Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

Charity registration number 229943 (England and Wales)

SISTERS OF MERCY SUNDERLAND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

SISTERS OF MERCY SUNDERLAND

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	P Shoulder M Rowntree S C Christon K Matthews A M Shanks A M Thompson M L Hope	 (Appointed 5 September 2025)
Charity number	229943	
Auditor	Azets Audit Services Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS	
Bankers	National Westminster Bank plc 52 Fawcett Street Sunderland SR1 1SB	
Solicitors	WBD (UK) LLP The Spark Draymans Way Newcaslte Helix Newcastle upon Tyne NE4 5DE	
Investment advisors	Rathbones Investment Management Limited Port of Liverpool Building Pier Head, Liverpool L3 1NW	

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SISTERS OF MERCY SUNDERLAND

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SISTERS OF MERCY SUNDERLAND

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

The trustees present their annual report and financial statements for the year ended 31 December 2025.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's governing document, the Charities Act 2011 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019).

Objectives and activities

Our objectives are set to reflect our faith and community aims. Each year the trustees review our objectives and activities to ensure that they continue to reflect our aims.

The Charity's objectives are the promotion of the educational, religious and other charitable work of the Roman Catholic Church in England for the benefit of the public in such a way as the trustees shall from time to time, with the consent of the Sister Superior, determine. If and insofar as the trustees consider they may not usefully apply assets available for distribution in any one year in England, then they shall apply the same with such consent for such work elsewhere.

The Charity carries out a wide range of activities in pursuance of its charitable aims.

During this year to 31st December 2025, the Community have worked closely with the Trustees, and in collaboration with St. John of God to respond to the needs of mercy both within and outside the community.

Public benefit

The trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charity should undertake and, in particular, its supplementary public guidance on the advancement of religion for the public benefit.

The trustees consider that the strategies employed to achieve the Charity's objectives for 2025 and the principal areas in which the Community is involved, set out below, provide benefit to the wider community in Northeast England, England as a whole, and elsewhere as the trustees see fit.

Achievements and performance

The works of mercy undertaken by the sisters this year have been wider-ranging and varied. However, there has been a focus on support for the bereaved, the education of youth through various channels and a jubilee year of celebrations!

Sr. M. Aelred died on 23rd March, and we celebrated her life with family and friends in St. Mary's, Parish Church on 25th April, followed by refreshments in the parish hall and in the convent for the sisters, and her family.

The funeral of a former teacher of St. Anthony's who had no living relatives, was held in our chapel and over one hundred people attended. The sisters have offered comfort and reassurance to many people suffering bereavement. The Community have also supported families with practical help and financial aid when needed. We have supported the Rainbows project across the region and continue to support the family of Maggie Coleman, a year 7 student at St. Anthony's who collapsed at school suddenly in her last week of the school year, in July 2025. She subsequently passed away as a result of a sudden brain haemorrhage a few days later. We welcome Maggie's parents and family to feel at home here in the convent and keep in touch with many other families suffering bereavement.

The sisters in community have continued their works of mercy and are actively involved across the diocese, including visiting the sick, caring for the needy, taking part in Confirmation preparation, offering support to the seafarers at the Port of Sunderland, collecting food for various drop-ins and providing financial assistance to a variety of food banks and the Salvation Army. They also respond to requests for prayer and are active in signposting those in need as well as preparing retreats and prayer reflections.

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We offer staff and students the opportunity to use the Centre and rooms in the convent for revision sessions, meetings and educational training. Sr. Michael leads a weekly session for two groups of women in the Centre to develop their spirituality. During the summer holidays, Sr. Annette leads a group of adults developing their skills in “writing icons.”

We work closely with schools on a regular basis and provide opportunities for young people to visit the convent and learn about the “Mercy ethos,” “popular piety” and other religious activities.

On the 30th March, we hosted the relics of Carlos Acutis and supported a group of young people with a liturgy they had designed to welcome the relics and helped them to provide hospitality to all those attending. The sisters work closely with the Youth Ministry Team and Sr. Josepha continues to represent the Community on the YMT board. We continue to support the team financially with Flame, the UK’s largest Catholic youth event, which took place on 15th March, and the Lourdes pilgrimage enabling young people to care for and assist pilgrims throughout their stay in Lourdes.

We have celebrated a year of Jubilees!

Sr. M. Stephen celebrated her Diamond Jubilee with all the community and her family and friends on 26th May here in the convent.

Sr. M. Rosarie, celebrated her Platinum Jubilee on 23rd September.

The Jumbulance came to “Oaklea” to take the sisters to the Cathedral as 2025 was the Jubilee Year of “Pilgrims of Hope.”

On 17th April, Sr. Josepha met King Charles and received the Maundy money at Durham Cathedral.

The 9th June saw the launch of Sr. M. Scholastica’s Book: “You raise me up,” and on the 4th August, she was given the “Freedom of the City of Sunderland.”

The 16th July marked the 120th Anniversary of St. Anthony’s School. We welcomed teachers past and present to a celebratory Garden Party in the grounds of the convent. This was a truly memorable occasion where the Mercy ethos was shared by all.

We continue our support of students to assist them in further and higher education, who would otherwise not have been able to afford their courses. Bursary payments were made to 6 students totalling £14,000.

We have made donations to the community, to education facilities and religious organisations some of which were:

£40,000 to support the Lourdes pilgrimage

£5,000 to support Rainbows children’s bereavement charity

£5,000 to support Small Steps nursery to support children with additional needs

£3,000 to Sr Anthony’s to support girls from deprived backgrounds with uniforms.

The Community continues to provide financial assistance to three food banks, families in need and support for families during illness and death. One of the sisters continues to collect bread and vegetables etc. for local drop-ins and food banks etc., working in collaboration with local Christian Churches. This continues to be needed with the present high cost of living.

Financial review

The end of year saw our balance sheet in a healthy position with total funds standing at £32,329,363, an increase of £909,446 on last year's £31,419,917. Before taking into consideration realised and unrealised losses and gains on our investments, there was a deficit of £1,088,520 compared to a deficit in 2024 of £1,236,699.

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Reserves policy
The trustees have reviewed their medium-term commitments (up to 5 years) and continue to acknowledge that:-

- There continues to be increasing financial burdens placed upon us in providing adequate care for what is an ageing community. In addition to this, as Sisters become more frail, specific areas, i.e. catering, cleaning, care, and finances, are managed by employed lay staff with the consequential increase in budgeted costs.

We have also reviewed our longer-term commitments (6 to 10 years) and are satisfied that we have a suitable reserves policy in place.

The free reserves of the Charity at 31 December 2025 are £146,413 (2024: £315,752).

Investment policy
The Charity has a formal investment policy which is reviewed on a regular basis.

The investment objective is the achievement of a targeted return of both income and capital growth with a moderate level of risk. The investment Manager's definition of the current risk level is Medium/High. This is achieved by reference to a six asset class indices which together constitute a composite benchmark, against which portfolio performance is measured. Our investments may be positioned either side of the composite benchmark weightings, in order to take tactical views on respective asset classes.

This policy also provides for our advisors to take account of certain ethical constraints which we have imposed.

The Community's investment powers are governed by the provisions of the Trustee Act 2000.

The Community receives advice from our investment managers, Investec Wealth & Investment Limited, who provide us with quarterly valuations of the portfolio. Our General Manager is instructed to receive weekly (or more frequently as events dictate) reports from the stockbrokers and meet with them at least twice a year to ensure that the fund is managed in accordance with our guidelines and within the ethical principles of the Community.

Our General Manager reports to the trustees on a regular basis and arranges for the stockbroker who manages the portfolio to visit us twice a year in order to discuss all matters relating to investment policy with the trustees.

The trustees consider all advice received in meetings of the Council, although Sister Superior us empowered to take urgent decisions alone.

Investment performance:
The overall value of investments held at 31 December 2025 is £26,695,583 (2024: £25,693,077).

Major risks
The Charity has a comprehensive risk management strategy which identifies risk management responsibilities. Risk management arrangements identify risks facing the Charity, the actions in place to mitigate these risk, the officers responsible for each risk and the monitoring arrangements.

The Board of Trustees has examined the major strategic and operational risks which the Charity faces and confirms that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to mitigate these risks.

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SISTERS OF MERCY SUNDERLAND

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

Structure, governance and management

The charity is governed by the single scheme approved by the Charity Commission on 24th January 2008. This scheme altered or affected the trusts of the charities formerly known as:-

Sisters of Mercy St. Annes' Convent Wolsingham
Sisters of Mercy St. Anthony's Convent (229943)
Sisters of Mercy St. Joseph's Convent Gosforth
Sisters of Mercy Convent of Mercy Seaham
Sisters of Mercy Convent of Mercy Hexham
Sisters of Mercy St. Anthony's Secondary School
Sisters of Mercy Educational Trust
Sisters of Mercy Ryhope Property Trust

The trustees who served during the year and up to the date of signature of the financial statements were:

P Shoulder
M Rowntree
S C Christon
K Matthews
A M Shanks
A M Thompson
M L Hope (Appointed 5 September 2025)

Recruitment and appointment of trustees

Recruitment of trustees is undertaken by a process of discernment by the Sister Superior.

The power of appointing new trustees is vested in the Sister Superior.

Organisational structure

The Sisters of Mercy Sunderland (229943) is an autonomous religious order which is administered by Sister Superior for the time being, together with a Council consisting of four members of the Community and four other trustees. Sister Superior and the Council are elected by the members of the Community and four other trustees. Sister Superior and the Council are elected by the members of the Community for a term of three years, but the trustees are appointed for a term of four years. The governing documents require that the trustees, who are an unincorporated body, must be drawn from members of the Community or trusted lay people.

The Chair of Trustees is the Sister Superior of the Community.

The Community lives and operates from the Convent at Sunderland. The Community also has an established Branch House at Wolsingham.

Strategic financial decisions relating to all the convents are overseen by the trustees, although the day-to-day management of accounts is undertaken by the Finance Manager, and latterly General Manager. Mandates with the principal bankers are in place to the effect that any two Trustees may sign cheques. In the case of the Branch House this authority is delegated to the respective Sisters in Charge but under the ultimate authority of the trustees.

The accounts accompanying this report are the accounts of the charitable trusts on which the assets of the Community are held.

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Induction and training of trustees
As part of the ongoing training programme, existing and new trustees are made aware of their responsibilities as trustees of the Charity. This programme includes:-

- An introduction to the specific objectives, scope, and policies of the Charity. Most of the trustees, being members of the Community, are aware of the overall aims and objectives of the Charity, one of the Lay trustees has worked with the sisters as Chair of St. Anthony's Catholic Academy and has a deep commitment to the Mercy ethos. The other Lay trustee has extensive knowledge of parish and Diocesan affairs and the ethos that accompanies these. The trustees have committed to in-depth training either by Zoom or in person during 2024-25.
- Charity Commission information on trustees responsibilities as signposted through the Commission's guide "The Essential Trustee".
- A summary of the main documents which set out the operational framework for the Charity.
- Copies of the financial position as set out in both the latest published accounts and the latest financial forecast.
- Copies of the latest risk assessments.

Statement of trustees' responsibilities
The trustees are responsible for preparing the Trustees' Report and the 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 of the incoming resources and application of resources of the charity for that year.

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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees' report was approved by the Board of Trustees.

Signed by:
Sr Josepha
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K Matthews
Trustee

Date: 05 October 2026

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SISTERS OF MERCY SUNDERLAND

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF SISTERS OF MERCY SUNDERLAND

Opinion

We have audited the financial statements of Sisters of Mercy Sunderland (the 'charity') for the year ended 31 December 2025 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements 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 financial statements 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 financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

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

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Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

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Because of the field in which the charity operates, we identified the following area as most likely to have a material impact on the financial statements; compliance with the UK Charities Act.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Signed by:
Simon Brown
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Simon Brown BA ACA DChA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services, Statutory Auditor
Chartered Accountants

Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 05 October 2026

Azets Audit Services is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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SISTERS OF MERCY SUNDERLAND

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Income from:			
Donations and legacies	**2**	429,480	465,089
Investments	**3**	738,770	814,695
Total income		1,168,250	1,279,784
Expenditure on:			
Raising funds	**4**	92,282	94,212
Charitable activities	**5**	2,164,488	2,422,271
Total expenditure		2,256,770	2,516,483
Net gains/(losses) on investments	**11**	1,997,966	1,292,565
Net income and movement in funds		909,446	55,866
Reconciliation of funds:			
Fund balances at 1 January 2025		31,419,917	31,364,051
Fund balances at 31 December 2025		32,329,363	31,419,917

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

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SISTERS OF MERCY SUNDERLAND

BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 £	2025 £	2024 £	2024 £
Fixed assets					
Tangible assets	**13**		5,487,367		5,411,088
Investments	**14**		26,695,583		25,693,077
			32,182,950		31,104,165
Current assets					
Debtors	**15**	57,343		101,980	
Cash at bank and in hand		323,836		410,547	
		381,179		512,527	
Creditors: amounts falling due within one year	**16**	(234,766)		(196,775)	
Net current assets			146,413		315,752
Total assets less current liabilities			32,329,363		31,419,917
Income funds					
Unrestricted funds			32,329,363		31,419,917
			32,329,363		31,419,917

The financial statements were approved by the Trustees on 05 October 2026

Signed by:

Sr Josepha

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K Matthews

Trustee

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SISTERS OF MERCY SUNDERLAND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	2025 £	2024 £	2024 £
Cash flows from operating activities					
Cash absorbed by operations	**20**		(1,712,971)		(1,706,602)
Investing activities					
Purchase of tangible fixed assets		(107,970)		(69,194)	
Proceeds from disposal of tangible fixed assets		-		4,770	
Purchase of investments		(5,767,425)		(4,315,550)	
Proceeds from disposal of investments		6,762,885		5,508,761	
Investment income received		738,770		814,695	
Net cash generated from investing activities			1,626,260		1,943,482
Net cash generated from financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(86,711)		236,880
Cash and cash equivalents at beginning of year			410,547		173,667
Cash and cash equivalents at end of year			323,836		410,547

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SISTERS OF MERCY SUNDERLAND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

Charity information

Sisters of Mercy Sunderland is a charity registered by Trust Deed in England and Wales. The principal address is given on the legal and administrative information page at the front of these financial statements. The nature of the charity's operations and principal activities are included on page 1.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the Charities SORP "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 charity is a Public Benefit Entity as defined by FRS 102.

The financial statements have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following the Statement of Recommended Practice for charities applying FRS 102 rather than the version of the Statement of Recommended Practice which is referred to in the Regulations but which has since been withdrawn.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include fixed asset investments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Interest on funds held on deposit is included when receivable and the amount paid can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

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1 Accounting policies **(Continued)**

1.5 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. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Fixed assets costing £50 or more are initially recorded at cost.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Not depreciated
Plant and equipment	6.67% per annum
Fixtures and fittings	15% per annum
Motor vehicles	25% per annum

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Donations and legacies

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Gifts - covenanted pensions and salaries	429,480	464,470
Donations from individuals	-	619
	429,480	465,089

3 Investments

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Income from investments	738,770	814,695

4 Raising funds

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Investment manager's fees	92,282	94,212

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4 Raising funds **(Continued)**

	92,282	94,212

5 Expenditure on charitable activities

	Charitable activities 2025 £	Charitable activities 2024 £
Direct costs		
Staff costs	-	791
Premises costs	29,627	(503)
Household and provisions	82,095	96,014
Religious and chapel expenses	28,921	30,766
Outsourced care provision services	1,592,354	1,426,304
	1,732,997	1,553,372
Grant funding of activities (see note 6)	154,320	638,153
Share of support and governance costs (see note 7)		
Support	105,123	100,092
Governance	172,048	130,654
	2,164,488	2,422,271
Analysis by fund		
Unrestricted funds	2,164,488	2,422,271

6 Grants payable

	Charitable activities 2025 £	Charitable activities 2024 £
Grants to institutions:		
Education grants	10,470	7,500
Religious grants	110,512	561,138
Community grants	21,338	34,500
Other grants < £5,000	-	1,000
	142,320	604,138
Grants to individuals	12,000	34,015
	154,320	638,153

-

Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

7 Support costs allocated to activities

	2025	2024
	£	£
Depreciation	31,691	17,481
Telephone	60	430
Motor and travel	38,764	43,011
Bank charges	2,157	2,475
Printing, postage and stationary	12,227	16,789
Subscriptions	2,045	617
Sister's expenses	11,742	11,575
Medical	6,437	7,714
Governance costs	172,048	130,654
	277,171	230,746
Analysed between:		
Charitable activities	277,171	230,746

	2025	2024
Governance costs comprise:	£	£
Audit fees	20,700	19,440
Legal and professional	134,708	78,629
Accountancy	16,640	32,585
	172,048	130,654

8 Net movement in funds

	2025	2024
	£	£
The net movement in funds is stated after charging/(crediting):		
Fees payable to the charity's auditor:		
- for the audit of the charity's financial statements	20,700	19,440
- for other financial services	3,600	3,240
Depreciation of owned tangible fixed assets	31,691	17,481

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

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10 Employees

The average monthly number of employees during the year was:

	2025 Number	2024 Number
Total	-	-

Employment costs	2025 £	2024 £
Other pension costs	-	791

There are no payroll costs in the year as these were TUPE'd across to St John of God in 2023 who invoice once a month plus a management charge and expenses. These are now included within charitable activities as outsourced care provider costs.

There were no employees whose annual remuneration was more than £60,000.

11 Gains and losses on investments

Gains/(losses) arising on:	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Revaluation of investments	260,537	1,334,050
Sale of investments	1,737,429	(41,485)
	1,997,966	1,292,565

12 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

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13 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2025	5,289,831	-	358,701	116,436	5,764,968
Additions	-	107,970	-	-	107,970
At 31 December 2025	5,289,831	107,970	358,701	116,436	5,872,938
Depreciation and impairment					
At 1 January 2025	-	-	301,391	52,489	353,880
Depreciation charged in the year	-	5,399	8,596	17,696	31,691
At 31 December 2025	-	5,399	309,987	70,185	385,571
Carrying amount					
At 31 December 2025	5,289,831	102,571	48,714	46,251	5,487,367
At 31 December 2024	5,289,831	-	57,310	63,947	5,411,088

14 Fixed asset investments

	Listed investments	Unlisted investments	Total
	£	£	£
Cost or valuation			
At 1 January 2025	25,175,986	517,091	25,693,077
Additions	4,939,198	828,227	5,767,425
Valuation changes	275,792	(15,255)	260,537
Disposals	(4,725,456)	(300,000)	(5,025,456)
At 31 December 2025	25,665,520	1,030,063	26,695,583
Carrying amount			
At 31 December 2025	25,665,520	1,030,063	26,695,583
At 31 December 2024	25,175,986	517,091	25,693,077

The following investment accounted for more than 5% of the total closing market value at 31 December 2025:
- Ishares V Plc MSCI Acwi Ucits Etf USD Acc - £1,390,204
- JPMorgan ETFS (Ire US Rei Equity Esg Etf Dist - £2,232,074
- Vanguard Funda Ple S&P 500 Ucits Etf USD Dis - £1,706,378
- TM Natixis Inv Fds TM N Ls US Eqty Ldrs Qa Acc - £1,429,766

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14 Fixed asset investments **(Continued)**

Investments at fair value comprise:	2025 £	2024 £
UK Fixed income and equities	8,125,000	9,159,787
Overseas Fixed income and Equities	14,573,149	12,461,742
Commercial Property	1,151,743	1,416,336
Alternatives	1,815,627	2,138,121
Cash and Cash equivalents	1,030,064	517,091
	26,695,583	25,693,077

Fixed asset investments revalued
Investments included above are held at market value as at the year end. The historical cost of these investments at the year end was £21,049,061 (2024: £20,314,006).

15 Debtors

Amounts falling due within one year:	2025 £	2024 £
Other debtors	4,916	1,796
Prepayments and accrued income	52,427	100,184
	57,343	101,980

16 Creditors: amounts falling due within one year

	2025 £	2024 £
Trade creditors	131,850	140,934
Other creditors	3,848	5,211
Accruals	99,068	50,630
	234,766	196,775

17 Retirement benefit schemes

Defined contribution schemes	2025 £	2024 £
Charge to profit or loss in respect of defined contribution schemes	-	791

The charity operated a defined contribution pension scheme for all qualifying employees until their transfer in 2023. The assets of the scheme are held separately from those of the charity in an independently administered fund.

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18 Analysis of net assets between funds

	Unrestricted funds 2025 £
At 31 December 2025:	
Tangible assets	5,487,367
Investments	26,695,583
Current assets/(liabilities)	146,413
	32,329,363

	Unrestricted funds 2024 £
At 31 December 2024:	
Tangible assets	5,411,088
Investments	25,693,077
Current assets/(liabilities)	315,752
	31,419,917

19 Related party transactions

Transactions with related parties

During the year the charity entered into the following transactions with related parties:

The sisters, who are Trustees of the Charity, convenant their personal pension and income to the charity as shown in donations and legacies.

The charity is a related party with Youth Ministry Trust by having common trustees.
During the year, the charity awarded grants to Youth Ministry Trust amounting to £86,000 (2024: £nil). As at both year ends, no balances were owed to or from the Trust.

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20	Cash absorbed by operations	2025 £	2024 £
	Surplus for the year	909,446	55,866
	Adjustments for:		
	Investment income recognised in statement of financial activities	(738,770)	(814,695)
	(Gain)/loss on disposal of investments	(1,737,429)	41,485
	Fair value gains and losses on investments	(260,537)	(1,334,050)
	Depreciation and impairment of tangible fixed assets	31,691	17,481
	Movements in working capital:		
	Decrease in debtors	44,637	261,500
	Increase in creditors	37,991	65,811
	Cash absorbed by operations	(1,712,971)	(1,706,602)

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Charity registration number 229943 (England and Wales)

SISTERS OF MERCY SUNDERLAND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

SISTERS OF MERCY SUNDERLAND

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	P Shoulder M Rowntree S C Christon K Matthews A M Shanks A M Thompson M L Hope	 (Appointed 5 September 2025)
Charity number	229943	
Auditor	Azets Audit Services Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS	
Bankers	National Westminster Bank plc 52 Fawcett Street Sunderland SR1 1SB	
Solicitors	WBD (UK) LLP The Spark Draymans Way Newcaslte Helix Newcastle upon Tyne NE4 5DE	
Investment advisors	Rathbones Investment Management Limited Port of Liverpool Building Pier Head, Liverpool L3 1NW	

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SISTERS OF MERCY SUNDERLAND

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SISTERS OF MERCY SUNDERLAND

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2025

The trustees present their annual report and financial statements for the year ended 31 December 2025.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's governing document, the Charities Act 2011 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019).

Objectives and activities

Our objectives are set to reflect our faith and community aims. Each year the trustees review our objectives and activities to ensure that they continue to reflect our aims.

The Charity's objectives are the promotion of the educational, religious and other charitable work of the Roman Catholic Church in England for the benefit of the public in such a way as the trustees shall from time to time, with the consent of the Sister Superior, determine. If and insofar as the trustees consider they may not usefully apply assets available for distribution in any one year in England, then they shall apply the same with such consent for such work elsewhere.

The Charity carries out a wide range of activities in pursuance of its charitable aims.

During this year to 31st December 2025, the Community have worked closely with the Trustees, and in collaboration with St. John of God to respond to the needs of mercy both within and outside the community.

Public benefit

The trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charity should undertake and, in particular, its supplementary public guidance on the advancement of religion for the public benefit.

The trustees consider that the strategies employed to achieve the Charity's objectives for 2025 and the principal areas in which the Community is involved, set out below, provide benefit to the wider community in Northeast England, England as a whole, and elsewhere as the trustees see fit.

Achievements and performance

The works of mercy undertaken by the sisters this year have been wider-ranging and varied. However, there has been a focus on support for the bereaved, the education of youth through various channels and a jubilee year of celebrations!

Sr. M. Aelred died on 23rd March, and we celebrated her life with family and friends in St. Mary's, Parish Church on 25th April, followed by refreshments in the parish hall and in the convent for the sisters, and her family.

The funeral of a former teacher of St. Anthony's who had no living relatives, was held in our chapel and over one hundred people attended. The sisters have offered comfort and reassurance to many people suffering bereavement. The Community have also supported families with practical help and financial aid when needed. We have supported the Rainbows project across the region and continue to support the family of Maggie Coleman, a year 7 student at St. Anthony's who collapsed at school suddenly in her last week of the school year, in July 2025. She subsequently passed away as a result of a sudden brain haemorrhage a few days later. We welcome Maggie's parents and family to feel at home here in the convent and keep in touch with many other families suffering bereavement.

The sisters in community have continued their works of mercy and are actively involved across the diocese, including visiting the sick, caring for the needy, taking part in Confirmation preparation, offering support to the seafarers at the Port of Sunderland, collecting food for various drop-ins and providing financial assistance to a variety of food banks and the Salvation Army. They also respond to requests for prayer and are active in signposting those in need as well as preparing retreats and prayer reflections.

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We offer staff and students the opportunity to use the Centre and rooms in the convent for revision sessions, meetings and educational training. Sr. Michael leads a weekly session for two groups of women in the Centre to develop their spirituality. During the summer holidays, Sr. Annette leads a group of adults developing their skills in “writing icons.”

We work closely with schools on a regular basis and provide opportunities for young people to visit the convent and learn about the “Mercy ethos,” “popular piety” and other religious activities.

On the 30th March, we hosted the relics of Carlos Acutis and supported a group of young people with a liturgy they had designed to welcome the relics and helped them to provide hospitality to all those attending. The sisters work closely with the Youth Ministry Team and Sr. Josepha continues to represent the Community on the YMT board. We continue to support the team financially with Flame, the UK’s largest Catholic youth event, which took place on 15th March, and the Lourdes pilgrimage enabling young people to care for and assist pilgrims throughout their stay in Lourdes.

We have celebrated a year of Jubilees!

Sr. M. Stephen celebrated her Diamond Jubilee with all the community and her family and friends on 26th May here in the convent.

Sr. M. Rosarie, celebrated her Platinum Jubilee on 23rd September.

The Jumbulance came to “Oaklea” to take the sisters to the Cathedral as 2025 was the Jubilee Year of “Pilgrims of Hope.”

On 17th April, Sr. Josepha met King Charles and received the Maundy money at Durham Cathedral.

The 9th June saw the launch of Sr. M. Scholastica’s Book: “You raise me up,” and on the 4th August, she was given the “Freedom of the City of Sunderland.”

The 16th July marked the 120th Anniversary of St. Anthony’s School. We welcomed teachers past and present to a celebratory Garden Party in the grounds of the convent. This was a truly memorable occasion where the Mercy ethos was shared by all.

We continue our support of students to assist them in further and higher education, who would otherwise not have been able to afford their courses. Bursary payments were made to 6 students totalling £14,000.

We have made donations to the community, to education facilities and religious organisations some of which were:

£40,000 to support the Lourdes pilgrimage

£5,000 to support Rainbows children’s bereavement charity

£5,000 to support Small Steps nursery to support children with additional needs

£3,000 to Sr Anthony’s to support girls from deprived backgrounds with uniforms.

The Community continues to provide financial assistance to three food banks, families in need and support for families during illness and death. One of the sisters continues to collect bread and vegetables etc. for local drop-ins and food banks etc., working in collaboration with local Christian Churches. This continues to be needed with the present high cost of living.

Financial review

The end of year saw our balance sheet in a healthy position with total funds standing at £32,329,363, an increase of £909,446 on last year's £31,419,917. Before taking into consideration realised and unrealised losses and gains on our investments, there was a deficit of £1,088,520 compared to a deficit in 2024 of £1,236,699.

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Reserves policy
The trustees have reviewed their medium-term commitments (up to 5 years) and continue to acknowledge that:-

- There continues to be increasing financial burdens placed upon us in providing adequate care for what is an ageing community. In addition to this, as Sisters become more frail, specific areas, i.e. catering, cleaning, care, and finances, are managed by employed lay staff with the consequential increase in budgeted costs.

We have also reviewed our longer-term commitments (6 to 10 years) and are satisfied that we have a suitable reserves policy in place.

The free reserves of the Charity at 31 December 2025 are £146,413 (2024: £315,752).

Investment policy
The Charity has a formal investment policy which is reviewed on a regular basis.

The investment objective is the achievement of a targeted return of both income and capital growth with a moderate level of risk. The investment Manager's definition of the current risk level is Medium/High. This is achieved by reference to a six asset class indices which together constitute a composite benchmark, against which portfolio performance is measured. Our investments may be positioned either side of the composite benchmark weightings, in order to take tactical views on respective asset classes.

This policy also provides for our advisors to take account of certain ethical constraints which we have imposed.

The Community's investment powers are governed by the provisions of the Trustee Act 2000.

The Community receives advice from our investment managers, Investec Wealth & Investment Limited, who provide us with quarterly valuations of the portfolio. Our General Manager is instructed to receive weekly (or more frequently as events dictate) reports from the stockbrokers and meet with them at least twice a year to ensure that the fund is managed in accordance with our guidelines and within the ethical principles of the Community.

Our General Manager reports to the trustees on a regular basis and arranges for the stockbroker who manages the portfolio to visit us twice a year in order to discuss all matters relating to investment policy with the trustees.

The trustees consider all advice received in meetings of the Council, although Sister Superior us empowered to take urgent decisions alone.

Investment performance:
The overall value of investments held at 31 December 2025 is £26,695,583 (2024: £25,693,077).

Major risks
The Charity has a comprehensive risk management strategy which identifies risk management responsibilities. Risk management arrangements identify risks facing the Charity, the actions in place to mitigate these risk, the officers responsible for each risk and the monitoring arrangements.

The Board of Trustees has examined the major strategic and operational risks which the Charity faces and confirms that systems have been established to enable regular reports to be produced so that the necessary steps can be taken to mitigate these risks.

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SISTERS OF MERCY SUNDERLAND

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2025

Structure, governance and management

The charity is governed by the single scheme approved by the Charity Commission on 24th January 2008. This scheme altered or affected the trusts of the charities formerly known as:-

Sisters of Mercy St. Annes' Convent Wolsingham
Sisters of Mercy St. Anthony's Convent (229943)
Sisters of Mercy St. Joseph's Convent Gosforth
Sisters of Mercy Convent of Mercy Seaham
Sisters of Mercy Convent of Mercy Hexham
Sisters of Mercy St. Anthony's Secondary School
Sisters of Mercy Educational Trust
Sisters of Mercy Ryhope Property Trust

The trustees who served during the year and up to the date of signature of the financial statements were:

P Shoulder
M Rowntree
S C Christon
K Matthews
A M Shanks
A M Thompson
M L Hope (Appointed 5 September 2025)

Recruitment and appointment of trustees

Recruitment of trustees is undertaken by a process of discernment by the Sister Superior.

The power of appointing new trustees is vested in the Sister Superior.

Organisational structure

The Sisters of Mercy Sunderland (229943) is an autonomous religious order which is administered by Sister Superior for the time being, together with a Council consisting of four members of the Community and four other trustees. Sister Superior and the Council are elected by the members of the Community and four other trustees. Sister Superior and the Council are elected by the members of the Community for a term of three years, but the trustees are appointed for a term of four years. The governing documents require that the trustees, who are an unincorporated body, must be drawn from members of the Community or trusted lay people.

The Chair of Trustees is the Sister Superior of the Community.

The Community lives and operates from the Convent at Sunderland. The Community also has an established Branch House at Wolsingham.

Strategic financial decisions relating to all the convents are overseen by the trustees, although the day-to-day management of accounts is undertaken by the Finance Manager, and latterly General Manager. Mandates with the principal bankers are in place to the effect that any two Trustees may sign cheques. In the case of the Branch House this authority is delegated to the respective Sisters in Charge but under the ultimate authority of the trustees.

The accounts accompanying this report are the accounts of the charitable trusts on which the assets of the Community are held.

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Induction and training of trustees
As part of the ongoing training programme, existing and new trustees are made aware of their responsibilities as trustees of the Charity. This programme includes:-

- An introduction to the specific objectives, scope, and policies of the Charity. Most of the trustees, being members of the Community, are aware of the overall aims and objectives of the Charity, one of the Lay trustees has worked with the sisters as Chair of St. Anthony's Catholic Academy and has a deep commitment to the Mercy ethos. The other Lay trustee has extensive knowledge of parish and Diocesan affairs and the ethos that accompanies these. The trustees have committed to in-depth training either by Zoom or in person during 2024-25.
- Charity Commission information on trustees responsibilities as signposted through the Commission's guide "The Essential Trustee".
- A summary of the main documents which set out the operational framework for the Charity.
- Copies of the financial position as set out in both the latest published accounts and the latest financial forecast.
- Copies of the latest risk assessments.

Statement of trustees' responsibilities
The trustees are responsible for preparing the Trustees' Report and the 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 of the incoming resources and application of resources of the charity for that year.

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 estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping sufficient accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees' report was approved by the Board of Trustees.

Signed by:
Sr Josepha
4AA543497DB3454...
K Matthews
Trustee

Date: 05 October 2026

Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

SISTERS OF MERCY SUNDERLAND

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF SISTERS OF MERCY SUNDERLAND

Opinion

We have audited the financial statements of Sisters of Mercy Sunderland (the 'charity') for the year ended 31 December 2025 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 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 Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements 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 financial statements 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 financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

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

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Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

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Because of the field in which the charity operates, we identified the following area as most likely to have a material impact on the financial statements; compliance with the UK Charities Act.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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.

Signed by:
Simon Brown
A919E10F4B2841D...

Simon Brown BA ACA DChA (Senior Statutory Auditor)
For and on behalf of Azets Audit Services, Statutory Auditor
Chartered Accountants

Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 05 October 2026

Azets Audit Services is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

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SISTERS OF MERCY SUNDERLAND

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Income from:			
Donations and legacies	**2**	429,480	465,089
Investments	**3**	738,770	814,695
Total income		1,168,250	1,279,784
Expenditure on:			
Raising funds	**4**	92,282	94,212
Charitable activities	**5**	2,164,488	2,422,271
Total expenditure		2,256,770	2,516,483
Net gains/(losses) on investments	**11**	1,997,966	1,292,565
Net income and movement in funds		909,446	55,866
Reconciliation of funds:			
Fund balances at 1 January 2025		31,419,917	31,364,051
Fund balances at 31 December 2025		32,329,363	31,419,917

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

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SISTERS OF MERCY SUNDERLAND

BALANCE SHEET

AS AT 31 DECEMBER 2025

	Notes	2025 £	2025 £	2024 £	2024 £
Fixed assets					
Tangible assets	**13**		5,487,367		5,411,088
Investments	**14**		26,695,583		25,693,077
			32,182,950		31,104,165
Current assets					
Debtors	**15**	57,343		101,980	
Cash at bank and in hand		323,836		410,547	
		381,179		512,527	
Creditors: amounts falling due within one year	**16**	(234,766)		(196,775)	
Net current assets			146,413		315,752
Total assets less current liabilities			32,329,363		31,419,917
Income funds					
Unrestricted funds			32,329,363		31,419,917
			32,329,363		31,419,917

The financial statements were approved by the Trustees on 05 October 2026

Signed by:

Sr Josepha

4AA543497DB3454...

K Matthews

Trustee

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SISTERS OF MERCY SUNDERLAND

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2025

	Notes	2025 £	2025 £	2024 £	2024 £
Cash flows from operating activities					
Cash absorbed by operations	**20**		(1,712,971)		(1,706,602)
Investing activities					
Purchase of tangible fixed assets		(107,970)		(69,194)	
Proceeds from disposal of tangible fixed assets		-		4,770	
Purchase of investments		(5,767,425)		(4,315,550)	
Proceeds from disposal of investments		6,762,885		5,508,761	
Investment income received		738,770		814,695	
Net cash generated from investing activities			1,626,260		1,943,482
Net cash generated from financing activities			-		-
Net (decrease)/increase in cash and cash equivalents			(86,711)		236,880
Cash and cash equivalents at beginning of year			410,547		173,667
Cash and cash equivalents at end of year			323,836		410,547

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SISTERS OF MERCY SUNDERLAND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2025

1 Accounting policies

Charity information

Sisters of Mercy Sunderland is a charity registered by Trust Deed in England and Wales. The principal address is given on the legal and administrative information page at the front of these financial statements. The nature of the charity's operations and principal activities are included on page 1.

1.1 Accounting convention

The financial statements have been prepared in accordance with the charity's governing document, the Charities Act 2011, FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the Charities SORP "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 charity is a Public Benefit Entity as defined by FRS 102.

The financial statements have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a true and fair view. This departure has involved following the Statement of Recommended Practice for charities applying FRS 102 rather than the version of the Statement of Recommended Practice which is referred to in the Regulations but which has since been withdrawn.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include fixed asset investments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

1.4 Income

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Interest on funds held on deposit is included when receivable and the amount paid can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

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1 Accounting policies **(Continued)**

1.5 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. Central staff costs are allocated on the basis of time spent, and depreciation charges are allocated on the portion of the asset's use.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Fixed assets costing £50 or more are initially recorded at cost.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	Not depreciated
Plant and equipment	6.67% per annum
Fixtures and fittings	15% per annum
Motor vehicles	25% per annum

1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.11 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

2 Donations and legacies

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Gifts - covenanted pensions and salaries	429,480	464,470
Donations from individuals	-	619
	429,480	465,089

3 Investments

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Income from investments	738,770	814,695

4 Raising funds

	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Investment manager's fees	92,282	94,212

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4 Raising funds **(Continued)**

	92,282	94,212

5 Expenditure on charitable activities

	Charitable activities 2025 £	Charitable activities 2024 £
Direct costs		
Staff costs	-	791
Premises costs	29,627	(503)
Household and provisions	82,095	96,014
Religious and chapel expenses	28,921	30,766
Outsourced care provision services	1,592,354	1,426,304
	1,732,997	1,553,372
Grant funding of activities (see note 6)	154,320	638,153
Share of support and governance costs (see note 7)		
Support	105,123	100,092
Governance	172,048	130,654
	2,164,488	2,422,271
Analysis by fund		
Unrestricted funds	2,164,488	2,422,271

6 Grants payable

	Charitable activities 2025 £	Charitable activities 2024 £
Grants to institutions:		
Education grants	10,470	7,500
Religious grants	110,512	561,138
Community grants	21,338	34,500
Other grants < £5,000	-	1,000
	142,320	604,138
Grants to individuals	12,000	34,015
	154,320	638,153

-

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7 Support costs allocated to activities

	2025	2024
	£	£
Depreciation	31,691	17,481
Telephone	60	430
Motor and travel	38,764	43,011
Bank charges	2,157	2,475
Printing, postage and stationary	12,227	16,789
Subscriptions	2,045	617
Sister's expenses	11,742	11,575
Medical	6,437	7,714
Governance costs	172,048	130,654
	277,171	230,746
Analysed between:		
Charitable activities	277,171	230,746

	2025	2024
Governance costs comprise:	£	£
Audit fees	20,700	19,440
Legal and professional	134,708	78,629
Accountancy	16,640	32,585
	172,048	130,654

8 Net movement in funds

	2025	2024
	£	£
The net movement in funds is stated after charging/(crediting):		
Fees payable to the charity's auditor:		
- for the audit of the charity's financial statements	20,700	19,440
- for other financial services	3,600	3,240
Depreciation of owned tangible fixed assets	31,691	17,481

9 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits from the charity during the year.

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10 Employees

The average monthly number of employees during the year was:

	2025 Number	2024 Number
Total	-	-

Employment costs	2025 £	2024 £
Other pension costs	-	791

There are no payroll costs in the year as these were TUPE'd across to St John of God in 2023 who invoice once a month plus a management charge and expenses. These are now included within charitable activities as outsourced care provider costs.

There were no employees whose annual remuneration was more than £60,000.

11 Gains and losses on investments

Gains/(losses) arising on:	Unrestricted funds 2025 £	Unrestricted funds 2024 £
Revaluation of investments	260,537	1,334,050
Sale of investments	1,737,429	(41,485)
	1,997,966	1,292,565

12 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

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13 Tangible fixed assets

	Freehold land and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2025	5,289,831	-	358,701	116,436	5,764,968
Additions	-	107,970	-	-	107,970
At 31 December 2025	5,289,831	107,970	358,701	116,436	5,872,938
Depreciation and impairment					
At 1 January 2025	-	-	301,391	52,489	353,880
Depreciation charged in the year	-	5,399	8,596	17,696	31,691
At 31 December 2025	-	5,399	309,987	70,185	385,571
Carrying amount					
At 31 December 2025	5,289,831	102,571	48,714	46,251	5,487,367
At 31 December 2024	5,289,831	-	57,310	63,947	5,411,088

14 Fixed asset investments

	Listed investments	Unlisted investments	Total
	£	£	£
Cost or valuation			
At 1 January 2025	25,175,986	517,091	25,693,077
Additions	4,939,198	828,227	5,767,425
Valuation changes	275,792	(15,255)	260,537
Disposals	(4,725,456)	(300,000)	(5,025,456)
At 31 December 2025	25,665,520	1,030,063	26,695,583
Carrying amount			
At 31 December 2025	25,665,520	1,030,063	26,695,583
At 31 December 2024	25,175,986	517,091	25,693,077

The following investment accounted for more than 5% of the total closing market value at 31 December 2025:
- Ishares V Plc MSCI Acwi Ucits Etf USD Acc - £1,390,204
- JPMorgan ETFS (Ire US Rei Equity Esg Etf Dist - £2,232,074
- Vanguard Funda Ple S&P 500 Ucits Etf USD Dis - £1,706,378
- TM Natixis Inv Fds TM N Ls US Eqty Ldrs Qa Acc - £1,429,766

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14 Fixed asset investments **(Continued)**

Investments at fair value comprise:	2025 £	2024 £
UK Fixed income and equities	8,125,000	9,159,787
Overseas Fixed income and Equities	14,573,149	12,461,742
Commercial Property	1,151,743	1,416,336
Alternatives	1,815,627	2,138,121
Cash and Cash equivalents	1,030,064	517,091
	26,695,583	25,693,077

Fixed asset investments revalued
Investments included above are held at market value as at the year end. The historical cost of these investments at the year end was £21,049,061 (2024: £20,314,006).

15 Debtors

Amounts falling due within one year:	2025 £	2024 £
Other debtors	4,916	1,796
Prepayments and accrued income	52,427	100,184
	57,343	101,980

16 Creditors: amounts falling due within one year

	2025 £	2024 £
Trade creditors	131,850	140,934
Other creditors	3,848	5,211
Accruals	99,068	50,630
	234,766	196,775

17 Retirement benefit schemes

Defined contribution schemes	2025 £	2024 £
Charge to profit or loss in respect of defined contribution schemes	-	791

The charity operated a defined contribution pension scheme for all qualifying employees until their transfer in 2023. The assets of the scheme are held separately from those of the charity in an independently administered fund.

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18 Analysis of net assets between funds

	Unrestricted funds 2025 £
At 31 December 2025:	
Tangible assets	5,487,367
Investments	26,695,583
Current assets/(liabilities)	146,413
	32,329,363

	Unrestricted funds 2024 £
At 31 December 2024:	
Tangible assets	5,411,088
Investments	25,693,077
Current assets/(liabilities)	315,752
	31,419,917

19 Related party transactions

Transactions with related parties

During the year the charity entered into the following transactions with related parties:

The sisters, who are Trustees of the Charity, convenant their personal pension and income to the charity as shown in donations and legacies.

The charity is a related party with Youth Ministry Trust by having common trustees.
During the year, the charity awarded grants to Youth Ministry Trust amounting to £86,000 (2024: £nil). As at both year ends, no balances were owed to or from the Trust.

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20	Cash absorbed by operations	2025 £	2024 £
	Surplus for the year	909,446	55,866
	Adjustments for:		
	Investment income recognised in statement of financial activities	(738,770)	(814,695)
	(Gain)/loss on disposal of investments	(1,737,429)	41,485
	Fair value gains and losses on investments	(260,537)	(1,334,050)
	Depreciation and impairment of tangible fixed assets	31,691	17,481
	Movements in working capital:		
	Decrease in debtors	44,637	261,500
	Increase in creditors	37,991	65,811
	Cash absorbed by operations	(1,712,971)	(1,706,602)

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Audit Findings Report: Sisters of Mercy Sunderland

For the year ended 31st December 2025

Docusign Envelope ID: ADDA62C9-BB73-862D-8126-158F52B9BB73

Strictly Private & Confidential

The Board of Trustees
Sisters of Mercy Sunderland
Tunstall Road
Sunderland
Tyne and Wear
SR2 7JR

05 October 2026

To whom it may concern,

Sisters of Mercy Sunderland
Audit findings for the year ended 31st December 2025

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance. We appreciate that you may be aware of some of the matters contained in this report, however as required by International Standard on Auditing (UK) 260 we are communicating them to you formally.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs UK)), which is directed towards forming and expressing an opinion on the financial statements. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, including those in respect of the preparation of financial statements.

There is more detail in respect of the responsibilities of the auditor and those charged with governance within our engagement letter. Our standard terms and conditions can be found at https://www.azets.co.uk/terms-of-business.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit. If we can be of any further assistance, please contact Simon Brown.

Yours faithfully

Simon Brown

Senior Statutory Auditor
Azets Audit Services

We are an accounting, tax, audit, advisory and business services group that delivers a personal experience both digitally and at your door.
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VAT Registration No. 219 0608 22. Registered office: 2nd Floor, Regis House, 45 King William St, London EC4R 9AN. Registered to carry on audit work in the UK under Firm Number C004632199 and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. The term 'Board Director' is used to refer to a statutory director and principal of the company as registered at Companies House. Any other designations that include the term 'Partner' or 'Director' are not registered statutory directors or principals of the registered company.

ICAEW CHARTERED ACCOUNTANTS

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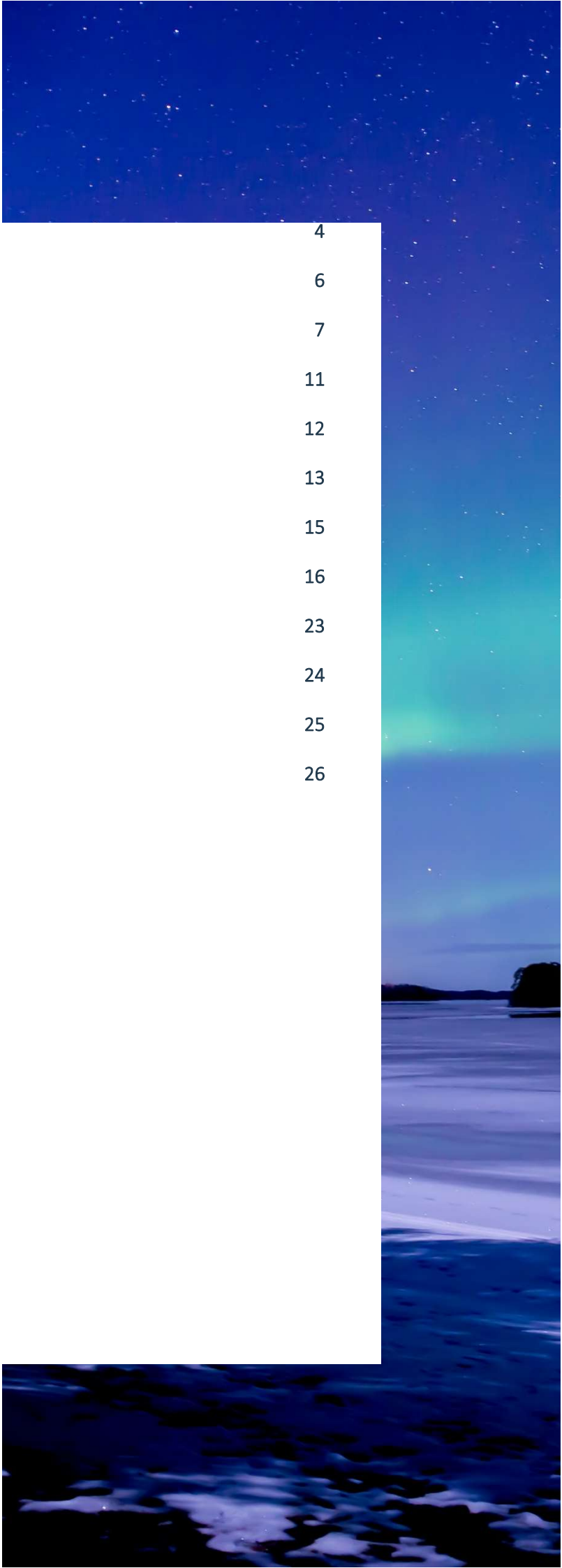
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1. Executive summary

Significant matters relevant to our audit

This table summarises the significant matters arising from the statutory audit of Sisters of Mercy Sunderland for the year ended 31st December 2025 for those charged with governance.

Audit opinion	We do not propose any modifications to our audit opinion which is unqualified. However, our responsibilities in respect of the audit report extend up to the date it is signed. We will advise you of any changes to this position, if necessary. We have no matters to report regarding the adoption of the going concern basis or inadequate disclosures relating to material uncertainties. Our audit work is substantially complete and there are currently no matters which would require modification of our audit report, subject to the outstanding matters detailed below: - Receipt of signed letter of representation.
Audit approach	There were no changes to our audit approach as set out to you in our engagement letter.
Significant audit findings	Any significant audit findings are reported in section 3 and any audit adjustments in section 2. The impact on the charity's surplus is also outlined in section 2. We are pleased to report that the overall audit progressed broadly in line with the agreed timetable. There were some slight delays due to late receipt of audit information being requested.
Audit adjustments	We are required to communicate all potential adjustments, other than those considered to be clearly trivial, to management and to request that management corrects them. Audit adjustments proposed can be seen in the reconciliation to accounts in section 2. The draft financial statements with disclosures have been presented to management for review and approval together with a mapping from the trial balance to the statutory accounts. The aggregate impact of unadjusted misstatements on the statement of financial activities, were they to be processed, are outlined in section 7. All unadjusted differences are collectively and individually under materiality.
Internal controls	The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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	Our audit is, therefore, not designed to identify all control weaknesses. Any deficiencies in internal control which are identified as part of our testing would be reported in section 8.

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2. Financial performance

This section of our report summarises the main features of the financial statements and key movements from the prior financial period.

Reconciliation to accounts

The reconciliation of the trial balance presented to the audited statutory financial statements is as follows.

	Detail	(Surplus)/ Deficit
Details of audit adjustments		Dr / (Cr) £
(Surplus)/deficit per trial balance presented to us for audit		(800,692)
	Audit adjustments per below	(108,754)
(Surplus)/deficit per final financial statements		(909,446)

Audit adjustments

No	Detail	Assets	Liabilities	Equity	(Surplus) / Deficit
Details of audit adjustments		Dr / (Cr) £	Dr / (Cr) £	Dr / (Cr) £	Dr / (Cr) £
1	Reversal of prior year accruals to correct opening balance reserves	-	(26,178)	26.178	-
2	Amendment to reduce the closing Rathbones management fee accrual	-	3,178	-	(3,178)
3	Capitalisation of boiler from SJOG invoices	107,970	-	-	(107,970)
4	Depreciation on boiler	(5,399)	-	-	5,399
5	Additional "Overspend" SJOG invoice, accrued	-	(44,728)	-	44,728
6	Correction of £900,000 investment drawdowns; From 'income' to 'revaluation movement'	-	-	-	-
7	Investment cut-off: dividends with an ex declared date of December and not included in Rathbone's valuation to 31 December 2025	47,733	-	-	(47,733)
Total		150,304	(67,728)	26,178	(108,754)

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3. Significant audit findings

This section of our report includes a summary of significant audit findings relating to significant risk areas identified at planning and other risk areas that required special consideration or arose during the course of the audit.

Significant risk areas identified at planning

- our risk assessment procedures identified as being close to the upper range of the spectrum of inherent risk due to their nature and a combination of the likelihood and potential magnitude of misstatement; or
- are required to be treated as significant risks due to requirements of ISAs (UK), for example in relation to management override of internal controls.

Significant risks at the financial statement level

The below table summarises conclusions in relation to significant risks of material misstatement identified at the financial statement level. These risks are considered to have a pervasive impact on the financial statements as a whole and potentially affect many assertions for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach	Conclusion
Management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk **Risk of material misstatement:** Very High	Procedures performed to mitigate risks of material misstatement in this area will include: • Review of accounting estimates, judgements and decisions made by management; • Testing of journal entries; and • Review of any unusual significant transactions.	From the audit work undertaken, no instances of management bias have been identified. We have, however, raised a control finding on this with regards to no formal authorization of journals, please refer to section 8.

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Significant risks at the assertion level for classes of transaction, account balances and disclosures

The below table summarises conclusions in relation to significant risks of material misstatement assertion level for classes of transaction, account balances and disclosures.

Identified risk of material misstatement	Audit approach	Conclusion
Fraud in revenue recognition Material misstatement due to fraudulent financial reporting relating to revenue recognition is a presumed risk in ISA 240 (The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements). **Risk of material misstatement:** Voluntary income and investment income: Cut off/ Very High	Procedures performed to mitigate risks of material misstatement in this area will include: • Review and testing of income recognition policies; • Testing of income cut-off; • Detailed substantive testing on material income streams; and • Review in total of covenanted pension	From testing performed, we identified a material error in the cut-off of investment income for dividends where the ex-dividend declared date was December 2025 but these were not receipted until January 2026 onwards. We have obtained a report from Rathbones showing which investment valuations are cum-dividend and which are ex-dividend to assist in arriving at the amount that should have been accrued of £47,733. For voluntary income, we were unable to obtain all evidence as to the level of the 2025 pensions being covenanted to the charity. We adopted additional procedures to ensure that there were regular 4-weekly receipts and we also compared the 2025 receipts against the 2026 pension letter paperwork and the 2024 total pensions received to gauge reasonableness of the 2025 receipts. Please see the control finding raised on this in section 8.

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Other identified risks

The below table summarises conclusions in relation to other identified risks which although not considered to be significant required specific consideration during the audit or were risks otherwise identified during the course of the audit.

Identified risk of material misstatement	Audit approach	Conclusion
Related party disclosures There is a risk that the suppression of the information relating to any related parties, whether the existence of disclosure of transactions with them, may lead to significant misstatement in the financial statements. **Risk of material misstatement:** Related party transactions/ Medium	Procedures performed to mitigate risks of material misstatement in this area will include: • Obtaining from management a complete list of related parties and latest conflict of interest forms (if available); • Obtaining from management a schedule of related party transactions and balances; • Review the related parties listing for completeness against sources such as the Charities Commission website and Board minutes; and • Review transactions throughout our audit work for any with related parties that would require disclosure.	We are satisfied that adequate disclosures have been made in the accounts. No previously unidentified related parties were found. We have however raised a control finding on this with regards to ensuring that a complete list of all related parties is maintained – please refer to section 8.
Fixed Asset Investments There is a risk due to the significance of the fixed asset investments balance in the financial statements, that the investments are not accurately valued. **Risk of material misstatement:** Fixed asset investments: Valuation/ Medium	Procedures performed to mitigate risks of material misstatement in this area will include: • Obtaining direct third party evidence of the year-end ownership and valuation for investments from the broker; • Sample test the broker valuations to publicly available market data using internet searches; and • Review investment disclosures in the financial statements for completeness and accuracy.	From the audit work undertaken, the valuation, ownership and disclosure of investments appears to be free from material misstatement. **We did note that £900,000 of cash withdrawals had been misposted to "income", instead of "investment disposals", which ultimately did not affect the result report (as the overstated income also misstated the revaluation change reported in the SoFA by an equal and opposite amount). However, this did result in a revision to our original materiality calculation as income reduced by £900k.** We obtained direct confirmation from Rathbones with the year-end investment valuation which we sample tested to publicly available market rates.

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Expenditure Due to individual invoices relating to SJOG invoices and Investec's investment broker fees being individually material, there is a risk that expenditure transactions could be recorded in the incorrect period which could have a material impact on the financial statements. **Risk of material misstatement:** Expenditure: Cut-off/ Medium	Procedures performed to mitigate risks of material misstatement in this area will include • Sample testing cut-off of expenditure invoices to ensure recorded in the correct period or that appropriate accruals/prepayments have been made.	From the audit work performed the cut off of expenditure appears to be free from material misstatement.
Trade creditors Due to individual invoices relating to SJOG invoices and Investec's investment broker fees being individually material, there is a risk that expenditure transactions could be recorded in the incorrect period and therefore that there are unrecorded trade creditors or liabilities. **Risk of material misstatement:** Trade Creditors: Completeness/ Medium	Procedures performed to mitigate risks of material misstatement in this area will include • Sample testing cut-off of expenditure invoices to ensure recorded in the correct period or that appropriate accruals/prepayments have been made; and • Review of post year-end bank statements for potential unrecorded liabilities.	An adjustment was required for an additional overspend creditor in relation to SJOG for £44,728. Following this adjustments, no other material misstatement in SJOG expenditure was identified.

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4. Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Management’s assessment of going concern

Sisters of Mercy Sunderland has prepared its financial statements on the going concern basis. Management believe that the financial statements should be prepared on the going concern basis on the grounds that existing cash reserves, as well as current sources of funding and support through donations and investments, will be more than adequate for the charity’s needs. Investments could be readily converted to cash if required. The level of grants awarded are at the discretion of the Trustees.

Management’s assessment covers a period of at least 12 months from expected date of approval of the accounts.

Audit work performed

ISA 570 (revised) specifies mandatory procedures that we are required to carry out on going concern.

We have reviewed latest management accounts to June 2026, and reviewed forecasts prepared by management in conjunction with Barkley Johnson Accounts to December 2027. We have considered the financial position of the charity as at 31 December 2025 together with the level of investments held. We have also obtained the latest investment report available to 30 June 2026 to confirm that there had been no significant withdrawal from investments.

Other factors

We reviewed post year-end Board minutes and discussed subsequent events with management. No subsequent events have been identified. The charity has significant investments which provide healthy amounts of income streams, alongside donations in the form of pensions. There is no external debt.

Disclosures

We have reviewed the disclosures set out in note 1.2 to the accounting policies and have concluded that they are appropriate.

Conclusion

We concur with management’s assessment that it is appropriate to continue to adopt the going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements.

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5. Other observations

There are no other observations.

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6. Audit communication

Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under ISA (UK) 260 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 260 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

There has been an update in our assessment of materiality (and undertake additional work) following that communicated in our planning letter as a result of £900k being reallocated out of investment income to investment gains/losses. Please see Appendix: Materiality.

Accounting policies

The accounting policies used in preparing the financial statements are unchanged from the prior year. These have been deemed appropriate for the audited period.

Presentation and disclosures

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the entity.

Overall, we found the disclosed accounting policies, significant accounting estimates and the overall disclosures and presentation to be appropriate.

Fraud and suspected fraud

We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose. In the event that the trustees wish to obtain enhanced assurance with regard to the effectiveness of internal control in preventing and detecting fraud we should be happy to provide additional services.

Related parties

We are not aware of any related party transactions which have not been disclosed.

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Confirmations from third parties

All requested third party confirmations in respect of investments and bank confirmations have been received.

Written representations

We will present the final letter of representation to the Board to sign at the same time as the financial statements are approved.

Additional representations have been included in respect of:

a. There is no restricted income in the current year

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7. Unadjusted misstatements

Unadjusted audit differences

Our summary of unadjusted audit differences is presented below. We have discussed these with management and confirmed that all unadjusted differences are collectively and individually under materiality.

No	Detail	Assets	Liabilities	Equity	(Surplus) / Deficit
Details of unadjusted audit differences		Dr / (Cr) £	Dr / (Cr) £	Dr / (Cr) £	Dr / (Cr) £
1	Cr Accruals / Dr audit and accountancy – extrapolated error on accruals as a result of understatement of audit and accounts preparation fee	-	(2,507)	-	2,507
2	Dr Fixed Assets / Cr SJOG expenditure - Kitchen refurbishment expensed and not capitalised	£8,000	-	-	(8,000)
3	*Extrapolated difference only - Investment valuation sample testing to market data noted small <£1 unit valuation difference on a small sample of shares.*	*63,770*	-	-	*(63,770)*
	Total	71,770	(2,507)	-	(69,263)

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8. Internal controls

The purpose of the audit was for us to express an opinion on the financial statements. The audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Our audit is therefore, not designed to identify all control weaknesses and the matters reported below are limited to those deficiencies that we have identified during the audit.

Follow up on prior year control recommendations

As part of our audit process, we have specifically followed up on control weaknesses and recommendations either raised in last year's report or carried forward from prior reports.

Control weaknesses and recommendations

Control weaknesses and recommendations identified from our current year work are summarised below. The control weaknesses are categorised into three risk ratings as shown in the key.

Key

1. Significant deficiency
2. Other deficiency
3. Other observations

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Table of control weaknesses and recommendations identified in the prior period

Risk rating	Control weakness identified	Implication	Recommendation	Management Response
2	We noted that as part of the audit testing undertaken on covenanted pension income, that the majority of supporting paperwork could not be provided to substantiate the receipts of pensions for the year ended 2024.	Lack of supporting audit evidence regarding income existence	***This has continued to be a finding in this year.*** We would strongly recommend that paperwork is retained in respect of pension income, including collating a file of remittances sent direct to the sisters' individual e-mail address. There is a requirement to hold accounting records for six years plus the current year.	
2	We noted that as part of the audit testing undertaken on expenditure, that the supporting paperwork provided to substantiate the expenditure for the 'sisters allowances' for the year ended 2024 was lacking. The client was able to obtain a report from the bank giving the breakdown of the payments, after management confirmed	Lack of supporting audit evidence regarding purchase occurrence	***This has continued to be a finding in this year.*** We would strongly recommend that paperwork is prepared and retained in respect of the 'sisters allowances'. There is a requirement to hold accounting records for six years plus the current year.	

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	that payments were only verbally passed to the finance team.			

Table of control weaknesses and recommendations identified in the current period

Risk rating	Control weakness identified	Implication	Recommendation	Management Response
3	Journal postings Under ISA 315 auditors are required to consider the IT control environment as part of their audit planning procedures. The journal posting process was managed solely by the external accountants at Barkley Jonson Accountants. While balance sheet journals are reconciled to supporting working papers and reviewed against Xero records, there is no formal journal approval process or	If journals are not reviewed/monitored both erroneous and fraudulent journals could be posted within the financial statements.	Implement a formal journal authorisation process requiring all manual journals to be reviewed and approved by an independent individual before posting. Maintain documented evidence of review and approval within the accounting records. Where practical, strengthen segregation of duties by ensuring that journal preparation, review, and posting responsibilities are performed by different individuals. Where full segregation is not feasible, the trustees or a suitably qualified independent	

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	independent review. Additionally, segregation of duties is limited, as the same individual may prepare, review, and post journal entries. The control relies heavily on the judgement and diligence of a small number of individuals.		reviewer should periodically review a sample of journal entries and supporting documentation.	
3	Related party transactions Under ISA 550 auditors are required to consider the controls in place in respect of related party transactions as part of their audit planning procedures. The charity relies on trustees declaring actual or potential conflicts of interest during Board meetings to identify related party relationships and transactions. While declarations are recorded in Board minutes and reviewed as part of the year-end financial reporting process, the charity does not maintain a central	Related party transactions may not be fully disclosed correctly within the financial statements	The charity should establish a formal related party and conflicts of interest process by: Maintaining a central register of trustees' and related parties' interests. Requiring trustees and key management personnel to complete annual declarations of interests and update them when circumstances change. Reviewing the register periodically and presenting it to the Board for consideration. Continuing to document declarations of interest in Board minutes and ensuring	

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	related party register or require annual declarations of interests from trustees. Consequently, the control is dependent on trustee self-declaration and management's awareness of related party relationships.		conflicted individuals are excluded from relevant discussions and decisions where appropriate. This would strengthen the identification, monitoring, and disclosure of related party transactions and improve compliance with governance and financial reporting requirements.	
3	Fixed Asset Capitalisation (SJOG Invoices) It was noted that no breakdown or supporting documentation was available to support the costs incurred by SJOG which were being recharged to the charity. As a result, some items of capital expenditure had been incorrectly expensed (boilers & kitchen)	The misclassification of expenses and assets within the financial statements and ability to be able to track costs incurred against budget.	Management should ensure that all capital expenditure derived from third-party providers (such as SJOG) is supported by sufficiently detailed documentation to enable accurate classification between capital and revenue costs. Where supplier invoices do not provide adequate cost breakdowns, management should obtain additional supporting evidence (e.g. contractor quotes) prior to capitalisation. In addition, management should require that any non-standard or capital-related costs are clearly	

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			itemised separately on invoices going forward. Consideration should also be given to paying significant capital expenditures directly to contractors to improve transparency and avoid potential additional management fees.	
3	Depreciation policy It was noted 2 vehicles have been depreciated on a straight line basis rather than reducing balance as the register states.	The incorrect depreciation charge is being made in the year (trivial effect this year)	We would recommend the depreciation policy in place is clearly documented for each class of asset and formulas are checked to ensure the correct policy has been applied per the accounting policies noted in the accounts.	
3	Investment income cut off Within our post year-end review of investment income, it was noted there was a material amount of investment dividends with an ex-dividend declared date of December 2025 but which were not received until January 2026 onwards (and which were not	Income is under stated for the year.	We would recommend investment amounts are thoroughly checked to ensure amounts relating to the financial year are adequately accounted for at year end. Dividends should be accrued based on the ex-dividend declared date where the investment valuations are stated ex-dividend rather than cum-dividend. An additional	

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	included in the investment valuations as at 31 December 2025)		report from Rathbones may be required to show this information.	

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9. Independence and ethics

In accordance with our profession's ethical requirements and further to our audit planning letter issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity, and independence.

Preparation of statutory accounts

The statutory accounts are prepared by a qualified member of Azets team from your management figures and trial balance. They are reviewed by the Audit Manager and Partner. These provide the basis for the audit work.

There are not normally any contentious disclosure issues; however, where these arise the relevant notes are approved by your management team prior to the draft accounts being submitted to the board for approval.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

Audit and non-audit services

We have detailed in the table below the non-audit services provided, the threats to our independence these present and the safeguards we have put in place to mitigate these threats:

Non-audit service	Fees 2025	Fees 2024	Type of threat	Safeguard
Preparation of statutory accounts	£3,000	£2,700	Self-review: Production of statutory financial statements from a reconciled trial balance provided by management.	Whilst the preparation of the statutory financial statements is carried out by members of the audit team, the trial balance mapping is required to be agreed by client management/finance team. Financial statement disclosures are extracted from audit deliverables supplied by client management/finance team. There are not normally any contentious disclosure issues. However, where these arise, the relevant notes are approved by the directors prior to the draft accounts being submitted to the board. Schedule of corrected and uncorrected errors to be included in the letter of representation to be signed by client.

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10. Use of this report

This Audit Findings report has been prepared for the sole use of those charged with governance and, where applicable, the Charity's management and should not be relied upon by third parties. No responsibility is assumed by Azets Audits Services to third parties.

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11. Confirmation of findings

Please confirm in writing your agreement to these findings by signing and returning a copy of this report. If there are any elements of this audit findings report to which you do not agree or would like to discuss, please let us know as soon as possible.

Yours faithfully

Simon Brown

Senior Statutory Auditor

Azets Audit Services

I confirm the findings set out above:

Signed by:
Sr Josepha
4AA543497DB3454...

Name: Sr Josepha

Position: Assistant Mother Superior

Date: 05 October 2026

For and on behalf of Sisters of Mercy Sunderland

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Appendix: Materiality

Whilst our audit procedures are designed to identify misstatements which are material to our audit opinion, we also report to those charged with governance and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

Under Auditing Standard ISA (UK) 450 '*Evaluation of Misstatements Identified During the Audit*', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA (UK) 450 defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

An omission or misstatement is regarded as material if it would reasonably influence the users of the financial statements. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the business and the needs of the users.

Our planning assessment of materiality for this year ended 31st December 2025 was calculated as follows.

	Fixed asset investments: Investment balance £	All other areas: Total income £	Explanation
Overall materiality for the financial statements	801,000	*60,600*	3% of investments / income
Performance materiality	681,000	*51,500*	85% materiality
Trivial threshold	40,000	*3,030*	5% materiality

Following adjustment of £900k incorrectly classified as investment income, our final materiality is:

	Fixed asset investments: Investment balance £	All other areas: Total income £	Explanation
Overall materiality for the financial statements	801,000	**33,600**	3% of investments / income
Performance materiality	681,000	**28,600**	85% materiality
Trivial threshold	40,000	**1,680**	5% materiality