

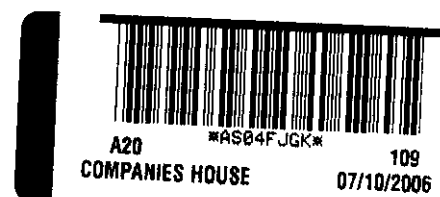
Registered number: 145650

Charity number: 249972

Canterbury Diocesan Board of Finance
(A company limited by guarantee)

Directors Report and Financial Statements

For the year ended 31 December 2005



Canterbury Diocesan Board of Finance

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Canterbury Diocesan Board of Finance

Legal and administrative information For the year ended 31 December 2005

Directors

Ex-officio directors:

The Archbishop of Canterbury
The Bishop of Dover
The Bishop of Maidstone
Canon Patrick Sales
The Archdeacon of Canterbury

The Archdeacon of Maidstone
The Dean of Canterbury
Mrs Caroline Spencer
Mr Raymond Harris (Chairman)

The other directors are elected every three years by members of the Diocesan Synod.
The term of the present directors expires at the end of year 2006. The current directors are:

Dr David Bowen
Mrs Ann Foat
Mr Christopher Gabriel
Reverend Karen Gorham
Reverend Colin Preece
Mr Barrie Marshall

Mr Lionel Marchant
Mr Bernard Mee
Reverend John S Richardson
Canon Mark Roberts
Mrs Margaret Tilley

Company Registered Number
145650

Charity Registered Number
249972

Registered Office
Diocesan House, Lady Wooton's Green, Canterbury, Kent, CT1 1NQ

Secretary
Mr D Kemp

Accountant
Mr J Hills

Auditors
Reeves & Neylan, 37 St Margaret's Street, Canterbury, Kent, CT1 2TU

Bankers
Lloyds TSB plc, 49 High Street, Canterbury, Kent, CT1 2SE

Solicitors
Mowll & Mowll, 35 & 36 Castle Street, Dover, Kent, CT16 2SE

Canterbury Diocesan Board of Finance

Directors' report

For the year ended 31 December 2005

The Trustees, who are also directors of the charity for the purposes of the Companies Act, and constitute the Archbishop's Council, submit their annual report and the financial statements of Canterbury Diocesan Board of Finance (the Board) for the year ended 31 December 2005. The Trustees confirm that the annual report and financial statements of the Board comply with current statutory requirements, the requirements of the Board's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000.

Method of appointment or election of Trustees

The management of the Board is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

Objects, policies and organisation

The Canterbury Diocesan Board of Finance (The Board) continues to function under the Diocesan Board of Finance Measure 1925 as the financial executive of the Diocesan Synod and is responsible for the custody and management of the Synod's funds and properties.

Our policy continues to be the financing of ministry in the parishes of the Diocese and the maintenance of central and support services.

The Diocese of Canterbury is part of the Church of England - a Church whose calling is to serve all the people of our Country, and a church that is present in every local congregation. Through the Diocesan and Provincial networks, all congregations are in fellowship, each helping and being helped by others.

Our Vision is that in every local community of this Diocese there should be a worshipping, welcoming and serving congregation, working with Christians of other traditions and people of goodwill, witnessing to the transforming power of the love of God as seen in Jesus.

The Board is organised so that the directors meet regularly to manage its affairs. The principal officers manage the day to day administration of the Board. The remaining staff assist in the administration as appropriate.

The clergy and laity in the parishes have every cause to be grateful for the manner in which they are served by the committed staff at Diocesan House.

Review of activities and future development

The Board has continued to ensure the financing of ministry in the parishes of the diocese and the maintenance of central and support services and is encouraged by the steady progress the majority of parishes are making towards becoming self-supporting.

During the year there was more participation by the Deaneries in the work of mission planning and ministerial deployment, together with the management of the financial resources of the Parishes.

The Statement of Financial Activities shows an overall deficit across all funds of £28,481 for the year.

Important transactions during the year:

The Board budgeted to receive £6,122,892 in Parish Shares to cover the costs of the Ministry, Support Services and Mission. After taking into account the income from the Transitional Subsidy Fund there was an overall deficit of £73,107 on the unrestricted funds, which represents 0.1% of the total expenditure during the year. This is after taking into account the write off of costs of £30,093 from the Night Club Chaplain project in Maidstone.

Canterbury Diocesan Board of Finance

The Board's funds at 31 December 2005 stood at £11.4m summarised as follows:

	£'000
Unrestricted funds	1,880
Designated funds	6,352
Restricted funds	1,368
Endowment funds	1,829

The present level of funds is adequate for the future plans and commitments in continuing the Board's policies and the directors consider the financial position to be satisfactory.

All of the Board's assets are held for charitable purposes. The directors are of the opinion that the open market value of freehold property is in excess of the written down value shown in the balance sheet.

Investments held by the Board have been acquired in accordance with powers available to the directors.

Reserves policy

The policy of the Board is to hold working reserves (immediately available in undesignated investments and cash) of between 15-20% of its annual budget. In 2005 this would yield holdings of between £1.2m and £1.6m. The working reserves are regarded as the minimum required to enable the Board to withstand cash flow fluctuations in the course of its normal business. At the end of 2005 the Board's working reserves fell to below this range as new ministry property was purchased for new training curates whilst some unused properties failed to sell within the financial year. The Board has approved the financing of some future ministry property purchases through mortgages arranged with the Kent Reliance Building Society in order to safeguard the ongoing level of working reserves.

Investment policy and performance

The Investment Policy was reviewed during 2005:

- Having reviewed the options the Board will continue to use CCLA Management Ltd to manage their investment portfolio.
- To keep surplus liquid funds on short term deposit
- To maintain holdings of longer term investments at the following holding levels:
Investment Fund (50-55%) Property Fund (30%), Fixed Interest Fund (15-20%).

Despite higher oil prices, and terrorist activity throughout the year, corporate earnings have continued to rise strongly and this in turn has led to a strong rise in equity markets. The CBF Investment Fund's total capital and income return grew by 19% during the year compared with a rise in the FTSE 100 Index of 19.4% and the FTSE All-Share Index of 20.2%, with the under-achievement principally attributable to the CBF's ethical investment policy. The CBF Fixed Interest Securities Fund capital and income return was 7.1% compared with the FTSE UK Government All Stocks Index return of 7.2 %. The CBF Deposit Fund rate averaged 4.48% (4.56% AER).

The directors believe that their review of the investment policy during the year ensured that the Board was well placed to benefit from the capital appreciation caused by the upswing in the markets while at the same time protecting income. The policy will be closely reviewed to optimise investment returns over the medium to long term.

Risk management

The directors actively review on a regular basis the major risks which the Board faces and believe that maintaining our free reserves at the level stated above, combined with our annual review of the major strategic, business and operational risks, will provide sufficient resources in the event of adverse conditions. A comprehensive review of the Board's exposure to risk and its management is planned for 2006. The directors confirm that systems have been established to enable regular reports to be produced so that necessary steps can be taken to mitigate the significant risks.

Grant making policies

Grants are made in accordance with the terms of each fund as detailed in Note 6 on page 12.

Canterbury Diocesan Board of Finance

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Connected charities

The accounts of the Board do not reflect the operations of the various bodies which have been established by and are answerable to the Diocesan Synod, and which are funded by the Board. Their annual reports and accounts are presented to the Diocesan Synod but their funds, assets and liabilities are not incorporated in the Board's own accounts.

The Board remains ultimately responsible for their liabilities and, if in the view of the directors, any liability or potential liability existed in connection with such bodies at 31 December 2005, this would be noted under the heading of contingent liabilities. The bodies concerned are:

Diocesan Board of Education
Council for Social Responsibility
Church in Society
Diocesan Association for the Deaf

Funds Held on Behalf of Others

The Board acts as Custodian Trustee in respect of trusts administered on behalf of managing trustees, which includes incumbents, churchwardens, Parochial Church Councils and other organisations of the Diocese. The assets held in the capacity of Custodian Trustee include freehold property and investments.

The Board also administers funds, on behalf of Parochial Church Councils, on an agency basis for investment and obtains income tax repayments, relating to Deeds of Covenant and Gift Aid, on behalf of parishes and other Diocesan organisations. The tax recovered during 2005 was £1.2m.

In 2000 the Board arranged for the Central Board of Finance Investment Office to take over the administration of investments held on behalf of parishes, with the exception of Endowment Funds. The Board is still administering investments with a value of £3.39m.

The assets of these funds are held separately from those of the Board.

Political and Charitable Donations

The Canterbury Diocesan Board of Finance is a charity registered with the Charity Commission and a proportion of its payments are for charitable purposes as detailed in the accounts. No political contributions were made in the year.

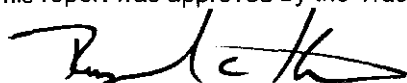
Directors' responsibilities

Company and charity law applicable to charities in England/Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that period. In preparing those financial statements the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the Trust will continue in operation).

The Trustees have overall responsibility for ensuring that the Board has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

This report was approved by the Trustees on 6/4/06 and signed on its behalf, by:



Mr Raymond Harris (Chairman)



Bishop Stephen Venner

Canterbury Diocesan Board of Finance

Independent Auditors' report to the members of Canterbury Diocesan Board of Finance

We have audited the financial statements of Canterbury Diocesan Board of Finance for the year ended 31 December 2005 set out on pages 6 to 25. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Statement of Recommended Practice: 'Accounting by Charities'

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 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 company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the charity's Directors (who also act as company directors of Canterbury Diocesan Board of Finance) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the charitable Board 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 Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

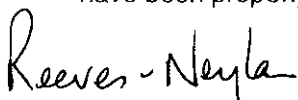
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to charities, of the state of the Board's affairs as at 31 December 2005 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985..



Reeves & Neylan

Chartered Accountants & Registered Auditors

Canterbury

Date: 7 April 2006

Canterbury Diocesan Board of Finance

Statement of Financial Activities For the year ended 31 December 2005

	Note	Endowment Funds 2005 £	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Incoming resources						
Donations, legacies and similar incoming resources	2	-	585,844	95,285	681,129	354,943
Activities in furtherance of the charity's objects	3	-	-	6,317,450	6,317,450	5,969,099
Investment income	4	72,492	68,582	176,255	317,329	363,332
Other incoming resources	5	-	-	370,707	370,707	1,243,788
Total incoming resources		72,492	654,426	6,959,697	7,686,615	7,931,162
Resources expended						
Charitable expenditure:						
Grants payable - institutional	6	-	737,647	509,767	1,247,414	1,459,626
Costs of activities in furtherance of the charity's objects	7	-	-	5,910,702	5,910,702	5,422,426
Support costs for grants and activities	8	-	-	1,075,706	1,075,706	1,020,049
Resources expended on managing and administering the charity	9	-	14,000	15,000	29,000	30,000
Total resources expended		-	751,647	7,511,175	8,262,822	7,932,101
Net incoming resources / (resources expended) before transfers		72,492	(97,221)	(551,478)	(576,207)	(939)
Transfers between Funds	17	(72,492)	(378,894)	451,386	-	-
Net incoming resources / (resources expended) before revaluations		-	(476,115)	(100,092)	(576,207)	(939)
Gains on investment assets	13	193,476	148,812	205,438	547,726	156,323
Net movement in funds for the year		193,476	(327,303)	105,346	(28,481)	155,384
Total funds at 1 January 2005		1,635,277	1,694,872	8,126,652	11,456,801	11,301,417
Total funds at 31 December 2005		1,828,753	1,367,569	8,231,998	11,428,320	11,456,801

All activities relate to continuing operations.

The notes on pages 10 to 25 form part of these financial statements.

The Statement of Financial Activities includes all gains and losses recognised in the year.

Canterbury Diocesan Board of Finance

Summary Income and Expenditure Account For the year ended 31 December 2005

	Note	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Total income		654,426	6,959,697	7,614,123	7,854,988
Less: Total expenditure		751,647	7,511,175	8,262,822	7,932,101
Net expenditure for the year before transfers		(97,221)	(551,478)	(648,699)	(77,113)
Transfers between funds	17	(378,894)	451,386	72,492	76,174
Net expenditure for the year	17	(476,115)	(100,092)	(576,207)	(939)

Statement of changes in resources applied for fixed assets for charity use For the year ended 31 December 2005

	Endowment Funds 2005 £	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Net movement in funds for the year	193,476	(327,303)	105,346	(28,481)	155,384
Resources used for net acquisitions of tangible fixed assets	-	-	(627,498)	(627,498)	(743,736)
Net movement in funds available for future activities	193,476	(327,303)	(522,152)	(655,979)	(588,352)

The notes on pages 10 to 25 form part of these financial statements.

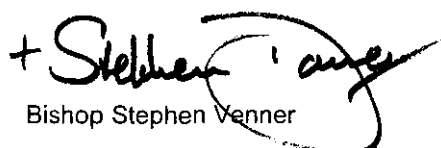
Canterbury Diocesan Board of Finance

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Balance Sheet As at 31 December 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Tangible fixed assets	12		5,969,625		5,665,767
Investments	13		5,189,008		5,010,371
			<u>11,158,633</u>		<u>10,676,138</u>
Current assets					
Stocks		6,879		13,165	
Debtors	14	898,332		906,656	
Cash at bank and in hand		1,041,809		1,371,907	
			<u>1,947,020</u>	<u>2,291,728</u>	
Creditors: amounts falling due within one year	15	(1,237,861)		(961,334)	
Net current assets			<u>709,159</u>		<u>1,330,394</u>
Total assets less current liabilities			<u>11,867,792</u>		<u>12,006,532</u>
Creditors: amounts falling due after more than one year	16		(439,472)		(549,731)
Net assets	18		<u><u>11,428,320</u></u>		<u><u>11,456,801</u></u>
Charity Funds					
Endowment Funds	17		1,828,753		1,635,277
Restricted Funds	17		1,367,569		1,694,872
Unrestricted - Designated Funds	17		6,351,957		6,182,361
Unrestricted - General Funds	17		1,880,041		1,944,291
			<u><u>11,428,320</u></u>		<u><u>11,456,801</u></u>

The financial statements were approved by the Directors on 6/4/06 and signed on their behalf, by:

+ 
Bishop Stephen Venner


Raymond Harris

The notes on pages 9 to 24 form part of these financial statements.

Canterbury Diocesan Board of Finance

Cash flow statement

For the year ended 31 December 2005

	Note	2005 £	2004 £
Net cash flow from operating activities	19	(343,798)	(1,045,671)
Capital expenditure and financial investment	20	178,918	663,586
Cash Outflow before financing		(164,880)	(382,085)
Financing	20	(165,218)	(186,147)
Decrease in cash in the year		(330,098)	(568,232)

Reconciliation of net cash flow to movement in net funds/debt For the year ended 31 December 2005

	2005 £	2004 £
Decrease in cash for the year	(330,098)	(568,232)
Cash decrease from decrease in debt and lease financing	165,218	186,147
Movement in net funds/debt in the period	(164,880)	(382,085)
Net (debt)/funds at 1 January 2005	(15,738)	366,347
Net debt at 31 December 2005	(180,618)	(15,738)

The notes on pages 10 to 25 form part of these financial statements.

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000, SORP Update Bulletin 1 issued in December 2002, applicable accounting standards and the Companies Act 1985.

1.2 Company status

The Board is a company limited by guarantee. The members of the company are the Directors named on page 1. In the event of the Board being wound up, the liability in respect of the guarantee is limited to £1 per member of the Board.

1.3 Fund accounting

The nature and purpose of each fund is explained in note 17.

Investment income, gains and losses are allocated to the appropriate fund.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Board is legally entitled to the income and the amount can be quantified with reasonable accuracy.

In 2005 the Board of Finance approved a discount scheme for the prompt payment of Parish Share. All incoming resources in this respect are shown net of discount.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Grants payable are charged in the year when the offer is made except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure.

1.6 Investments

Investments are stated at market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year.

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

Accounting policies (continued)

1.7 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2%	straight line
Office Equipment	-	20 - 33%	straight line

1.8 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.9 Pensions

The Board operates a defined benefit pension scheme and the pension charge represents the amounts payable by the Board to the fund in respect of the year.

1.10 Value added tax

Value added tax is not recoverable by the Board, and as such is included in the relevant costs in the Statement of Financial Activities.

1.11 Church Commissioners loans

Certain capital expenditure on parsonages and team vicarage properties is financed by loans from the Church Commissioners at 5% p.a. repayable over periods of up to 25 years. These loans are legally the responsibility of the benefice concerned, and guaranteed by the Board. In practice, all the repayments of these loans are met by the Board, and hence they have been included as a liability of the Board. The amount of any additional liability taken on during the year is charged to the Statement of Financial Activities. The interest payable in each year is written off to the Statement of Financial Activities as it arises. In the event of a sale of any such properties, the proceeds will be used to repay the loans outstanding on that property.

1.12 Ministry training

Included under the heading of "Ministry" is an item described as "Cost of permanent clergy". This expenditure includes "In Service Training" (CME) which represents an amount provided annually to enable the ministers to meet training costs.

The unspent balance is carried forward for three years, and thereafter transferred to an "In Service Training Additional Resources Fund" held in Trust at the disposal of the Board of Ministry and Training.

2. Donations, legacies and similar incoming resources

	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Donations	996	10,165	11,161	23,235
Grants from Ecclesiastical Insurance Group	-	85,120	85,120	82,245
Sale of Glebe	584,848	-	584,848	249,463
Total	585,844	95,285	681,129	354,943

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

3. Incoming resources from activities in furtherance of the charity's objects

	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Parish Shares	5,851,117	5,851,117	5,518,843
Church Commissioners grants and allocations	440,894	440,894	431,563
Other incoming resources	25,439	25,439	18,693
Total	6,317,450	6,317,450	5,969,099

4. Investment income

	Endowment Funds 2005 £	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Rent	-	-	3,173	3,173	6,699
CBF Fixed Interest					
Securities Fund	20,043	32,969	12,765	65,777	139,958
CBF Investment Fund	36,093	-	38,305	74,398	62,463
CBF Property Fund	16,356	34,801	26,231	77,388	32,789
CBF Deposit Fund	-	812	59,374	60,186	79,263
Other interest	-	-	8,759	8,759	9,124
Pastoral Fund Income	-	-	27,648	27,648	33,036
Total	72,492	68,582	176,255	317,329	363,332

5. Other incoming resources

	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Church commissioners grants	78,100	78,100	76,000
Net profit on sale of property used directly for charitable purposes	246,713	246,713	1,127,748
Other incoming resources	45,894	45,894	40,040
Total	370,707	370,707	1,243,788

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

6. Grants payable - institutional

	Number	Total 2005 £	Number	Total 2004 £
Purchase of Properties	3	717,442	3	782,355
Grants to Clergy widows and spouses	13	20,205	21	32,129
Mission Initiatives	27	106,254	16	32,000
Housing Improvements	1	140,590	1	291,981
Spirituality grants	1	19,650	2	17,873
Grants towards extra parochial ministry	4	85,906	3	81,190
Grants to Deaf Ministry Post	1	4,364	1	7,520
Grants to redundant churches	5	89,628	7	40,929
Grants for Improvements and repairs to properties		-	4	118,770
Loans		-	2	13,883
Pastoral grants to churches	5	57,522	4	40,996
Training - Additional Financial Resources	8	5,853		-
Total	68	1,247,414	64	1,459,626

7. Charitable expenditure by functions

Summary by expenditure type

	Depreciation 2005 £	Other Costs 2005 £	Total 2005 £	Total 2004 £
Permanent clergy	-	4,634,489	4,634,489	4,328,783
Training	-	831,911	831,911	798,394
Senior clergy	-	153,835	153,835	133,433
Mission	-	290,467	290,467	161,816
Subtotal charitable functions	-	5,910,702	5,910,702	5,422,426
Support costs for grants and activities	61,336	1,014,370	1,075,706	1,020,049
Resources expended on managing and administering the charity	-	29,000	29,000	30,000
Total	61,336	6,954,072	7,015,408	6,472,475

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

8. Support costs for grants and activities

	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Depreciation	61,336	61,336	147,905
Education	89,167	89,167	87,500
Stewardship and Gift Aid	74,756	74,756	75,619
Communications and publishing	51,782	51,782	59,989
Diocesan Advisory Committee	72,848	72,848	66,228
Criminal Records	19,716	19,716	17,856
Springboard 2004	-	-	10,688
Pastoral Committee	15,847	15,847	15,531
Registry and legal services	29,800	29,800	20,470
Office management and administration	408,363	408,363	329,981
General Synod and miscellaneous	252,091	252,091	188,282
Total	1,075,706	1,075,706	1,020,049

9. Resources expended on managing and administering the charity

	Endowment Funds 2005 £	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Auditors' remuneration	-	-	15,000	15,000	16,000
Management charge	-	14,000	-	14,000	14,000
Total	-	14,000	15,000	29,000	30,000

10. Net incoming resources / (resources expended)

This is stated after charging:

	2005 £	2004 £
Depreciation of tangible fixed assets:		
- owned by the charity	131,116	147,905
Auditors' remuneration (inclusive of VAT)	15,000	16,000
Internal audit fee	5,710	-

During the year, no Directors received any remuneration (2004 - £NIL), benefits in kind (2004: £NIL) or reimbursement of expenses (2004: £NIL).

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

11. Staff costs and numbers

Staff costs were as follows:

	2005 £	2004 £
Wages and salaries	529,243	477,000
Social security costs	42,863	41,000
Other pension costs	131,501	126,000
	<u>703,607</u>	<u>644,000</u>

The average monthly number of employees (full time equivalents) during the year was as follows:

	2005 No.	2004 No.
Support for clergy, parishes and people	<u>26</u>	<u>27</u>

The number of higher paid employees was:

	2005 No.	2004 No.
In the band £50,001 - £60,000	<u>1</u>	<u>0</u>

12. Tangible fixed assets

	Diocesan Property £	Ministry Housing £	Investment Property £	Office equipment £	Total £
Cost					
At 1 January 2005	1,329,521	4,515,677	10,000	271,676	6,126,874
Additions	1,021	569,180	-	57,297	627,498
Disposals	-	(203,491)	-	(59,452)	(262,943)
At 31 December 2005	<u>1,330,542</u>	<u>4,881,366</u>	<u>10,000</u>	<u>269,521</u>	<u>6,491,429</u>
Depreciation					
At 1 January 2005	68,378	229,562	-	163,167	461,107
Charge for the year	17,739	61,336	-	52,041	131,116
On disposals	-	(10,967)	-	(59,452)	(70,419)
At 31 December 2005	<u>86,117</u>	<u>279,931</u>	<u>-</u>	<u>155,756</u>	<u>521,804</u>
Net book value					
At 31 December 2005	<u>1,244,425</u>	<u>4,601,435</u>	<u>10,000</u>	<u>113,765</u>	<u>5,969,625</u>
At 31 December 2004	<u>1,261,143</u>	<u>4,286,115</u>	<u>10,000</u>	<u>108,509</u>	<u>5,665,767</u>

Included in Diocesan property and Ministry Housing is freehold land at a cost of £2,031, which is not depreciated.

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

Notes

St Peter's Church and Hall Maidstone was sold under a 125 year lease in 2002. In the year 2127 therefore the freehold of these properties will revert to the Board.

Where property for the Board's use has been received by way of gift it has been capitalised and its cost is included in the balance at its open market value on the date it was vested in the Board. Diocesan property includes property at a valuation figure of £'47 and Ministry Housing includes property at a valuation of £'871.

Diocesan property and Ministry Housing is used directly for charitable purposes.
All property is Freehold except that mentioned under Diocesan property, note (a) below.

Ministry Housing

a) In the event of the sale of the Bishop's House, Charing and Upway, if there is a surplus over book value, a proportion of the surplus would be repaid to the Church Commissioners.

b) The Boards has an equity share only in the following property, which is included in the above total:
19 Fulbert Drive, Bearsted (60% equity)

c) The Church Commissioners have provided Value Linked Loans in respect of the undermentioned properties and therefore, in the event of a sale, a proportion of the proceeds would have to be repaid to the Church Commissioners. These are included in the above total:

29 Reading Street, Broadstairs; 2 St Peter's Close, Minster, Sheppey; 158 Canterbury Road, Kennington; 12 Watkins Close, Staplehurst; 104 Norfolk Road, Cliftonville; 26 Albert Reed Gardens, Maidstone; 25 St Peter's Street, Deal.

Diocesan Property

a) In the event of the sale of any of the undermentioned properties, the loan advanced by the Church Commissioners would be repaid in full together with any surplus arising from the sale:

Flat 1, Rochester Court, Canterbury (Leasehold with unexpired term of 79 years)

Flat 23, The Mansions, Broadstairs

20 All Saints Close, Whitstable

58 Orion Way, Ashford

b) The following properties are not included in the above total:

(i) A small piece of land, part of All Saints Canterbury Church site.

(ii) Glebe properties vested in the Board for administration. When such properties are sold the proceeds are credited to the Stipends Capital Fund.

(iii) Various properties vested in the Board for Diocesan purposes under Pastoral and Redundancy Schemes made by the Church Commissioners.

(iv) Under an agreement with the PCC of St John Folkestone, the Board has a 30% interest in the property 126 Lucy Avenue, Folkestone.

Investment Property

One of the Board's restricted funds has an equity share in the following property: Lost Elms, Oak Lane, Minster, Sheppey (10.53%)

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

13. Fixed asset investments

	CBF Fixed Interest Securities Fund £	CBF Investment Fund £	CBF Property Fund £	Crowebridge Housing £	Total £
Market value					
At 1 January 2005	1,314,213	2,271,903	1,424,254	1	5,010,371
Additions	-	164,935	150,000	-	314,935
Disposals	(371,019)	(108,319)	(204,685)	-	(684,023)
Revaluations	22,107	369,731	155,887	-	547,725
At 31 December 2005	965,301	2,698,250	1,525,456	1	5,189,008
Historical cost	889,054	1,266,825	1,327,462	1	3,483,342

The Crowebridge Housing investment is recorded at a value of £1. All the fixed asset investments are held in the UK.

14. Debtors

	2005 £	2004 £
Due after more than one year		
Loans - Unsecured	49,736	122,650
Due within one year		
Parish shares	553,508	576,972
Other debtors	68,924	73,947
Loans - Secured	22,000	22,000
Prepayments	99,330	89,161
Loans - Unsecured	104,834	21,926
	<u>898,332</u>	<u>906,656</u>

15. Creditors: Amounts falling due within one year

	2005 £	2004 £
Other loans	10,500	10,500
Variable debit loans (See note b)	26,444	31,193
Value linked loans (See note c)	698,415	748,415
Loans from Appleton Trust (See note d)	44,949	44,949
Ecclesiastical Insurance Office (4.75% over 7 years)	1,696	1,857
Ecclesiastical Insurance Office (9% over 6 years)	951	1,000
Other creditors	388,193	105,333
Deferred income	66,713	18,087
	<u>1,237,861</u>	<u>961,334</u>

(a) Included in the figure of creditors above are the In service Training (CME) grants not taken up at the Balance Sheet date £'36 (2004-£'36).

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

(b) The Church Commissioners variable debit loans for capital works on certain parsonages and team vicarages are repayable over terms varying from 5 to 25 years in quarterly instalments, including interest at a variable rate. Variable Debit Loans are also for the purchase of Ministers' Houses and are repayable over terms varying from 15 to 25 years in quarterly instalments including interest at a variable rate.

(c) Value Linked Loans for the purchase of special needs housing purchased on behalf of the Church Commissioners and those for the purchase of Ministers' Houses are only repayable in the event of the sale of any of the properties and the interest is at a variable rate.

(d) The Appleton Trust Equity Sharing Loans are for the purchase of housing for deserted clergy spouses and are interest free and repayable in the event of the sale of the property. In the event of the sale of the property the loan advanced would be repayable in full together with any surplus arising from the sale. In the event of a deficit arising from the sale this would be deducted from the loan repayment. The Equity Sharing Loans are as follows:

Regents Street, Whitstable	(18.97%) Loan £18,959
Orion Way, Willesborough	(25.74%) Loan £25,990

16. Creditors: Amounts falling due after more than one year

	2005 £	2004 £
Building Society loan	159,999	159,999
Variable debit loans (See notes b and c above)	234,614	333,494
Ecclesiastical Insurance Office (4.75% over 7 years)	-	1,857
Ecclesiastical Insurance Office (9% over 6 years)	952	2,000
Permanent Loans	43,907	52,381
	<u>439,472</u>	<u>549,731</u>

The mortgage with Kent Reliance Building Society is an interest only loan secured on 9 Greenside High Halden and repayable within 20 years.

Included within the above are amounts falling due as follows:

	2005 £	2004 £
Between one and two years		
Variable debit loans	26,443	31,193
	<u>26,443</u>	<u>31,193</u>
Between two and five years		
Other loans	87,299	111,929
	<u>87,299</u>	<u>111,929</u>
Over five years		
Building Society loans	159,999	159,999
Other loans	120,872	190,372
	<u>280,871</u>	<u>350,371</u>

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

Creditors include amounts not wholly repayable within 5 years as follows:

	2005 £	2004 £
Repayable by instalments	<u>297,106</u>	<u>372,366</u>

17. Statement of funds

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Gains/ (Losses) £	Carried Forward £
Designated funds						
Ministry Housing	3,542,498	246,713	61,336	283,303	-	4,011,178
Spirituality Funds	180,258	8,677	19,650	-	18,294	187,579
Witney & Holiday	685,354	30,895	85,906	-	80,585	710,928
Pastoral General & Development	751,847	48,956	147,151	(169,710)	-	483,942
Housing R&M	223,313	4,486	140,590	-	3,184	90,393
Mission Initiatives	737,393	118,165	106,254	-	55,235	804,539
Deaf Ministry	57,752	4,718	4,364	-	-	58,106
Training - Additional Financial Resources	3,946	6,896	5,853	-	303	5,292
Subtotal	<u>6,182,361</u>	<u>469,506</u>	<u>571,104</u>	<u>113,593</u>	<u>157,601</u>	<u>6,351,957</u>
General funds						
General fund	<u>1,944,291</u>	<u>6,490,191</u>	<u>6,940,071</u>	<u>337,793</u>	<u>47,837</u>	<u>1,880,041</u>
Total unrestricted funds	<u>8,126,652</u>	<u>6,959,697</u>	<u>7,511,175</u>	<u>451,386</u>	<u>205,438</u>	<u>8,231,998</u>

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

General Fund

The General Fund is the accumulation of surpluses, less deficits, on the income and expenditure account, together with profits, less losses, on the sales of General Fund fixed assets, bequests for the general purposes of the Board and various grants towards fixed assets.

The Diocesan Synod in November 1994 approved a new financial system whereby parishes would be asked to contribute to funds financing Ministry, Support Services and Mission within the diocese with the objective that benefices should, if possible, be meeting their full financial responsibilities including the costs of their Stipendiary ministers. Transitional relief would be given to ensure ministry and church life was not dislocated by large changes in financial circumstances. Details of the funds are as follows: -

(i) Ministry

Each benefice is asked to contribute the full cost of its paid ministry, including stipend, Employer's National Insurance, pensions, housing maintenance, insurance and Council Tax, together with costs of in-service training. A refund of incumbent's fees and some statutory grants from the Church Commissioners offsets this figure. Any surpluses or deficits are transferred to the General Fund.

(ii) Support Services

The total cost of support services (bishops, archdeacons, training, legal services, diocesan administration etc) is allocated between parishes using the "Fairer Shares II" system. Investment and other income offset this figure. Any surpluses or deficits on this fund are transferred to the General Fund.

(iii) Mission

The total cost of Mission (University Chaplaincy, Agricultural Chaplaincy, Council for Social Responsibility, Council for the Deaf, the Board of Mission and the cost of "Outlook" Newspaper and the Growth and Opportunities Fund) is allocated between parishes using the "Fairer Shares II" system. Any surpluses or deficits are transferred to the General Fund.

(iv) Transitional Relief

This fund comprises the discretionary allocation from the Church Commissioners, together with income from the Stipends Capital Fund and other Trust income dedicated to stipends. The fund is used to offset Ministry Costs during the transitional period.

Designated Funds

(i) Ministry Housing

A separate fund has been established which reflects the total capital sums expended on ministry housing, so as to distinguish such sums, which have been committed in this way from the Board's General Funds.

(ii) Housing Repairs and Maintenance

A new separate fund was established using £500 from the net proceeds on the disposal of redundant clergy houses. The fund is to be utilised to fund a programme of replacing windows in the older clergy properties and other approved modernisation projects.

(iii) Spirituality Grants and Expenses Funds

The fund represents the sale proceeds of St Gabriel's Retreat House and is used for:

- a) financing a part time Diocesan Spirituality Adviser, and
- b) making grants to assist Parishes and individuals to take Retreats

(iv) Witney and Other Designated Funds

A legacy was received from the Estate of Dr Raymond Witney and the Board resolved that the capital should be kept intact and the income be used to assist in the promotion of Christian faith in the Diocese.

The other designated funds, on which there is no restriction on the use of either capital or income, other than restrictions imposed by the Board are: -

The Holiday Fund To assist the clergy and Layworkers to take holidays.

Eunice Fund Discretionary purposes in rural areas - transferred in 2005 to Mission Initiatives Fund.

Luman Fund For discretionary purposes - transferred in 2005 to Mission Initiatives Fund.

Canterbury Diocesan Board of Finance

Notes to the financial statements

For the year ended 31 December 2005

(v) Pastoral Funds

This fund receives the sale proceeds of churches and parsonages, which have become redundant under pastoral reorganisation when it is specified that they should be paid into this fund. The purposes for which this fund may be used are laid down in Section 78 of the Pastoral Measure 1983 and comprise:

- i) grants and loans for parsonage and church provision, restoration, improvement or repair;
- ii) costs of disposing of or maintaining houses and churches vested in the Board or Commissioners by the Measure;
- iii) transfers to Diocesan Stipends Fund capital or income;
- iv) other purposes of the diocese or any benefice or parish.

The Pastoral Committee resolved that the sum of £400 should be set aside for mission and development in the parishes.

During 2004, it was agreed that the sum of £1m would be set aside from the sale of redundant clergy property to set up the Housing Repairs & Maintenance Fund and the Missions Initiatives Fund each receiving £500.

(vi) Mission Initiatives and Parish Mission Fund

During 2004 as part of the Diocese's response to the publication of the "Mission Shaped Church" report it was agreed that £500 from the proceeds of the sale of redundant clergy property would be set aside from the Pastoral Fund to create a new Mission Initiatives fund. This fund complements the money granted to the Diocese by the Church Commissioners which is earmarked for use in developing Mission within the parishes. Additionally the Luman and Eunice Funds have been incorporated into this fund during 2005 with the Eunice Fund retaining its emphasis on initiatives in rural areas.

(vii) Training - Additional Resources Fund

During 2005 the Diocesan Training Fund and the separate trust - Additional Resources Fund were reviewed and brought together so as to simplify administrative processes. The merged fund is available to the Board of Ministry and Training to award grants to clergy to supplement their training needs as appropriate.

(viii) Deaf Ministry Fund

In 1984 the church of Bertha the Queen in Canterbury was bought jointly by the DBF and the Canterbury Diocesan Association for the Deaf. In 1991 a Declaration of Trust was drawn up to clarify the ownership of the building, in which it was agreed that if the church was sold, 66/96ths of the sale proceeds would go to the Association, with the remaining 30/96ths going to the DBF. The church was sold in 2004. The DBF has placed its share of the sale proceeds in an interest-bearing account designated for work with the Deaf community and has undertaken to use those funds only after consultation with the Association.

Canterbury Diocesan Board of Finance

Notes to the financial statements
For the year ended 31 December 2005

Endowment funds

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Gains/ (Losses) £	Carried Forward £
Ministry Trust	1,198,849	53,425	-	(53,425)	141,303	1,340,152
Clergy Training	323,039	14,086	-	(14,086)	39,926	362,965
Tait Mission	113,389	4,981	-	(4,981)	12,247	125,636
Subtotal	1,635,277	72,492	-	(72,492)	193,476	1,828,753

These are restricted funds where the capital may not be expended and the income is to be applied to specified purposes, namely:

Ministry Trust Fund

Standen Bequest
Spooner Bequest
A T Wiggins Bequest
Parsonage Repair Fund
Dame Stancombe-Wills

Clergy Training Trust

Candidates for the Ministry Fund
The Holt Fund
Knight Trust

Tait Mission Fund

For the expenses of the Tait Missioner

Restricted funds

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Gains/ (Losses) £	Carried Forward £
Stipends Capital	1,283,086	653,207	727,442	(378,894)	83,426	913,383
Clergy & Spouses Retirement	411,786	1,219	24,205	-	65,386	454,186
Subtotal	1,694,872	654,426	751,647	(378,894)	148,812	1,367,569
Total of Funds	11,456,801	7,686,615	8,262,822	-	547,726	11,428,320

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

(i) Stipends Capital Fund

The fund is governed by Section 35 of the Endowments & Glebe Measure 1976. Income is derived primarily from the return on investments, the sale of glebe, gains from the sale of investments, the transfer of parsonage monies and occasional gifts and bequests.

The fund is primarily available to produce income for stipends but at the request of the Bishop, and with the concurrence of the Board, can be applied to:

- (i) acquiring new glebe property;
- (ii) developing, improving and protecting amenities of glebe;
- (iii) discharging of capital levies on glebe;
- (iv) discharging loans on glebe;
- (v) the provision or improvement of parsonage houses.

At the present time the income of the fund is automatically applied to stipends.

(ii) Other Restricted Funds (Now Clergy and Spouses Retirement Fund)

These are restricted funds where the capital and income must be applied for retired clergy and spouses. The funds comprising the Clergy Spouses Retirement Fund are:

C S Thoms

Mrs A W Mannell Bequest

R & M Pratt

Dorothy Mowll Will Trust

Summary of funds

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Gains/ (Losses) £	Carried Forward £
Designated Funds	6,182,361	469,506	571,104	113,593	157,601	6,351,957
General Funds	1,944,291	6,490,191	6,940,071	337,793	47,837	1,880,041
Subtotal	8,126,652	6,959,697	7,511,175	451,386	205,438	8,231,998
Endowment Funds	1,635,277	72,492	-	(72,492)	193,476	1,828,753
Restricted Funds	1,694,872	654,426	751,647	(378,894)	148,812	1,367,569
Total of Funds	11,456,801	7,686,615	8,262,822	-	547,726	11,428,320

18. Analysis of net assets between funds

	Endowment Funds 2005 £	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total Funds 2005 £	Total Funds 2004 £
Tangible fixed assets	-	10,000	5,959,625	5,969,625	5,665,767
Fixed asset investments	1,828,753	1,560,180	1,800,075	5,189,008	5,010,371
Debtors due after more than 1 year	-	-	49,736	49,736	122,650
Current assets	-	(202,611)	2,099,895	1,897,284	2,169,078
Creditors due within one year	-	-	(1,237,861)	(1,237,861)	(961,334)
Creditors due in more than one year	-	-	(439,472)	(439,472)	(549,731)
Total	1,828,753	1,367,569	8,231,998	11,428,320	11,456,801

Canterbury Diocesan Board of Finance

Notes to the financial statements For the year ended 31 December 2005

19. Net cash flow from operating activities

	2005 £	2004 £
Net incoming resources before revaluations	(576,207)	(939)
Depreciation of tangible fixed assets	131,116	147,905
Surplus on disposal of tangible fixed assets	(246,713)	(1,127,749)
Decrease/(increase) in stocks	6,285	(4,153)
Decrease/(increase) in debtors	10,235	(33,276)
Increase/(decrease) in creditors	331,486	(27,459)
Net cash outflow from operations	(343,798)	(1,045,671)

20. Analysis of cash flows for headings netted in the cash flow statement

	2005 £	2004 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(627,498)	(743,737)
Sale of tangible fixed assets	439,237	1,662,719
Purchase of investments	(314,935)	(1,743,897)
Sale of investments	682,114	1,488,501
Net cash inflow from capital expenditure	178,918	663,586

	2005 £	2004 £
Financing		
Repayment of loans	(165,218)	(186,147)
Net cash outflow from financing	(165,218)	(186,147)

21. Analysis of changes in net debt

	1 January 2005 £	Cash flow £	Other non-cash changes £	31 December 2005 £
Cash at bank and in hand:	1,371,907	(330,098)	-	1,041,809
Debt :				
Debts due within one year	(837,914)	165,218	(110,259)	(782,955)
Debts falling due after more than one year	(549,731)	-	110,259	(439,472)
Net debt	(15,738)	(164,880)	-	(180,618)

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Notes to the financial statements For the year ended 31 December 2005

22. Contingent liabilities

There are contingent liabilities of £'38 and £'3 to the Church Commissioners in respect of the Bishop of Maidstone's House, and the Bishop of Dover's House respectively in the event of the sale of these properties.

In 2005 the House of Lords found in favour of an action brought by Fraser & Fraser under the provisions of the 1841 Reverter of Sites Act, following the disposal of a former Church School building in Maidstone St Philips. Whilst the payment between all parties involved in this case has still to be determined the Board do not know how much to provide either within the Board of Finance's accounts or the related Board of Education's accounts by way of settlement.

23. Pension commitments

Pension Commitments - Lay Staff

The Canterbury Diocesan Board of Finance participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. At 31 December 2005 the Board had 32 active members and 10 deferred pensioner members in the Fund.

The Board 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 has been carried out as at 31 December 2004 and the Board's contribution rate has been revised to 31.42% (26.42% for employees required to contribute 5%), with effect from 1 January 2006. The next valuation of the scheme will be carried out as at 31st December 2007.

Pension Commitments - Clergy Pensions

The Canterbury Diocese (the employer) participates in the Church of England Funded Pension Scheme. The Church of England Funded Pension Scheme is a defined benefit scheme but the employer is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. The latest valuation of the Scheme was carried out as at 31 December 2003, and the employers contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005.

For schemes such as the Church of England Funded Pension Scheme, paragraph 9(b) of FRS 17 requires the Employer to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

24. Related party transactions

The Secretary of the Diocesan Board of Finance is a director of the Kent Reliance Building Society which has advanced a loan on normal commercial terms. Details are disclosed in note 16.