. Bernadette Holmes)
Bernadette Patricia Roche	(Sr. Bernie Roche)
Lynda Irene Dearlove	(Sr. Lynda Dearlove)
Catherine Groden	(Sr. Jude Groden)
Ita Christina O'Donnell	(Sr. Christina O'Donnell)

Property Advisors

The JTS Partnership LLP
Number One
The Drive
Great Warley
Brentwood
Essex CM13 3DJ

Legal Advisors (From July 2024)

Stone King LLP
Upper Borough Court
Upper Borough Walls
Bath
BA1 1RG

Investment Advisors

Charles Stanley & Company Limited
25 Luke Street
London
EC2A 4AR

Independent Auditors (From July 2024)

Buzzacott Audit LLP
130 Wood Street
London
EC2V 6DL



Principal Bankers

The Co-operative Bank PLC

1 Balloon Street

Manchester

M4 4BE

Lloyds Banking Group

25 Gresham Street

London

EC2V 7HN



REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 30 JUNE 2025

Introduction

The Trustees have pleasure in presenting their report and financial statements for the twelve-month period ended 30 June 2025. The report and statements are prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, with the Charity's own Trust Deed and in accordance with the accounting policies as set out on pages 45 to 52.

Under a Uniting Direction issued by the Charity Commission under section 12(1) of the Charities Act 2011, this charity (i.e. Institute of Our Lady of Mercy (Charity Registration Number 290544)) is the reporting charity and its related charities, The Costello Fund (Charity Registration Number 290544-6) and The Fullerton Fund (Charity Registration Number 290544-7) are the linked charities. The Fullerton Fund was dormant and was removed from the Charity Commission register on 21 March 2025.

The effect of the Uniting Direction for accountancy and reporting purposes is that a single set of accounts is presented for the two charities combined. Under the Uniting Direction, both charities continue to exist as independent entities in all other respects.

The Institute of Our Lady of Mercy (The Institute) is an Order of Roman Catholic Sisters of Mercy (the Congregation). It is one of three strands of the Mercy family in Great Britain, stemming from the first foundation of Catherine McAuley. It was formed from the union of twenty autonomous Congregations and was formally recognised by the Vatican as a Religious Congregation of Pontifical Rights in November 1983.

The Charity is a charitable trust on which the assets of the Congregation are held and the vehicle through which the charitable activities of the Congregation are conducted. The Charity is governed by a Trust Deed dated 24 October 1984 as amended by a Deed of Revocation and Declaration dated 25 June 1992, a Deed of Declaration dated 9 March 2000 and schemes of the Charity Commission dated 9 February 1989, 15 February 1989, 28 July 1995, and 31 December 2000.

The Charity is registered with the Charity Commission with registered number 290544. The Trustees are incorporated under the provisions of Section 251 of the Charities Act 2011 as "the Trustees of the Institute of Our Lady of Mercy" by a Scheme of the Charity Commission dated 29 October 1985.

The Trustees registered a new entity with the Charity Commission: Institute of Our Lady of Mercy CIO (registered Charity Number 1201690) on 24 January 2023. All Trustees of the Charitable Trust are Trustees of the CIO.



It was previously reported that it was the intention to transfer the assets and liabilities of the Charitable Trust by no later than 1 January 2024. Trustees, staff and legal advisors finalised the due diligence that facilitated the majority of the assets and liabilities to the new CIO at midnight on 31 December 2025.

The Fullerton Fund was dormant and was removed from the Charity Commission register on 21st March 2025. The Costello Fund was transferred on 31 December 2025.



Structure, Governance and Management

The Congregation is administered by the Congregational Leadership Team, which is elected for a five-year term at the 'General Chapter'.

General Chapters are held every five years. The Institute Constitutions state that "the supreme authority in the Institute is vested by the Church in the General Chapter". Delegates attending the Chapter determine the policies and priorities of the Institute. They also elect the Institute Leader and Congregational Leadership Team from those Sisters who are eligible for election. The Institute Leader and the members of the Congregational Leadership Team are, by virtue of clause 6(1) of the Charity's Trust Deed, also Trustees of the Charity.

The Constitutions of the Congregation dictate that the Institute Leader requires the deliberative vote of the Congregational Leadership Team to establish and close houses, acquire or alienate goods or property, and determine such matters as the appointment of Local leaders to Communities and the admission of members to the Novitiate.

The Ninth General Chapter took place from 22 May – 2 June 2023 and saw the election of a new Leadership Team (who are also Trustees) who took up office from 1 September 2023. Sr Bernadette Holmes (existing Trustee) was elected as the new Institute Leader. Sr Bernadette Roche was elected as the Assistant Leader; and Sisters Lynda Dearlove, Jude Groden and Christina O'Donnell were also elected to the Leadership Team. Delegates of the Chapter gave the new Team the authority to alter the legal structure of the Institute, with the transfer of assets and liabilities from the present Charitable Trust to the Institute of Our Lady of Mercy CIO.

The Induction and Training of Trustees

All Trustees are members of the Congregation and as such have a comprehensive knowledge of the various works and structure of the Charity. They met with the previous Team to conduct a comprehensive handover and also meet with the Institute Advisors.

Throughout their term in office, Trustees attend formal training courses on the duties of Trustees and seek guidance and advice from their legal, investment, Human Resources and property advisors on the day-to-day issues which arise in carrying out their duties.

Trustees have received training from a number of sources and also by virtue of their memberships of The Conference of Religious (COR), Union of Superior Generals (UISG) and the Association of Provincial Bursars (APB). They have attended training sessions and updates in relation to governance, finance, care, health and safety, GDPR and Safeguarding. Following the period-end, the Institute has also joined the National Council for Voluntary Organisations (NCVO), which will create further training opportunities.



Organisational Structure

The Institute Leader holds overall responsibility. The remaining Trustees each hold designated areas of responsibility; However, they work together flexibly as a team. If a Trustee has a period of absence, the remaining Trustees organise to cover their roles between them.

All major decisions are made by the group at formal meetings held over three days in 11 months of the year. (An example would include any specific project expenditure over £2,000). Trustees meet regularly outside of formal meetings via conference call facilities. Occasionally, there is a need to make a decision outside of the scheduled meetings. In this case, a quorum of at least three Trustees is required to authorise a decision.

Various roles of responsibility are held by members of the congregation, for example, as Local Leaders or as part of various committees. These members of the Congregation assist the Trustees and attend meetings relevant to their activity. Appointments are made by Trustees for a specific time-period then reviewed.

As part of the review of operations and the ongoing preparation for transfer from the Charitable Trust to the CIO, the Trustees have given considerable thought and reflection in the reporting period to the most appropriate organisational structure. This is to enable the new CIO to be as effective as possible in both caring for members of the Institute and delivering services to its many beneficiaries. Consequently, from the summer of 2024, a revised head office staff structure was implemented with the new roles of Chief Executive Officer, Head of Finance and Business and Compliance Manager. These appointments formally announced in July 2024 further develop the Institute's operational resilience and support the move towards sequentially separating out the operational leadership and management of the Institute from its governance function.

The Senior Leadership Team attend the meetings relevant to their activity on a monthly basis. The Institute Property Advisors (The JTS Partnership LLP) and Legal advisors (Stone King LLP from 1st July 2024) liaise with Trustees and the Staff Team on a regular basis. They deal with the Charity Commission on behalf of the Institute, as to governance and wider issues, including subject access requests and any matter relating to actual or potential litigation, as required and necessary. They submit regular written updating reports and attend Trustee Meetings bi-monthly. The Institute's Independent auditors (Buzacott Audit LLP) and Investment Manager (Charles Stanley & Company Limited, "Charles Stanley") attend Trustee Meetings on a bi-annual basis.

Separate bi-annual meetings are held with the Institute's insurers and independent insurance intermediary (The JTS Partnership LLP).

The Trustees have appointed working groups to focus on particular workstreams in greater detail. These working groups typically include one or more Trustees, members of the Congregation, relevant staff and professional advisors. There are working groups on CIO, employment, care, safeguarding and communication.



Institute of Our Lady of Mercy

All Sisters who were able, participated in a General Gathering in May 2025, reviewing and planning the implementation of Chapter decisions.

St Joseph's Park Hill School in Burnley until 4 July 2025 when it sadly closed, was run by an appointed Head Teacher, staff and Board of Governors to whom day to day management was delegated. A member of the Leadership Team served as a Governor on the Board of St Joseph's Park Hill School, Burnley. The Institute Leader was the Proprietor of the School.

The Institute operates two Registered Care Homes, run by appointed Care Home Managers. Within the Institute the Communities with Care are supported by a Care Team led by a Care Services Manager. During this reporting period significant management changes have taken place, including the appointment of a Head of People and Services, and a new Care Quality Lead. These two senior staff ensure compliance and assist the Trustees in their statutory obligations.

All the Trustees are members of the Congregation and beneficiaries of the Charity. They reside in the Charity's property and have no money of their own, having taken a Vow of Poverty. All living costs are incurred by the Charity. Other than the Trustees there are no key management personnel.

The Congregation

The Catholic Church requires members of a Religious Congregation to profess three vows: Poverty, Chastity and Obedience. Sisters of Mercy take a fourth vow: 'to serve the poor, sick and those in need' – our 'Charism'.

The Sisters covenant all their personal income to the Charity and live in established community houses. Each community budgets for groceries, utilities, vehicle costs and property maintenance. Each Sister is given an allowance each year to allow her autonomy and to manage any personal costs that arise. Extraordinary expenditure such as large-scale property maintenance are considered by the Trustees.

Sisters who are members of the Congregation work in various Ministries in the name of the Congregation. As at 30 June 2025 there were 121 Sisters ministering from approximately 35 sites in Britain, Kenya and Romania.

Employees

The Institute recognises that staff lie at the heart of its mission and charitable work. The work of staff directly supports both beneficiaries and the welfare of the Sisters. In the past, Sisters and staff have worked very closely together, for example in schools and care homes. This continues in a different way as the number of Sisters decreases. Many Sisters sit alongside staff on management teams overseeing operational elements of the Institute's work. For example in the Institute's Governance, in care homes, in schools and in employment matters. The sharing of this Mercy ethos and charism with staff continues formally and informally through building supportive relationships and demonstrating pastoral concern for all our staff whatever their role or location, the sharing of Mercy wisdom and experience from the Sisters is a hallmark of the Institute's support to all its valued staff.



As at 30 June 2025, the Charity had 236 employees, equating to 180 full time equivalents (FTE's) (full time being 35 hours). A breakdown of employee numbers is given in the table below:

	Staff Numbers	Percentage	FTE	FTE Percentage
Care Homes	105	45%	89	49%
Communities with Care	68	29%	46	26%
Communities	19	8%	9	5%
Institute-Run School	29	12%	26	14%
Other	15	6%	10	6%
Total Employees	236	100%	180	100%

Across the Institute, the purpose of FTEs can be classified as follows:

Role Purpose	FTE	FTE Percentage
Care	126	70%
Education	23	13%
Administration	13	7%
Maintenance (other)	9	5% (5%)
Total	180	100%

(Note: With the exception of administration and maintenance staff; those employed within Care Homes and Communities have been classified as “Care”; those employed within schools are classified as “Education”).

Pay Policy and Commitment to being a Good Employer

The Institute continues to closely monitor and adapt its approach to fair remuneration and reward. This is imperative in the highly competitive UK employment market. Recruitment and retention remain challenging particularly in certain geographic areas and in the Care sector generally. The Institute continues to provide competitive rates of pay for its roles, helping to attract and retain staff who possess the skills, knowledge and values needed to deliver its charitable aims and objectives.



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In deciding pay rates each year, Trustees consider a variety of matters; including affordability, current market rates, cost of living rises, the gender pay gap, equitable remuneration, differentiation, business plans and the relationship between job responsibility and pay. All Institute staff continue to be paid at least the 'real living wage', including London based staff.

The Institute strives to be an employer of choice for staff in the sectors and the locations in which it operates. Many staff have been with the organisation for a long period of time which is strong testimony to the supportive working environment, positive team spirit and the sense of belonging and contribution the working culture provides.

Career development opportunities are available to all staff irrespective of whether they work full time or part time. Similarly, the Institute reiterates its commitment to encouraging employees to take advantage of the many opportunities to undertake professional development, which is available at all levels and in all roles. Where possible, training is offered at different times including during working time to meet the needs of part time staff alongside a blended learning approach to widen further participation.

Well-being

A variety of wellbeing initiatives are available for all employees. The 'employment offer' includes:

- **Regular wellbeing information, webinars and advice emails:** on a wide variety of wellbeing topics including mental and physical health, family matters, responses to the pandemic and financial wellbeing.
- **Regular team meetings, supervisions/appraisals and care shift debriefings:** staff are supported in a variety of channels to ensure they can freely share any work or personal concerns, with signposts to further support options when required.
- **Qualified mental health first aiders:** are in place at larger sites.
- **Increased holiday entitlements:** to reward staff who have become highly proficient through knowledge and length of service.
- **Cycle to work scheme:** which reduces the cost of buying a new bicycle and supports exercise.
- **Employee assistance programme:** 24/7 counselling and support for staff, plus legal and health information from qualified advisors.
- **Staff benefits scheme:** to reduce the cost of daily living expenses including discounted gym membership.
- **Health app:** a range of interactive tools designed to help staff monitor and improve their own wellbeing from the convenience of their smartphone.
- **Supportive managers:** who go the extra mile in caring for their team members.



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- **Personal development:** staff benefit from many personal development opportunities appropriate to their role and ambition.

With mental health an important topic in all parts of society including the workplace, the Institute continues to support staff accessing talking therapies.

The Institute remains indebted to its employees who go above and beyond in delivering high-quality services to beneficiaries.

External Links

Members of the Institute of Our Lady of Mercy have links with many other bodies within the Catholic Church:

Mercy International Association (MIA)

The Sisters of the Institute of Our Lady of Mercy are part of a global Mercy Family. Leaders of Mercy Congregations worldwide are members of Mercy International Association and three Members serve on the Board, together with a number of lay people. The Members meet twice a year, on Zoom in November and in person in Baggot Street Centre, Dublin, in May. This Centre, which was the first Convent of Mercy founded by Catherine McAuley, is now an International Centre for the whole Mercy world and through its website, newsletters and courses connects the Mercy Family and offers a number of events throughout the year for all those connected to the Sisters of Mercy.

Conference of Religious (COR)

The Conference of Religious in England and Wales exists for the benefit of all religions in these countries. The Leader of the Institute, is a member of COR by virtue of her position. Collaboration among leaders is encouraged and COR also provides training for Trustees and Staff.

Union of Superior Generals (UISG)

The Leader of the Institute, is a member of UISG by virtue of her position.



Safeguarding

Institute Safeguarding Policy Statement

The Institute of Our Lady of Mercy is committed to the National Safeguarding Policies and Procedures of the Catholic Church in England and Wales, to take all reasonable steps to protect all who are vulnerable from any form of abuse and to promote a safe environment for them. This commitment flows from the fact that we are all made in the image and likeness of God and the Church's common belief in the dignity and uniqueness of every human life. We start from the principle that each child, young person and adult at risk has a right to expect the highest level of care and protection, love, encouragement and respect that we can give. We will liaise closely and openly with statutory agencies to ensure that any concerns or allegations of abuse are promptly reported and appropriately dealt with, victims supported and alleged source of harm held to account. The Institute's commitment to the 'One Church' approach to safeguarding in the Catholic Church in England and Wales is also affirmed by this statement. Our expectation is that this statement will be accepted and upheld by our Sisters and Associates, Staff, Volunteers and all who work for and with us in the Institute and also those who use our premises and individuals who use or access our services.

The Institute participated in the CSSA safeguarding audit in May 2025. This audit assessed the effectiveness of current safeguarding arrangements within the Institute by considering practice against the eight National Safeguarding Standards over the last twelve months.

A summary of their findings in their report dated August 2025 is as follows:

Staff and Sisters have remained committed to ensuring effective safeguarding within its structures. Safeguarding governance is well embedded, albeit there is further room for improvement and formalisation of information sharing processes. Achievements against objectives of the 3-year safeguarding plan again would benefit from formal acknowledgement and updating of the plan.

Essential safeguarding information is held and managed by the safeguarding lead, who ensures that DBS and training are up to date. The designated safeguarding lead oversees the implementation of a safeguarding training programme for all staff and Sisters, and central records are kept of attendance. Non-attendance is taken seriously and is delegated to the link Trustee or head of people and services to follow up.

The Institute have effectively evidenced the value placed on communication, which is emphasised by a well presented and informative website, where the importance of safeguarding is clear, appearing both on the front page and dedicated website pages. Staff and members feel valued in the Institute and staff retention of senior leaders and managers within convents with care is good. The views of all members and staff are encouraged, and an 'open door policy' appears to be well established in the Institute and includes access to senior managers, the CEO and Trustees.



The Institute utilise the skills and knowledge of safeguarding professionals and regularly consults with the Religious Life Safeguarding Service (RLSS) on a variety of safeguarding issues. The Institute have also recruited consultants with expertise in care to support with the development and audit of convents with care.

The Institute is committed to ensuring optimum independence of all members, and staff and senior leaders work hard to ensure high standards of care are consistent across the organisation, but also that autonomy, individuality and person-centred practice is prioritised.

The key findings of the audit were that The Institute of Our Lady of Mercy have achieved the overall grading of “Results Being Achieved”, which is attributed to the hard work and dedication of members and staff to embed good practice in all eight of the National Safeguarding Standards.

Following the audit the Safeguarding Lead has amended the 3 Year Safeguarding Plan and has incorporated the audit recommendations. All of the 3-month and 6-month recommendations have been completed. In the early part of 2026 focus will turn to the 12-month recommendations (Deadline Aug 26).



Related Parties

Mercy Great Britain CIO (Registered Charity No.1154195)

Mercy Great Britain CIO was established in October 2013 in order to raise funds for the Mercy International Association. The Mercy International Centre, based at the original Convent of Mercy in Baggot Street, Dublin, is the focal point for all Sisters of Mercy throughout the world. Sr Patricia Bell, (a member of the Institute of Our Lady of Mercy is a Trustee for this charity). The Trustees of Mercy Great Britain CIO have been in communication with the Trustees of the Institute with a view to gaining their consent for the future dissolution of this charity.

Sister Bernadette Holmes is a member of the Mercy International Association by virtue of being the Institute Leader.

No funds were donated to the charity from 1st January 2024 until its closure on 15th June 2025.

Women@TheWell (W@W, Registered Charity No. 1118613)

The Women@TheWell Charity was established by the Institute of Our Lady of Mercy in 2006. The charity provides services to vulnerable women trapped in multiple cycles of abuse and social exclusion. Services are provided for women by women in a supportive environment with the goals of diverting them from the criminal justice system and working towards meaningful and rewarding participation.

The Institute of Our Lady of Mercy has the right to appoint two Trustees of Women@TheWell. Sr Bernadette Holmes, Sr Catherine Heron, Sr Susan Browne and Sr Colette Cronin have served as Trustees for Women@TheWell during 2024-5: Sr Bernadette resigned on 3rd December 2024; Sr Catherine resigned 30th January 2025; Sr Susan resigned on 2nd April 2025. Sr Colette was appointed on 2nd April 2025. Sr Lynda Dearlove, Trustee, is the founder and was the CEO of Women@TheWell and resigned from this shortly after being elected to stand as Trustee of the Institute of Our Lady of Mercy at the 2023 Chapter. She continues to act as a special advisor. Additionally, four members of the Congregation were active volunteers at Women@TheWell in 2024-5.

Women@TheWell leases a property from the Institute of Our Lady of Mercy in Kings Cross London at a peppercorn rent and then sublets back the top two floors of the building to the Institute. Sr Lynda Dearlove is one of the community members living there. The Institute donated £240,000 to the charity in the 12-month period to 1 July -30 Jun 2025 (Jan 2024 – June 2025: £370,935). Of the donations made during the year ending 30 June 2025, £100,000 related to the period when Sr Bernadette was a Trustee of Women@TheWell and £100,000 after she had resigned.



Institute of Our Lady of Mercy CIO (Registered Charity No. 1201690)

As detailed previously in the report, the Institute of Our Lady of Mercy has registered a new Charitable Incorporated Organisation (CIO), which was dormant on 30 June 2025. The transfer of the majority of assets and liabilities of the Institute of Our Lady of Mercy Charitable Trust to the CIO took place at midnight on the 31st December 2025.

ARISE Foundation (Registered Charity No. 1165248)

Sr Lynda Dearlove, Trustee, has been a Trustee of the ARISE Foundation since January 2017. ARISE is a non-governmental organisation dedicated to preventing modern slavery and human trafficking. ARISE facilitates joint anti-trafficking projects with frontline groups in high-risk regions. All projects are locally led by partners. Their accompaniment, which values mentoring and programmatic training for partners, increases the ability of frontline groups to meet the needs of their local communities.

No funds were donated to the charity in 2024-5 (2023-24: £nil).

SPACE International

Sr Lynda Dearlove, Trustee, also serves as a Trustee of SPACE International (based in New York). SPACE is an international non-governmental organisation that consists of sex trade survivors from around the world, speaking out, changing how people think about prostitution; advocating for the Abolitionist Legislative Model which is the most effective and comprehensive approach in addressing the sex trade.

£10,000 was donated to the charity in 2024-5 (2023-24: £nil).

CAP International

Sr Lynda Dearlove, Trustee, also serves as a Trustee of CAP International (based in Paris). The Coalition for the Abolition of Prostitution (CAP International) is a movement made of grassroots and survivors-led frontline exiting support organisations united around a common objective: the abolition of the systems of prostitution and trafficking in human beings for the purpose of sexual exploitation. As of today, the growing Coalition includes 35 organisations in 27 countries.

No funds were donated to the charity in 2024-5 (2023-24: £nil).

Trustee's Pensions

Pension income received from the Trustees, who are Sisters, is included as income within the Statement of Financial Activities.



Objectives, Aims and Activities

The Charity's principal objects are set out in its Trust Deed and are the advancement of religion and other charitable work under the direction of the Institute including, in particular the relief of poverty, the advancement of the Roman Catholic Religion, the advancement of education and the nursing of the sick poor in England and Wales or anywhere in the world; or which are carried on by a charity having similar charitable objects.

The work of the Sisters of Mercy in relieving poverty, nursing the sick and advancing education and religious studies is inspired by the Foundress, Catherine McAuley. Under the direction of the Institute's Trustees, this work is carried on by individual Sisters acting within parish communities, in schools, care homes and in the wider community.

The Trustees, members and staff continue to examine ways of fulfilling the Trust's objects in the face of the continuing challenges of the increasing age profile and the decline in the number of Sisters. A programme of rationalising property holdings continues, to ensure that property is used as efficiently as possible. Where appropriate, property is leased to other charitable organisations which have similar aims.

Public Benefit

The Trustees confirm that they have complied with their duty under section 17(5) of the Charities Act 2011 to have regard to the Charity Commission's guidance on public benefit.

The Trustees have referred to the Charity Commission's guidance on public benefit and in particular to its supplementary guidance on the advancement of religion both when reviewing the Charity's objectives and in planning future activities. In summary, the Charity provides public benefit in the following ways:

- by the provision of education to young people at Mercy schools and in Voluntary Aided and independent schools and academies that operate on sites provided by the Charity.
- through the provision of care to the sick and frail at the Charity's two care homes and at the Congregation's communities with care.
- through the sheltered accommodation provided by the Charity.
- by the thousands of hours of pastoral work carried out by the Sisters in parishes and with other charitable organisations; and
- through the support that the Charity provides, in the form of donations and the provision of premises, to other charities at concessionary rates.



Strategic Report

Planned Transfer to CIO Structure

The Ninth General Chapter approved the transfer of all assets and liabilities of the Institute of Our Lady of Mercy Charitable Trust to a new charitable incorporated organisation: Institute of Our Lady of Mercy CIO (Registered Charity No. 1201690). Working closely with professional advisors over the course of 2023-25, Trustees and staff have undertaken due diligence and other cross function preparatory work to facilitate the transfer to the new CIO. This transfer took place at midnight on 31 December 2025.

Change in Reporting Period

Trustees had originally planned the transfer of all assets and liabilities to the new Charitable Incorporated Organisation on 30 June 2024. In order for there to be a smooth transition for accounting and reporting purposes, it was determined that it would be preferable to extend the original reporting period by six months.

The Charity Commission allows registered charities to alter its accounting year once every three years. To achieve this, the minimum reporting period is six months, and the maximum reporting period is eighteen months. At the end of 2023, the Charity therefore adopted a new period end of June 2024 and will report to the end of June each year henceforth. Thus, giving a reporting period from 1st January 2023 to 30th June 2024 of eighteen months. The Charity Commission were notified of this intention, and our filing has remained up-to-date.

Readers of these Financial Statements should be aware of this change and that amounts reported period on period are therefore not directly comparable.

New Management Structure

As part of the review of operations and the ongoing preparation for transfer from the Charitable Trust to the CIO, the Trustees have given considerable thought and reflection in the reporting period to the most appropriate organisational structure to enable the new CIO to be as effective as possible in both caring for members of the Institute and delivering services to its many beneficiaries. Consequently, from the summer of 2024, a revised head office structure was implemented with the new roles of Chief Executive Officer, Head of Finance, Head of People and Services, and Business and Compliance Manager. These appointments during 2024 further developed the Institute's operational resilience and support the move towards sequentially separating out the operational leadership and management of the Institute from its governance function.

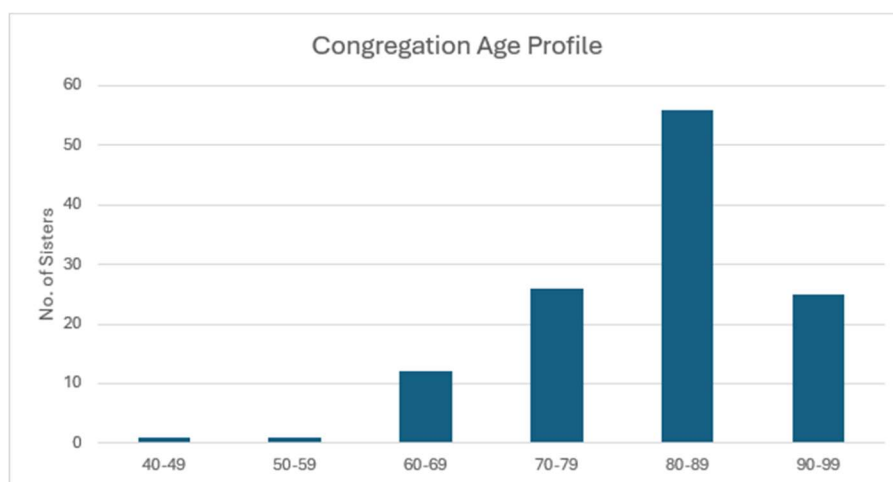


Professional Advisers

Trustees continue the process of reviewing all of the Institute's relationships with professional advisors. As part of this, with effect from 1st July 2024, Stone King LLP have been appointed as the Institute's legal advisers. Similarly, Buzzacott Audit LLP have been appointed as auditors for the period from 1 July 2024. This review continues with tenders for investment management being considered in January 2026.

The Changing Needs of the Congregation

The needs of the congregation and the increasing congregational age profile is a priority for Trustees. As at 30 June 2025, the mean Congregation Member age is 83 (82.6) with a median age of 83.3. Over 50% of the Congregation is in receipt of formal care. It is anticipated that a high proportion of Sisters will require care over the coming years, and that the size of the congregation will diminish. At each monthly meeting the Trustees consider the changing care needs of Sisters and update a matrix to ensure they are effectively tracking and predicting the provision of care beds.



Property Management

The Institute finalised the refurbishment of a 23 bedroomed property in Brentwood in 2025 which increases the capacity of care facilities available for Sisters in the south of England. Twenty one Sisters transferred from the Community with Care at Wanstead on 21st January 2025. The Wanstead site (including the current convent and former school) was sold, and completion took place simultaneously with the move.

The following properties were sold during the period, 1st July 2025 to 28th February 2026:

- Dawson House, Hull - 11.07.25
- Convent of Mercy, Warning Tongue Lane, Doncaster - 19.09.25



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- St Joseph's Park Hill School Burnley - 06.11.25
- Broughton Hall Liverpool (including lodge, bungalow, Zoe's Place) - 28.11.25
- 72 Finch Lea Drive, Liverpool - 23.01.26
- Swarcliffe Drive, Leeds - 18.02.26

Several properties are either on the market or being prepared for disposal in 2026.

The Institute appointed a Property Coordinator in April 2025 to further support the Trustees with their portfolio.

IT Developments

Trustees are aware of the importance of robust cyber security and contract an IT consultancy to manage the IT infrastructure. Staff and Sisters receive regular training and updates on cyber security. The Institute works with third party providers to look at telephone systems, ensuring that these are fit for purpose ahead of the ISDN and PTSN system closedowns.



The Advancement of Education

The Institute of Our Lady of Mercy is involved in education in diverse ways. The Institute owns several school sites which are listed below.

The Trustees see the use of these properties for Catholic education as a significant contribution to the local community and an effective way of pursuing the advancement of education. Many of these sites were the original educational foundations founded by Sisters of Mercy and the freehold of these sites continues to be owned by them.

Voluntary Aided Schools retained by the Institute of Our Lady of Mercy

Direct ownership of the sites of these schools and the Trusteeship of the schools continues to be retained by the Institute. However, the Trustees continue to consult with the Archdiocese of Liverpool concerning the potential transfer of the trusteeship and land of both Liverpool Schools to the Archdiocese.

A grant was received from the Department for Education and Skills in previous years for building works at the respective schools. See note 24 for further details of these grants.

Name	Responsible Authority
Broughton Hall Catholic High School, West Derby, Liverpool	Liverpool Local Education Authority
Maricourt Catholic High School, Maghull, Liverpool	Sefton Local Education Authority

Voluntary Aided or Academy Schools leased to the local Dioceses

These schools now fall within the state sector and continue to flourish as Grant-Aided Roman Catholic schools run by Local Education Authorities or as Academy Trusts. In most of these cases, leases have been granted to the local Roman Catholic Dioceses who maintain the property and ensure that it is used as a Catholic school.

The Institute's Financial Statements do not include any value for Voluntary Aided or Academy schools leased to the local dioceses as the value represented by these sites is not realisable by the Institute for so long as they continue to be used by the schools in question.



Institute of Our Lady of Mercy

Name	
St Paul's RCVA School, Alnwick	Bishop Bewick Catholic Education Trust
St Joseph's Catholic Primary, Bermondsey	South East London Catholic Academy Trust Ltd renamed to St Oscar Romero Catholic Academy Trust in 2025
St John Fisher Catholic Voluntary Academy, Alvaston, Derby	St Ralph Sherwin Catholic Multi Academy Trust
The McAuley Catholic High School, Doncaster	The McAuley Catholic High School Trust
St Mary's Catholic Primary School, Eltham, London SE9	South East London Catholic Academy Trust Ltd renamed to St Oscar Romero Catholic Academy Trust in 2025
St Mary's College, Hull	St Cuthbert Roman Catholic Academy Trust
Endsleigh Holy Child Voluntary Catholic Academy, Hull	St Cuthbert Roman Catholic Academy Trust
St Mary's Catholic Primary School, Whitstable (Part of Kent Catholic Schools Partnership (a Multi- Academy Trust)).	Kent Catholic Schools Partnership

Private Fee-Paying School run by the Institute of Our Lady of Mercy

The Institute owned, managed and financed a private school in Burnley until its sad closure in July 2025.

Name	Responsible Authority/Lessee
St Joseph's Park Hill School, Burnley, Lancashire	Institute of Our Lady of Mercy



Institute of Our Lady of Mercy

Private Fee-Paying Schools in buildings owned by the Institute

There are a number of instances where parents have formed bodies to take over the running of former independent Convent schools on the understanding that the Roman Catholic ethos will be maintained.

Name	Responsible Authority/Lessee
Our Lady's School Abingdon, Oxfordshire	Leased to Our Lady's Abingdon Trustees Ltd until its sad and sudden closure in August 2025.
St Mary's Hare Park School, Gidea Park, Essex	Leased to St Mary's Hare Park School
St Philomena's School, Frinton-on-Sea, Essex	Leased to St Philomena's School Ltd
Mylnhurst Catholic Preparatory School & Nursery, Ecclesall, Sheffield	Leased to Mylnhurst Ltd and Mylnhurst Sports Education and Leisure
St Thomas More School, Colchester	The Former Convent Building is leased to the school and makes up part of the school provision.



Care of the Sick, Support for the Poor

The provision of care remains the largest part of the Institute's charitable activities with the largest number of direct beneficiaries.

The Institute is committed to ensuring high quality care in an environment where each person's dignity is esteemed and valued and where individuality and privacy are respected. The Institute seeks to achieve this aim by promoting the ethos and values gifted by our Foundress, Venerable Catherine McAuley.

The Charity owns and operates two Registered Care Homes and three 'Communities with Care'. The Communities with Care provide accommodation and care to meet a range of needs to support retired, elderly and frail members of the Institute.

Care Management Structure

The Care Management Group ensures the Institute meets its legal obligation to run safe, effective, caring, responsive and well-lead homes.

Registered Care Home managers, Care and Service managers in our Convent with Care were supported and managed by the Head of People and Services on behalf of the Trustees. Care staff are also closely supported by Trustees and the head office team. The Head of People and Services is also the link for the Care Quality Lead. The Care Quality Lead is the Institute's Nominated Individual with the Care Quality Commission ("CQC") and is responsible for reviewing clinical and operational policies ensuring compliance with CQC regulations and best practice. Trustees and Care Home Managers use the internal quality assurance audits (including Regulation 17 reports) to identify strengths and areas for further service development.

Registered Care Homes

The Institute owns and operates two CQC registered care homes: Mercy Care Centre in Derby and McAuley Mount Residential Care Home in Burnley. Both homes are rated as 'good' by the CQC. Mercy Care Centre provides up to 50 residents with a mix of residential and dementia care and is adjacent to our close to care apartments in Kinsale Court. McAuley Mount Care Home cares for up to 26 residents and celebrated its Golden Jubilee in 2025, which is shown on the front cover of this report. Trustees and senior management maintain a programme of care home visits.

Communities with Care

The Institute continues to develop the necessary practical and pastoral support for Sisters and staff as they adjust to the decrease in the number of Sisters and their increasing vulnerability.



The addition of the southern site in Brentwood alongside the existing northern sites at Hull and Whitby has doubled the bed spaces and increased the resilience to provide high quality care for Sisters.

McAuley Mount Residential Care Home, Burnley

On 24th March 2025, Residents, Staff, Sisters and Invited Guests came together to celebrate the 50th Anniversary of McAuley Mount. A Mass was celebrated by Bishop John Arnold to give thanks for the 50 years of care that has taken place on this site.

Mother Ita Cahill and the Burnley Sisters of Mercy had a dream of developing a place for retired clergy and their housekeepers. The seeds were sown, and the building work began on the 26 rooms that were built with communal areas.

Over the years the home has developed in different ways to respond to the care needs of the time, which is how our Foundress Catherine McAuley, in the past listened to the needs in Dublin in the 1830's, as she founded the Congregation of the Sisters of Mercy. Care facilities were established in Dublin and across the world and are to this day flagship services to those who need care.

Over the years McAuley Mount became a registered residential home for the clergy and other retired people of the area.

Staff endeavour to provide a high quality of care, dignity, respect and personalised care to those who live there. The caring environment provides physical, psychological, emotional and spiritual support to each person, their family or carer. The values of Mercy and Compassion are rooted in the daily activities of this home. The residents make it the happy home it is, and staff reflect this in the day-to-day running of the home.

A CQC Inspection received on 20th March confirmed the excellence of the Home and the rating given was Good.

Pastoral care is provided by one of the Sisters and priests. Medical and nursing support is provided by the local services of Burnley to enable residents to remain in the Home until death, if this is their choice.

In the Jubilee Year of Hope of 2025, it was a delight to celebrate 50 years of Mercy.

We remain open to where Mercy May Yet Be for all in the area of care as we walk into the future.

Sheltered Accommodation

The Institute owns a sheltered accommodation scheme in Derby, comprising 22 flats. This scheme is now managed on behalf of the Institute by Sanctuary Housing who took over from 'Johnnie Johnson' Housing Trust on 1 January 2025.



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St Anne's Court, Newcastle upon Tyne is let on a long lease to the Trustees of the 'Orders of St John Care Trust'. After the Trustees of the Orders of St John indicated their wish to withdraw from the lease, the previous Institute Trustees approved this request. The current Trustees are progressing the disposal of this site.

Other Involvement in Care

Many of the Congregation have worked within the nursing profession and many have dedicated their lives to caring for others. Sisters continue to undertake volunteer work supporting the sick and the poor – for example through visitation.

As in other areas of Ministry, the Institute leases properties to external organisations to further its Objectives of Nursing the Sick and Disabled:

Organisation and Location	Description
Zoe's Place Crossbeck, Normanby	Offers respite and palliative terminal care to babies and support to their parents.
Rainbows Bereavement Support GB Liverpool	Provides support to children to grieve and grow after loss.
Zoe's Place, Liverpool (until they transferred to Liverpool Zoe's Place in summer 2025)	Offers respite and palliative terminal care to babies and support to their parents.



Advancement of Religion and other Charitable Work

The Institute of Our Lady of Mercy contributes, by the work of individual Sisters, to both religious and wider education in schools; they work with a wide range of people including migrants and asylum seekers, homeless people, vulnerable young people, people with disabilities, vulnerable elderly and prisoners. Traditionally, Sisters of Mercy have had a particular involvement in supporting vulnerable women. Many Sisters of the Institute are active in local parishes in the religious education of both adults and children, including sacramental preparation and the Rite of Christian Initiation of Adults (RCIA). The Sisters are also involved in retreat and prayer ministry, spiritual accompaniment and various types of counselling services. Some Sisters are trained to offer alternative therapies for the well-being of the whole person. Often this work is done for little or no financial remuneration, thus contributing to the benefit of the general public.

Properties owned by the Institute are also leased to other charitable organisations for a variety of purposes at nil or concessionary rents:

Property	Purpose
Alnwick, Northumberland: The Costello Centre	Used for community purposes.
Brentwood, Essex	Sion Catholic Community for Evangelisation (until 5 th January 2026)
Derby, Bridge Gate	Women's Work
Eltham, London: The Haven Centre	Used for a variety of community purposes.
Kings Cross, London: Women@TheWell	Provides services to vulnerable women.

Congregational Activity

As stated previously, Members of the Congregation follow their own individual ministries and contribute to society in a number of different ways:

A number of Sisters work directly for the Congregation (for which they receive no remuneration).

Some Sisters conduct paid work outside of the Congregation in respect of which they receive a salary or are paid a stipend, which they then in turn covenant to the Charity.

Whilst many Sisters are retired, or are retiring from paid professions, a large proportion are active volunteers.



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Collaboration with other organisations and charities operating in the same field has also been an important way in which the Sisters have sought to meet the needs of those it is seeking to help.

Charitable Donations

The Institute also makes financial donations to a wide range of charities who carry out work in line with their aims and objectives. Trustees respond to appeals on behalf of the Congregation. These donations are usually made from investment income. In addition, each Community also has its own budget to contribute to local charities and those in need. Please refer to Account Notes 11 and 29 on pages 58, 59 and 72.



Adoption of CIO Legal Structure

The Institute of Our Lady of Mercy was established as a Charitable Trust in 1984. This has served the needs of the Institute well; however, the changing demographics of the membership has necessitated exploration of alternative legal structures, and a new Charitable Incorporated Organisation (CIO) was approved by the Charity Commission in January 2023.

Delegates of the Ninth General Chapter of the Institute (which took place from 22 May – 2 June 2023) unanimously gave the new Team the authority to alter the legal structure of the Institute, with the transfer of assets and liabilities from the present Charitable Trust to the Institute of Our Lady of Mercy CIO.

As a consequence of due diligence, Trustees delayed the transfer to CIO until midnight on 31st December 2025.

The financial statements have therefore been prepared on a basis other than a going concern, however, as all assets and liabilities, excluding land and buildings in the process of being sold and those with administration issues, will be transferred to the new entity, no impairment has been deemed necessary.

Acts of Chapter – What Mercy may yet be

As detailed above, Delegates of the Chapter gave the new Team the authority to alter the legal structure of the Institute, with the transfer of assets and liabilities from the present Charitable Trust to the Institute of Our Lady of Mercy CIO.

The Chapter also considered the next phase of the Mercy story. Many different views and concerns were raised and discussed, but there was a broad consensus that Sisters wish to face the future with positive determination.

Work will begin in the coming year on developing a second charity for mercy ministries, a “Doors of Mercy CIO”.



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General

The current level of economic uncertainty within the world and specifically the UK means that Trustees will continue to closely monitor the operations and activities of the Institute.

The Institute continues to review its business operations, processes and structures to ensure they remain fit for purpose and will act if necessary to respond to changing circumstances.

The Institute continues to work ever more closely with its operational managers, providing them with Human Resources (“HR”), Health & Safety (“H&S”), Finance, Data Protection, IT and legal expertise.

GDPR eLearning and cyber security training continue to be delivered. Regular data protection advice and data reviews by the Institute’s Data Protection Officer and Caldicott Guardian supports managers and staff with their ongoing compliance with the policies and procedures.

The renewal of IT hardware and software continues to ensure that the Institute’s operations meet the demand to communicate safely and effectively in a connected world.



Financial Review

Risk Management

With the support of its professional advisors and staff team the Institute maintains a comprehensive risk register which is reviewed regularly. Where key risks are identified mitigating actions are agreed and the appropriate remedies actioned to ensure that risks are kept within the agreed risk profile for the Institute. Managed risks include both internal Institute issues and areas where the Institute has obligations to regulators and other stakeholders.

The declining number of religious Sisters who can provide the necessary vision and direction for the charity is mitigated through support for all staff and a programme of continued professional development in which all staff directly or indirectly benefit. The Institute strives to achieve this by using fit for purpose policies and procedures, placing a strong emphasis on developing positive working relationships and following organisational values in day-to-day operations. The involvement of advisors, and increased management support (e.g., administration, finance, IT, data protection and human resources) at the Generalate also helps to manage risk. Similarly, with the reducing number of Sisters the functions and responsibilities taken on by lay staff become increasingly important for the Institute to keep under review.

The rising cost of providing care to elderly Sisters along with increased instability in the financial markets and high inflation are eased by using investment managers who provide regular reports on investment performance and benchmark financial returns. While this approach has ensured that sufficient working capital is available to meet the Institute's needs, the Institute needs to continually monitor the draw on its resources and cash flow, ensuring that prudent stewardship decisions are made.

The Institute operates three Communities with Care for frail Sisters where high-level care can be provided efficiently in an appropriate environment.

The Institute of Our Lady of Mercy is a member of the Religious Life Safeguarding Service (RLSS) and the Catholic Safeguarding Standards Agency (CSSA). The Institute employs a Safeguarding Lead and has a Safeguarding Trustee Sub-Committee, which includes an Institute Trustee and several lay advisors. The Sub-Committee takes legal advice on safeguarding matters as and when required. This structure will help ensure that the Institute continues to invest in ongoing training in relation to its safeguarding responsibilities whilst also supporting the Trustees, other Sisters, and staff in their duty of care towards vulnerable groups.

Trustees recognise that the ongoing strategic management of the Institute is an area that requires considerable attention on an ongoing basis. When issues arise and decisions are required Trustees seek the support and advice of their senior management team at the Generalate together with their professional advisors. Similarly, the management of their care facilities and other charitable work form a commitment to take wide advice from the Institute's staff and advisors together with a readiness to adjust their resourcing and plans to meet changing operational needs.



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Fundraising

The Institute is predominantly funded by income from the covenanted salaries and pensions of Sisters, care home fees, school fees, rents and investment income, rather than seeking to raise money from the public through fundraising appeals.

Other Policies

The policies of the Charity with regard to investments, financial procedures and grant making are clearly set down in policy statements. These are all reviewed on a regular basis and amended where necessary to take account of changing circumstances and practices. All Communities are issued with financial guidelines.

The requirements of Charity law and their bearing upon the working practices of the Charity have been the subject of discussion at Trustee Meetings. The importance of full compliance with legal requirements is understood. The Legal Advisers the Institute uses include a specialist Charity Team who attend Bi-Monthly Trustee Meetings.

Policy on Reserves

The Trustees' policy is to maintain the current level of reserves, as far as is possible (having taken account of the potential for fluctuation in the investment markets). It is hoped that the investment of reserves will provide a secure, long term income stream for the Charity.

This income stream will enable the Charity to fulfil its continuing obligations to its beneficiaries and to preserve the ongoing legacy of the Institute of Our Lady of Mercy well into the future.

Where there isn't currently a formal reserve policy in place due to the large reserves previously held, it is the intention of the Trustees to document this in the coming year to ensure there are sufficient funds held for future commitments and plans. The total reserves at the end of the reporting period are £105.1m. Restricted reserves amount to £2.2m (2024: £15.2m). The unrestricted reserves amount to £102.9m (2024: £129.0m).

The Charity's policy on restricted funds is to record separately donations, grants and other income sources where restrictions are imposed that are narrower than the Charity's overall objectives.

Grant Making Policy

Grants, which comprise gifts and charitable bequests, are considered by the Trustees on a regular basis when it is decided which charities or causes are to be supported. The grants are made to support charitable work.

When considering grant requests, the Trustees assess:



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- The extent to which the grant would further the Institute's Aims and Objectives.
- The operational and financial viability of the organisation making the request.
- Whether the grant will complement or continue the charitable work of the Institute in a particular community.

Summary

The Institute funds its charitable activities mainly through incoming resources from Sisters' salaries and pensions, care home fees, school fees, investment income, the sale of investments and the sale of fixed assets surplus to requirements. As per the accounts, the Institute had a deficit of £39.1m for the year to 30 June 2025. The deficit mainly relates to impairment of buildings of £33.9m, the Institute intends to gift two school buildings that were previously held at a combined value of £32.2m.

Restricted funds totalled £2.2m and unrestricted funds totalled £102.9m. The Institute is in the process of disposing of properties which will give rise to profit on the sale of assets to mitigate the current deficit.



Investments

Powers

The investments of the charity are pooled together and invested as a whole; the capital and interest being applied pro rata to the capital invested. There are two linked charities:

- The Costello Fund (Alnwick) (Charity number – 290544-6) – this is invested in quoted securities.
- The Fullerton Fund (Charity number – 2905447-7) – which was formed from the net proceeds of the sale of St Mary's Residential Care Home, Worthing was dormant and was removed from the Charity Commission register on 21 March 2025

The investment powers of the Trustees, which are set out in the Trust Deed, are widely drawn and authorise the Trustees to sell, call in and convert money and to vary and transpose investments (subject to such consents as may be required by law). Power is given to invest monies in the purchase of stocks, funds, securities or other investments (including freehold and leasehold property) of whatsoever nature and wheresoever and whether involving liability or not; the Trustees have the same full and unrestricted powers of investing and transposing all investments as if they were entitled thereto beneficially. Where income arising from investments is not applied to the objects of the charity there is power to invest and accumulate the same. In this respect, the Trustees, by order of the Charity Commission, are authorised to appoint Investment Advisors and to delegate to them discretionary powers of management. During the reporting period, Charles Stanley & Company Limited have managed the Institute's investments.

Policy

The Investment Policy of the Trustees laid down to the Investment Advisors is “to achieve long term growth of both capital and income together with a reasonably high level of current income. The assets should be managed to at least maintain the real capital value of the portfolio, whilst generating a sustainable level of income to support the various charitable activities”.

The June 2025 division of the portfolio, of about 36% invested in cash, fixed interest and alternative assets, and 64% in equity investments, is considered satisfactory and gives an acceptable level of risk to the Trustees. The Trustees require ethical considerations to be considered in the choice of investments in accordance with these guidelines.

In broad terms ethically acceptable investments, mostly equities, are chosen because they do not, through their activities, disadvantage any part of the world population or make irresponsible use of natural resources. Additionally, such investments should have a positive impact on the quality of life for communities at large, have an ethical approach to climate change, health, housing and medicine, and have a strong human rights record. Specifically, direct investments not meeting these criteria include those engaging in and profiting from the following industries: armaments, mining, tobacco, gambling and pornography. The same guidelines should apply in the use of collective investment



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vehicles with the exception that the investment manager may select funds so long as there is no material breach of the above criteria. The Trustees do not have an outright exclusion on Fossil Fuels but following a review of the sector took the decision to sell down the existing direct equities in the portfolios by no later than 31 December 2025. The Institute no longer holds fossil fuel equities.

Charles Stanley uses the services of Ethical Screening and MSCI to monitor ESG and other related matters regarding the investments and updates to the Trustees are provided at the half-yearly meetings.

Social Investment Policy

The Trustees' policy is that where possible they will seek to make investments that further the aims of the charity for the public benefit. The Trustees do not expect a financial return, or the main purpose of these investments is not for a financial return. These investments mainly relate to properties being let, usually at a peppercorn or below market rent, to individuals or organisations whose work relates to the advancement of the charity's aims.



Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and its linked charities, and of the incoming resources and application of resources of the charity and its linked charities for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether applicable accounting standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and its linked charities will continue in business.

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

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS

The Trustees appointed Buzzacott Audit LLP as independent auditors to the Charity from 1 July 2024.



APPROVAL

The Strategic Report and Trustees' Report have been approved by the Trustees on

Signed: *Sr Mary Bernadette Holmes*

TRUSTEE

Date: 17 April 2026

Signed: *Sr Bernadette Patricia Roche*

TRUSTEE

Date: 17 April 2026

Independent auditor's report to the trustees of the Institute of Our Lady of Mercy

Opinion

We have audited the accounts of the Institute of Our Lady of Mercy, which includes the charity's linked charities - The Costello Fund (Charity Registration Number 290544-6) and The Fullerton Fund (Charity Registration Number 290544-7) (referred to here onwards as the "charity") for the year ended 30 June 2025 which comprise the statement of financial activities, the balance sheet, the statements of cash flows 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 30 June 2025 and of its incoming resources and application of resources 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.

Emphasis of matter – accounts prepared on a basis other than going concern

We draw your attention to page 43 to the accounts which explains that the trustees intend that the charity's operations should cease and that a request be made for its removal from the Central Register of Charities, following the transfer of the activities, assets and liabilities to the newly formed Charitable Incorporated Organisation (CIO) (Institute of Our Lady of Mercy CIO, Charity Registration Number: 1201690). The majority of the assets and liabilities were transferred at midnight on 31 December 2025, with the remainder to be transferred within the next financial period. Therefore, the trustees do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the accounts. Accordingly, the accounts have been prepared on a basis other than going concern as described on page 43. Our opinion is not modified in respect to this matter.

Other information

The other information comprises the information included in the annual report, including the trustees' report, other than the accounts and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the accounts does not cover the other information and 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 accounts or our knowledge obtained in the course of 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 accounts 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 on in this regard.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

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 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; 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 page 35, 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

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 one of 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, 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 safeguarding regulations; and
- We assessed the extent of compliance with the laws and regulations identified above through making enquiries of those charged with governance and review of 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 management and those charged with governance 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.

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 of expenditure including the authorisations 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 financial statement disclosures to underlying supporting documentation;
- Reading the minutes of meetings of trustees; and
- Enquiring of 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 other management 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 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.



Buzzacott Audit LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date 21 April 2026

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

INSTITUTE OF OUR LADY OF MERCY

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2025

		Unrestricted funds Year ended 30 June 2025 £	Restricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £	Total funds Period from 1 January 2023 to 30 June 2024 (As restated) £
	Note				
Income from:					
Donations and legacies	5	2,656,786	-	2,656,786	4,113,161
Charitable activities	6	4,257,390	-	4,257,390	5,437,444
Investment income	7	3,086,397	90,543	3,176,940	4,277,314
Other income	8	1,798,677	-	1,798,677	903,404
Total income		11,799,250	90,543	11,889,793	14,731,323
Expenditure on:					
Raising funds	9	153,783	6,698	160,481	273,348
Charitable activities	109	17,814,993	77,125	17,892,118	23,973,225
Total expenditure		17,968,776	83,823	18,052,599	24,246,573
Net (expenditure)/income before net gains/(losses) on investments		(6,169,526)	6,720	(6,162,806)	(9,515,250)
Net gains/(losses) on investments	18,19	932,601	8,946	941,547	(235,560)
Net (expenditure)/income		(5,236,925)	15,666	(5,221,259)	(9,750,810)
Transfers between funds	24	360,176	(360,176)	-	-
Net movement in funds before other recognised gains/(losses)		(4,876,749)	(344,510)	(5,221,259)	(9,750,810)
Other recognised gains/(losses):					
Impairment on tangible fixed assets	17	(21,220,147)	(12,640,111)	(33,860,258)	-
Net movement in funds		(26,096,896)	(12,984,621)	(39,081,517)	(9,750,810)

INSTITUTE OF OUR LADY OF MERCY

STATEMENT OF FINANCIAL ACTIVITIES (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2025

		Unrestricted funds Year ended 30 June 2025 £	Restricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £	Total funds Period from 1 January 2023 to 30 June 2024 £
	Note				
Reconciliation of funds:					
Total funds brought forward		128,962,382	15,199,709	144,162,091	153,912,901
Net movement in funds		(26,096,896)	(12,984,621)	(39,081,517)	(9,750,810)
Total funds carried forward	24,25	<u>102,865,486</u>	<u>2,215,088</u>	<u>105,080,574</u>	<u>144,162,091</u>

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 45 to 76 form part of these financial statements.

One of the linked charities, The Fullerton Fund, was dormant in the year and therefore had no activity. The other linked charity, The Costello Fund, had income of £88,920 which is included within Investment Income above, expenditure of £83,591 which is included in Expenditure on Charitable Activities above and gains on investments of £5,662 included above. The total funds carried forward of the linked charities at 30 June 2025 was £2,134,409.

INSTITUTE OF OUR LADY OF MERCY

BALANCE SHEET AS AT 30 JUNE 2025

	Note	2025 £	2024 (As restated) £
Fixed assets			
Tangible assets	17	37,906,418	77,271,654
Investment property	18	9,463,095	8,508,100
Investments	19	50,385,995	55,410,908
Total fixed assets		<u>97,755,508</u>	<u>141,190,662</u>
Current assets			
Stock	20	-	2,882
Debtors	21	1,102,230	850,549
Current asset investments	27	1,944,580	1,349,957
Cash at bank and in hand	27	5,354,659	1,825,827
Total current assets		<u>8,401,469</u>	<u>4,029,215</u>
Creditors: amounts falling due within one year	22	(1,076,403)	(1,057,786)
Net current assets		<u>7,325,066</u>	<u>2,971,429</u>
Total assets less current liabilities		<u>105,080,574</u>	<u>144,162,091</u>
Total net assets		<u><u>105,080,574</u></u>	<u><u>144,162,091</u></u>
Charity funds			
Restricted funds	24,25	2,215,088	15,199,709
Unrestricted funds	24,25	102,865,486	128,962,382
Total funds	24,25	<u><u>105,080,574</u></u>	<u><u>144,162,091</u></u>

The financial statements were approved and authorised for issue by the Trustees on 17 April 2026 and signed on their behalf by:

Sr Mary Bernadette Holmes

Sr Mary Bernadette Holmes
Trustee

Sr Bernadette Patricia Roche

Sr Bernadette Patricia Roche
Trustee

The notes on pages 45 to 76 form part of these financial statements.

Included within unrestricted funds is £2,134,409 relating to The Costello Fund - one of the reporting charity's linked charities. The other linked charity is dormant and does not hold any funds.

INSTITUTE OF OUR LADY OF MERCY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

		Year ended 30 June 2025 £	Period from 1 January 2023 to 30 June 2024 £
Cash flows from operating activities			
Net cash used in operating activities	26	(8,828,940)	(11,236,608)
Cash flows from investing activities			
Dividends, interests and rents from investments		3,176,940	4,277,314
Purchase of tangible assets		(1,958,936)	(3,138,599)
Proceeds from the sale of tangible assets		5,978,697	1,557,000
Proceeds from sale of investments		7,705,987	8,118,014
Purchase of investments and investment property		(1,950,293)	(2,231,378)
Net cash provided by investing activities		12,952,395	8,582,351
Change in cash and cash equivalents in the year		4,123,455	(2,654,257)
Cash and cash equivalents at the beginning of the year		3,175,784	5,830,041
Cash and cash equivalents at the end of the year		7,299,239	3,175,784

No separate reconciliation of net debt has been prepared as there is no difference between the net cash (debt) of the charity and the above cash and cash equivalents.

The notes on pages 45 to 76 form part of these financial statements

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

1. General information

Institute of Our Lady of Mercy (the “Charity” or the “Institute”) is a registered charity with the Charity Commission with registered number 290544. The principal address of the Charity is The Generalate, Convent of Mercy, Cemetery Road, Yeadon, Leeds, LS19 7UR.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011. The accounts combine, on a line-by-line basis, the results of the charity and its linked or related charity (see note 14), made up to the balance sheet date.

Both the reporting charity and the linked charities meet the definition of a public entity under FRS 102.

Under a Uniting Direction issued by the Charity Commission under section 12(1) of the Charities Act 2011, this charity (i.e.. Institute of Our Lady of Mercy (Charity Registration Number 290544)) is the reporting charity and its related charities, The Costello Fund (Charity Registration Number 290544-6) and The Fullerton Fund (Charity Registration Number 290544-7) are the linked charities. The Fullerton Fund was dormant and was removed from the Charity Commission register on 21 March 2025.

The effect of the Uniting Direction for accountancy and reporting purposes is that a single set of accounts is presented for the two charities combined. Under the Uniting Direction, both charities continue to exist as independent entities in all other respects.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The financial statements are prepared in sterling, which is the functional currency of the entity. Monetary amounts in these financial statements are rounded to the nearest pound (£1).

In the prior year, the Trustees decided to extend the accounting period to 18 months to 30 June 2024. In the current year the Trustees have prepared the accounts for the full 12 months to 30 June 2025. Prior figures presented within the accounts are therefore not directly comparable with the current year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.2 Going concern

The Trustees registered a new entity with the Charity Commission: Institute of Our lady of Mercy CIO (registered charity number 1201690) on 24 January 2023. All Trustees of the Charitable Trust are Trustees of the CIO.

As previously reported, the Trustees intended to transfer the assets and liabilities of the Charitable Trust to the newly established Charitable Incorporated Organisation (CIO). Following completion of due diligence by Trustees, staff and legal advisors, the majority of assets and liabilities were transferred to the CIO at midnight on 31 December 2025.

The financial statements have therefore been prepared on a basis other than going concern, however, as all assets and liabilities, excluding land and buildings in the process of being sold and those with administration issues, will be transferred to the new entity at net book value, no adjustments to the carrying values of assets or liabilities have been deemed necessary.

The Fullerton Fund was dormant and was removed from the Charity Commission register on 21 March 2025.

The amount held in Costello fund, another linked charity, was represented by quoted investments at the year end.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Charity accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of the accounting policies.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.3 Income

All income is recognised once the Charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Fees and similar income

Fees receivable and charges for teaching or residential care are accounted for in the year in which the service is provided.

Grants receivable

Grants are recognised in the Statement of Financial Activities when receivable and in accordance with the terms of the grant.

Major grants received towards the cost of acquiring fixed assets are included as restricted income, and transfers made to unrestricted funds as the assets are depreciated.

Investment income

UK Dividends and Fixed Interest Stocks are recognised when the income due is declared as being payable. Bank and short-term deposit interest is accrued up to the accounting date. These are included within Investment income in the Statement of Financial Activities.

Donations, legacies and gifts

Donations, legacies and gifts are included in the Statement of Financial Activities when the trustees are reasonably certain that the funds will be received. Income from sisters earning salaries and sisters receiving pensions is accounted for on an accruals basis (see Note 4).

The recognition of income from legacies is dependent on establishing entitlement, the probability of receipt and the ability to estimate with sufficient accuracy the amount receivable. Evidence of entitlement to a legacy exists when the Charity has sufficient evidence that a gift has been left to them (through knowledge of the existence of a valid will and the death of the benefactor) and the executor is satisfied that the property in question will not be required to satisfy claims in the estate. Receipt of a legacy must be recognised when it is probable that it will be received and the fair value of the amount receivable, which will generally be the expected cash amount to be distributed to the Charity, can be reliably measured.

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

2.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit 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. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources.

Expenditure on raising funds includes all expenditure incurred by the Charity to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the Charity's objectives, as well as any associated support costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.4 Expenditure (continued)

All expenditure is inclusive of irrecoverable VAT.

Grants payable

Grants payable are payments made to third parties in the furtherance of the charitable objectives. The grants are accounted for where either the trustees have agreed to pay the grant without condition and the recipient has a reasonable expectation that they will receive a grant, or any condition attaching to the grant is outside the control of the trustees.

Governance costs

Governance costs include external audit, strategic costs and professional services in relation to the governance of the charity.

2.5 Tangible fixed assets and depreciation

Tangible fixed assets costing £1,000 or more (£5,000 or more if property related) are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

(i) Freehold land & buildings

Land and buildings include freehold and leasehold premises. Land and buildings are stated at cost (or deemed cost for land and buildings held at valuation at the date of transition to FRS 102) less accumulated depreciation and accumulated impairment losses.

(ii) Fixtures and fittings, equipment and motor vehicles

Fixtures and fittings, equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Land is not depreciated. Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Buildings	- 50 years
Motor vehicles	- 4 years
Fixtures and fittings	- 5-10 years
Equipment	- 2-5 years

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.6 Investments

Investment properties

Investment properties are valued annually.

Investment properties have been valued by The JTS Partnership LLP, Chartered Surveyors, who are independent external valuers.

The valuations were in accordance with the requirements of the RICS UK Valuation Standards and FRS 102. Investment Properties are valued to Market Value assuming that the property would be sold subject to any existing leases.

The valuer's opinion of Market Value was primarily derived using:

- (i) comparable recent market transactions on arm's length terms.
- (ii) using an estimate of the future potential net income generated by use of the property, because its specialised nature means that there is no market-based evidence available.

Quoted securities

The quoted securities are valued at market value based on the bid price of the quotation in the Stock Exchange Daily Official list or similar recognised market value. Realised and unrealised gains and losses on sale or revaluation of investments are taken to the Statement of Financial Activities in the year in which they arise.

2.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

2.8 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

2.9 Liabilities and provisions

Liabilities 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.

Liabilities are recognised at the amount that the Charity anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide.

Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised in the Statement of financial activities as a finance cost.

2.10 Financial instruments

The Charity has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and investments, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

At the end of each reporting year financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in income and expenditure.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in income and expenditure.

The Charity has chosen to designate certain debt instruments that would be classified as basic financial instruments as fair value through profit and loss as permitted by section 11.4 (b) of FRS 102. The recognition, measurement and disclosure requirements of FRS 102 in respect of financial instruments measured at fair value through income and expenditure have been applied to these designated financial instruments. Financial assets designated as at fair value through income and expenditure at inception are those that are managed and whose performance is evaluated on a fair value basis.

Other financial assets, including investments in equity instruments are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in income and expenditure.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Offsetting

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Operating leases

Rentals paid under operating leases are charged to the Statement of financial activities on a straight-line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

2. Accounting policies (continued)

2.12 Pensions

Teaching staff belong to the Teachers' Pension Scheme, which is a multi-employer defined benefit scheme. As the information as to the underlying share of assets and liabilities by employer is not available, the scheme is accounted for as a defined contribution scheme and contributions are charged to the Statement of Financial Activities in the year in which they are payable. The effects of this are disclosed in Note 29.

The Institute operates a defined contribution scheme for other staff. Contributions are charged to the Statement of Financial Activities in the year in which they are payable. The costs of the defined contribution scheme are charged to relevant activity within unrestricted funds based on the type of work performed.

2.13 Related party transactions

The Charity discloses transactions with related parties which are not wholly owned within the Institute. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the Trustees, separate disclosure is necessary to understand the effect of the transactions on the Charity's financial statements.

2.14 Realised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales 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. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

2.15 Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

3. Critical judgements and estimates

Valuation of investment properties

The Charity makes an annual estimate of the open market value of investment properties. The Trustees take into account advice from third parties, including valuations performed externally, and by using all knowledge and information available to them, including market yields, replacement cost, tenant covenant strength, the availability of suitable purchasers, the wider property market conditions and the nature of the asset held.

Impairment of tangible assets

The Trustees apply judgement in assessing whether tangible assets are impaired. This includes evaluating indicators of impairment and estimating recoverable amounts using assumptions relating to future cash flows, discount rates, and asset utilisation. These estimates are inherently uncertain and may differ from actual outcomes.

4. Prior year adjustments

The following reclassifications have been made as the Trustees have concluded this better reflects the nature of the balance or transaction. There was no impact on the Charity's total funds and total net assets.

Nature of balance or transaction	Classification before restatement	Restated classification	2024 (£)
Cash held with investment managers	Cash at bank and in hand (see Note 27)	Current asset investments (see Note 27)	1,349,957
Sisters salary and pensions received	Charitable activities (see Note 6)	Donations and legacies (see Note 5)	4,002,013

5. Donations and legacies

	Unrestricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Donations	42,702	42,702
Sisters' salaries and pensions	2,614,084	2,614,084
	<u>2,656,786</u>	<u>2,656,786</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

5. Donations and legacies (continued)

	Unrestricted funds Period from 1 January 2023 to 30 June 2024 (As restated) £	Total funds Period from 1 January 2023 to 30 June 2024 (As restated) £
Donations	111,148	111,148
Sisters' salaries and pensions	4,002,013	4,002,013
	<u>4,113,161</u>	<u>4,113,161</u>

Donations are received from various sources including parent teacher association donations from schools, care home donations from visitors and donations made for the overseas missions.

Sisters' salaries and pensions relate to income from sisters earning salaries and sisters receiving pensions which is gifted to the Charity under a deed of covenant.

During the year, the sisters' salaries and pensions have been reclassified from charitable activities to donations and legacies. As a result, the comparatives have been restated (see Note 4).

6. Charitable activities

	Unrestricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
School fees	1,029,786	1,029,786
Care home fees	3,187,699	3,187,699
Grant receivable	39,905	39,905
	<u>4,257,390</u>	<u>4,257,390</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

6. Charitable activities (continued)

	Unrestricted funds Period from 1 January 2023 to 30 June 2024 (As restated) £	Total funds Period from 1 January 2023 to 30 June 2024 (As restated) £
School fees	1,442,423	1,442,423
Care home fees	3,954,625	3,954,625
Grant receivable	40,396	40,396
	<u>5,437,444</u>	<u>5,437,444</u>

During the year, the sisters' salaries and pensions have been reclassified from charitable activities to donations and legacies. As a result, the comparatives have been restated (see Note 4).

7. Investment income

	Unrestricted funds Year ended 30 June 2025 £	Restricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Income from investment properties	782,115	-	782,115
Income from quoted investments	2,267,896	90,543	2,358,439
Bank and other similar interest	36,386	-	36,386
	<u>3,086,397</u>	<u>90,543</u>	<u>3,176,940</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

7. Investment income (continued)

	Unrestricted funds Period from 1 January 2023 to 30 June 2024 £	Restricted funds Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Income from investment properties	947,648	-	947,648
Income from quoted investments	3,106,262	129,182	3,235,444
Bank and other similar interest	94,222	-	94,222
	<u>4,148,132</u>	<u>129,182</u>	<u>4,277,314</u>

One of the linked charities, The Fullerton Fund, was dormant in the year and therefore had no activity. The other linked charity, The Costello Fund, had income of £88,920 which is included within Investment Income in the Statement of Financial Activities, expenditure of £83,591 which is included in Expenditure on Charitable Activities and gains on investments of £5,662 in the Statement of Financial Activities. The total funds carried forward of the linked charities at 3 June 2025 was £2,134,409.

8. Other income

	Unrestricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Sundry income	266,022	266,022
Profit on disposal of fixed assets	1,532,655	1,532,655
	<u>1,798,677</u>	<u>1,798,677</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

8. Other income (continued)

	Unrestricted funds Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Sundry income	157,641	157,641
Profit on disposal of fixed assets	745,763	745,763
	<u>903,404</u>	<u>903,404</u>

9. Raising funds

	Unrestricted funds Year ended 30 June 2025 £	Restricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Investment management fees	<u>153,783</u>	<u>6,698</u>	<u>160,481</u>

	Unrestricted funds Period from 1 January 2023 to 30 June 2024 £	Restricted funds Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Investment management fees	<u>263,490</u>	<u>9,858</u>	<u>273,348</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

10. Expenditure

	Convents and religious activities Year ended 30 June 2025 £	Schools and education Year ended 30 June 2025 £	Care homes and other care activities Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Staff costs (Note 14)	2,825,608	1,145,610	3,433,994	7,405,212
Other costs	4,284,942	478,106	563,671	5,326,719
Support and governance costs allocation (Note 12)	2,479,551	11,291	54,506	2,545,348
Depreciation	2,233,302	7,588	32,753	2,273,643
Grants payable (Note 11)	528,779	857	358	529,994
	<u>12,352,182</u>	<u>1,643,452</u>	<u>4,085,282</u>	<u>18,080,916</u>

	Convents and religious activities Period from 1 January 2023 to 30 June 2024 £	Schools and education Period from 1 January 2023 to 30 June 2024 £	Care homes and other care activities Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Staff costs (Note 14)	3,519,727	1,230,155	4,817,978	9,567,860
Other costs	6,004,576	273,118	841,954	7,119,648
Support and governance costs allocation (Note 12)	2,997,668	4,539	169,851	3,172,058
Depreciation	3,165,590	3,984	8,654	3,178,228
Grants payable (Note 11)	934,349	874	208	935,431
	<u>16,621,910</u>	<u>1,512,670</u>	<u>5,838,645</u>	<u>23,973,225</u>

Support costs have been allocated to running costs in proportion to the total costs of those charitable activities.

One of the linked charities, The Fullerton Fund, was dormant in the year and therefore had no activity. The other linked charity, The Costello Fund, had income of £88,920 which is included within Investment Income in the Statement of Financial Activities, expenditure of £83,591 which is included in Expenditure on Charitable Activities and gains on investments of £5,662 in the Statement of Financial Activities. The total funds carried forward of the linked charities at 3 June 2025 was £2,134,409.

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

11. Analysis of grants

	Unrestricted funds Year ended 30 June 2025 £	Restricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Grants payable (2025)			
Missions	12,972	-	12,972
Costello	-	77,089	77,089
Fullerton	122,000	-	122,000
General	317,933	-	317,933
	<u>452,905</u>	<u>77,089</u>	<u>529,994</u>
	Unrestricted funds Period from 1 January 2023 to 30 June 2024 £	Restricted funds Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Grants payable (2024)			
Missions	60,497	-	60,497
Costello	-	132,872	132,872
Fullerton	-	232,409	232,409
Douglas Fund	-	20,870	20,870
Sisters Patrimony	25,000	-	25,000
General	463,783	-	463,783
	<u>549,280</u>	<u>386,151</u>	<u>935,431</u>

Number of grants paid to institutions- 901 (2024- 938) amounting to £447,926 (2024- £832,836)

Number of grants paid to individuals- 338 (2024- 1,067) amounting to £82,068 (2024- £102,595)

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

11. Analysis of grants (continued)

Institutional grants

	2025 £	2024 £
CAFOD - Syria/Turkey Earthquake Appeal	3,190	10,000
Jesuit Refugee Service UK	11,000	-
Durham University - Catherine McAuley Scholarship	-	40,000
Caritas Internationales - Libya	-	5,005
Caritas Internationales - Morocco	-	5,005
Caritas Internationales - Afghanistan	-	5,005
Caritas Internationales - Crisis in the Holy Land Appeal	-	5,006
Caritas Internationales - Ukraine Appeal	-	5,006
Sion Catholic Community	-	1,424
St Joseph's R C Primary School	6,000	12,000
St Monica's Housing	5,000	5,000
Women@theWell	241,734	371,805
The Verona Fathers (Nekempte School Project)	-	60,000
Whispers of Hope	400	11,896
Women's Work	-	20,000
Others	180,602	275,684
	<u>447,926</u>	<u>832,836</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

12. Governance and support costs

	Unrestricted funds Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Support costs		
Postage and telephones	103,413	103,413
Property and general administration	1,116,638	1,116,638
Legal fees	307,640	307,640
Other expenses	7,649	7,649
	<u>1,535,340</u>	<u>1,535,340</u>
Governance costs		
Independent auditor's remuneration	114,000	114,000
Accountancy fees	804,537	804,537
Legal fees	91,471	91,471
	<u>2,545,348</u>	<u>2,545,348</u>
	Unrestricted funds Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Support costs		
Postage and telephones	125,061	125,061
Property and general administration	1,377,378	1,377,378
Legal fees	256,072	256,072
Other expenses	9,509	9,509
	<u>1,768,020</u>	<u>1,768,020</u>
Governance costs		
Independent auditor's remuneration	132,798	132,798
Accountancy fees	1,200,507	1,200,507
Legal fees	70,733	70,733
	<u>3,172,058</u>	<u>3,172,058</u>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

13. Net expenditure/(income) are stated after charging/(crediting):

	Year ended 30 June 2025 £	Period from 1 January 2023 to 30 June 2024 £
Depreciation of owned assets	2,273,643	3,178,228
Operating lease cost	66,054	115,339
Independent auditor's remuneration for audit services	114,000	132,798
Profit on disposal of tangible assets	(1,532,655)	(745,763)
	<u>2,920,042</u>	<u>3,680,602</u>

14. Staff costs

	Year ended 30 June 2025 £	Period from 1 January 2023 to 30 June 2024 £
Wages and salaries	6,441,834	8,373,383
Social security costs	588,800	705,687
Pension costs	374,578	488,790
	<u>7,405,212</u>	<u>9,567,860</u>

The average number of persons employed by the Charity during the year was as follows:

	Year ended 30 June 2025 No.	Period from 1 January 2023 to 30 June 2024 No.
School services	29	35
Care homes	105	105
Other staff	102	98
	<u>236</u>	<u>238</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

14. Staff costs (continued)

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	Year ended 30 June 2025 No.	Period from 1 January 2023 to 30 June 2024 No.
In the band £60,001 - £70,000	1	1
In the band £80,001 - £90,000	1	-

15. Trustees' remuneration and expenses

During the year, no Trustees received any remuneration or other benefits (2024 - £NIL).

All the trustees are members of the Congregation and beneficiaries of the Charity and reside in the Charity's property and have no money of their own, having taken a vow of poverty. All living costs and items such as travel expenses are incurred by the Charity. Other than the trustees there are no key management personnel.

During the year ended 30 June 2025, no Trustee expenses have been incurred (2024 - £NIL).

16. Taxation

The reporting charity and the linked charities are registered charities and as such is entitled to certain tax exemptions on income and gains from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these surpluses are applied solely for charitable purposes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

17. Tangible assets

	Freehold land and buildings £	Motor vehicles £	Fixtures and fittings £	Equipment £	Total £
Cost or valuation					
At 1 July 2024	92,053,536	703,837	7,523,103	1,494,483	101,774,959
Additions	1,499,535	5,724	434,944	18,733	1,958,936
Disposals	(5,614,405)	(6,495)	-	-	(5,620,900)
Transfer to investment properties	(946,120)	-	-	-	(946,120)
At 30 June 2025	86,992,546	703,066	7,958,047	1,513,216	97,166,875
Depreciation and impairment					
At 1 July 2024	15,959,489	603,905	6,504,883	1,435,028	24,503,305
Charge for the year	1,849,855	38,964	346,079	38,745	2,273,643
On disposals	(1,168,498)	(6,360)	-	-	(1,174,858)
Transfer to investment properties	(201,891)	-	-	-	(201,891)
Impairment charge	33,860,258	-	-	-	33,860,258
At 30 June 2025	50,299,213	636,509	6,850,962	1,473,773	59,260,457
Net book value					
At 30 June 2025	36,693,333	66,557	1,107,085	39,443	37,906,418
At 30 June 2024	76,094,047	99,932	1,018,220	59,455	77,271,654

During the year, the Charity recognised an impairment loss of £33,860,258 (2024: £Nil) in respect of the two properties.

The transfer from tangible fixed assets to investment properties during the year relates to one property previously occupied by beneficiaries and now rented to a third party.

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

18. Investment property

	Freehold investment property £
Valuation	
At 1 July 2024	8,508,100
Additions	74,965
Surplus on revaluation	135,801
Reclassification from tangible fixed assets	744,229
	<hr/>
At 30 June 2025	9,463,095
	<hr/>

	Freehold investment property £
Valuation	
At 1 January 2023	7,896,920
Additions	811,084
Surplus on revaluation	<hr/> (199,904)
	<hr/>
At 30 June 2024	8,508,100
	<hr/>

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

19. Investments

	Quoted securities £
Valuation	
At 1 July 2024	55,410,908
Additions	1,875,328
Disposal proceeds	(7,705,987)
Unrealised and realised gains	805,746
At 30 June 2025	<u>50,385,995</u>

Market value

At 30 June 2025	<u>50,385,995</u>
At 30 June 2024	<u>55,410,908</u>

	Quoted securities £
Valuation	
At 1 January 2023	62,144,284
Additions	1,420,294
Disposal proceeds	(8,118,014)
Unrealised and realised gains	<u>(35,656)</u>
At 30 June 2024	<u>55,410,908</u>

Market value

At 30 June 2024	<u>55,410,908</u>
At 31 December 2022	<u>62,144,284</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

Investments (continued)

	Year ended 30 June 2025 £	Total funds Year ended 30 June 2025 £
Quoted securities (2025)		
Equity	43,081,490	43,081,490
Corporate debt	5,145,190	5,145,190
Sovereign debt	1,970,565	1,970,565
Preference shares	188,750	188,750
	<u>50,385,995</u>	<u>50,385,995</u>
	Period from 1 January 2023 to 30 June 2024 £	Total funds Period from 1 January 2023 to 30 June 2024 £
Quoted securities (2024)		
Equity	47,200,394	47,200,394
Corporate debt	6,594,826	6,594,826
Sovereign debt	835,458	835,458
Preference shares	780,230	780,230
	<u>55,410,908</u>	<u>55,410,908</u>

One of the linked charities, The Fullerton Fund, was dormant in the year and therefore had no activity. The other linked charity, The Costello Fund, had income of £88,920 which is included within Investment Income in the Statement of Financial Activities, expenditure of £83,591 which is included in Expenditure on Charitable Activities and gains on investments of £5,662 in the Statement of Financial Activities. The total funds carried forward of the linked charities at 3 June 2025 was £2,134,409.

20. Stocks

	2025 £	2024 £
Finished goods and goods for resale	<u>-</u>	<u>2,882</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

21. Debtors

	2025 £	2024 £
Due after more than one year		
Loans	454,489	479,316
	<u>454,489</u>	<u>479,316</u>
Due within one year		
Trade debtors	333,028	292,794
Other debtors	26,687	24,827
Prepayments and accrued income	288,026	53,612
	<u>1,102,230</u>	<u>850,549</u>

Loans due after more than one year relate to a loan to a registered charity, which is secured and is interest free, and one loan to individuals which is interest free.

Loan repayments due within one year included within other debtors amount to £24,827 (2024- £24,827). Loans due after more than one year are repayable as follows: £100,000 (2024- £100,000) is repayable between two and five years and £354,489 (2024- £379,316) is repayable in more than five years.

22. Creditors: Amounts falling due within one year

	2025 £	2024 £
Trade creditors	190,119	274,210
Taxation and social security	169,967	124,617
Other creditors	111,706	111,285
Accruals and deferred income	604,611	547,674
	<u>1,076,403</u>	<u>1,057,786</u>

	2025 £	2024 £
Deferred income at 1 July 2024	41,031	16,781
Resources deferred during the year	100,530	41,031
Amounts released from previous periods	(41,031)	(16,781)
	<u>100,530</u>	<u>41,031</u>

Deferred income represents income received in advance for charitable activities which will be recognised as income in subsequent accounting periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

23. Financial instruments

	2025 £	2024 £
Financial assets measured at fair value through income and expenditure		
Financial assets measured at fair value through income and expenditure	50,385,995	55,410,908

Financial assets measured at fair value through income and expenditure comprise quoted investments.

24. Statement of funds

Statement of funds - current year

	Balance at 1 July 2024 £	Income £	Expenditure £	Transfers in/(out) £	Gains/ (Losses) £	Balance at 30 June 2025 £
Unrestricted funds						
General funds	128,962,382	11,799,250	(17,968,776)	360,176	(20,287,546)	102,865,486
Restricted funds						
Maricourt High School- grants	1,740,846	-	-	(55,027)	(1,685,819)	-
Broughton Hall High School- grant	11,259,441	-	-	(305,149)	(10,954,292)	-
Special account No 5	76,004	1,623	(232)	-	3,284	80,679
Costello Fund	2,123,418	88,920	(83,591)	-	5,662	2,134,409
	15,199,709	90,543	(83,823)	(360,176)	(12,631,165)	2,215,088
Total of funds	144,162,091	11,889,793	(18,052,599)	-	(32,918,711)	105,080,574

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025

24. Statement of funds (continued)

Statement of funds - prior year

	Balance at 1 January 2023 £	Income £	Expenditure £	Transfers in/(out) £	Gains/ (Losses) £	Balance at 30 June 2024 £
Unrestricted funds						
General Funds	137,920,710	14,602,141	(23,850,564)	540,265	(250,170)	128,962,382
Restricted funds						
Maricourt High School- grants	1,823,387	-	-	(82,541)	-	1,740,846
Broughton Hall High School- grant	11,717,165	-	-	(457,724)	-	11,259,441
Fullerton Fund	232,409	-	(232,409)	-	-	-
Special account No 5	72,511	1,758	(268)	-	2,003	76,004
Costello Fund	2,146,719	106,554	(142,462)	-	12,607	2,123,418
The Douglas Fund	-	20,870	(20,870)	-	-	-
	15,992,191	129,182	(396,009)	(540,265)	14,610	15,199,709
Total of funds	153,912,901	14,731,323	(24,246,573)	-	(235,560)	144,162,091

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

24. Statement of funds (continued)

The restricted funds consist of the following:

- Special account No 5 is a separate fund in which a sister's personal assets are held in accordance with Canon Law.
- As outlined in the trustees report, The Costello Fund is a linked charity (Charity Registration Number 290544-6). The fund is utilised for the the advancement of education generally. As at 30 June 2025, the amount held in funds was represented by quoted investments.
- Maricourt High School, Maghull and Broughton Hall High School, Liverpool funds are in respect of grants received from the Department for Education and Skills for building works at the respective schools. These grants are initially credited to restricted reserves. The funds are transferred to unrestricted funds at the same rate that the properties are depreciated, 2025: £360,176 (2024: £540,265). During the year, the Charity recognised an impairment loss of £33,860,258 (2024: £Nil) in respect of the buildings at Maricourt School and Broughton School (see Note 17). Of the total impairment loss, £12,640,111 relates to the restricted fund.
- The Douglas Fund relates to funds received from Mercy International Association on behalf of the Douglas Family to be distributed to a Mercy Ministry (on ministries) engaged in activities which promote the current focus of Mercy Global Action. In 2023 the focus was Water, Migration and Domestic and Family Violence. The Institute distributed the funds to two organisations in the period to 30 June 2024.
- As outlined in the trustees report, The Fullerton Fund is a linked charity (Charity Registration Number 290544-7). The Fund was created following the disposal of the freehold property of St Mary's Residential Care Home, Worthing which was held in a separate fund concerned with the provision of a convalescent home for the sick and poor. On disposal of the freehold property the proceeds were transferred to the Fullerton Fund for the relief of the sick and poor in England and Wales. The Fullerton Fund was dormant in the year and was formally closed and removed from the Charity Commission Register on 21 March 2025.

25. Analysis of net assets between funds

Analysis of net assets between funds - current year

	Unrestricted funds 2025 £	Restricted funds 2025 £	Total funds 2025 £
Tangible fixed assets	37,906,418	-	37,906,418
Quoted investments	48,271,381	2,114,614	50,385,995
Investment property	9,463,095	-	9,463,095
Debtors due after more than one year	454,489	-	454,489
Current assets	7,846,506	100,474	7,946,980
Creditors due within one year	(1,076,403)	-	(1,076,403)
Total	102,865,486	2,215,088	105,080,574

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

25. Analysis of net assets between funds (continued)

Analysis of net assets between funds - prior year

	Unrestricted funds 2024 £	Restricted funds 2024 £	Total funds 2024 £
Tangible fixed assets	64,271,367	13,000,287	77,271,654
Quoted investments	53,306,084	2,104,824	55,410,908
Investment property	8,508,100	-	8,508,100
Debtors due after more than one year	479,316	-	479,316
Current assets	3,455,301	94,598	3,549,899
Creditors due within one year	(1,057,786)	-	(1,057,786)
Total	128,962,382	15,199,709	144,162,091

26. Reconciliation of net movement in funds to net cash flow from operating activities

	Year ended 2025 £	Period from 1 January 2023 to 2024 £
Net expenditure for the year before other recognised gains/(losses) (as per Statement of Financial Activities)	(5,221,259)	(9,750,810)
Adjustments for:		
Depreciation charges	2,273,643	3,178,228
Profit on disposal of tangible assets	(1,532,655)	(745,763)
(Gain)/loss on investments	(941,547)	235,560
Dividends, interest and rents from investments	(3,176,940)	(4,277,314)
Increase in debtors	(251,681)	(39,270)
Increase in creditors	18,617	163,863
Decrease/(increase) in inventory	2,882	(1,102)
Net cash used in operating activities	(8,828,940)	(11,236,608)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

27. Analysis of cash and cash equivalents

	2025 £	2024 (As restated) £
Cash at bank and in hand	5,354,658	1,825,828
Cash held by investment managers	1,944,581	1,349,956
Total cash and cash equivalents	7,299,239	3,175,784

During the year, the cash held with investment managers have been reclassified from cash at bank and in hand to current asset investments on the balance sheet. As a result, the comparatives have been restated (see Note 4).

28. Analysis of changes in net debt

	At 1 July 2024 £	Cash flows £	At 30 June 2025 £
Cash at bank and in hand	1,825,827	3,528,832	5,354,659
Liquid investments	1,349,957	594,623	1,944,580
	3,175,784	4,123,455	7,299,239

29. Grant commitments

At 30 June 2025, the Charity had total grant commitments of £780,000. £240,000 is payable within one year and £540,000 is payable in two to five years. As grants are authorised annually and there's no authorisation in place at year end with regards to future grants, no amounts are included in the financial statements for these amounts.

The grant commitments are payable without any contingent conditions attached, with donations to be used for core costs. Operations of the grant recipient must continue to run in order to receive the grants committed in the future. These commitments will be funded from general cash reserves. The recipient must provide annual narrative and financial report by 1 September each year for the payments following year to be authorised.

30. Pension commitments

There are two pension schemes in operation for employees of the Institute, these are both expensed from unrestricted funds. These are a defined contribution scheme for non-teaching staff and the Teachers' Pension Scheme ('TPS'), a defined benefit pension scheme. The assets of the defined contribution scheme are held separately from those of the Institute in an independently administered fund. The pension cost charge represents contributions payable by the Institute to the fund.

The total pension cost for the period was £371,444 (2024: £488,790) which includes contributions to the TPS of £90,748 (2024: £109,417). Total contributions of £45,536 (2024: £46,471) were outstanding at the period end which includes £9,159 (2024: £9,895) in relation to the TPS. These balances are included in taxation and social security creditors.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

30. Pension commitments (continued)

Teachers' Pension Scheme

The TPS is an unfunded multi-employer defined benefits pension scheme governed by The Teachers' Pensions Regulations 2010 (as amended) and The Teachers' Pension Scheme Regulations 2014 (as amended). Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Valuation of the Teachers' Pension Scheme

The Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury every 4 years. The aim of the review is to ensure scheme costs are recognised and managed appropriately and the review specifies the level of future contributions.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2020. The valuation report was published by the Department for Education on 27 October 2023, with the SCAPE rate, set by HMT, applying a notional investment return based on 1.7% above the rate of CPI. The key elements of the valuation outcome are:

- Employer contribution rates set at 28.68% of pensionable pay (including a 0.08% administration levy). This is an increase of 5% in employer contributions and the cost control result is such that no change in member benefits is needed.
- Total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £262,000 million and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £222,200 million, giving a notional past service deficit of £39,800 million

The result of this valuation will be implemented from 1 April 2024. The next valuation result is due to be implemented from 1 April 2028.

A copy of the valuation report and supporting documentation is on the Teachers' Pensions website.

Under the definitions set out in FRS 102, the TPS is an unfunded multi-employer pension scheme. The Institute is unable to identify its share of the underlying assets and liabilities of the plan. Accordingly, the Institute has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined contribution scheme. The Institute has set out above the information available on the scheme.

INSTITUTE OF OUR LADY OF MERCY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2025

31. Related parties

The trustees consider that their relationship with Women@thewell, a registered charity, is such that it is a related party, the Institute's right to appoint two trustees and the relationship with Women@thewell as outlined in the Trustees Report. The Institute leases premises to Women@thewell at a peppercorn rent. During the period the Institute donated £240,000 to the charity (2024: £370,935) and has grant commitments totalling £240,000 due within one year (2024: £240,000) due within one year). The common trustee resigned from Women@thewell on 3 December 2024. Of the donations made during the year ended 30 June 2025, £100,000 related to the period where a trustee of the Institute was on the trustee board of Women@thewell.

Donations from trustees regarding their salaries and pension during the year amounted to £83,965 (2024: £108,179).

During the year, the Charity made a donation of £10,000 (2024: £nil) to Space International which constitutes a related party due to a common trustee.

There was also a payment to relatives of the Headteacher totalling £1,783 during the year (2024: £529) and £180 outstanding at year end (2024: £nil).

There were no further related party transactions in the year for the reporting charity or the linked charities (2024: none).

32. Operating lease commitments- Lessee

At 30 June 2025 (comparative period 30 June 2024) the Charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	2025 £	2024 £
Motor vehicles		
Not later than 1 year	45,482	54,677
Later than 1 year and not later than 5 years	15,280	60,762
	<u>60,762</u>	<u>115,439</u>

33. Operating lease commitments- Lessor

At 30 June 2025 (comparative period 30 June 2024) the Charity had was entitled to receive minimum lease payments under non-cancellable operating leases as follows:

	2025 £	2024 £
Property		
Not later than 1 year	89,717	254,055
Later than 1 year and not later than 5 years	412,677	994,444
More than 5 years	1,321,973	10,769,671
	<u>1,824,367</u>	<u>12,018,170</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

34. Uniting direction

Under a Uniting Direction issued by the Charity Commission under section 12(1) of the Charities Act 2011, this charity (i.e. Institute of Our Lady of Mercy (Charity Registration Number 290544)) is the reporting charity and its related charities, The Costello Fund (Charity Registration Number 290544-6) and The Fullerton Fund (Charity Registration Number 290544-7) are the linked charities. The Fullerton Fund was dormant in the year and was formally closed and removed from the Charity Commission Register on 21 March 2025.

The effect of the Uniting Direction for accountancy and reporting purposes is that a single set of accounts is presented for the two charities combined. Under the Uniting Direction, both charities continue to exist as independent entities in all other respects.

The Fullerton Fund was dormant and was removed from the Charity Commission register on 21 March 2025.

The Costello Fund was active during the period and the results are outlined in the SOFA and various notes to these accounts.

35. Post balance sheet events

Transition to Charitable Incorporated Organisation (CIO)

As previously reported, the Trustees intended to transfer the assets and liabilities of the Charitable Trust to the newly established Charitable Incorporated Organisation (CIO). Following completion of due diligence by Trustees, staff and legal advisors, the majority of assets and liabilities were transferred to the CIO at midnight on 31 December 2025.

The Costello Fund was also transferred on this date.

Property Transactions

The following disposals occurred after the reporting date. Whilst the property transactions have informed on the assessment of fair value of investment properties and impairment of tangible fixed assets these transactions represent non-adjusting post balance sheet events:

- Dawson House, Hull – disposed of on 11 July 2025 for £1,000,100
- Convent of Mercy, Warning Tongue Lane, Doncaster – disposed of on 19 September 2025 for £1,100,000
- St Joseph's Park Hill School, Burnley – disposed of on 6 November 2025 for £2,475,000
- Broughton Hall, Liverpool (including lodge, bungalow and Zoe's Place) – disposed of on 28 November 2025 for £2,525,000
- 72 Finch Lea Drive, Liverpool – disposed of on 23 January 2026 for £160,000
- Swarcliffe Drive, Leeds – completion of on 18 February 2026 for £185,000

A number of additional properties are either on the market or being prepared for disposal during 2026.

Our Lady's School, Abingdon (OLA)

Our Lady's School, Abingdon closed unexpectedly in August 2025, and the property was returned to the direct care of the Institute after the reporting period. The property is expected to be placed on the market in Spring 2026.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2025**

35. Post balance sheet events (continued)

Investment Management Appointment

In January 2026, the Trustees completed a competitive tender process for investment advice and management. Following this process, CCLA was appointed as the new investment advisors and fund managers. Implementation of the new arrangements will commence in February 2026. This appointment represents a non adjusting post balance sheet event.