

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

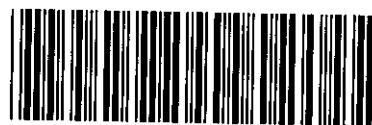
A COMPANY LIMITED BY GUARANTEE

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005

COMPANY REGISTERED NUMBER 88641

SATURDAY



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Directors' report and financial statements

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Trustees' report

INTRODUCTION

The Trustees (who are also the Directors for Companies Act purposes) present their Annual Report and the audited Financial Statements for the year ended 31 December 2005

The Trustees' Report provides an annual opportunity for the SDBE to set out how its objectives, governance, strategy, activities and achievements all contribute to its overall purpose.

The SDBE also provides information through a range of publications, the Diocese of Southwark Annual Review and website; www.southwark.anglican.org.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Name: Southwark Diocesan Board of Education

Registered charity number: 313001

Company registration number: 86641

Registered Office: Southwark Diocesan Board of Education,
48 Union Street
London
SE1 1TD

Company secretary: Mrs Barbara Lane

Professional Advisors

Bankers: National Westminster Bank plc
57 Victoria Street
London
SW1H 0HN

Solicitors: Winckworth Sherwood
Registry Chambers
The Old Deanery
Deans Court
St Pauls
London
EC4V 5AA

Auditors: haysmacintyre
Fairfax House
15 Fulwood Place
London
WC1V 6AY

Senior Management Team

Mrs Barbara Lane	Director of Education
Dr Carol Jerwood	Assistant Director (Governor and Pupil Support)
Mrs Sandra Routledge	Assistant Director (School Effectiveness)
Mr John Russell	Assistant Director (Finance and Development)
Mr Colin Hopkins	Innovation & Partnership Officer

REFERENCE AND ADMINISTRATIVE DETAILS (continued)

Trustees during 2005:

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 Venerable Christopher Skilton
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
Chair of Southwark Diocesan Headteachers' Association:	Mrs Mary Gatcliffe (also member of the Schools Committee)
Deputy Principal of Whitelands College:	Mrs Linda Gillard

Elected by Committees:

Schools	Vacancy
Finance & General Purposes	Vacancy
Further & Higher Education	The Revd Frank Hung

Deanery Representatives

Mrs Janice Adams	(Schools Committee Member)
Mrs Jeanette Ardley	
Mr Jeremy Baker	
Mr Martin Brecknell	
Mr Gregory Fordham	
Mr Harry Gordon Slade	(Further and Higher Education Committee Member)
Mr Peter Gowlland	
Revd Dianna Gwilliams	(Finance & General Purposes Committee Member)
Mrs Anne Halliday	
Mrs Chris Ingram	
Mr Robert Love	
Revd Stephen Melliush	

REFERENCE AND ADMINISTRATIVE DETAILS (continued)

Deanery Representatives (continued)

Revd A Middleton	
Revd D Monteith	
Mr Mike Morris	(Further and 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 Mike Todd	
Mr John Trimmer	
Revd Geoff Vevers	(Schools Committee Member)
Mr Benjamin Washington	(Finance & General Purposes 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.

Members

The members of the Board are directors under the Companies Act 1985. Their names are disclosed above.

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.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document: Memorandum and Articles of Association

The Board comprises a maximum 42 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 are, Schools, Finance and General Purposes and a joint Further and Higher Education Committee. The Schools Committee includes a significant representation of governors and headteachers from diocesan schools. The three committees are each serviced by one of the officers of the Board.

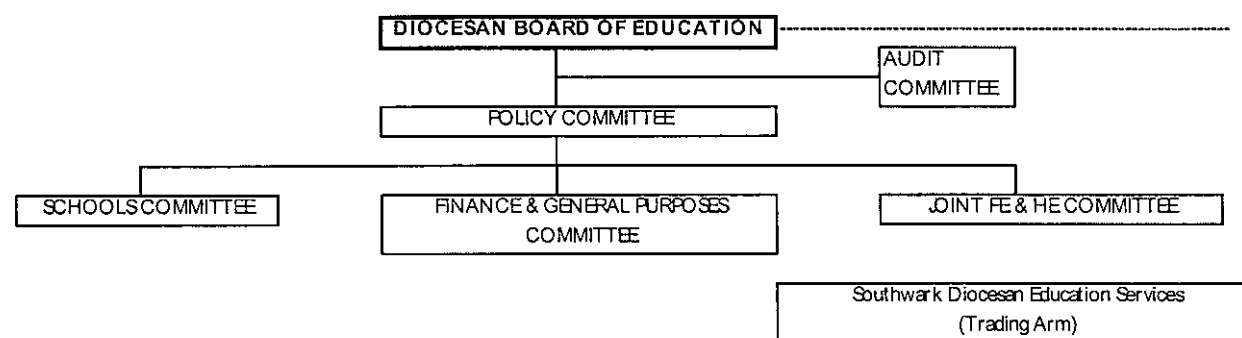
The Board and its Committees meet three times a year to set strategy, monitor and review progress and consider new developments. The Audit Committee meets four times each year and has a membership comprising three members appointed by the Finance and General Purposes Committee. The SDBE and its Committees operate under specific terms of reference which delegate certain functions of the Board to one of the three principle Committees. All Committee minutes are ratified by the full Board.

The SDBE does not yet have a formal process for the training and development of Trustees. Reliance is currently placed on the fact that Members are also trustees of other charities. Induction and training needs are currently under review and will be implemented for the beginning of the next triennium in January 2007. In the meantime ongoing training and development needs are met through the provision of carefully planned sessions at each meeting of the full Board.

A total of twelve local authorities are located within the Diocese and the SDBE is responsible for the appointment of local representatives on the committee responsible for the oversight of all services for children and young people. In addition the SDBE seeks to establish partnerships at a local, regional and national level and to be actively engaged in new opportunities and programmes.

Day to day management of the SDBE is delegated to the Director and her Assistant Directors; urgent matters and those which cannot wait for consideration by the Board and Committees are referred to the Policy Committee. Members of the Policy Committee are the Chairs of the Board and principle committees.

The task of supporting Christian education is an important and demanding task. Our thanks and appreciation is due to the SDBE staff team for their commitment and work on behalf of schools and in support of Christian education in the Diocese of Southwark.



The Board and Committees operate on a three year cycle. Prior to the next triennium of the Board's membership a fundamental review of the structure and membership of the Board and Committees is to be undertaken.

Each school has its own governing body with deemed charitable status. The SDBE appoints a minority of governors to each school's governing body and as such does not consider them to be related parties.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

The SDBE is an incorporated body, a company limited by guarantee (1905), working within the Diocese of Southwark, working closely with parishes and other diocesan organisations. The SDBE receives an annual grant from the Diocese through the Diocesan Board of Finance, which is subject to annual review.

Relationship with other charities and foundations

The SBDE operates within the geographical Diocese of Southwark.

The SDBE has the right to nominate or is represented on the following educational charitable foundations which support the provision and promotion of educational opportunity for children and young people within the area of the Diocese of Southwark through grants to organisations and individuals:

- Blackheath Bluecoat Foundation
- Newcomen Collet Foundation
- St Gabriel's Trust
- Sir John Cass Foundation
- Southwark Cathedral Education Centre

Southwark Diocesan Education Services Limited

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 £381,539 and the company made an operating profit of £113 in the year.

Risk and internal controls

The Trustees have overall responsibility for ensuring the SDBE has appropriate systems of control and for maintaining appropriate accounting procedures and records that comply with legislative requirements and good practice. Our systems of internal control have been developed to provide reasonable assurance against material misstatement or loss.

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. These are included in the Risk Assessment Policy Document approved by the Audit Committee. The trustees have also developed a Disaster Recovery Plan in the event of an act or actions beyond the control of the SDBE. The plan includes alternative arrangements and working locations to be used in such a situation to support service continuity.

MISSION AND AIMS

The objects of the Southwark Diocesan Board of Education (SDBE) are set out in the two main constitutional documents:

- o The Diocesan Board of Education Measure 1991, as amended; and
- o The Articles and Memorandum of Association of the SDBE.

Our mission is to support Christian education by:

- o 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;
- o Promoting equal opportunities, valuing cultural diversity and addressing racism;
- o Working in partnership with local authorities, parishes and organisations at diocesan, national and international levels.

The SDBE aims to support the provision and development of education in all Church of England schools within the Diocese of Southwark. It specifically seeks to support and develop the Christian ethos and distinctiveness of church schools; to promote religious education and collective worship; to advise school governors and trustees and to support the provision and improvement of school buildings and facilities. The SDBE also supports the provision and development of education chaplaincy in higher and further education institutions.

BENEFICIARIES AND SERVICE USERS

Our principal beneficiaries or service users are the Church of England schools and the universities and colleges located within the Diocese of Southwark. In terms of the scope and scale of the work of the SDBE, our beneficiaries include 106 schools and 31,000 children and young people.

In practice, the relationship with many of our service users is one of partnership and collegiality. While most of our activities are directly in support of the staff and governors of our schools, our ultimate mission is directed towards benefiting pupils.

The SDBE is not primarily a grant giving body, however from time to time funds are provided for schools in particularly difficult circumstances, that can only be overcome by capital investment.

The needs and requirements of our service users are identified in a number of ways, including through:

- Regular contact with headteachers and governors and in response to requests for advice and support consistent with our Service Level Agreement for schools;
- Named Liaison Officers who provide pastoral support to all headteachers;
- Governor forums, briefings and training;
- Termly meetings with Headteachers and Deputy Headteachers
- Meetings of the Southwark Diocesan Headteacher Association
- Annual Conference for Headteachers and Deputy Headteachers
- Analysis of feedback from training and development events

During 2005 we undertook a review of our Service Level Agreement with schools. The purpose was to review the operation of the SDBE Service Agreement with schools with a view to establishing whether this:

- (a) represents good value for money for participating schools;
- (b) meets the needs of participating schools; and
- (c) represents an economic, effective and efficient use of the Board's resources.

The review highlighted an impressive level of satisfaction in the service provided by the Board of Education team and the importance of maintaining this in the light of continuing changes in education policy.

OBJECTIVES AND ACTIVITIES

The SDBE's primary function is to support Christian Education. The work of the SDBE is divided into three main areas:

- School Effectiveness
- Governance and Pupil Support
- Finance and Development

Services are provided in the form of:

- Advice and guidance to headteachers, governors, trustees and chaplains;
- Training and development for school staff and governors; and
- Project management and support for the development of school buildings and facilities.

These services are largely provided through a Service Level Agreement (SLA) with schools. The SLA includes a wide range of specific services, support and guidance

- Assisting schools in providing high quality Religious Education and Collective Worship;
- Assisting schools in Staff Recruitment and Development;
- Assisting schools with whole church school development, including teaching and learning strategies and general preparation for OFSTED and SIAS – Section 48 inspections;
- Providing support and training for governors, trustees and governing bodies;
- Providing advice on all matters in connection with building stock; and
- Providing support and advice for Chaplains in Further and Higher Education sectors.

For 2005 our main objectives were:

- To maintain the quality and level of support and services provided by the SDBE to schools
- To enable the successful introduction of the new inspection framework for C of E schools
- To support the funding and delivery of maintenance and capital investment in school buildings and facilities
- To seek to develop secondary and primary provision where there is an identified need and opportunity
- To support the development of education chaplaincy

ACHIEVEMENTS AND PERFORMANCE

Through the hard work and commitment of the Board of Education team much has been achieved in support of the work of education in our Diocese. The following review highlights some examples of this work.

Performance of key activities

Advice and Support

GENERAL ADVISORY SUPPORT AND PROFESSIONAL DEVELOPMENT

- All new headteachers had access to a carefully planned induction programme developed to support church school leadership.
- Recruitment and selection of headteachers and deputy headteachers continued to demand a significant proportion of adviser time and support..
- The Board's training and development programme extended to include courses for middle leaders and co-ordinators in the primary phase in addition to those for aspiring headteachers and deputy headteachers.
- Induction days were held in the autumn term to explain the nature and purpose of church schools to newly qualified teachers. They were well attended and very well received and have become an established feature of induction for many schools.
- Advisers supported schools in preparation for the introduction of the Workforce Agreement and provided specialist training on the teaching and learning restructuring, which all schools completed during the year.
- Advisers worked hard to support the development and introduction of the new framework for the Statutory Inspection of Anglican Schools (SIAS – Section 48) in September.
- Termly meetings for headteachers were well attended and the very positive feedback has confirmed their value as a forum for building networks, for exchanging information and for consultation on new education developments and initiatives.

RELIGIOUS EDUCATION AND COLLECTIVE WORSHIP

- The Diocesan Scheme of Work for RE is now well established in schools and adviser support has been provided on assessment for learning RE and 'godly play' in addition to support on collective worship and spiritual development as part of our work in supporting and developing church school distinctiveness.
- Conferences and meetings for RE department staff and subject co-ordinators have taken place during the year to learn about the latest developments and new initiatives in Religious Education.

SCHOOL INSPECTION

- September 2005 saw the introduction of major changes to the national inspection framework and Advisers provided a comprehensive range of training and support on the new requirements to headteachers and school governors. One day conferences were held on school self-evaluation and approaches to monitoring teaching and learning to equip schools for the new approach to inspection.
- THE STATUTORY INSPECTION OF ANGLICAN SCHOOLS (SIAS – Section 48) – Advisers worked closely with the National Society in the development of the framework for the SIAS which was introduced in September 2005 alongside the new OFSTED framework. The Board's School Self-Evaluation document formed the basis of the national 'toolkit' for Church of England schools.
- The number of school inspections increased each term and necessitated the recruitment and training of new inspectors as well as providing further professional development for the existing team of inspectors.
- Training and development on the distinctive aspects of church schools has taken place during the year, raising the awareness of many governing bodies to this important responsibility.

ACHIEVEMENTS AND PERFORMANCE (continued)

EDUCATION CHAPLAINCY

- Helen Marshall left Kings College in June after four years as Chaplain. Thanks go to Helen for the work she did in raising the profile of chaplaincy and for her creative and innovative ministry. We were delighted to welcome Rev. Jane Speck, who has been licensed both as Chaplain to Kings College and as a parish priest in the North Lambeth Team Ministry.
- In June Education Chaplains presented their annual reports and discussed the future development of education chaplaincy with the Higher and Further Education Committee. From 2006 all Chaplains will have a Ministerial Review with their Area Bishop.
- Members of the Further and Higher Education Committee worked on the production of a 'toolkit to support schools, colleges and universities evaluate and develop the post 16 student experience.
- Further Education profiles have been developed, including one on the pastoral care of students and staff and another on student participation in support of the extension of chaplaincy in colleges of further education.

Training and development

SCHOOL GOVERNANCE AND LEGISLATION

- The Board provided a comprehensive programme of governor training and support, 52 new governors attended induction sessions with many others attending a programme of courses ranging from church school ethos to examining performance data.
- The Bishop's Certificate in Church School Governance was taken up by a further 7 schools, bringing the total number of governing bodies enrolling on the course to 42.
- The 2005 Education Act was published. It impacted directly on the nature of school inspections and also promised to regulate the admission to school of looked after children. Two draft Codes of Practice on Admissions and Appeals were published by the Department for Education and Skills (DfES) for consultation. The Admissions Code had considerable implications for church schools' admission criteria, particularly in relation to church membership; the Board responded strongly that the guidance was unlikely to bring about the clarity and objectivity which the DfES was seeking to achieve.
- An Affiliation Scheme has been developed for schools which may wish to identify more closely with Christian principles and values and establish a formal link with the Board. The scheme provides opportunities to develop links between schools and local parish churches as well as an opportunity to participate in the wider family of diocesan schools.
- The Board worked with a local authority to federate a junior and infant school and has developed its policy in this area. Officers have also been involved in assisting governors consider school amalgamations.

Project management (including maintenance expenditure)

SCHOOL BUILDINGS AND FACILITIES

- Major building and improvement schemes were completed at 8 schools during the year. Building developments included new teaching accommodation and school halls as well as new facilities for sport, arts and music.
- Opportunities for investment in school buildings and facilities continue, currently targeted on the renewal or substantial refurbishment of secondary schools through the Building Schools for the Future (BSF) programme. The Board is working in partnership with four local authorities currently involved in BSF, with the expectation of significant investment in 6 diocesan secondary schools. The Northbrook School in Lee is included in the initial 'pathfinder' wave of projects.
- Schemes to re-build two primary schools in Woolwich and Brixton have progressed during the year.
- The Board managed school building and maintenance schemes in excess of £9 million.

ACHIEVEMENTS AND PERFORMANCE (continued)

SCHOOL PROVISION AND NEW DEVELOPMENTS

- Demand for places at diocesan schools remained very strong and many diocesan schools were over subscribed. Our plans to extend provision are more than justified by parental demand. It is a matter of regret that the Board does not have the assured financial resources to take full advantage of the opportunities that this demand offers.
- A priority for the Board of Education is to seek to establish a Church of England secondary school in each local authority area.
- The Board developed its own policy for Church of England Academies and formed an innovative partnership with the Centre for British Teachers (CfBT), a not for profit organisation, and the charity ToCH to develop academies in Southwark and in Merton.

INVESTMENT 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.

2005 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 Boards ethical investment policy. The fund's total return on investments excluding property was a gain of £314,869 in 2005, (gain of £210,317 in 2004). Total investment assets excluding property stood at £4,008,114 at the end of 2005, (2004: £3,457,669).

The Board's property portfolio was revalued as at 31 December 2005 by a professional surveyor to reflect the increase in the value of the portfolio since the last valuation as at 31 December 2002. The value of the Board's property assets have been included in the Board's assets at the sum of £2,600,000 (£2,310,000 in 2004). The income return on property assets was £168,175 (2004: £169,487). There were no unrealised gains on property assets in the year (2004: £nil).

The Central Board of Finance (CBF) funds are collective investment schemes regulated by the Church Funds Investment Measure 1958, as amended by the Church of England (miscellaneous Provisions) Measure 1995 and the Trustee Act 2000. The CBF has delegated to CCLA Investment Management Limited, which is regulated by the Financial Services Authority, the investment management, administration and registration of the funds.

The Board's Investment Managers are Brooks McDonald are a small to medium sized firm of Asset Mangers, whose shares are quoted on the AIM market and is regulated by the Financial Services Authority.

The Board's current Ethical Investment policy is shown at APPENDIX C. This document has been reviewed and confirmed to our fund mangers.

FINANCE REVIEW

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 £209,000 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.

FINANCE REVIEW (continued)

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.

In operational terms, represented by the Board's unrestricted funds only, the Board's expenditure exceeded income on its operational and building activities by £21,213 (2004: £74,650). When this is read together with realised and unrealised gains on the value of investments of £436,694 (2004: £52,313) gave a surplus on the unrestricted (operational) activities of the Board for the year of £415,481 (2004: £121,606). Overall there was a net increase in funds of £468,665 (2004: £227,726) after accounting for increases in restricted and endowment funds of £53,184 (2004: £190,063).

Southwark Diocesan Education Services Limited

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 £381,539 and the company made an operating profit of £113 in the year.

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.
- (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 £4.8 m (2004: £4.3m). The Board's policy implies a level of reserves of £3.3m (2004:£3.3m) and it is the Board's intention to manage its reserves to this level over a period of time.

PLANS FOR THE FUTURE

STRATEGIC DEVELOPMENT

The Board has confirmed the following seven strategic development priorities to underpin its future planning and service delivery. These will be subject to annual review and adjustment subject to new policy developments and statutory changes in legislation regulating the duties and responsibilities of Diocesan Boards of Education.

- To identify and deliver new opportunities for schools and the SDBE from national strategies and programmes
- To promote and support the distinctiveness of church schools and continue to develop the quality of religious education and collective worship
- To develop effective succession planning for the Board to ensure continuing high calibre professional support and advice to schools
- To identify and secure financial resources to enable the continuing development of the SDBE and its work with schools
- To continue to provide high quality support and services to all diocesan schools
- To identify 'quiet' schools and bring forward strategies for their effective engagement
- To review the governance and membership of the Board and Committees and bring forward recommendations for their future development
- To enable education to be at the centre of the mission and ministry of the Diocese

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:

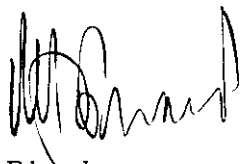
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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.

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

6 July 2006

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 2005 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, 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 the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 International Standards on Auditing (UK and Ireland).

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 company 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 other transactions is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 charitable company'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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's and group's affairs as at 31 December 2005 and of its incoming resources and application of resources in the year then ended, including its income and expenditure; and
- have been properly prepared in accordance with the Companies Act 1985.

Haysmacintyre
Chartered Accountants
Registered Auditors

6 July 06

Fairfax House
15 Fulwood Place
London WC1V 6AY

Consolidated statement of financial activities
for the year ended 31 December 2005

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2005 £	Total 2004 Restated £
Incoming resources						
<i>Incoming resources from generated funds</i>						
Service Agreement Subscriptions		205,228	-	-	205,228	198,151
Other trading income		176,311	-	-	176,311	121,561
Investment income						
- Listed and unlisted investment income	2	57,539	119,536	8,970	186,045	158,004
- Rental and letting income	2	168,175	-	-	168,175	169,487
Sundry income		28,070	-	-	28,070	22,630
<i>Incoming resources from charitable activities:</i>						
Diocesan grant		208,849	-	-	208,849	202,767
Other grants	2	35,835	-	-	35,835	19,091
Maintenance subscriptions		-	472,318	-	472,318	456,474
Total incoming resources		880,007	591,854	8,970	1,480,831	1,348,165
Resources expended						
<i>Costs of generating funds</i>						
Letting expenses		46,433	-	-	46,433	33,212
Bank charges and interest		4,231	-	-	4,231	3,209
<i>Charitable expenditure</i>						
Maintenance expenditure		-	400,086	-	400,086	211,177
Advice and guidance		494,118	-	-	494,118	457,031
Training and development		239,412	-	-	239,412	221,073
Project management		72,331	147,554	-	219,885	203,492
Governance costs		44,695	-	-	44,695	43,558
Total resources expended	3	901,220	547,640	-	1,448,860	1,172,752
Net incoming resources	4	(21,213)	44,214	8,970	31,971	175,413
Other recognised gains and losses						
Realised and unrealised gains on investment assets	7(iii)	436,694	-	-	436,694	52,313
Transfers	11a	60,000	(60,000)	-	-	-
Net movement in funds for the year		475,481	(15,786)	8,970	468,665	227,726
Balances brought forward		4,377,928	2,259,511	207,585	6,845,024	6,617,298
Balances carried forward at 31 December	11a	4,853,409	2,243,725	216,555	7,313,689	6,845,024

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 18 to 27 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 the omission of endowed income of £8,970.

Consolidated Balance sheet
at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	6	24,076	24,814
Investments	7	6,608,114	5,767,668
		<u>6,632,190</u>	<u>5,792,482</u>
Current assets			
Debtors	9	1,148,742	1,790,259
Cash at bank and in hand		93,014	-
		<u>1,241,756</u>	<u>1,790,259</u>
Creditors: amounts falling due within one year	10	(560,257)	(737,717)
Net current assets		<u>681,499</u>	<u>1,052,542</u>
Net assets		<u><u>7,313,689</u></u>	<u><u>6,845,024</u></u>
Funds			
Unrestricted funds (including revaluation reserve of £2,116,097 2004: £1,726,172)		4,853,409	4,377,928
Restricted income funds		2,243,725	2,259,511
Endowment funds		216,555	207,585
	11a	<u><u>7,313,689</u></u>	<u><u>6,845,024</u></u>

These financial statements were approved by the board of trustees on 6 July 06 and were signed on its behalf by:

R Richard Kingston

The Rt Revd Dr R I Cheetham (Chair)
Trustee

M J Edwards

M J Edwards
Trustee

The notes on pages 18 to 27 form part of the financial statements.

Company Balance sheet
at 31 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Tangible assets	6	23,000	24,000
Investments	7	6,608,115	5,767,669
		<u>6,631,115</u>	<u>5,791,669</u>
Current assets			
Debtors	9	1,142,402	1,735,005
Cash		24,708	-
Creditors: amounts falling due within one year	10	(490,412)	(687,413)
Net current assets		<u>676,698</u>	<u>1,047,592</u>
Net assets		<u>7,307,813</u>	<u>6,839,261</u>
Funds			
Unrestricted funds (including revaluation reserve of £2,116,097 2004: £1,726,172)		4,847,533	4,372,165
Restricted income funds		2,243,725	2,259,511
Endowment funds		216,555	207,585
	11a	<u>7,307,813</u>	<u>6,839,261</u>

These financial statements were approved by the board of trustees on 6 July 06 were signed on its behalf by:

Richard Kingston

The Rt Revd Dr R I Cheetham (Chair)
Trustee

M J Edwards

M J Edwards
Trustee

The notes on pages 18 to 27 form part of the financial statements.

Cash flow statement
for the year ended 31 December 2005

	Note	2005 £	2004 £
Cash (outflow)/inflow from operating activities	15	681,494	363,536
Returns on investments and servicing of finance			
Interest paid		(764)	(1,208)
Capital investment and financial investment			
Purchase of tangible fixed assets		(1,139)	-
Purchase of investments		(2,062,147)	(1,593,247)
Sale of investments		1,658,396	1,014,290
Net cash (outflow)/inflow from investing activities		(404,890)	(578,957)
Increase/(decrease) in cash	16	275,840	(216,629)

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

Notes

(forming part of the financial statements)

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 (revised 2005). 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.

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, costs of generating funds and governance costs are accounted for on an accruals basis. Support costs are allocated on to above categories on an appropriate basis. More detail is given in note 7

■ 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)*

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 2005. 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	2005 £	2004 £
Other grant income		
CASS Grants	-	-
Other Grants	35,835	19,091
	<u>35,835</u>	<u>19,091</u>
Investment income		
This can be analysed as follows:	2005 £	2004 £
Listed investments	57,539	35,559
Unlisted investments (including from shares in the funds of the Central Board of Finance of the Church of England)	128,506	122,445
Rental and letting income	168,175	169,487
	<u>354,220</u>	<u>327,491</u>

Notes (continued)

3. Analysis of total resources expended	Direct costs £	Other allocated costs £	Support costs £	Total 2005 £	Total 2004 Restated £
<i>Cost of generating funds</i>					
Letting expenses	46,433	-	-	46,433	
Bank charges and interest	4,231		-	4,231	
	<u>50,664</u>	<u>-</u>	<u>-</u>	<u>50,664</u>	<u>36,421</u>
<i>Charitable Expenditure</i>					
Maintenance expenditure	400,086	-	-	400,086	211,177
Advice and guidance	-	442,149	51,969	494,118	457,031
Training and development	-	214,982	24,431	239,412	221,073
Project management	-	196,532	23,353	219,885	203,492
<i>Governance</i>	17,148	24,492	3,055	44,695	43,558
	<u>467,898</u>	<u>878,155</u>	<u>102,807</u>	<u>1,448,860</u>	<u>1,172,752</u>

Analysis of support costs	Advice and Guidance £	Training and Development £	Project Management £	Governance £	Total 2005 £	Total 2004 Restated £
Finance	16,329	7,676	7,338	960	32,303	30,889
Administration	35,640	16,754	16,015	2,095	70,504	67,419
	<u>51,969</u>	<u>24,430</u>	<u>23,353</u>	<u>3,055</u>	<u>102,807</u>	<u>98,309</u>

Analysis of governance cost	Total 2005 £	Total 2004 Restated £
Audit fee	17,148	18,000
Other allocated costs	27,548	25,558
	<u>44,696</u>	<u>43,558</u>

All cost allocations are made in the basis of estimated time spent by staff.

Notes (continued)

4. Net incoming resources for the financial year	2005	2004
	£	£
<i>Net incoming resources for the financial year is stated after charging:</i>		
Depreciation	1,878	2,527
Auditors' remuneration (including VAT)		
- for audit work	17,149	18,000
- for other work	-	8,000
Bank charges and interest on bank loans and overdrafts	4,231	3,209
	<u> </u>	<u> </u>
5. Staff costs	2005	2004
	£	£
Wages and salaries	454,273	440,090
Social security costs	41,011	38,953
Pension costs	114,519	104,072
	<u> </u>	<u> </u>
	609,803	583,115
	<u> </u>	<u> </u>
	Number	Number
Average number of employees	14	14
	<u> </u>	<u> </u>

No employees remuneration for the year exceeded £60,000.

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	Charity and Group	Group	Restated
	Freehold	Property	Vehicles &	Group
	Land and Buildings	Improvements	Equipment	Total
	£	£	£	£
Cost				
1 January 2005	50,000	213,227	35,793	299,020
Additions	-	-	1,139	1,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005	50,000	213,227	36,932	300,159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 January 2005	26,000	213,227	34,979	274,206
Charge for the year	1,000	-	878	1,878
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2005	27,000	213,227	35,857	276,084
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 December 2005	23,000	-	1,075	24,076
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2004	24,000	-	814	24,814
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Notes (continued)

7. Investments

	Listed Investments	Shares held by the Central Board of Finance in the Church of England		Charity and Group Total	Total
<i>(i) Listed investments</i>	£	Investment Fund	Deposit Fund	2005	2004
	£	£	£	£	£
Valuation at 1 January	823,626	27,545	2,606,498	3,457,669	2,826,398
Disposals	(466,530)	-	(1,191,866)	(1,658,396)	(1,014,790)
Additions	443,814	4,290	1,614,043	2,062,147	1,593,748
Net gains/(losses) on Revaluation	146,694	-	-	146,694	52,313
Market value At 31 December	947,604	31,835	3,028,675	4,008,114	3,457,669
Historic cost At 31 December 2005	691,014	7,328	3,028,675	3,727,017	3,276,497

(ii) Investment properties

	Charity and Group Freehold properties	
	2005	2004
	£	£
Valuation at 1 January	2,310,000	2,310,000
Valuation adjustment (See note)	290,000	-
Valuation at 31 December	2,600,000	2,310,000
Historic cost at 31 December	765,000	765,000

(iii) Realised and Unrealised (Losses)/Gains

	2005	2004
	£	£
On listed investments	146,694	52,313
On investment properties	290,000	-
	436,694	52,313

Investment properties were revalued at 31 December 2005 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)

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 £381,539 (2004: £353,153), gross profit was £365,755 (2004: £337,640) and total administrative expenditure was £365,642 (2004: £337,650). The net profit after taxation was £113 (2004: profit of £10) and is after amounts covenanted to the board of £257,820 (2004: £173,174).

9. Debtors	Group 2005 £	Charity 2005 £	Group 2004 £	Charity 2004 £
Amounts falling due within one year:				
Conduit debtor	993,942	993,942	1,635,939	1,635,939
Subscriptions in arrears	-	-	2,725	2,725
Amounts due from group undertakings	-	45,965	-	15,173
Other debtors	135,018	94,688	139,080	71,653
Prepayments	19,782	7,807	12,515	9,515
	<u>1,148,742</u>	<u>1,142,402</u>	<u>1,790,259</u>	<u>1,735,005</u>
10. Creditors	Group 2005 £	Charity 2005 £	Group 2004 £	Charity 2004 £
Amounts falling due within one year:				
Bank overdraft	-	-	182,826	213,858
Trade creditors	2,320	716	25,673	11,112
Other creditors	480,263	472,205	456,843	447,593
Tax and social security	3,699	-	1,756	-
Accruals	73,975	17,491	70,619	14,850
	<u>560,257</u>	<u>490,412</u>	<u>737,717</u>	<u>687,413</u>

At 31 December 2005, 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 2005 are represented by					
	Tangible fixed assets	24,076	-	-	24,076
	Current assets	1,230,871	-	10,885	1,241,756
	Creditors	(361,762)	(198,495)	-	(560,257)
		<hr/>	<hr/>	<hr/>	<hr/>
	Investments	3,900,224	2,502,220	205,670	6,608,114
		<hr/>	<hr/>	<hr/>	<hr/>
	Total Net Assets	4,793,409	2,303,725	216,555	7,313,689
		<hr/>	<hr/>	<hr/>	<hr/>
Total Unrealised Gains at 31 December 2005					
	On investment assets	2,116,097	-	-	2,116,097
		<hr/>	<hr/>	<hr/>	<hr/>
 Reconciliation of funds					
	Restated Balance at 1 January 2005 £	Incoming Resources £	(Outgoing) Resources £	Transfers and Investment Gains and Losses £	Balance at 31 December 2005 £
	Endowed funds	207,585	8,970	-	216,555
	Restricted funds				
	External maintenance scheme	1,046,314	472,318	(400,086)	1,058,546
	CASS fund	120,150	5,687	(26,403)	104,257
	Other restricted funds	1,093,047	113,849	(121,151)	1,080,922
		<hr/>	<hr/>	<hr/>	<hr/>
	General funds (including trading funds of £6,262)	4,377,928	880,007	(901,220)	4,853,409
		<hr/>	<hr/>	<hr/>	<hr/>
	Total funds	£6,845,024	1,480,831	436,694	7,313,689
		<hr/>	<hr/>	<hr/>	<hr/>

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	2005 £	2004 £
Incoming resources	10,477,556	12,554,179
Resources expended	<u>(10,477,556)</u>	<u>(12,554,179)</u>

As at 31 December the charity had a conduit debtor of £ 993,942 (2004: £1,635,939), 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 £114,519 (2004: £104,072). Creditors falling due within one year include £Nil (2004: £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 2005 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 2005 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			2005	2004
			£	£
Net incoming resources before transfers			31,671	175,413
Interest payable			764	1,208
Depreciation of tangible fixed assets			1,878	2,527
Decrease/(increase) in debtors			641,517	(239,748)
Increase/(decrease) in creditors			5,664	424,136
			<hr/>	<hr/>
Net cash inflow from operating activities			681,494	363,536
			<hr/>	<hr/>
16 Analysis of changes in net debt	At		Other	At
	1 January	Cash	Non-Cash	31 December
	2005	Flow	Changes	2005
	£	£	£	£
Cash at bank and in hand	-	93,014	-	93,014
Bank loans and overdraft	(182,826)	182,826	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	(182,826)	275,840	-	93,014
	<hr/>	<hr/>	<hr/>	<hr/>
17 Reconciliation of net cash flow to movement in net debt			2005	2004
			£	£
(Decrease)/Increase in cash			275,840	(216,629)
Repayment of loans			-	-
			<hr/>	<hr/>
Change in net debt from cash flows			275,840	(216,629)
Net funds / (debt) at 1 January 2005			(182,826)	33,803
			<hr/>	<hr/>
Net funds at 31 December 2005			93,014	(182,826)
			<hr/>	<hr/>
18 Members				

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