

**THE SOUTHWARK DIOCESAN BOARD OF EDUCATION
(INCORPORATED)**

A COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2004

COMPANY REGISTERED NUMBER 88641



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COMPANIES HOUSE 30/09/2005

Directors' report and financial statements

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Trustees' report

The Trustees (who are also directors for Companies Act purposes) present their annual report and the audited financial statements for the year ended 31 December 2004. These financial statements comply with statutory requirements and with the requirements of the Charity's governing document.

The financial statements have been prepared in accordance with the Charities SORP issued in October 2000.

Objectives

The Board's primary function is to support Christian Education by the provision of a wide range of services for Church Schools in the Anglican Diocese of Southwark. Specific support includes:

- (i) assisting schools in providing high quality Religious Education and Collective Worship;
- (ii) assisting schools in Staff Recruitment and Development;
- (iii) assisting schools with whole school development, including teaching and learning strategies and general preparation for OFSTED inspections;
- (iv) providing support and training for governing bodies;
- (v) providing advice on all matters in connection with building stock; and
- (vi) providing support and advice for Chaplains in Further and Higher Education sectors.

There has been no change in these objectives since the previous year.

Organisation

The Board comprises members representing a wide range of Diocesan organisations, including an elected representative from each Deanery Synod and one appointee from each of the Board's three Committees as well as the Chairs of these Committees. The three major committees - Schools, Finance and General Purposes, and Further Education and Higher Education are each serviced by one of the officers of the Board.

Trading company

The Board has a wholly owned subsidiary, Southwark Diocesan Education Services Limited. This company carries out a number of the Board's activities including the provision of services for schools in the Diocese of Southwark and the provision of administrative services for the Board. Its turnover for the year was £353,153 and it made a loss of £10 for the year.

Review of the year

For the discharge of its day to day outgoings, as distinct from its work connected with building works at the schools, the Board is very dependent on the subvention received from the Diocese of Southwark, which amounted to approximately £203,000 during the year.

All assets are held primarily for investment purposes. In the context of the Board's future plans and commitments, it is expected that appropriate funding will enable the discharge of on-going items of expenditure and projects not yet completed.

There have been no revaluations of fixed assets other than those classed as investments. All investments have been acquired in accordance with the Trustees' powers.

There have been no significant post balance sheet events. The Board's assets are available and adequate to fulfil the obligations of the charity.

Trustees' report (continued)

Review of the year (continued)

In operational terms, represented by the Board's unrestricted funds only, the Board's expenditure exceeded income on its operational and building activities by £74,650 (2003: £21,657). When this is read together with realised and unrealised gains on the value of investments of £52,313 (2003: £83,263) and transfers of £60,000, gave a surplus on the unrestricted (operational) activities of the Board for the year of £37,663 (2003: £121,606). Overall there was a net increase in funds of £227,726 (2003: £234,889) after accounting for increases in restricted and endowment funds of £190,063 (2003: £113,283).

The Southwark Diocesan Board of Education (SDBE) serves 106 schools and works closely with Headteachers, Governors and Clergy. There are 92 primary schools, 88 of which are voluntary aided (VA), 4 voluntary controlled (VC) and one foundation school. There are 14 secondary schools, all of which are VA, except Bacon's City Technology College, which has a Church of England foundation. The Board of Education works with the 12 Local Education Authorities that are located within the boundary of the Diocese of Southwark.

The SDBE is established under the Board of Education Measure (1991) and has particular responsibilities in the areas of religious education and collective worship, the promotion of the Christian distinctiveness of our schools and the development of school buildings. The SDBE supports the education provision in the church schools of the Diocese and seeks to develop that provision where appropriate. The Board's vision is of supporting Christian Education by providing professional, expert advice and assistance to support schools, colleges and universities in their endeavours to promote education and an understanding of the Christian gospel; promoting equal opportunities, valuing cultural diversity and addressing racism and working in partnership with LEAs, parishes and organisations at diocesan, national and international levels. Additionally it seeks to establish partnerships at a local, regional and national level and to be actively engaged in new opportunities and programmes.

The Board is made up of members representing a wide range of diocesan organisations, including representatives from each Deanery Synod, together with the Chair and one appointee from each of the Board's three committees. These are, Schools Committee, Finance and General Purposes Committee and a joint Further and Higher Education Committee. The Schools Committee includes a significant representation of headteachers of diocesan schools.

Much has been undertaken throughout the year and a synopsis of key areas of activity during the year is given below.

The work of the Advisory Team continues to be pro-active and supportive in assisting our schools. Revised personnel procedures and training courses for governors and headteachers were developed in preparation for the introduction of new Staffing Regulations.

The Board offered a wide range of advice and training for school governors, ranging from induction training for new governors to the role of governors in performance management and on church school ethos. Seven schools enrolled on the Bishop's Certificate in Church School Governance, bringing the total number of schools completing this to one third.

The Board's programme of governor support also included access to advice and a number of briefing sheets were prepared and circulated to all schools, including staffing matters, OFSTED inspections and the admission consultation process. The Board continued to monitor changes in education legislation and provided responses to a number of consultations co-ordinated by the DfES and individual LEAs.

Advisors provided support and guidance to governors on the appointment of new headteachers and deputy headteachers. During the year 8 headteachers retired, 6 resigned to take up other educational work and 13 new headteachers were appointed. There has been a particular shortage of headteacher applicants and in response to this the Board has provided training courses for aspiring headteachers and deputies together with induction training for newly appointed headteachers. During the year a new training course has been introduced for middle leaders and co-ordinators in the primary phase.

Trustees' report (continued)

Review of the year (continued)

Termly meetings for primary and secondary headteachers provided a valuable forum for consulting directly with our schools on new directives and initiatives. One day conferences have become an important feature of the Board's programmes for schools, providing a valuable opportunity for schools from different LEAs to come together to meet and share good practice.

Training on the distinctive aspects of church schools has continued based largely on the self-evaluation 'toolkit' developed by the Board, which is increasingly being used by diocesan schools. The denominational Section 23 inspections have been closely monitored and the pool of inspectors has increased in readiness for the increased number of inspections that may occur under the new inspection arrangements. A total of 11 schools were inspected under S23 during the year.

Most diocesan schools are implementing the new Diocesan Scheme of Work for RE and a conference focussing on Assessment for Learning in RE was well received and will become a regular opportunity for leading RE teachers. Training days have been held for teachers new to church schools, providing valuable insight into the Christian distinctiveness of church schools and to supplement the knowledge gained during initial teacher training. As a contribution to the celebration of the Centenary of the Diocese during 2005, the Board is promoting curriculum visits by community and church schools to their local parish church. This initiative has enabled clergy and teachers to come together to attend workshops on how to run successful school visits.

The 14 secondary schools across the Diocese have continued to offer a varied and rich programme in RE. GCSE examination results are good and, in a number of schools, the take up of RE at AS and A level has increased this year. Termly meetings have taken place for school chaplains in addition to the provision of advice and access to resources.

Demand for places at diocesan schools remains very strong and many are oversubscribed. The capital funding for primary and secondary schools is subject to change and though secure at the school level is subject to change at the LEA and national level. The major investment commitment is targeted at the improvement of the secondary school estate nationally through the Building Schools for the Future programme. The Board has a significant part in this programme with four LEAs included as 'pathfinder' or 'wave one' local authorities. The termination of the Partnerships for Schools Programme that had been established to bring focused investment to VA primary schools was very disappointing. As part of the conclusion of this programme it was confirmed that two of the diocesan primary schools will receive conventional capital funding to support rebuild. The careful co-ordination and management of DfES grants to enable investment in our school estate remains an important aspect of the Board's work, although the move towards nationally led programmes has had an impact on the income to the Board.

Chaplaincy in Further and Higher education continued to be an important feature of the work of the Diocese of continuing education and the support provided for the spiritual, moral and social development of students and staff. During the year a new Chaplain was appointed to serve at the University of Greenwich.

Members

The members of the Board are directors under the Companies Act 1985. Their names are disclosed on pages 6 and 7.

Members' interests

The Board is a company limited by guarantee and members may derive no benefit, income or capital interest in the Board's financial affairs other than reimbursement of out of pocket expenses.

Custodian trusts

Trusts, where the Board acts as Custodian Trustee with no control over the management or use of the funds, are not included in the balance sheet or statement of financial activities of the Board. The funds are held as listed investments and as shares held by the Central Board of Finance of the Church of England - deposit fund. The custodianship is administered by the Southwark Diocesan Board of Finance.

Trustees' report (continued)

Investment powers, policy and performance

The Board's investment powers fall under the Companies Act(s) and its Memorandum and Articles of Association in which paragraph 10 permits the Board "to invest any monies possessed by the Board (or held in trust by it) in or upon such investments or securities as may from time to time be determined, but so that moneys subject or representing property subject to the jurisdiction of the Charity Commissioners shall only be invested in such securities and with such sanction as may for the time being be prescribed by law".

The Trustees pursue an ethical investment policy, broadly in line with the recommendations of the Church Commissioners.

The Board invests in a range of assets for the best total return possible in the long term without undue risk. They include UK equities, property as well as bonds. We review the proportions each year, to improve the overall spread and reduce risk.

2004 was a better year for stock markets and for the Board of Education. Our UK Equities achieved a total return of 11.4%, behind the FTSE All Share index return. This is in part due to ethical restrictions under the Board's ethical investment policy. The fund's total return on investments excluding property was a gain of £210,317 in 2004, (gain of £209,603 in 2003). Total investment assets excluding property stood at £3,457,669 at the end of 2004, (2003: £2,826,398).

The Board's property portfolio was revalued as at 31 December 2002, a further valuation has not been carried out as at 31 December 2004 as the trustees feel that there has not been a material change in the value of the Board's largely commercial property portfolio. The value of the Board's property assets have been included in the Board's assets at the sum of £2,310,000 (£2,310,000 in 2003). The income return on property assets was £169,487 (2003: £166,823). There were no unrealised gains on property assets in the year (2003: £nil).

Risk

The major risks to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks. The trustees developed a Disaster Recovery Plan that recognises the risks and responsibilities should an act beyond our control effect the every day location and working of the Board. The plan includes the alternative arrangements and working locations to be used in case of an incident and how these will be triggered between staffs.

Reserves policy

The General Synod of the Church of England, at its meeting in November 1999, identified two principal roles for the Diocesan Boards of Education in their support of Church of England schools in their Diocese:

- to provide an advisory service and
- to maintain and improve the building stock

The Reserves Policy of the Trustees has been determined in the light of these objectives. Its main features are:

- (a) To maintain a margin of working capital sufficient to enable all aspects of the Board's work to be conducted in an orderly and efficient way and in particular to deal with the management of the schools' building and maintenance programme where the timing of the cash flow from receipts and payments often requires temporary bridging from internal resources.

Trustees' report (continued)

Reserves policy (continued)

- (b) Current income and expenditure of the Board should be in balance and every effort will be made to maintain this, but a liquid reserve is necessary to provide for any unexpected but unavoidable items of expenditure which cannot be funded from current income. In this respect, it is important to realise that certain of the Board's reserves are in the form of fixed assets which would take time to realise and which in any case provide income which is part of the monies used to fund the current work of the Board.
- (c) In addition to (a) and (b) above, it is desirable that the Board retains additional reserves to allow it to take advantage of the opportunities afforded by changes in the educational system, to expand and strengthen Church of England education in the Diocese.

In accordance with Charity Commission guidance in its publication CC19, the following are not considered as reserves for the above purposes: Endowment funds; Restricted funds; Designated funds and Income funds represented by fixed assets held for the Board's use. In order to meet the criteria in (a), (b) and (c) above, the Trustees consider that the minimum level of reserves required are three times average annual expenditure on management of the capital and maintenance projects and management and administration of the charity, of which one year should be represented by liquid resources.

An additional sum of half a million pounds should be maintained in reserve to facilitate future development of Church of England education in the Diocese.

The reserves policy will be monitored by the Board's Audit Committee and reviewed annually.

The current free reserves of the Board in accordance with the definition above are £4.3m (2003: £4.3m). The Board's policy implies a level of reserves of £3.3m (2003: £3.0m) and it is the Board's intention to manage its reserves to this level over a period of time.

Trustees' report (continued)

Legal and administrative information (continued)

Members of the Board

President:	The Rt Revd Dr Thomas F Butler, Bishop of Southwark
Chair:	The Rt Revd Dr Richard Cheetham
Vice Chair:	Miss Beverley Fraser
The Chair of the Schools Committee:	The Ven David Gerrard, Archdeacon of Wandsworth (retired Nov 04)
The Chair of the Finance and General Purposes Committee:	Mr Malcolm Edwards
The Chair of the Joint Further & Higher Education Committee:	Mr Trevor Gordon
Nominated by the Bishop:	The Very Revd Colin Slee, Dean of Southwark Cathedral Miss Sylvia Morris
Acting Chair of Southwark Diocesan Headteachers' Association:	Mrs Mary Gatcliffe (also member of the Schools Committee)
Deputy Principal of Whitelands College	Dr Heather Foreland
Elected by Committees	
Schools	Vacancy
Finance & General Purposes	Vacancy
Further & Higher Education	The Revd Frank Hung

Trustees' report (continued)

Legal and administrative information (continued)

Deanery Representatives

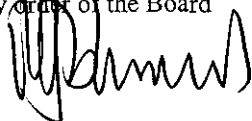
Mrs Janice Adams	(Schools Committee Member)
Mrs Jeanette Ardley	
Ms Ann Atkins	
Mr Jeremy Baker	
Mr Martin Brecknell	
Mr Gregory Fordham	
Mr Peter Gowlland	
Revd Dianna Gwilliams	(Finance & General Purposes Committee Member)
Mrs Anne Halliday	
Mrs Chris Ingram	
Mr Graham Long	
Mr Robert Love	
Revd Stephen Melliush	
Mr A Middleton	
Revd D Monteith	
Mr Mike Morris	(Finance & General Purposes Committee Member)
Mr John Ohen	
Mrs Eileen Perryer	(Joint Further & Higher Education Committee Member)
Mrs Rosemary Powell	(Finance & General Purposes Committee Member)
Mrs Carole Shepherd	
Mr Vic Skinner	
Revd David Sherratt	
Mr Michael Stratton	(Finance & General Purposes Committee Member)
Miss Elaine Thomas	
Mr John Trimmer	
Revd Geoff Vevers	(Schools Committee Member)
Revd Mark Williams	
Mrs Imogen Wilde	

Each trustee, being a member of the Trust, has given a guarantee of £1, in accordance with the Articles of Association. The Trustees are all Directors for the purposes of the Companies Act 1985.

Auditors

A resolution proposing the re-appointment of haysmacintyre as auditors to the company will be put to the annual general meeting.

By order of the Board



MJ Edwards
Trustee

48 Union Street
London

~~July 2005~~

8 September 2005

Statement of directors' responsibilities

Law applicable to Charities in England and Wales requires the directors (namely 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 excess of income over expenditure for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are required to keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to enable them to ensure that the financial statements comply with applicable law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Charity and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SOUTHWARK DIOCESAN BOARD OF EDUCATION (INCORPORATED)

We have audited the financial statements of The Southwark Diocesan Board of Education (Incorporated) for the year ended 31 December 2004 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities the trustees are responsible for preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. The Trustees are also Directors of The Southwark Diocesan Board of Education (Incorporated) for the purposes of Company Law.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable group is not disclosed.

We read the other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or apparent material inconsistencies with the financial statements.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's and company's affairs as at 31 December 2004 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


haysmacintyre
Chartered Accountants
Registered Auditors

8 September 2005

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Consolidated statement of financial activities
for the year ended 31 December 2004

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2004 £	Total 2003 £
Incoming resources						
<i>Activities in furtherance of the charity's objects:</i>						
Diocesan grant		202,767	-	-	202,767	196,861
Other grants	2	19,091	-	-	19,091	220,906
Maintenance subscriptions		-	456,474	-	456,474	461,402
<i>Activities for generating funds</i>						
Investment income						
- Listed and unlisted investment income	2	49,941	100,158	7,905	158,004	126,340
- Rental and letting income	2	169,487	-	-	169,487	166,823
Sundry income		22,630	-	-	22,630	30,275
Service Agreement Subscriptions		198,151	-	-	198,151	190,576
Other trading income		121,561	-	-	121,561	132,288
Total incoming resources		783,628	556,632	7,905	1,348,165	1,525,471
Resources expended						
<i>Costs of generating funds</i>						
Letting expenses		33,212	-	-	33,212	16,103
Bank charges and interest		3,209	-	-	3,209	2,478
<i>Charitable expenditure</i>						
Maintenance expenditure		-	211,177	-	211,177	497,259
Management of the capital and maintenance						
Projects		737,428	103,297	-	840,725	775,976
Management and administration		84,429	-	-	84,429	82,029
Total resources expended	3	858,278	314,474	-	1,172,752	1,373,845
Net incoming resources	4	(74,650)	242,158	7,905	175,413	151,626
Other recognised gains and losses						
<i>Realised and unrealised gains on investment</i>						
Assets	7(iii)	52,313	-	-	52,313	83,263
Transfers	11a	60,000	(60,000)	-	-	-
Net movement in funds for the year		37,663	182,158	7,905	227,726	234,889
Balances brought forward as restated		4,340,265	2,077,353	199,680	6,617,298	6,382,408
Balances carried forward at 31 December	11a	4,377,928	2,259,511	207,585	6,845,024	6,617,298

All incoming and outgoing resources relate to continuing operations. There is no difference between the net incoming resources for the financial year as stated above and their historical cost equivalent.

The notes on pages 14 to 23 form part of the financial statements.

No summary income and expenditure account has been produced as the only difference to the Statement of Financial Activities would be endowed income of £7,905.

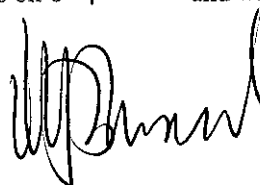
Consolidated Balance sheet
at 31 December 2004

	<i>Notes</i>	2004 £	2003 £
Fixed assets			
Tangible assets	6	24,814	27,341
Investments	7	5,767,668	5,136,397
		<u>5,792,482</u>	<u>5,163,738</u>
Current assets			
Debtors	9	1,790,259	1,550,511
Cash at bank and in hand		-	43,305
		<u>1,790,259</u>	<u>1,593,816</u>
Creditors: amounts falling due within one year	10	(737,717)	(140,257)
Net current assets		<u>1,052,542</u>	<u>1,453,459</u>
Net assets		<u><u>6,845,024</u></u>	<u><u>6,617,297</u></u>
Funds			
Unrestricted funds (including revaluation reserve of £1,726,172 2003: £1,718,449)		4,377,928	4,340,764
Restricted income funds		2,259,511	2,077,353
Endowment funds		207,585	199,680
	11a	<u><u>6,845,024</u></u>	<u><u>6,617,297</u></u>

These financial statements were approved by the board of trustees on 8 September 05 and were signed on its behalf by:

+ Richard Kingston

The Rt Revd Dr R I Cheetham (Chair)
Trustee



M J Edwards
Trustee

The notes on pages 14 to 23 form part of the financial statements.

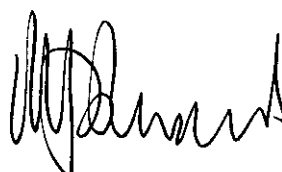
Company Balance sheet
at 31 December 2004

	<i>Notes</i>	2004 £	2003 £
Fixed assets			
Tangible assets	6	24,000	25,000
Investments	7	5,767,669	5,136,397
		<u>5,791,669</u>	<u>5,161,397</u>
Current assets			
Debtors	9	1,735,005	1,500,681
Cash		-	-
Creditors: amounts falling due within one year	10	(687,413)	(51,051)
Net current assets		<u>1,047,592</u>	<u>1,449,630</u>
Net assets		<u><u>6,839,261</u></u>	<u><u>6,611,027</u></u>
Funds			
Unrestricted funds (including revaluation reserve of £1,726,172 2003: £1,718,449)		4,372,165	4,333,494
Restricted income funds		2,259,511	2,077,353
Endowment funds		207,585	199,680
	11a	<u><u>6,839,261</u></u>	<u><u>6,611,027</u></u>

These financial statements were approved by the board of trustees on *8 September* 2005 were signed on its behalf by:

+ Richard Kingston

The Rt Revd Dr R I Cheetham (Chair)
Trustee



M J Edwards
Trustee

The notes on pages 14 to 23 form part of the financial statements.

Cash flow statement
for the year ended 31 December 2004

	<i>Note</i>	2004 £	2003 £
Cash (outflow)/inflow from operating activities	<i>15</i>	363,536	(279,111)
Returns on investments and servicing of finance			
Interest paid		(1,208)	(2,478)
Capital investment and financial investment			
Purchase of tangible fixed assets		-	(888)
Purchase of investments		(1,593,247)	(995,697)
Sale of investments		1,014,290	1,301,220
Net cash (outflow)/inflow from investing activities		(578,957)	304,635
(Decrease) /increase in cash	<i>16</i>	(216,629)	23,046

The notes on pages 14 to 23 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Board's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice, Accounting and reporting by Charities (issued in October 2000). A summary of the key accounting policies is set out below.

The Board prepares its annual financial statements on the historic cost basis, as adjusted for the revaluation of investments and investment properties.

A prior year adjustment has been made in these accounts as a result of property owned by the board previously omitted from the financial statements (see note 11b).

Statement of financial activities

Income and expenditure is accounted for on the following basis:

■ Income

Income arising from investment properties is recognised on an accruals basis. Income from listed and unlisted investments includes the related tax credit and is recognised on an accruals basis.

Amounts derived from capital and maintenance project activities where the Board acts as an agent, administering projects funded principally by the Department for Education and Skills on behalf of the school governors are excluded from these financial statements, as they constitute conduit funds. Details of these funds are set out in note 12.

■ Expenditure

Direct charitable expenditure and management administration costs are accounted for on an accruals basis. Costs are apportioned on the basis of actual costs.

■ Other recognised gains and losses

This includes the following:

Gains and losses on investments

Unrealised gains or losses in the year are credited or debited to unrealised gains or losses within the other recognised gains and losses section of the Statement of Financial Activities and derive from movements in market value during the year. Realised gains or losses on disposal are credited or debited to realised gains or losses within the other recognised gains and losses section of the Statement of Financial Activities.

Pension contributions

Contributions are made for full-time staff to the Church of England Church Workers Pension Fund and to the Department for Education and Employment Teachers Superannuation Scheme. The pension costs charged against income are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension cost represents a substantially consistent percentage of the current and future payroll. Variations from regular cost are spread over the remaining service lives of the current employees in the schemes.

Both pension schemes constitute collective employer pension schemes under FRS17 and are therefore accounted for as if they were defined contribution schemes. Further details are set out in note 13.

Notes *(continued)*

1 Accounting policies *(continued)*

Tangible fixed assets

Depreciation is provided on fixed assets so as to write down their cost over their expected useful life.

The following depreciation rates are used:

Freehold properties	-	2% straight line
Office equipment	-	25% straight line

Investments

Investments are stated at market value at the balance sheet date.

Freehold properties held for investment purposes were valued by Marsh and Parsons, Chartered Surveyors, Valuers and Estate Agents at 31 December 2002. The valuation was provided on an open market basis in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes.

In the course of administering a capital scheme under the Education Acts 1944 to 1973, the Board acts as trustee to the school involved, whose former property may be sold or leased as part of the implementation of the scheme. These proceeds are generally "free monies" in the hands of the Board to use under the provisions of the Education Acts 1943, subject to the restrictions applying under Section 86 of the 1944 Act and Section 2 of the 1973 Act. The Board does not consider that it is practicable to place a value on such assets and, accordingly, they are not included in the financial statements.

Subsidiary undertaking

The Board owns the whole of the issued share capital of Southwark Diocesan Education Services Limited. The principal activity of the subsidiary undertaking is the provision of services for schools in Southwark Diocese and administrative services for its parent undertaking. The consolidated financial statements include the financial statements of SDBE and its subsidiary Southwark Diocesan Education Services Limited. In accordance with paragraph 304 of the SORP, a separate statement of financial activities dealing with the results of SDBE has not been presented.

Funds

The Board has various types of funds for which it is responsible and which require separate disclosure. These are as follows:

Unrestricted funds

Unrestricted funds arise from all the accumulated surpluses and deficits in the provision of general charitable activities.

Restricted income funds

These are funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure. Income and expenditure on restricted income funds is taken directly to those funds in the Statement of Financial Activities except to the extent that income is freely available to the Board.

Endowment

These are funds subject to the condition that they be held as permanent capital. Unexpended income is included in the relevant funds in accordance with the terms of the trust.

Notes (continued)

Custodian Trusts

Trusts, where the Board acts merely as custodian trustee with no control over the management or use of the funds, are not included in the statement of financial activities or balance sheet.

Conduit Funds – capital projects

The Board is responsible on behalf of school governors for the financial administration of capital projects funded by the DfEE and LEA. The statutory legal agreement between the Schools and the government departments grant no decision making authority to the Board who act as administrative agents. Accordingly the funds held represent conduit funding and are therefore excluded from the Board's financial statements. See note 12.

2. Incoming Resources	2004 £	2003 £
Other grant income		
CASS Grants	-	210,300
Other Grants	19,091	10,606
	<u>19,091</u>	<u>220,906</u>
Investment income		
This can be analysed as follows:	2004 £	2003 £
Listed investments	35,559	38,007
Unlisted investments (including from shares in the funds of the Central Board of Finance of the Church of England)	122,445	88,333
Rental and letting income	169,487	166,823
	<u>327,491</u>	<u>293,163</u>

Notes (continued)

3.	Analysis of total resources Expended	Staff costs £	Other £	Depreciation £	Total 2004 £	Total 2003 £
	<i>Cost of generating funds</i>					
	Letting expenses	-	33,212	-	33,212	16,103
	Bank charges and interest	-	3,209	-	3,209	2,478
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		-	36,421	-	36,421	18,581
	<i>Charitable Expenditure</i>					
	Maintenance expenditure	-	211,177	-	211,177	497,259
	Management of the capital and maintenance projects	527,213	313,512	-	840,725	775,976
	Management and administration of the charity	55,902	26,000	2,527	84,429	82,029
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		583,115	587,110	2,527	1,172,752	1,373,845
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Management and administration of the charity can be analysed as follows:

	2004 £	2003 £
Salaries and office costs	55,902	55,503
Depreciation	2,527	1,526
Audit and taxation fees	26,000	25,000
	<hr/>	<hr/>
	84,429	82,029
	<hr/>	<hr/>
4. Net incoming resources for the financial year	2004 £	2003 £
<i>Net incoming resources for the financial year is stated after charging:</i>		
Depreciation	2,527	1,526
Auditors' remuneration (including VAT)		
- for audit work	18,000	17,250
- for other work	8,000	7,750
Bank charges and interest on bank loans and overdrafts	3,209	2,478
	<hr/>	<hr/>

Notes (continued)

5. Staff costs	2004 £	2003 £
Wages and salaries	440,090	424,773
Social security costs	38,953	35,349
Pension costs	104,072	73,542
	<u>583,115</u>	<u>533,664</u>
	Number	Number
Average number of employees	<u>14</u>	<u>14</u>

No employees remuneration for the year exceeded £50,000.

No director of the charity received any emoluments or other benefit from the company as a result of their position.

6. Tangible fixed assets	Charity and Group Freehold Land and Buildings £	Charity and Group Property Improvements £	Group Vehicles & Equipment £	Restated Group Total £
Cost				
1 January 2004	50,000	213,227	35,793	299,020
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 December 2004	<u>50,000</u>	<u>213,227</u>	<u>35,793</u>	<u>299,020</u>
Depreciation				
At 1 January 2004	25,000	213,227	33,452	271,679
Charge for the year	1,000	-	1,527	2,527
At 31 December 2004	<u>26,000</u>	<u>213,227</u>	<u>34,979</u>	<u>274,206</u>
Net book value				
At 31 December 2004	<u>24,000</u>	<u>-</u>	<u>814</u>	<u>24,814</u>
At 31 December 2003	<u>25,000</u>	<u>-</u>	<u>2,341</u>	<u>27,341</u>

Group vehicles and equipment are all used by the trading subsidiary for non-charitable purposes.

7. Investments

	Shares held by the Central Board of Finance in the Church of England			Charity and Group	
	Listed Investments	Investment Fund	Deposit Fund	Total 2004	Total 2003
(i) Listed investments	£	£	£	£	£
Valuation at 1 January	772,661	26,617	2,027,120	2,826,398	3,048,658
Disposals	(22,531)	-	(992,259)	(1,014,790)	(1,301,220)
Additions	22,111	-	1,571,637	1,593,748	995,697
Net gains/(losses) on revaluation	51,385	928	-	52,313	83,263
Market value At 31 December	<u>823,626</u>	<u>27,545</u>	<u>2,606,498</u>	<u>3,457,669</u>	<u>2,826,398</u>
Historic cost At 31 December	<u>646,347</u>	<u>3,038</u>	<u>2,627,112</u>	<u>3,276,497</u>	<u>2,652,949</u>
(ii) Investment properties				Charity and Group Freehold properties	
				2004 £	2003 £
Valuation at 1 January				2,310,000	2,310,000
Valuation adjustment (See note)				-	-
Valuation at 31 December				<u>2,310,000</u>	<u>2,310,000</u>
Historic cost at 31 December				<u>765,000</u>	<u>765,000</u>
(iii) Realised and Unrealised (Losses)/Gains				2004 £	2003 £
On listed investments				52,313	83,263
On investment properties				-	-
				<u>£52,313</u>	<u>£83,263</u>

Note: Investment properties were revalued at 31 December 2002 by Marsh & Parsons, Chartered Surveyors, Valuers and Estate Agents on an open market basis in accordance with the RICS Statement of Asset Valuation Practice and Guidance Notes (the Red Book). The trustees believe that the value of investment property has not changed materially from the 2002 valuation.

Notes (continued)

8 Investment in subsidiary undertaking

The Board owns 100% of the issued ordinary share capital of a subsidiary undertaking, Southwark Diocesan Education Services Limited, which is registered in England and supplies administrative services to the Board and to Schools in the Diocese. The company began trading on 1 April 1996 and its results for the period and assets and liabilities have been consolidated into the Board's financial statements. Total income for the year was £353,153 (2003: £364,530), gross profit was £337,640 (2003: £349,361) and total administrative expenditure was £337,650 (2003: £348,630). The net loss after taxation was £10 (2003: profit of £731) and is after amounts covenanted to the board of £ 173,174 (2003: £174,045).

9. Debtors	Group 2004 £	Charity 2004 £	Group 2003 £	Charity 2003 £
Amounts falling due within one year:				
Conduit debtor	1,635,939	1,635,939	1,358,177	1,358,177
Subscriptions in arrears	2,725	2,725	2,725	2,725
Amounts due from group undertakings	-	15,173	-	23,399
Other debtors	139,080	71,653	168,108	106,339
Prepayments	12,515	9,515	21,501	10,041
	<u>1,790,259</u>	<u>1,735,005</u>	<u>1,550,511</u>	<u>1,500,681</u>
10. Creditors	Group 2004 £	Charity 2004 £	Group 2003 £	Charity 2003 £
Amounts falling due within one year:				
Bank overdraft	182,826	213,858	9,502	9,502
Trade creditors	25,673	11,112	15,808	638
Other creditors	456,843	447,593	30,766	20,681
Tax and social security	1,755	-	10,663	-
Accruals	70,619	14,850	73,518	20,230
Amounts due to subsidiary undertaking	-	-	-	-
	<u>737,717</u>	<u>687,413</u>	<u>140,257</u>	<u>51,051</u>

At 31 December 2004, bank overdrafts are repayable on demand at the sole discretion of the Board's bankers. The overdrafts are unsecured.

Notes (continued)

11 a)	Analysis of group net assets between funds	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
	Fund Balances at 31 December 2004 are represented by				
	Tangible fixed assets	24,814	-	-	24,814
	Current assets	1,605,034	174,340	10,885	1,790,259
	Creditors	(737,717)	-	-	(737,717)
	Investments	3,485,797	2,085,171	196,700	5,767,668
	Total Net Assets	£4,377,928	£2,259,511	£207,585	£6,845,024
	Total Unrealised Gains at 31 December 2004				
	On investment assets	£1,726,172	£-	£-	£1,726,172

Endowment funds represent a fund held under a Section 86 order and a fund set aside under a charity order to establish new schools.

The External Maintenance Scheme is a scheme developed by the Board on a subscription basis to ensure that all the schools in the Diocese can maintain the external fabric and structural elements of their buildings. The fund balance carried forward represents the accumulation of income over expenditure which is available to meet the Governors' 10% liability for ongoing schemes of maintenance works.

The CASS fund represents grants received but not spent relating to school capital projects.

Other restricted funds represent assets arising from the disposal of redundant school buildings to be deployed by the Board of Education under Section 554 of the Education Act 1996. Such funds can be deployed for the development of existing schools or the provision of new schools within the Diocese of Southwark. Such Schools are to follow the tenets of the Church of England.

Notes (continued)

12 Conduit Funds – capital projects	2004 £	2003 £
Incoming resources	12,554,179	11,125,473
Resources expended	<u>(12,554,179)</u>	<u>(11,125,473)</u>

As at 31 December the charity had a conduit debtor of £1,635,939 (2003: £1,358,177), this represents net expenditure made in advance of receiving the conduit income.

13 Pension and similar obligations

The Group's employees belong to two principal pension schemes, the Teachers' Pension Scheme (TPA) and the Church of England Church Workers Pension Fund (CECWPF), which are of the defined benefit type, the assets of the schemes being held in separate trustee administered funds. Both the TPA and CECWPF fund assets are not apportioned to individual employing bodies in the fund and therefore both constitute collective defined benefit pension schemes under Financial Reporting Standard 17: Retirement Benefits.

The total pension cost was £104,072 (2003: £73,542). Creditors falling due within one year include £Nil (2003: £Nil) in respect of employer's contributions.

TPA

The TPA is an unfunded scheme. Contributions on a 'pay as you go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972.

The pension cost is assessed every five years in accordance with the advice of the government actuary, using a prospective benefits valuation method. The latest actuarial valuation of the scheme was as at 31 March 1991. The cost of pensions increases is currently excluded from the valuation and neither employees or employer contribute to this added value to the employee which is met directly by the exchequer.

The scheme has been invested notionally in government securities. A gross rate of interest of 8.5% per annum has been assumed as the return on the investment.

The rate of increase in salaries has been assumed to be 6.5% per annum.

The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £48,192 million. This represented 97.5% (a deficiency of £1,252 million) of the scheme's liabilities. The government actuary concluded that the deficiency would require supplementary contributions by employers at the rate of 0.5% per annum from 1 April 1999.

The standard contribution from 1 April 2004 has been set at 19.5% of salaries. Of this standard contribution 6% is paid by the employees. Employer's contributions are thus 13.5% of salaries.

Church of England Church Workers Pension Fund

The Board participates in the Defined Benefits Scheme Section of the Church Workers Pension Fund (the Fund), a pension scheme administered by the Church of England Pensions Board to provide benefits based on final pensionable salaries. The assets of the Fund are held separately from those of the Employer.

There was a valuation of the fund as at 31 December 2001, which indicated that the fund was in surplus. However, from 1 January 2004 the contribution rate was increased from 19.95% to 24.27%.

14 Related party transactions

The Board is a company limited by guarantee. The results and balance sheet of Southwark Diocesan Education Services Limited (SDES) are consolidated into these accounts. The Board has taken advantage of the exemptions in FRS 8 - Related Party Disclosures and has not reported transactions between it and SDES.

Notes (continued)

15. Reconciliation of income and expenditure to net cash outflow from operating activities			2004	2003
			£	£
Net incoming resources before transfers			175,413	162,127
Interest payable			1,208	2,478
Depreciation of tangible fixed assets			2,527	1,526
(Increase) in debtors			(239,748)	(436,237)
Increase/(decrease) in creditors			424,136	(9,005)
			<hr/>	<hr/>
Net cash inflow from operating activities			363,536	(279,111)
			<hr/>	<hr/>
16 Analysis of changes in net debt	At	Cash	Other	At
	1 January	Flow	Non-Cash	31 December
	2003	£	Changes	2004
	£	£	£	£
Cash at bank and in hand	43,305	(43,305)	-	-
Bank loans and overdraft	(9,502)	(173,324)	-	(182,826)
	<hr/>	<hr/>	<hr/>	<hr/>
	33,803	(216,629)	-	(182,826)
	<hr/>	<hr/>	<hr/>	<hr/>
17 Reconciliation of net cash flow to movement in net debt			2004	2003
			£	£
(Decrease)/Increase in cash			(216,629)	23,046
Repayment of loans			-	-
			<hr/>	<hr/>
Change in net debt from cash flows			(216,629)	23,046
Net funds / (debt) at 1 January 2004			33,803	10,757
			<hr/>	<hr/>
Net funds at 31 December 2004			(182,826)	33,803
			<hr/>	<hr/>
18 Members				

The company is limited by guarantee and the liability of the members is limited to an amount not exceeding £1.