

THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)**REPORT OF THE TRUSTEES****REFERENCE AND ADMINISTRATIVE DETAILS OF THE DIOCESE, ITS TRUSTEES AND ADVISERS**

Company registration number
133558

Charity registration number
243134

Directors and trustees

Under the Memorandum and Articles of Association members of the finance committee are designated as directors. All members of the finance committee are directors for the purposes of the Companies Act 1985 and are trustees under charity law. No director had any beneficial interest in the company during 2007. The following directors served during 2007

Finance committee

Elected by the finance committee
Dr C Dilloway (chairman)

Ex officio members

The Right Reverend J Hind (Bishop of Chichester)
The Right Reverend L Urwin (Bishop of Horsham)
The Right Reverend W Benn (Bishop of Lewes)
The Venerable D McKittrick (Archdeacon of Chichester)
The Venerable R Combes (Archdeacon of Horsham)
The Venerable P Jones (Archdeacon of Lewes and Hastings)
Mr J Booth (Archbishops' council finance committee member)
Mr J Kaye (honorary treasurer)

Elected by diocesan synod
Archdeaconry of Chichester
Mrs B Youatt
Mr D Baker
The Revd T Ward

Archdeaconry of Horsham
Mr F Midmer
Mrs V Burgess
The Revd M Liles

Archdeaconry of Lewes and Hastings
Mr T Stevenson
The Revd M Onions
Mr J Tomsett (from 1 April 2007)

Nominated by the Bishop of Chichester
Dr B Hanson (vice chairman)

Co-opted by the finance committee
Brig A Gordon (from 1 April 2007)

WEDNESDAY



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COMPANIES HOUSE

The directors of the company are members of diocesan synod as such they may derive no benefit, income or capital interest from the company's affairs other than the reimbursement of out-of-pocket expenses. In the event of the company being wound up, each director, who is a member of diocesan synod at that time, has undertaken to contribute £1

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REPORT OF THE TRUSTEES (continued)

Sub committees

Diocesan stipends committee

Chairman

Dr C Dilloway

Ex officio

The Venerable D McKittrick (Archdeacon of Chichester)

The Venerable R Combes (Archdeacon of Horsham)

The Venerable P Jones (Archdeacon of Lewes and Hastings)

Appointed

Mrs B Youatt

Mr D Baker

The Revd M Onions

The Revd T Ward

Archdeaconry parsonages sub committees (3)

Chairmen

The Venerable D McKittrick (Archdeacon of Chichester)

The Venerable R Combes (Archdeacon of Horsham)

The Venerable P Jones (Archdeacon of Lewes and Hastings)

Vice-chair

Mr F Midmer

Ex officio

Dr C Dilloway

Nominated

The Revd S Malkinson

The Revd M Morgan

Mrs M Nagel

Mrs J Spriggs (from April'07)

Mrs J Wilkinson (from May'07)

Co-opted

Mr R Crook

The Revd J Eldridge (from June'07)

The Revd SJ Gurr (resgnd April '07)

Mrs M Jenkins

The Revd Mrs P Sinton

The Revd C Doherty (from April'0

Mr J Ellis (from May'07)

Mr D Hale (rsgnd Dec'07)

Mr E Redstone

Audit committee

Chairman

Mr M Cruttenden

Appointed

Mr D Baker

Mr P Miller (deceased January 2008)

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REPORT OF THE TRUSTEES (continued)

Senior staff and principal advisors

Company secretary, diocesan secretary and secretary to diocesan synod
Mr Jonathan Prichard MA MBA

Chief finance officer
Mr Michael Jackson ACMA

Property director
Mr Andrew Craft BSc (Building surveying) MRICS

Registered office
Diocesan Church House
211 New Church Road
Hove
East Sussex
BN3 4ED

Bankers
Barclays Bank plc
137/142 North Street
Brighton
East Sussex
BN1 1RU

Insurers
Ecclesiastical Insurance Office plc
Beaufort House
Brunswick Road
Gloucester
GL1 1JZ

Auditor
Baker Tilly UK Audit LLP
International House
Queens Road
Brighton
BN1 3XE

Solicitors
Thomas Eggar
The Corn Exchange
Baffins Lane
Chichester
West Sussex
PO19 1GE

Investment managers
CCLA Investment Management Ltd
80 Cheapside
London
EC2V 6DZ

M&G Securities Ltd
M&G House
Victoria Road
Chelmsford
CM1 1FB

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REPORT OF THE TRUSTEES (continued)

STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

The Chichester Diocesan Fund and Board of Finance Incorporated is a company limited by guarantee and a registered charity governed by its memorandum and articles of association

The company's principal activity is to promote, assist and advance the work of the Church of England in the diocese of Chichester by acting as the financial executive of the diocesan synod. It oversees the funding of ministry in the diocese, including the provision of housing, the insurance of churches and the financing of various boards, councils and committees constituted under ecclesiastical statute for the advancement of the aims of the Church of England in the diocese. These activities are managed by the finance committee (the company's board of directors and charity trustees) and its sub-committees as set out on pages 1 and 2. The finance committee with the consent of the Bishop of Chichester elects the chairman. Elected members of the committee are elected by the diocesan synod and serve for three years.

Organisation and decision making structure

Members of diocesan synod are also members of the company and charity ("The Board") and set corporate priorities and decide the overall financial strategy for the diocese in its prime imperative to participate in God's mission to the people of Sussex. Monitoring the implementation of financial policies that reflect these agreed priorities is delegated to the finance committee the members of which are the company's directors.

As members of the company, no benefit, income or capital interest from the company's affairs other than the reimbursement of out-of-pocket expenses can be accrued personally. In the event of the company being wound up each member, who is a member at that time, has undertaken to contribute £1.

The company meets twice a year to approve the budget and to accept the annual report. The finance committee met eight times in the year reviewing overall activities against budget, deciding investment policy and performance and approving expenditure on replacement parsonages. Monthly reports on collection of parish contribution pledged by parishes through deaneries are received. The Board's role as custodian trustee for parochial property is exercised by the committee. The finance committee also works through a number of sub-committees and groups including

- Parsonages structured into archdeaconry groups, managing the repair of parsonages, glebe and board properties, overseeing the retention, disposal, and development of property and land together with any rents or payments associated with their ownership,
- Stipends advises on the level of stipend to be paid and any special grants or payments, monitors fees and expense claims,
- Audit sets internal audit programme, receives audit reports on internal control and financial accounting issues and meets with the external auditors annually,
- Investment group oversees investment performance and reviews strategy,
- Schools finance group monitors the financial aspects of aided schools building programmes and use of the aided schools fund

The finance committee promotes the annual budget having set key indicators and performance targets for departments with responsibility for various areas of activities.

Trustee recruitment, selection and induction

Membership of the finance committee which is set by statute, is a mixture of ex-officio appointments and those elected every three years from diocesan synod membership. There is power to co-opt and nominate. Members use this power to ensure that the committee has the

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REPORT OF THE TRUSTEES (continued)

appropriate skills and experience to perform its tasks. Prior to standing for election members of synod are given the opportunity to understand fully the responsibilities of the committee. At the beginning of the triennium any new members participate in an induction and training programme.

During membership trustees are provided with regular updates on best practice and opportunities for further training are made available. Charity Commission publications are provided whenever published.

Other organisations with which the Board co-operates in achieving its objectives

The company's activities involve substantial financial transactions with parochial church councils in the diocese as well as with the central Church authorities, though none of these bodies is a connected charity as defined by charity law. In addition there are financial and activity links with school governors, Chichester Cathedral and various diocesan wide voluntary or statutory organisations including the Chichester Diocesan Association for Family Support Work. Further detail is available to interested parties by application to the company secretary.

Decision making and delegation policy

Diocesan synod sets and approves strategy and policies promoted through the Bishop's Council. The Board sets the annual budget and delegates to the finance committee monitoring and reporting responsibilities associated with the financial aspects of activities. Day to day management and implementation of agreed strategies and policies is undertaken by senior staff.

Risk assessment

The directors are responsible for maintaining a sound system of internal financial control to safeguard the company's assets. The finance committee identifies the major risks to which the company is exposed and systems continue to be developed and procedures established to mitigate those risks. A formal risk assessment process has been adopted and will continue to be developed. The trustees review the risk report twice a year.

The systems of internal control are designed to provide a prudent level of assurance against material misstatement or loss. The Board has established an on-going process for identifying, evaluating and managing the company's key risks. There are clear procedures for financial reporting, within a comprehensive financial planning and accounting framework. The finance committee, on behalf of the Board members continues to review the effectiveness of the system of internal control operated by the company. The audit department of the National Church Institutions undertook one review during 2007 the activities and systems of the Diocesan Advisory Committee. The audit committee, on behalf of the finance committee, monitors the risks and the effectiveness of the system of internal control operated by the company on an on-going basis.

OBJECTIVES AND ACTIVITIES

The Diocese of Chichester covers the two counties of East and West Sussex and the unitary authority of the City of Brighton and Hove. Small areas of Kent and Surrey are attached to border parishes. It is one of 44 dioceses of the Church of England.

The company's principal activity is to promote, assist and advance the work of the Church of England in the diocese of Chichester by acting as the financial executive of the diocesan synod.

The main objectives of the charity are

- 1 to identify and manage the financial aspects of providing a priestly and pastoral presence in every parish of the diocese,

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REPORT OF THE TRUSTEES (continued)

- 2 to provide appropriate personnel and financial resources to support the making of disciples in Sussex,
- 3 to engage with the community as part of the Church's response to God's mission to His people of the area

As part of the first objective of the charity, financial information and projected income and expenditure continued to be provided to deaneries and parishes in a number of forms. Improvement to timeliness and presentation is a key aspect in its effectiveness and usefulness.

Deanery treasurers regularly provide guidance and advice about the content and design of the reports provided by the charity.

Diocesan support services for parishes and deaneries are primarily arranged through six Support for parishes departments: **mission and renewal; schools; work with children and young people; education and training of adults; Church in society and work with ordained ministry**. In addition, all other departments in Church House, **accounts, property, communications** and the **general office** as well as the **archdeacons** and **Episcopal offices** provide advice, information and support to clergy and parochial officers. The size and variety of parishes which make up the diocese demands a flexible approach to the provision of support and leads to periods of measured withdrawal in some areas simply because of the need for targeting of resources and the need to be responsive to priorities.

In most dioceses and in the national Church many of the issues facing communities fall into the ambit of the oft-named social responsibility department. However, no issues are ever simple and their effect crosses department boundaries. All departments' motivation remains to reflect God's invocation to all human beings to partake in His mission. Therefore, the charity's priority has been to support individual and corporate responses by providing information and guidance. Support has also been given to encourage fresh expressions for worship and mission.

ACHIEVEMENTS AND PERFORMANCE

Each year every deanery is advised of the cost of providing the proposed ministerial support to the parishes financed through the Board. Under the present system, each deanery discusses these figures with parishes and congregations and then commits to send to the Board contributions to meet as much of those costs as possible. In 2007, the deaneries committed to raise £11.54m, some £490,000 more than in 2006. Despite the great efforts of parishes to meet their costs, there are fewer full-time stipendiary clergy to serve throughout the country, mainly because of the age profile of current clergy leading to more retirements than numbers completing training. The Board recognises that this trend will continue for some years. However, it also recognises that the number of lay ministerial staff working in parishes is increasing and will support the expansion as decided by bishops and deaneries through the deanery pastoral plans being developed by each deanery.

Following diocesan synod's acceptance in 2006 of the main recommendations from a group looking at the methodology of allocating parish ministry costs, the actual fee income derived by clergy for occasional duties in 2006, was credited to each parish and aggregated for deaneries for the 2008 calculations of parish ministry costs.

Much preparatory work on *Caritas 08*, a diocesan-wide celebration scheduled to take place at the Brighton Centre on 21 June 2008, was undertaken during the year. A team of staff and volunteers began to plan in detail the festival conference when some 6,000 people are expected at the Centre and a further 2,000 young people gathering at the Peace statue on Hove sea front. The Archbishop of York has accepted an invitation to be key note speaker.

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Caritas 08 follows on from a very successful morning gathering of over 600 church wardens and clergy in the Brighton Dome entitled *Revitalising the Vision*. Short video clips illustrated how some parishes are responding to the changing patterns of life and worship. Church wardens brought with them lists of barriers and opportunities they faced which have been shared throughout the diocese. These will also help inform the support being offered by Support for parish teams at Church House.

The pastoral ministry within parishes is a shared one. The number of stipendiary clergy within the diocese on 31 December 2007 was 357 (2006 362). Some 40 ordinands were in training on both residential and short course training. The number of active Readers in parishes totalled 291 during the year, with 15 new Readers admitted during the year, and there are 17 Readers in training. Additionally there were 32 youth or children's workers employed within parishes, plus 4 trainee/student youth workers placed in parishes over the diocese.

Participation in the two main lay training courses, *Following Jesus* and the *Developing Discipleship* programme grew in numbers of participants and activities offered. Some 132 people are engaged in *Following Jesus* with 15 groups across the diocese. The *Developing Discipleship* programme offered 57 diocesan led modules lasting between 4 and 10 weeks including 9 courses offered through Support for parishes departments at Church House. Over 1,000 people have undertaken at least one module since the programme began reflecting a real achievement in our aim to meet the needs of a learning Church. Seventy people have now completed the new Bishop's Certificate and a further 150 people completed the lay ministers of Communion course.

For the first time the YES department (children and young people) held a family day at Chichester Cathedral involving activities for children young people and their families including seminars for adults, workshops, and all age worship bringing together a wide variety of traditions reflecting the diversity of the diocese amongst a miscellany of other activities. Almost 500 children, young people and adults attended. The department aims to repeat the successful event in future years.

Significant time was devoted to working with parishes and other charities on HM Treasury's Gift Aid consultation paper. A contribution to the official response from the Church of England was also made. A growing number of parishes reported encouraging results from using some of the comprehensive resources within the *Giving in Grace* stewardship programme. The Revd Maggie Durran led a continuing ministerial education course entitled *Generating Income*. Emphasis on encouraging legacies within parishes was developed further through a scheme of notifying potential gifts. The information and experience gained through the scheme will be developed during 2008.

A partnership known as *Eco-Faith* has been established with a number of local authorities and other organisations in Sussex to promote environmental good practice in parishes and to encourage churches to act as beacons of environmental responsibility in their communities. A resource pack distributed to all parishes was backed up with an ongoing series of seminars.

A well received presentation by the Schools department at diocesan synod highlighted the myriad of ways in which work with schools has developed since the Dearing Report gave a better focus to the sometimes competing priorities.

During 2007 a Regional IT Manager was appointed as planned. The post holder is charged to continue to develop common equipment and disciplines throughout four dioceses (Portsmouth, Winchester, Guildford and Chichester).

All departments within Church House continue to use their 5 year development plans to target the support provided and the level of involvement within communities throughout Sussex in response to the needs expressed or identified.

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REPORT OF THE TRUSTEES (continued)

FINANCIAL REVIEW

Financial overview

The company's 2007 budget had anticipated a slight deficit on the unrestricted funds (representing the underlying activities) following deaneries pledging slightly lower parish contribution than needed to balance the budget. The surplus on all funds, prior to the revaluation of fixed assets and investments, of £2,118,285 shown in these accounts includes £2.7m gains on the sale of houses, glebe land or benefice land. However despite gains in valuation of fixed assets the reduction in value of investments shows an overall loss of £136,894 leading to a reduction to the funds being carried forward at 31 December 2007.

Parish contribution payments by the end of the year reached 98.5% against deanery promises. Further payments are expected to be made throughout 2008. Once again this very creditable figure reflects the continuing and growing financial understanding and commitment of parishes to meet costs directly arising from activities at parochial level. Congregations are facing with more understanding the fact that at a time of low official inflation direct parochial costs are rising well in excess of the retail price index. However it remains clear that the cost base of both ministry and support services will need to be reviewed thoroughly over the next few years to identify what support is needed and requested by parishes and what can be afforded within the financial resources available.

Following consultation with stipendiary and retired stipendiary clergy, changes to the clergy pension scheme proposed during 2006 were accepted at the February 2007 sessions of General Synod. One issue identified during the consultation was the difficulty in provision of housing for some retired clergy. Proposals for fundamental changes to the current scheme and future access to retirement housing are expected to be made known in 2008.

Legacies of £133,984 were credited to the Board's accounts in 2007. The Board's finance committee decided to use part of one of the legacies to fund the meeting of church wardens and parish clergy at the Brighton Dome as this event reflected the donor's special interest in the equipping for mission of parochial officers and clergy. Parishes in the diocese received over £2m through legacies in 2006 (the latest year for which totals are available).

Reserves policy

The Board's policy is that the unrestricted general fund should be set at a minimum level of one month's expenditure of the current year and up to a maximum of two months expenditure. The Board considers that the minimum level is sufficient to finance working capital, fixed assets, and future investments in major projects. The main purposes of holding these funds are to avoid bank borrowing and to provide for emergencies. The minimum level was set having taken into account that most income is received on a regular basis throughout the year and is monitored by the finance committee monthly. As at 31 December 2007 the fund value was £1.2m (2006 £1.4m) representing 1.0 months of expenditure in 2007. These figures represent a deterioration and the Board will be considering how best to reverse this position.

The Board's policy is that the designated property fund should be set at a level exactly equivalent to the net book value of corporate properties. Church House, Hove and various houses for use by retired clergy make up the value of this fund. As at 31 December 2007 the fund value was £1.7m (2006 £1.7m).

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Investments

The investment strategy is to maximise income while protecting capital without taking undue risks. The company received a broad range of investment advice channelled through the diocesan treasurer and an investment sub group reporting to the finance committee. The company invests through common investment funds and does not invest directly in the stock market. It takes cognisance of the funds' ethical policies which fall within those approved of by General Synod.

During 2007 the value of the investments fell by £2.7m (see page 12), reflecting market conditions. The trustees have no immediate intention to change the existing strategy but will keep the portfolio under review. The returns on holdings are regularly compared to the various charity indices principally the WM Co charity universe index over varying periods.

Detailed information about the holdings and movements are analysed in note 9. The company's current investments are valued at £35.4m (2006 £38.1m).

PLANS FOR FUTURE PERIODS

As mentioned above the diocesan wide celebration *Cantas 08* is scheduled to be held on 21 June 2008. Parishes will present to the bishops of the diocese at the event their **mission action plans (MAPs)** for the next three to five years on which PCCs and congregation have been working on over the past 18 months. These MAPs will be shared with fellow parishes and deaneries as well as more widely to allow for development of drawing together mutual support for the implementation of joint priorities. Many parishes are already working together on plans for *Hope08* an ecumenical initiative which will help enthuse congregations as they work through their own plans.

Now that a regional IT manager has been appointed further development of a joint regional IT strategy will be brought forward. Further discussions about regional working continue looking at other areas such as training for ordination and church school staff and governors.

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

The Board holds investments and cash as custodian trustee on behalf of various parochial church councils and church aided and controlled schools. The amounts of these holdings are set out in note 20 to the Financial Statements. The Board has no right of access to these holdings for its own purposes. All cash amounts are held in segregated bank and deposit accounts. Investments are principally made with the Central Board of Finance of the Church of England.

In addition the Board is required under the Parochial Church Council's (PCC) Powers Measure 1956, to act as Custodian Trustee in respect of real and personal property relating to PCCs. The current valuation of these assets is not disclosed because the cost of annual re-valuations would be disproportionate to the benefit of disclosure. However the assets are reported in the individual PCCs' accounts.

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REPORT OF THE TRUSTEES (continued)

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the net income or expenditure, of the company for the year. 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 UK 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 operation

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.


The trustees confirm that these financial statements comply with current statutory requirements and with the requirements of the company's memorandum and articles of association.


STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in the office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

A resolution to re-appoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.


Clive Dillaway, chairman
Date 7 April 2008


Brian Hanson, vice-chairman

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
THE CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)**

We have audited the financial statements on pages 12 to 27

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable 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

The responsibilities of the trustees (who are also the directors of The Chichester Diocesan Fund and Board of Finance (Inc) for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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 whether in our opinion the Trustees'/Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 judgments 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 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 affairs as at 31 December 2007 and of its 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.
- the information given in the Trustees'/Directors' Report is consistent with the financial statements.


Baker Tilly UK Audit LLP

Registered Auditor

Chartered Accountants

International House

Queens Road, Brighton BN1 3XE

7 April 2008

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	Unrestricted funds £	Restricted funds £	Endowment funds £	TOTAL FUNDS 2007 £	TOTAL FUNDS 2006 £
<u>Incoming resources</u>	2					
Incoming resources from generated funds						
Voluntary income						
Parish contribution		11,469,574			11,469,574	10,977,399
Archbishops' Council		88,500			88,500	87,800
Other voluntary income		159,294	487,752	83,400	730,446	611,660
Activities for generating funds		244,188	3,501		247,689	236,568
Investment income		967,881	1,259,343		2,227,224	1,989,172
Incoming resources from charitable activities						
Statutory fees, chaplaincy and other income		554,126	184,775		738,901	737,241
Education, training and other		99,946	7,342		107,288	113,872
Other incoming resources		5,000	2,458,388	285,292	2,748,680	1,189,031
Total incoming resources		13,588,509	4,401,101	368,692	18,358,302	15,942,743
<u>Resources expended</u>	3					
Costs of generating funds			65,437		65,437	30,251
Charitable activities						
Contributions to Archbishops' Council		1,116,403			1,116,403	1,057,060
Resourcing ministry and mission						
Parish ministry		10,661,686	1,125,481		11,787,167	11,257,023
Support for ministry		1,585,217	944,053		2,529,270	2,041,377
Education		308,141	(8,391)		299,750	292,871
Diocesan projects		18,502	409,976		428,478	361,472
Governance costs		13,512			13,512	12,914
Total resources expended		13,703,461	2,536,556		16,240,017	15,052,968
Net incoming resources before transfers		(114,952)	1,864,545	368,692	2,118,285	889,775
Gross transfers between funds	5	37,000	(37,000)		-	-
Net incoming resources before other recognised gains and losses		(77,952)	1,827,545	368,692	2,118,285	889,775
Gains and losses on revaluations of fixed assets		41,278	8,650	375,517	425,445	962,953
Gains and losses on revaluations of investments		(69)	(974,163)	(1,706,392)	(2,680,624)	3,064,061
Gains and losses on disposal of investments						(5,190)
Net movement in funds		(36,743)	862,032	(962,183)	(136,894)	4,911,599
Total funds brought forward at 1 January 2007		3,815,465	19,047,981	43,600,257	66,463,703	61,552,104
Total funds carried forward at 31 December 2007	6	3,778,722	19,910,013	42,638,074	66,326,809	66,463,703


CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

BALANCE SHEET AT 31 DECEMBER 2007

	<u>Note</u>	<u>2007</u>	<u>2006</u>
		£	£
<u>Fixed assets</u>			
Tangible fixed assets	8	24,953,060	24,465,067
Investments	9	35,445,626	38,126,250
Total fixed assets		<u>60,398,686</u>	<u>62,591,317</u>
<u>Current assets</u>			
Debtors	10	3,248,190	1,905,057
Short term deposits		5,744,259	4,285,593
Cash at bank and in hand		<u>248,648</u>	<u>492,078</u>
		9,241,097	6,682,728
Creditors amounts falling due within one year	11	<u>(3,297,974)</u>	<u>(2,734,292)</u>
Net current assets		5,943,123	3,948,436
Total assets less current liabilities		<u>66,341,809</u>	<u>66,539,753</u>
Creditors amounts falling due after more than one year	12	(15,000)	(76,050)
NET ASSETS		<u>66,326,809</u>	<u>66,463,703</u>
<u>Funds</u>	6		
Unrestricted funds			
General		1,192,540	1,397,946
Designated		<u>2,586,182</u>	<u>2,417,519</u>
		3,778,722	3,815,465
Restricted funds		19,910,013	19,047,981
Endowment funds			
Permanent		14,544,900	15,789,930
Expendable		<u>28,093,174</u>	<u>27,810,327</u>
		42,638,074	43,600,257
		<u>66,326,809</u>	<u>66,463,703</u>
Analysis of funds			
Realised		42,462,181	40,073,341
Unrealised	7	<u>23,864,628</u>	<u>26,390,362</u>
		<u>66,326,809</u>	<u>66,463,703</u>

The financial statements on pages 12 to 27 were approved by the Board and authorised for issue on 7 April 2008 and signed on its behalf by


Clive Dillaway
Chairman


Brian Hanson
Vice-chairman

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

SUMMARY INCOME & EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	£	£
<u>INCOME</u>		
Unrestricted income	13,588,509	13,090,602
Restricted income	<u>4,401,101</u>	<u>2,600,971</u>
	<u>17,989,610</u>	<u>15,691,573</u>
<u>EXPENDITURE</u>		
Unrestricted expenditure	13,703,461	13,048,194
Restricted expenditure	<u>2,536,556</u>	<u>2,004,774</u>
	<u>16,240,017</u>	<u>15,052,968</u>
Surplus before realised gains and losses	1,749,593	638,605
Realised gains and losses on sale of investments		(5,190)
Surplus for the year	<u><u>1,749,593</u></u>	<u><u>633,415</u></u>
Split as		
Unrestricted funds	(114,952)	42,408
Restricted funds	<u>1,864,545</u>	<u>591,007</u>
	<u><u>1,749,593</u></u>	<u><u>633,415</u></u>

Explanatory note

The above statement is a re-presentation of amounts shown in the Statement of Financial Activities (SOFA) so as to comply with the requirements of the Companies Act 1985. Amounts shown in the above Income & Expenditure account are equal to the incoming and outgoing resources for unrestricted and restricted funds as disclosed on the SOFA.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>		<u>2006</u>	
	£	£	£	£
Net cash outflow from operating activities (note 19)		(1,058,562)		(1,713,249)
Returns on investment and servicing of finance				
Dividends & deposit interest		2,081,033		1,860,060
Capital expenditure and financial investment				
Payments to acquire				
tangible fixed assets	(1,176,572)		(959,409)	
Receipts from sale of				
tangible fixed assets	1,440,937		251,170	
investments			131,212	
Net cash inflow/(outflow) from capital expenditure and financial investment		264,365		(577,027)
Net cash inflow/(outflow) before financing		1,286,836		(430,216)
Financing				
Loans received			150,000	
Loan repayments	(71,600)		(132,750)	
Net cash (outflow)/inflow from financing		(71,600)		17,250
Increase/(decrease) in cash and cash equivalents		1,215,236		(412,966)
Cash flow from debt financing		71,600		(17,250)
Change in net funds arising from cash flows		1,286,836		(430,216)
Non cash adjustments		(143,837)		(132,559)
Net funds brought forward		2,984,971		3,547,746
Net funds carried forward		4,127,970		2,984,971

Analysis of changes in net funds/(debt)

	<u>2007</u>	Cashflow	Non cash	<u>2006</u>
	£	£	items	£
Short term deposits	5,744,259	1,458,666		4,285,593
Cash at bank and in hand	248,648	(243,430)		492,078
	5,992,907	1,215,236		4,777,671
Loans	(1,864,937)	71,600	(143,837)	(1,792,700)
	4,127,970	1,286,836	(143,837)	2,984,971

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

- (a) The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and certain tangible fixed assets, and in accordance with applicable accounting standards and the Companies Act 1985. They follow the recommendations in Accounting and Reporting by Charities Statement of Recommended Practice as revised in February 2005 (SORP2005), and the Diocesan Financial Statements Guide (DFSG). In considering the recommendations in SORP2005 the Board examined the various funds it held as custodian trustee.

(b) Type of funds

The company's various funds consist of

General fund - unrestricted monies available to the Board

Designated funds - monies set aside by the Board for specific purposes

Restricted funds - funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure

Permanent Endowment funds - monies which must be held indefinitely as capital. The income thereon may be used either in accordance with the donors' wishes, if stipulated, or for general purposes.

Expendable Endowment funds - monies which must be held as capital but which may be utilised for specific purposes under certain conditions.

(c) Funds and assets excluded from the financial statements

The company holds various funds as custodian trustee for parishes, schools and other organisations. These funds are not included in the principal financial statements but are disclosed by summary in note 20.

(d) Freehold properties

Freehold properties comprise

Parsonages - as these properties are not legally vested in the diocese, the Board has decided that it wishes to adopt the alternative basis of presentation recommended by the DFSG and include the value of these properties by way of note only.

Glebe properties - these have been incorporated in the financial statements at their insurance values at the year end. Glebe properties utilised for the furtherance of the Board's charitable objectives have been included in freehold properties, whereas those held for investment purposes are included in investment properties.

Properties subject to value linked loans - these are revalued annually in line with the increases in the value of the related loans from the Church Commissioners. These are revised each year based on the movement in the Nationwide Building Society housing index.

Redundant churches - the value to the Board of these churches, in their current useage, is considered uncertain and therefore has not been brought into these accounts.

Glebe land - the value of such land is considered immaterial and has not been brought into these accounts.

Other properties owned by the company - included at cost, and subject to depreciation as explained in policy (e).

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

(e) Depreciation

Depreciation is calculated to write down the cost of all fixed assets, excluding freehold land and buildings and leaseholds with over 50 years to run, over their expected useful lives

The rates generally applicable are

Diocesan offices (freehold building)	2% straight line
Leasehold buildings (lease less than 50 years)	Period of lease
Computer equipment	33 1/3% p a straight line
Furniture and fittings	25% p a reducing balance

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided on investment properties, but they are revalued annually

No depreciation has been provided on the other company properties as these comprise residential accommodation where the residual value is expected to be maintained, as it is the company's policy to maintain these assets in a continual state of sound repair. The useful economic lives of these assets is thus so long and the residual values so high that any depreciation would not be material. These assets will be subject to annual impairment reviews. Provision will be made if there has been any permanent diminution in value.

(f) Investments

Investments are included at their market value at the balance sheet date. All changes in value in the year, whether or not realised, are reported in the statement of financial activities (SOFA). The historical cost of the investments is separately disclosed in the notes to the accounts.

(g) Incoming resources

All incoming resources are included in the SOFA when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Parish contributions, being voluntary income, are accounted for on a receipts basis.

(h) Resources expended

Expenditure is recognised when a liability is incurred and has been classified under headings that aggregate all costs related to the SOFA category.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

Where costs cannot be directly attributed to particular headings they have been allocated or apportioned to activities on a basis consistent with use of the resources.

(i) Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred.

(j) Legacies

Legacies are included in the financial statements on a receivable basis. Unless the terms of the bequest otherwise require, legacies are allocated to the company's unrestricted funds.

(k) Contributions to pension funds

Contributions are made for clergy and certain licensed lay into the Church Of England Funded Pensions Scheme, and for certain staff to the Church of England Defined Benefits Scheme. These are administered by the Church of England Pensions Board. Contributions are charged against income to cover the cost of benefits arising from the current service of employees. Contributions are also made for certain staff to the Teachers Pension Scheme, which is an unfunded scheme, and to personal pension plans.

The company is unable to identify its share of the underlying assets and liabilities for the three defined benefit schemes. Consequently the company has taken advantage of the exemption in FRS17 and has accounted for the contributions in respect of all these schemes as if they were defined contribution schemes. Further details are provided in note 16.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Incoming resources

	Unrestricted funds £	Restricted funds £	Endowment funds £	TOTAL FUNDS 2007 £	TOTAL FUNDS 2006 £
Parish contributions					
Current year	11,359,614			11,359,614	10,875,586
Prior years	99,520			99,520	99,203
Other parish contributions	10,440			10,440	2,610
	<u>11,469,574</u>			<u>11,469,574</u>	<u>10,977,399</u>
Archbishops' Council voluntary income					
Grant for mission fund	88,500			88,500	87,800
	<u>88,500</u>			<u>88,500</u>	<u>87,800</u>
Other voluntary income					
Donations	10,192	229,393		239,585	147,959
Legacies		50,584	83,400	133,984	161,500
Grants from other organisations	7,000	207,775		214,775	171,231
All Churches Trust (EIG)	142,102			142,102	130,970
	<u>159,294</u>	<u>487,752</u>	<u>83,400</u>	<u>730,446</u>	<u>611,660</u>
Activities for generating funds					
Rental income from parsonages	244,188	3,501		247,689	236,568
	<u>244,188</u>	<u>3,501</u>		<u>247,689</u>	<u>236,568</u>
Investment income					
Dividends & deposit interest	967,881	1,113,152		2,081,033	1,860,060
Glebe rental income		146,191		146,191	129,112
	<u>967,881</u>	<u>1,259,343</u>		<u>2,227,224</u>	<u>1,989,172</u>
Statutory fees, chaplaincy and other income					
Fees for parochial services	554,126			554,126	544,365
Guaranteed annuities		101,482		101,482	115,395
Trust income		83,293		83,293	77,481
	<u>554,126</u>	<u>184,775</u>		<u>738,901</u>	<u>737,241</u>
Education, training and other	<u>99,946</u>	<u>7,342</u>		<u>107,288</u>	<u>113,872</u>
Other incoming resources					
Sale of parsonages/benefice land		2,221,784		2,221,784	925,937
Sale of redundant churches		229,706		229,706	
Net gains on disposal of fixed assets			285,292	285,292	251,170
Other	5,000	6,898		11,898	11,924
	<u>5,000</u>	<u>2,458,388</u>	<u>285,292</u>	<u>2,748,680</u>	<u>1,189,031</u>
Total incoming resources	<u>13,588,509</u>	<u>4,401,101</u>	<u>368,692</u>	<u>18,358,302</u>	<u>15,942,743</u>

3 Resources expended

Cost of generating funds					
Glebe management charges		65,437		65,437	30,251
		<u>65,437</u>		<u>65,437</u>	<u>30,251</u>

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 Resources expended (continued)

	Unrestricted funds £	Restricted funds £	Endowment funds £	TOTAL FUNDS 2007 £	TOTAL FUNDS 2006 £
Contributions to Archbishops' Council					
National Church responsibilities	646,521			646,521	651,249
Training for ministry	469,882			469,882	405,811
	<u>1,116,403</u>			<u>1,116,403</u>	<u>1,057,060</u>
Resourcing ministry and mission - parish ministry					
Parochial stipends and national insurance	5,602,037	1,032,798		6,634,835	6,632,294
Pension contributions	2,283,469			2,283,469	1,937,082
Housing costs including property department	1,543,176			1,543,176	1,472,289
Mission fund grants	122,698			122,698	84,487
Resettlement and associated payments	288,728			288,728	277,687
Other payments directly associated with personal support		92,683		92,683	78,371
Church insurance	741,724			741,724	706,888
Support costs (note 4)	79,854			79,854	67,925
	<u>10,661,686</u>	<u>1,125,481</u>		<u>11,787,167</u>	<u>11,257,023</u>
Resourcing ministry and mission - support for ministry					
Diocesan support of ordinands in training	280,260	46,766		327,026	260,342
Adult education	188,123			188,123	178,835
Children and youth work	133,348			133,348	108,162
Mission, renewal & stewardship	151,898			151,898	148,351
Social concerns	101,785			101,785	103,290
Diocesan Advisory Committee	49,461			49,461	48,563
Pastoral and Redundant Churches Uses Committees	48,277			48,277	30,216
Redundant churches	31,576			31,576	49,143
Communications	55,248			55,248	48,960
University chaplains & ecumenical groups	49,798			49,798	52,065
Chancellor & Registrar	41,763			41,763	41,482
Parsonage additions		853,970		853,970	524,428
Grants	41,000	24,108		65,108	50,241
Other sundry activities		19,209		19,209	26,677
Support costs (note 4)	412,680			412,680	370,622
	<u>1,585,217</u>	<u>944,053</u>		<u>2,529,270</u>	<u>2,041,377</u>
Education					
Church schools department	277,735			277,735	261,712
Training courses	4,075			4,075	4,618
Aided Schools fund		(8,391)		(8,391)	211
Support costs (note 4)	26,331			26,331	26,330
	<u>308,141</u>	<u>(8,391)</u>		<u>299,750</u>	<u>292,871</u>
Diocesan projects					
Open Door		244,293		244,293	233,562
The Point (mid Sussex network church)		165,683		165,683	112,367
Support costs (note 4)	18,502			18,502	15,543
	<u>18,502</u>	<u>409,976</u>		<u>428,478</u>	<u>361,472</u>
Governance costs					
Auditor's remuneration - audit	13,512			13,512	12,914
Auditor's remuneration - other					
	<u>13,512</u>			<u>13,512</u>	<u>12,914</u>
Total resources expended	<u>13,703,461</u>	<u>2,536,556</u>		<u>16,240,017</u>	<u>15,052,968</u>

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Allocation of support costs

The company analyses its support costs as shown in the table below. These costs are then allocated to four of the charitable activities on a usage basis.

	Resourcing ministry and mission	Education	Diocesan projects	TOTAL 2007
	Parish ministry £	Support for ministry £	£	£
Central services department	5,844	93,035	18,007	116,886
General office department	49,126	184,223	12,281	245,630
Finance department	24,884	87,095	6,221	124,421
Depreciation		39,965	2,103	42,068
Major repairs to Church House		8,362		8,362
	79,854	412,680	26,331	537,367

5 Analysis of transfers between funds

	Unrestricted funds General £	Unrestricted funds Designated	Restricted funds £	Total 2007 £
Property rents paid by mission fund	17,805	(17,805)		-
Transfer to clergy pension fund	(246,400)	246,400		-
Grants to female ordinands	15,000	(15,000)		-
Administration charge made to Aided Schools fund	37,000		(37,000)	-
	(176,595)	213,595	(37,000)	-

6 Funds - Analysis of funds movements during the year

	Bal b/fwd 1 Jan 2007 £	Income £	Expenditure £	Other gains and losses £	Transfers £	Bal c/fwd 31 Dec 2007 £
Unrestricted funds						
General Fund	1,397,946	13,434,241	(13,463,052)		(176,595)	1,192,540
Designated funds	2,417,519	154,268	(240,409)	41,209	213,595	2,586,182
	3,815,465	13,588,509	(13,703,461)	41,209	37,000	3,778,722
Restricted funds						
Diocesan Pastoral account	14,712,417	2,502,074	(873,180)	(885,246)		15,456,065
Clergy & diocesan stipends fund	-	1,098,234	(1,098,234)			-
Clergy training	-	46,766	(46,766)			-
Clergy welfare	586,326	124,154	(92,683)	8,650		626,447
Clergy widows	42,373	241				42,614
University chaplaincy	23,039	2,243				25,282
Jenkinson trust	1,921	2,300				4,221
Hayllar trust	48,236	6,192				54,428
Open Door project	100,453	216,803	(244,293)	(11,719)		61,244
Archdeacons' loan funds	1,389,332	53,850		(43,286)		1,399,896
O/seas bishoprics' fnd for Guinea	2,253	961				3,214
The Point	54,220	232,303	(165,683)			120,840
Aided Schools fund	2,054,285	88,154	8,391	(33,912)	(37,000)	2,079,918
The Arnold Bequest	33,126	26,826	(24,108)			35,844
	19,047,981	4,401,101	(2,536,556)	(965,513)	(37,000)	19,910,013

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Funds - Analysis of funds movements during the year (continued)

	Bal b/fwd 1 Jan 2007	Income	Expenditure	Other gains and losses	Transfers	Bal c/fwd 31 Dec 2007
	£	£	£	£	£	£
Endowment funds						
Permanent endowments						
Clergy stipends fund	13,943,893			(1,139,310)		12,804,583
Jenkinson trust	49,864			(4,079)		45,785
Training	884,205			(77,353)		806,852
University chaplaincy	272,558			7,509		280,067
Hayllar trust	69,081			(5,218)		63,863
The Arnold Bequest	570,329			(26,579)		543,750
	15,789,930			(1,245,030)		14,544,900
Expendable endowments						
Diocesan stipends fund	21,340,064	368,692		207,680		21,916,436
Clergy welfare fund	2,220,669			(197,592)		2,023,077
Elfinward fund	2,179,783			(193,392)		1,986,391
Terry's Cross	2,069,811			97,459		2,167,270
	27,810,327	368,692		(85,845)		28,093,174
Total funds	66,463,703	18,358,302	(16,240,017)	(2,255,179)		66,326,809

General fund - assets held by the Board for carrying out its general activities, providing the assets and liquidity for the Board to carry out its objectives including statutory compliance

Designated funds - funds the Board has set aside for specific sundry purposes falling within its normal activities Included are the property fund, clergy pension fund, Church House reserve, Bishop's Certificate, mission fund and the staff welfare fund

Diocesan Pastoral account - held for the purposes laid down in Section 78 of the Pastoral Measure 1983 Income is mainly derived from the proceeds of benefice property sales and bequests

Clergy stipends fund - comprises funds generated from sale of glebe land and properties The funds function is to produce income for stipends support

Diocesan stipends fund - fund is governed by the Diocesan Stipends Fund Measure 1953 as amended by the Endowments and Glebe Measure 1998, and the Miscellaneous Provisions Measure 1992 Income is mainly derived from the sale of glebe The fund's function is to produce income for stipends support

Training fund - comprises funds from various bequests The income is used to support ordination training costs

Clergy welfare fund - fund is governed by a 1993 Charity Commission scheme with income being used for the welfare of clergy, their spouses or others licensed staff who work or have worked in the diocese

Clergy widows fund - fund represents a legacy from Charles Peckham to provide financial grants or other benefits for widows of the clergy

University chaplaincy fund - fund is governed by a trust deed dated 21 July 1961 The fund is to provide a house for the University of Sussex chaplain and to assist that chaplain in the fulfilment of their duties

Jenkinson trust - fund represents a legacy from William Jenkinson Income from the fund is used for necessitous Church of England gentlewomen or as the diocesan fund finds most fitting

Hayllar trust - fund represents a legacy from Sidney Hayllar Income from the fund is used to help clergy with personal costs such as education and personal support and general financial problems

Open Door project - funds arising from activities associated with an HIV/Aids project in Brighton

Archdeacons' loan funds - comprises funds from three gifts and the proceeds of a fundraising campaign The accumulated income is used to make loans to parishes to help fund repairs to churches and church halls

Overseas bishoprics' fund for Guinea - comprises funds transferred from Partners in Mission to support work in Guinea identified by the Bishop of Guinea and other episcopal expenses

The Point - funds arising from the network cell church operating in mid Sussex

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

6 Funds - Analysis of funds movements during the year (continued)

Aided Schools fund - this represents the pooled sale proceeds of closed Church schools in the diocese in accordance with Section 287(2) of the Education Act 1993. The fund can be used for the building, extension and maintenance of Church schools.

The Arnold bequest - funds originated under a court order arising from the will of Andrew William Arnold, a Charity Commission scheme dated 2001 confirms the company's trusteeship. The first call on the income is the payment of the stipend of the parish priest responsible for Southgate St Mary.

Elfinswald fund - fund created by sale of a former retreat house. The income from the fund is used to support stipends, communications work and retreat grants.

Terry's Cross - this fund represents the value of a house, originally given as a gift to the diocese, to provide accommodation for retired clergy and church workers.

7 Analysis of net assets by fund at 31 December 2007

	Unrestricted Funds £	Restricted Funds £	Endowments Funds £	Total £
Fund balances at 31 December 2007 are represented by				
Tangible fixed assets	1,758,424	1,280,822	21,913,814	24,953,060
Investments	4,825	14,918,133	20,522,668	35,445,626
Current assets	3,351,584	5,687,921	201,592	9,241,097
Current liabilities	(1,321,111)	(1,976,863)		(3,297,974)
Long term liabilities	(15,000)			(15,000)
Total net assets	3,778,722	19,910,013	42,638,074	66,326,809
Unrealised gains attributable to the company included above				
On tangible fixed assets	689,970	51,334	6,946,750	7,688,054
On investments	(175)	4,785,723	11,391,026	16,176,574
Total unrealised gains at 31 December 2007	689,795	4,837,057	18,337,776	23,864,628
Reconciliation of movements in unrealised gains on assets				
Unrealised gains at 1 January 2007	648,586	5,802,570	19,939,206	26,390,362
Movement in respect of disposals in year			(270,555)	(270,555)
	648,586	5,802,570	19,668,651	26,119,807
Gains arising on revaluations in year	41,209	(965,513)	(1,330,875)	(2,255,179)
Unrealised gains at 31 December 2007	689,795	4,837,057	18,337,776	23,864,628

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 Tangible fixed assets	Freehold properties	Freehold investment properties	Long l/hold investment properties	Other	TOTAL
	£	£	£	£	£
Cost or valuation					
At 1 January 2007	21,789,410	2,462,114	266,623	280,979	24,799,126
Additions	1,106,522			70,050	1,176,572
Disposals	(1,155,645)				(1,155,645)
Revaluation	404,341	98,091	10,171		512,603
At 31 December 2007	22,144,628	2,560,205	276,794	351,029	25,332,656
Depreciation					
At 1 January 2007	95,711			238,348	334,059
Provided in the year	13,673			31,864	45,537
At 31 December 2007	109,384			270,212	379,596
Net book amounts					
At 31 December 2007	22,035,244	2,560,205	276,794	80,817	24,953,060
At 31 December 2006	21,693,699	2,462,114	266,623	42,631	24,465,067
Historic cost					
At 31 December 2007	15,185,106	1,254,704	160,047	351,029	16,950,886

Freehold properties include the diocesan offices used for administration purposes at a cost of £683,644 and a net book value of £574,260 (2006 £587,933). Other freehold properties are glebe houses for team vicars and curates. The revaluation surplus includes £87,158 (in respect of equity sharing properties) that does not accrue to the company.

Parsonage housing

The freeholds of these properties vest in the incumbents, consequently the company does not enjoy the benefits of ownership. The company may receive the proceeds only if a property becomes surplus to requirements and the appropriate consents have been obtained. The Board therefore considers that these properties should not be included as company assets. The total insured value of the 276 parsonages at 31 December 2007 (2006 276) was £89,182,002 (2006 £85,977,960).

9 Investments

	M&G Charifund	Central Board of Finance	TOTAL
	£	£	£
Market value			
At 1 January 2007	25,455,293	12,670,957	38,126,250
Revaluation deficits	(2,218,863)	(461,761)	(2,680,624)
At 31 December 2007	23,236,430	12,209,196	35,445,626
Cost			
At 31 December 2007	6,299,850	12,969,202	19,269,052
At 31 December 2006	6,299,850	12,969,202	19,269,052
Income received in the year	1,130,694	672,719	1,803,413
Total income from the above holdings			1,803,413
Deposit and sundry other interest			277,620
Total investment income			2,081,033

10 Debtors

	2007	2006
	£	£
Concessionary (interest free) loans to parishes	249,250	266,286
Other loans to parishes & other organisations	1,240,527	897,343
Loans re school building projects	856,409	477,741
Prepayments and accrued income	298,019	164,982
Other debtors	603,985	98,705
	3,248,190	1,905,057

Loans totalling £980,554 (2006 £980,554) are not repayable within one year. Included within other debtors is an amount of £444,000 representing costs incurred to date on the redevelopment of Mardens, Crowborough (a retired clergy house) which is expected to be completed by April 2008 at a total cost of £575,000. The directors anticipate that these costs will be recovered when one of the two houses being built is sold. The second property will be retained for use within the Diocese. Any surplus or deficit on the sale of the property will be written off against the Diocesan Pastoral account in accordance with normal practice.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Creditors amounts falling due within one year

	<u>2007</u>	<u>2006</u>
	£	£
Loans (note 13)	1,849,937	1,716,650
Liabilities for housing repairs	243,242	138,194
Social security and other taxes	33,002	34,946
Accruals	44,235	64,195
Other creditors	1,127,558	780,307
	<u>3,297,974</u>	<u>2,734,292</u>

12. Creditors amounts falling due after more than one year

	<u>2007</u>	<u>2006</u>
	£	£
Loans (note 13)	<u>15,000</u>	<u>76,050</u>

13. Loans

	<u>2007</u>	<u>2006</u>
	£	£
Church Commissioners	1,823,387	1,681,150
Central Board of Finance	25,000	95,000
Others	16,550	16,550
	<u>1,864,937</u>	<u>1,792,700</u>
Loans are repayable as follows		
Within one year	1,849,937	1,716,650
After one year and within two years	10,000	27,100
After two years and within five years	5,000	48,950
	<u>1,864,937</u>	<u>1,792,700</u>

Church Commissioners loans totalling £1,138,716 (2006 £1,051,558) are secured on properties held by the Board for its direct charitable purposes

14. Taxation

The company is a registered charity and is exempt from taxation (s 505 Income & Corporation Taxes Act 1988)

15. Representatives of the board, employees and clergy

Staff costs during the year	<u>2007</u>	<u>2006</u>
	£	£
Gross wages and salaries	925,718	836,726
Employer's national insurance contributions	71,296	67,357
Pension costs (note 16)	139,984	112,802
	<u>1,136,998</u>	<u>1,016,885</u>

The average number of employees, based on full-time equivalents, for the year was	<u>32</u>	<u>32.</u>
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No remuneration has been or is payable to Board representatives in respect of services performed as a director
Archdeacons or parochial ministers who are directors, whether ex-officio, elected, appointed or co-opted, in receipt of a stipend and housing are paid via the Board by virtue of their office

£448 was paid to 2 committee members in reimbursed expenses (2006 £395 to 2)

The three diocesan archdeacons received reimbursement of their operating & office expenses of £42,163 (2006 £44,056)

One employee received remuneration in the band £60,001 to £70,000 (2006 one employee in the band £60,001 to £70,000)

There were no contributions to any defined contribution pension schemes of the higher paid employee during the year

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Representatives of the board, employees and clergy (continued)

Parochial clergy, licensed clergy & licensed layworkers	2007 £	2006 £
Stipends	6,575,660	6,518,761
Employer's National Insurance contributions	397,957	396,320
Pension costs (note 16)	2,283,469	1,937,082
	<u>9,257,086</u>	<u>8,852,163</u>
Average number of clergy	328	335

16 Pension schemes

The company contributes to the following pension schemes	2007 £	2006 £
The Church of England Funded Pensions Scheme	2,283,469	1,937,082
The Church of England Defined Benefits Scheme	115,458	90,903
Teachers' Pension Scheme	18,575	16,063
Personal pension schemes	5,951	5,836
Totals	<u>2,423,453</u>	<u>2,049,884</u>

Church of England Funded Pensions Scheme

The company participates in the Church of England Funded Pensions Scheme and employs 314 members of the Scheme out of a total membership of approximately 10,000 active members

The Church of England Funded Pensions Scheme is a defined benefit scheme but the company is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2003. This revealed a shortfall of £91m, with assets of £196m and a funding target of £287m.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the company to account for pension costs on the basis of contributions actually payable to the Scheme in the year. Following the results of the valuation, the company contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005.

Following a subsequent informal review of the Scheme's funding position the company's contribution rate increased again to 39.8% of pensionable stipends with effect from 1 January 2007 as an interim measure, pending the results of the next formal valuation of the Scheme.

A new valuation has now been carried out, as at 31 December 2006. This has revealed a shortfall of £141m with assets of £468m and a funding target of £609m, assessed using the following assumptions:

- * An investment strategy of a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years, and the balance of the assets in equities,
- * Investment returns of 4.25% on gilts and 5.75% on equities,
- * RPI inflation of 3.1% pa (and pension increases consistent with this),
- * Increase in pensionable stipends 4.6% pa, and
- * Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowances for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

Taking account of the results of that valuation, as well as some agreed changes to benefits, the contribution rate from 1 April 2008 will be 39.7% of pensionable stipends.

Church of England Defined Benefits Scheme

The company participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund.

The company is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. A valuation of the Fund was carried out as at 31 December 2004 and the company's contribution rate was revised to 18.51% with effect from 1 January 2006.

At 31 December 2007 the company had 28 active members and 7 deferred pensioner members in the Fund.

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 Pension schemes (continued)

Teachers' Pension Scheme (TPS)

The TPS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates. The pensions cost is assessed every five years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

- *Latest actuarial valuation: 31 March 2004
- *Actuarial method: Prospective Benefits
- *Investment returns per annum: 6.5%pa
- *Salary scale increases per annum: 5%pa
- *Market value of assets at date of last valuation: £162 billion
- *Proportion of members' accrued benefits covered by the actuarial value of the assets: 98.88%

Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the company has accounted for its contributions as if it were a defined contribution scheme. The company's contribution rate was 13.5% during the year.

17. Commitments and contingent liabilities

Annual commitment in respect of equipment operating leases which expire between two and five years total £20,000 (2006: £20,000)

There were no capital commitments at 31 December 2007 nor at 31 December 2006.

There were outstanding order commitments totalling £131,000 (2006: £nil) for the redevelopment of Mardens, Crowborough.

The company has guaranteed a loan to the trustees of the Old School House, Berwick. At 31 December 2007 there was £17,975 outstanding (31 December 2006: £22,555).

The company has guaranteed a loan to Angmering St Margaret PCC. At 31 December 2007 there was £76,893 outstanding (31 December 2006: £76,907).

18 Related party transactions

The company deals with related charities as part of its normal activities. Further details are provided in the financial statements as follows:

- (a) Contributions and assigned fees from parishes (PCCs) (note 2)
- (b) Investments with a market value of £12,670,957 at 31 December 2006 invested with the Central Board of Finance of the Church of England (see managed funds, note 9)
- (c) Loans from the Central Board of Finance and Church Commissioners (note 13)
- (d) Loans to parishes (note 10)
- (e) Included within donations (note 2) is the sum of £9,600 (2006: £9,250) from the Dean & Chapter of Chichester Cathedral.

19 Net cashflow from operating activities

	<u>2007</u>	<u>2006</u>
	<u>£</u>	<u>£</u>
Total incoming resources	18,358,302	15,942,743
Total resources expended	(16,240,017)	(15,052,968)
	<u>2,118,285</u>	<u>889,775</u>
Depreciation	45,537	51,087
Gain on disposal of tangible fixed assets	(285,292)	(251,170)
Investment income - dividends & deposit interest	(2,081,033)	(1,860,060)
Increase in debtors	(1,286,454)	(190,048)
Increase/(decrease) in creditors	430,395	(352,833)
Net cash outflow from operating activities	<u>(1,058,562)</u>	<u>(1,713,249)</u>

CHICHESTER DIOCESAN FUND AND BOARD OF FINANCE (INC)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 Amounts held by the Board as custodian trustee

	Capital funds	Income funds	TOTAL FUNDS 2007	TOTAL FUNDS 2006
	£	£	£	£
Parish & other trusts	12,642,621	4,366	12,646,987	12,257,708
Trust fund for chancel repairs	351,368	171,595	522,963	502,018
Funds held for church school trustees	2,358,510		2,358,510	2,410,094
	<u>15,352,499</u>	<u>175,961</u>	<u>15,528,460</u>	<u>15,169,820</u>
Represented by				
Investments at market value at 31 December			13,186,143	12,796,181
Short term deposits and cash at bank			2,345,267	2,375,439
Creditors			(2,950)	(1,800)
			<u>15,528,460</u>	<u>15,169,820</u>

All investments, short term deposits and cash are held in segregated funds, deposit and bank accounts. Each year the company advises the trustees of the above funds the amount it is holding on their behalf.