

**The Southwark Diocesan Board of Education
(Incorporated)**

A Company Limited by Guarantee

Directors' report and financial statements

31 December 2003

Company registered number 86641



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 2003. 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 £364,530 and it made a profit of £731 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 £197,000 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 £21,657 (2002: Loss of £103,004). When this is read together with realised and unrealised gains on the value of investments of £83,263 (2002: gain of £323,819) and transfers of £60,000, gave a surplus on the unrestricted (operational) activities of the Board for the year of £121,606 (2002: £214,815). Overall there was a net increase in funds of £234,889 (2002: £865,261) after accounting for increases in restricted and endowment funds of £113,283 (2002: £650,446).

The Board continues to operate a Diocesan subscription based scheme in order to enable schools to have in place their essential financial contribution for capitalised maintenance works. The scheme is financially self supporting. The funds gathered from schools by means of a voluntary contribution each year are held in a Restricted Fund of the Board. Funds are administered on behalf of schools, grants are secured and ultimately recovered on a timely basis with the essential governors' contribution being withdrawn from the External Periodic Maintenance Scheme (EPMS). Should schools not have contributed their subscription on a regular basis their contribution is recovered directly from those schools.

The Schools Committee of the Board continued to monitor schools that had been inspected by OFSTED and reviewed, in particular, the provision of Religious Education and Collective Worship. It also monitors how schools celebrate cultural diversity and combat racism.

The Board's Headteacher training programme has changed significantly due to new regulations. Its development, as a national initiative, is being monitored.

The Board's programme of governor support included direct training, telephone advice and briefing papers. These were supplemented by regular updates of the implications of new legislation. The Bishop's Certificate in School Governance which was successfully launched in September 2002 has continued, with the first cohort of governors receiving their certificates from the Bishop at a Service in the Cathedral in October 2003.

Further and Higher Education continued to be a feature of the Board's concern for continuing education. One new chaplain was appointed during the year to serve at Goldsmiths College, University of London. The Chaplain at the University of Greenwich resigned to take up a similar post elsewhere.

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.

2003 was a better year for stock markets and for the Board of Education. Our UK Equities achieved a total return of 17.1%, 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 £126,340 in 2003, (loss of £65,720 in 2002). Total investment assets excluding property stood at £2,826,398 at the end of 2003, (2002: £3,048,658).

The Board's property portfolio was revalued as at 31 December 2002, a further valuation has not been carried out as at 31 December 2003 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 2002). The income return on property assets was £166,823 (2002: £181,895). There were no unrealised gains on property assets in the year (2002: £524,000).

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.
- (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.

Trustees' report (continued)

Reserves policy (continued)

- (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 (2002: £4.2m). The Board's policy implies a level of reserves of £3.0m (2002:£2.8m) 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

Company registration number:	86641
Registered charity number:	313001
Governing document:	Memorandum and Articles of Association
Registered office:	48 Union Street London SE1 1TD
Company secretary:	Mrs L Borthwick
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

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 Peter Price <i>(until March 2003)</i> The Rt Revd Richard Cheetham <i>(from November 2003)</i>
Vice Chair:	Miss Beverley Fraser <i>(from November 2003)</i>
The Chair of the Schools Committee:	The Ven David Gerrard, Archdeacon of Wandsworth (also Bishop's Nominee)
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 Susan Robinson (also member of the Schools Committee)
Deputy Principal of Whitelands College	Dr Heather Foreland <i>(until August 2003)</i>
Elected by Committees	
Schools	Vacancy
Finance & General Purposes	Vacancy
Further & Higher Education	The Revd Frank Hung Mrs Marilyn Tatarkowski <i>(until August 2003)</i>

Trustees' report (continued)

Legal and administrative information (continued)

Deanery Representatives

Mrs Jeanette Ardley	
Ms Ann Atkins	
Mr Jeremy Baker	
Mr Martin Brecknell	(Finance & General Purposes Committee & Joint Further & Higher Education Committee Member)
Mr Gregory Fordham	
Mr Peter Gowlland	
Mrs Anne Halliday	
Mrs Chris Ingram	From Nov 2003 (Schools Committee Member)
Mr Graham Long	
Mr Robert Love	(Joint Further & Higher Education Committee and Schools Committee Member)
Revd Stephen Melliush	(Joint Further & Higher Education Committee Member – Resigned Sept 2003)
Mr A Middleton	(Joint Further & Higher Education Committee Member)
Revd D Monteith	
Mr Mike Morris	(Finance & General Purposes Committee Member)
Mr John Ohen	(Finance & General Purposes Committee & Joint Further & Higher Education Committee)
Mrs Eileen Perryer	(Schools Committee and Joint Further & Higher Education Committee Member)
Mrs Rosemary Powell	(Finance & General Purposes Committee Member)
Mrs Carole Shepherd	(Finance & General Purposes Committee & Schools Committee Member)
Mr Vic Skinner	
Revd David Sherratt	
Mr Michael Stratton	(Finance & General Purposes Committee and Joint Further & Higher Education Committee)
Miss Elaine Thomas	
Mr John Trimmer	
Revd Geoff Ververs	(Schools Committee Member)
Revd Mark Williams	(Joint Further & Higher Education Committee Member)

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.

Trustees' report (continued)

Legal and administrative information (continued)

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

1 July 2004

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 2003 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 2003 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

haysmacintyre
Chartered Accountants
Registered Auditors

8 July 2004

Fairfax House
15 Fulwood Place
London
WC1V 6AY

Consolidated statement of financial activities
for the year ended 31 December 2003

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2003 £	Total 2002 £
Incoming resources						
<i>Activities in furtherance of the charity's objects:</i>						
Diocesan grant		196,861	-	-	196,861	191,330
Other grants	2	10,606	210,300	-	220,906	206,254
Maintenance subscriptions		-	461,402	-	461,402	387,125
<i>Activities for generating funds</i>						
Investment income						
- Listed and unlisted investment income	2	51,478	66,627	8,235	126,340	134,461
- Rental and letting income	2	166,823	-	-	166,823	181,895
Sundry income		30,275	-	-	30,275	22,789
Service Agreement Subscriptions		190,576	-	-	190,576	184,937
Other trading income		132,288	-	-	132,288	80,055
Total incoming resources		<u>778,907</u>	<u>738,329</u>	<u>8,235</u>	<u>1,525,471</u>	<u>1,388,846</u>
Resources expended						
<i>Costs of generating funds</i>						
Letting expenses		16,103	-	-	16,103	52,156
Bank charges and interest		2,478	-	-	2,478	5,681
<i>Charitable expenditure</i>						
Maintenance expenditure		-	497,259	-	497,259	27,144
Management of the capital and maintenance						
Projects		699,954	76,022	-	775,976	688,749
Management and administration		82,029	-	-	82,029	73,674
Total resources expended	3	<u>800,564</u>	<u>573,281</u>	<u>-</u>	<u>1,373,845</u>	<u>847,404</u>
Net incoming resources	4	(21,657)	165,048	8,235	151,626	541,442
Other recognised gains and losses						
<i>Unrealised losses on investment</i>						
Assets	7(iii)	28,280	-	-	28,280	(200,181)
Unrealised gains on property revaluation	7(iii)	-	-	-	-	524,000
Realised gains on investments	7(iii)	54,983	-	-	54,983	-
Transfers	11a	60,000	(60,000)	-	-	-
Net movement in funds for the year		<u>121,606</u>	<u>105,048</u>	<u>8,235</u>	<u>234,889</u>	<u>865,261</u>
Fund balances brought forward		-	-	-	-	5,492,147
Prior year adjustment	11b	-	-	-	-	25,000
Balances brought forward as restated		<u>4,218,658</u>	<u>1,972,305</u>	<u>191,445</u>	<u>6,382,408</u>	<u>5,517,147</u>
Balances carried forward at 31 December	11a	<u>4,340,264</u>	<u>2,077,353</u>	<u>199,680</u>	<u>6,602,797</u>	<u>6,382,408</u>

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.

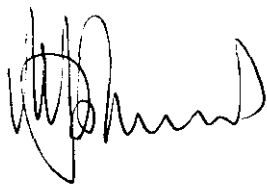
The notes on pages 15 to 25 form part of the financial statements.

No summary income and expenditure account has been produced as the only difference to the Statement of Financial Activities would be endowed income of £8,235.

Consolidated Balance sheet
at 31 December 2003

	<i>Notes</i>	2003 £	Restated 2002 £
Fixed assets			
Tangible assets	6	27,341	28,198
Investments	7	5,136,397	5,358,658
		<u>5,163,738</u>	<u>5,386,856</u>
Current assets			
Debtors	9	1,550,511	1,114,274
Cash at bank and in hand		43,305	19,441
		<u>1,593,816</u>	<u>1,133,715</u>
Creditors: amounts falling due within one year	10	(140,257)	(138,162)
Net current assets		<u>1,453,459</u>	<u>995,553</u>
Net assets		<u><u>6,617,297</u></u>	<u><u>6,382,408</u></u>
Funds			
Unrestricted funds (including revaluation reserve of £1,718,449 2002: £1,571,930)		4,340,764	4,218,658
Restricted income funds		2,077,353	1,972,305
Endowment funds		199,680	191,445
	11a	<u><u>6,617,297</u></u>	<u><u>6,382,408</u></u>

These financial statements were approved by the board of trustees on 15 July 2004 and were signed on its behalf by:



MJ Edwards
Trustee



The Ven DK Gerrard
Trustee

The notes on pages 15 to 25 form part of the financial statements.

Company Balance sheet
at 31 December 2003

	<i>Notes</i>	2003 £	Restated 2002 £
Fixed assets			
Tangible assets	6	25,000	25,000
Investments	7	5,136,397	5,358,658
		<u>5,161,397</u>	<u>5,383,658</u>
Current assets			
Debtors	9	1,500,681	1,078,769
Creditors: amounts falling due within one year	10	51,051	85,560
Net current assets		<u>1,449,630</u>	<u>993,209</u>
Net assets		<u>6,611,027</u>	<u>6,351,867</u>
Funds			
Unrestricted funds (including revaluation reserve of £1,718,449 2002: £1,571,930)		4,333,494	4,188,117
Restricted income funds		2,077,353	1,972,305
Endowment funds		199,680	191,445
	11a	<u>6,611,027</u>	<u>6,351,867</u>

These financial statements were approved by the board of trustees on 1 July 2004 were signed on its behalf by:



MJ Edwards
Trustee



The Ven DK Gerrard
Trustee

The notes on pages 15 to 25 form part of the financial statements.

Cash flow statement
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Cash (outflow)/inflow from operating activities	15	(279,111)	156,631
Returns on investments and servicing of finance			
Interest paid		(2,478)	(5,681)
Capital investment and financial investment			
Purchase of tangible fixed assets		(888)	(1,474)
Purchase of investments		(995,697)	(2,320,444)
Sale of investments		1,301,220	1,764,364
Net cash inflow/(outflow) from investing activities		304,635	(557,554)
Increase/(decrease) in cash	16	23,046	(406,604)

The notes on pages 15 to 25 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 (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:

Office equipment	-	25% straight line
Property improvements	-	written off in year expenditure incurred

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	2003	2002
	£	£
Other grant income		
CASS Grants	210,300	195,648
Other Grants	10,606	10,606
	<u>220,906</u>	<u>206,254</u>
Investment income		
	2003	2002
	£	£
This can be analysed as follows:		
Listed investments	38,007	41,135
Unlisted investments (including from shares in the funds of the Central Board of Finance of the Church of England)	88,333	93,326
Rental and letting income	166,823	181,895
	<u>293,163</u>	<u>316,356</u>

Notes (continued)

3. Analysis of total resources expended	Staff costs £	Other £	Depreciation £	Total 2003 £	Total 2002 £
<i>Cost of generating funds</i>					
Letting expenses	-	16,103	-	16,103	52,156
Bank charges and interest	-	2,478	-	2,478	5,681
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	18,581	-	18,581	57,837
<i>Charitable Expenditure</i>					
Maintenance expenditure	-	497,259	-	497,259	27,144
Management of the capital and maintenance projects	488,661	211,293	-	699,954	688,749
Other restricted expenditure	-	76,022	-	76,022	-
Management and administration of the charity	45,003	35,500	1,526	82,029	73,674
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	533,664	828,155	1,526	1,373,845	847,404
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

	2003 £	2002 £
Salaries and office costs	55,503	42,170
Depreciation	1,526	1,459
Audit and taxation fees	25,000	30,045
	<hr/>	<hr/>
	82,029	73,674
	<hr/>	<hr/>

4. Net incoming resources for the financial year	2003 £	2002 £
<i>Net incoming resources for the financial year is stated after charging:</i>		
Depreciation	1,526	1,459
Auditors' remuneration (including VAT)		
- for audit work	17,250	16,500
- for other work	7,750	13,545
Interest on bank loans and overdrafts	2,478	5,681
	<hr/>	<hr/>

Notes (continued)

5. Staff costs	2003 £	2002 £
Wages and salaries	424,773	399,573
Social security costs	35,349	33,005
Pension costs	73,542	67,492
	<u>533,664</u>	<u>500,070</u>
	Number	Number
Average number of employees	<u>14</u>	<u>13</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 2003 (as restated)	50,000	213,227	35,124	298,351
Additions	-	-	888	888
Disposals	-	-	(219)	(219)
At 31 December 2003	<u>50,000</u>	<u>213,227</u>	<u>35,793</u>	<u>299,020</u>
Depreciation				
At 1 January 2003 (as restated)	25,000	213,277	31,926	270,153
Charge for the year	-	-	1,526	1,526
At 31 December 2003	<u>25,000</u>	<u>213,227</u>	<u>33,452</u>	<u>271,679</u>
Net book value				
At 31 December 2003	<u>25,000</u>	<u>-</u>	<u>2,341</u>	<u>27,341</u>
At 31 December 2002 (as restated)	<u>25,000</u>	<u>-</u>	<u>3,198</u>	<u>28,198</u>

Group vehicles and equipment are all used by the trading subsidiary for non-charitable purposes. Charity freehold land and building was previously omitted from the financial statement. A prior year adjustment has been made (see note 11b). The property was acquired in 1978 at a cost of £50,000 and from 1 January 2004 depreciation will be provided to write off the asset over its remaining useful economic life of 25 years.

Notes (continued)

7. Investments

<i>(i) Listed investments</i>	Listed	Shares held by the Central Board of Finance in the Church of England		Charity and Group	
	Investments	Investment Fund	Deposit Fund	Total 2003	Total 2002
	£	£	£	£	£
Valuation at 1 January	692,208	24,436	2,332,014	3,048,658	2,692,759
Disposals	(113,582)	-	(1,187,638)	(1,301,220)	(1,764,364)
Additions	112,953	-	882,744	995,697	2,320,444
Net gains/(losses) on revaluation	81,082	2,181	-	83,263	(200,181)
Market value At 31 December	<u>772,661</u>	<u>26,617</u>	<u>2,027,120</u>	<u>2,826,398</u>	<u>3,048,658</u>
Historic cost At 31 December	<u>602,177</u>	<u>3,038</u>	<u>2,047,734</u>	<u>2,652,949</u>	<u>3,021,728</u>

(ii) Investment properties

	Charity and Group Freehold properties	
	2003	2002
	£	£
Valuation at 1 January	2,310,000	1,786,000
Valuation adjustment (See note)	-	524,000
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

	2003	2002
	£	£
Unrealised		
On listed investments	28,280	(200,181)
On investment properties	-	524,000
	<u>28,280</u>	<u>323,819</u>
Realised		
On listed investments	54,983	-
On investment properties	-	-
	<u>£54,983</u>	<u>£-</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 £364,530 (2002: £301,980), gross profit was £349,361 (2002: £286,536) and total administrative expenditure was £348,630 (2002: £285,169). The net profit after taxation was £731 (2002: £1,368) and is after amounts covenanted to the board of £174,045 (2002: £109,454).

9. Debtors	Group 2003 £	Charity 2003 £	Group 2002 £	Charity 2002 £
Amounts falling due within one year:				
Conduit debtor	1,358,177	1,358,177	1,000,760	1,000,760
Subscriptions in arrears	2,725	2,725	2,725	2,725
Amounts due from group undertakings	-	23,399	-	-
Other debtors	168,108	106,339	98,825	69,708
Prepayments	21,501	10,041	11,964	5,576
	<u>1,550,511</u>	<u>1,500,681</u>	<u>1,114,274</u>	<u>1,078,769</u>
10. Creditors	Group 2003 £	Charity 2003 £	Group 2002 £	Charity 2002 £
Amounts falling due within one year:				
Bank overdraft	9,502	9,502	8,684	8,684
Trade creditors	15,808	638	11,650	1,100
Other creditors	30,766	20,681	17,867	10,542
Tax and social security	10,663	-	11,537	5,579
Accruals	73,518	20,230	88,424	20,269
Amounts due to subsidiary undertaking	-	-	-	39,386
	<u>140,257</u>	<u>51,051</u>	<u>138,162</u>	<u>85,560</u>

At 31 December 2003, 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 2003 are represented by				
	Tangible fixed assets	27,341	-	-	27,341
	Current assets	1,280,595	581,100	10,885	1,872,580
	Creditors	(419,022)	-	-	(419,022)
	Investments	3,451,350	1,496,253	188,795	5,136,398
	Total Net Assets	4,340,264	2,077,353	199,680	6,617,297
	Total Unrealised Gains at 31 December 2003				
	On investment assets	1,718,449	-	-	1,718,449

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)

11b) Prior year adjustment	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total Funds £
Balances brought forward at 1 January 2002	3,978,843	1,336,881	176,423	5,492,147
Prior year adjustment	25,000	-	-	25,000
Balances brought forward as restated	<u>4,003,843</u>	<u>1,336,881</u>	<u>176,423</u>	<u>5,517,147</u>

The prior year adjustment is to restate as fixed assets expenditure of £50,000 to purchase the freehold of 48 Union Street. These amounts were previously expensed when incurred in 1978. The amount restated represents the net book value of the asset had it been capitalised in 1978 and depreciated over 50 years. The annual charge for depreciation is £1,000.

12 Conduit Funds – capital projects	2003 £	2002 £
Incoming resources	11,125,473	8,078,072
Resources expended	<u>(11,125,473)</u>	<u>(8,078,072)</u>

As at 31 December the charity had a conduit debtor of £1,358,177 (2002: £1,000,760), 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 £73,542 (2002: £67,492). Creditors falling due within one year include £NIL (2002: £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 2003 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.

Notes *(continued)*

3 Pension and similar obligations *(continued)*

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 2003 the contribution rate was increased from 19.95% to 24.27%.

4 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			2003	2002
			£	£
Net incoming resources before transfers			162,127	541,455
Interest payable			2,478	5,681
Depreciation of tangible fixed assets			1,526	1,459
(Increase) in debtors			(436,237)	(404,643)
(Decrease)/Increase in creditors			(9,005)	12,679
			<u>(279,111)</u>	<u>156,631</u>
Net cash inflow from operating activities				
16 Analysis of changes in net debt	At		Other	At
	1 January	Cash	Non-Cash	31 December
	2002	Flow	Changes	2003
	£	£	£	£
Cash at bank and in hand	19,441	23,864		43,305
Bank loans and overdraft	(8,684)	(818)		(9,502)
	<u>10,757</u>	<u>23,046</u>	<u>-</u>	<u>33,803</u>
17 Reconciliation of net cash flow to movement in net debt			2003	2002
			£	£
(Decrease)/Increase in cash			23,046	(406,604)
Repayment of loans			-	-
			<u>23,046</u>	<u>(406,604)</u>
Change in net debt from cash flows			10,757	417,361
Net funds / (debt) at 1 January 2003			<u>10,757</u>	<u>417,361</u>
Net funds at 31 December 2003			<u>33,803</u>	<u>10,757</u>

18 Members

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