

Registered number 145650
Charity number: 249972

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

Trustees Report and Financial Statements

For the year ended 31 December 2006

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

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Canterbury Diocesan Board of Finance
(Limited by Guarantee)

Reference and Administrative Details of the Charity, its Trustees and Advisers
For the year ended 31 December 2006

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 Harns (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 Gabnel
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 Wootton's Green, Canterbury, Kent, CT1 1NQ

Company secretary

Mr D Kemp

Director of finance

Mr J Hills

Auditors

Reeves & Neylan, 37 St Margaret's Street, Canterbury, 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
(A company limited by guarantee)

Trustees' report

For the year ended 31 December 2006

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements of Canterbury Diocesan Board of Finance (the Board) for the year ended 31 December 2006. 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 March 2005.

Summary information about the structure of the Church of England

The Church of England is organised as two provinces, each led by an archbishop (Canterbury for the southern province and York for the northern). Each province comprises dioceses of which there are 43 in England. Each diocese is divided into deaneries and each deanery then into parishes, and each parish is overseen by a parish priest (usually called a vicar or rector). From ancient times through to today, they and their bishop are responsible for the "cure of souls" in their parish.

Her Majesty the Queen, who is the Supreme governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 of the senior bishops sit in the House of Lords.

The Church of England is episcopally-led, there are 108 bishops including Diocesan Bishops, Assistant and Suffragan Bishops. It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. Its members belong to one of three groups or houses: the House of Bishops, the House of Clergy and the House of Laity, and meets in London or York at least twice annually to consider matters for the broader good of the Church.

The Diocese

a Diocesan Synod

The statutory governing body of the diocese is the Diocesan Synod which is elected with representation across the diocese from both clergy and laity and meeting together with the Archbishop of Canterbury, 2 bishops and 2 archdeacons. Its role is to -

- consider matters affecting the Church of England in this diocese
- act as a forum for debate of Christian opinion on matters of religious or public interest
- advise the archbishop and bishops where requested
- deal with matters referred by General Synod
- provide for the financing of the diocese

b Deanery Synod

The Deanery Synod is elected with representation from laity and clergy across the parishes within that deanery and its role is to -

- respond to questions from General Synod
- give effect to the decisions made by the Diocesan Synod
- consider matters affecting the Church of England by drawing together the views of the parishes within the Deanery
- act as a channel of communication to express the views of the parishes to Diocesan Synod and thence to General Synod
- raise with Diocesan Synod such matters as it considers appropriate
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod
- provide for the allocation of Parish Share to parishes and thence to oversee financial strategies for the provision of mission and ministry

Canterbury Diocesan Board of Finance
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Trustees' report (continued)
For the year ended 31 December 2006

c Parochial Church Council

The Parochial Church Council (PCC) is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the parish priest as chair, the churchwardens and a number of elected and ex-officio members. Each PCC is a charity, and currently all are "excepted" from registration with the Charity Commission, subject to the Charities Act 2006, under which there is a timetable for those with gross income in excess of £100,000 in any one year to be registered. The financial transactions of PCC's do not form part of the Diocese's financial statements, these can be obtained from the relevant PCC Treasurer.

d Archbishops Council

The members of Archbishops Council are elected by members of the Diocesan Synod and constitute the Board of Trustees of the Diocese. Their role is to -

- plan the business of Synod, to prepare the agenda for its sessions
- initiate proposals for discussion by the Synod and to advise on matters of policy
- to transact the business of Synod when the Synod is not in session
- to approve the appointment of members of committees
- to carry out such functions as Synod may delegate

Structure, governance and management

• **Company status**

The Canterbury Diocesan Board of Finance (CDBF) was formed under the Diocesan Boards of Finance Measure 1925 to be the registered company of the Diocese to manage its financial affairs and hold its assets.

Every member of Diocesan Synod is a member of the CDBF for company law purposes, and similarly the Archbishop's Council comprises the Board of Directors.

The Board is a company limited by guarantee and as such has no share capital.

The Board is a registered charity and as such has no form of income which is liable to tax.

The Board is constituted under a Memorandum of Association and is a registered charity number 249972.

• **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.

• **Policies adopted for the induction and training of Trustees**

At the first meeting of each triennium, a whole day is set aside for the induction and training of all directors. Also Diocesan officers are always on hand to advise directors on supplementary issues.

• **Organisational structure and decision making**

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.

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

Trustees' report (continued)
For the year ended 31 December 2006

• **Related party relationships**

The CDBF is required to make certain annual payments to the national Archbishops' Council towards the running costs of the National Church. The stipends of all parish priests are paid initially by the Church Commissioners but these are then reimbursed by the CDBF. The stipends of our 2 bishops together with the salaries of appropriate secretarial support are borne by the Church Commissioners and are not included in these statements.

Connected charities

The trustees consider that the following are connected registered charities

Canterbury Diocesan Board of Education, the aims of which are to

- promote education within the Diocese of Canterbury, according to the faith and practice of the Church of England
- promote religious education and religious worship in schools in the Diocese
- watch over the interests of Church schools and secure the provision of new schools
- give advice as to matters affecting Church schools and Church educational endowments within the Diocese.

Diocesan Association for the Deaf,
Council for Social Responsibility

Proceedings (which are due to be heard in June 2007) are pending against the Board of Finance following the disposal of the former church school building at St Philips Maidstone and these proceedings are being defended. While the amount of any liability involved will only be determined at the conclusion of the proceedings (either by settlement or judgement) provision has been made in the accounts of the Board of Education to cover what might be involved and the minimum liability in the case.

• **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 within the reserves policy, combined with our annual review of the major strategic, business and operational risks, will provide sufficient resources in the event of adverse conditions. 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.

Objectives and Activities

• **Policies and objectives**

The Canterbury Diocesan Board of Finance's policy continues to be the financing of ministry in the parishes of the Diocese and the maintenance of central and support services.

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 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.

• **Strategies for achieving objectives**

The Diocese is continually reviewing its strategy for the achievement of its objectives and is currently working with Deaneries to establish active plans for Mission and Ministry, underpinned by financial sustainability in each worshipping area of the Diocese.

These plans are being considered under the current 2020 vision initiative.

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

Trustees' report (continued)
For the year ended 31 December 2006

• **Activities for achieving objectives**

The key activities may be summarised as

- Parochial Ministry in the Parishes (this includes all clergy training, housing, stipends, pension and all other other expenditure supporting parish based ministry)
- Training (includes all aspects of training, from selection through to priesting, continuing ministry education and training for all lay positions)
- Senior Clergy (costs relating to Bishops and Archdeacons)
- Mission (our Mission to extra-parochial areas of the Diocese)

• **Grant making policies**

Grants are made on an ad hoc basis in accordance with the terms of each fund as detailed in Note 18 on pages 25-29

Achievements and performance

• **Review of activities**

The Board has continued to ensure the financing of ministry in the parishes of the diocese and the maintenance of central and support services. In an effort to assist hard pressed parishes meet their Parish Share commitments in the face of the rising cost of providing that ministry, diocesan reserves were drawn down in an effort to limit rises in Parish Share to 5%. The sum of £238,198 was utilised for this purpose. In addition discounts were given for those parishes able to pay their commitments in advance and nearly £88,000 was awarded in this respect.

As a result Parish Share collection rates improved dramatically throughout the year improving the Board's cash flow and ensuring that those reserves that were drawn upon were no more than planned. At year end 97.9% of Parish Share had been collected against a figure of 97% for 2005.

The accumulated level of arrears rose from £553,000 in 2005 to £656,000, but this was more attributable to less success in recovering prior year's arrears than achieved in 2005.

During the year there was more participation by the Deaneries in the work of mission planning and ministerial deployment, together with the management of their own financial resources. This work will be ongoing as we continue to strive to find appropriate and affordable levels of ministry within each benefice and deanery.

The Diocese is committed to stimulating mission throughout the area and for this reason over £269,000 was given to fund new initiatives. Many new projects have commenced as a result of this funding, but in particular this year saw the opening of a new £1m church and community resource centre at Holy Trinity Margate and the commencement of work on a similar £1m project at St Alphege Seasalter. A significant number of new initiatives supported have been focussed on children's and young peoples work and worship. Overall church attendance in the Diocese grew again by 4% in 2005.

• **Investment policy and performance**

The year saw further positive progress in world equity markets, reflecting investor expectation for continued global economic growth. The UK saw one of the best total returns, strength in sterling reducing returns from many overseas equity markets. UK commercial property performed strongly as demand remained high. By contrast concerns over inflation and expectations for higher interest rates caused bond prices to fall as investors perceived fixed interest as a relatively unattractive asset.

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.

• **External factors affecting performance**

There are no additional factors, other than those dealt with elsewhere that would have an effect on the financial sustainability of the Diocese.

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

Trustees' report (continued)
For the year ended 31 December 2006

Financial review

• **Overall financial position**

The Statement of Financial Activities shows an overall surplus across all funds of £1,068,196 for the year and the reasons for this are explained below

Important transactions during the year

The Board budgeted to receive £6,377,000 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 surplus of £119,785 on the unrestricted funds, which was boosted by the one-off profit of £240k on the sale of the old Church in Society building in Marsham Street Maidstone. Without this exceptional item there would have been an underlying deficit of £120,203, which represents 0.2% of the total expenditure during the year. The budgets for 2006 were set under a 2 yearly forecast made in 2004 since that time the following cost adverse situations arose

| | |
|---|-------|
| Increase in lay staff pension contributions from 31.3% to 39.7% | +£50k |
| Increase in Diocesan House working hours | +£30k |
| Additional support for Board of Education | +£20k |
| Overshoot on Property Repairs & Maintenance | +£20k |

The Board's funds at 31 December 2006 stood at £12.5m summarised as follows

| | |
|--------------------|-------|
| | £'000 |
| Unrestricted funds | 2,045 |
| Designated funds | 6,260 |
| Restricted funds | 2,211 |
| Endowment funds | 1,984 |

The restricted funds returned to pre-2005 levels following the sale of previously replaced glebe properties, Dover Charlton £310k, Archbishops Chaplain's house £224k and the sale of Holy Trinity Sittingbourne vicarage £243k

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

• **Principal funding**

Around 78% of the income of CDBF comes from the Parish Share and 7% from Church Commissioners allocations

• **Material investments policy**

The Investment Policy was reviewed during 2006

- 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%)

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

Trustees' report (continued)
For the year ended 31 December 2006

Plans for the future

• **Future developments**

The Diocese will continue to develop its work with Deaneries to establish active plans for Mission and Ministry towards a cohesive plan for the year 2020 to underpin financial sustainability in each worshipping area of the Diocese with a view to developing the work of the Church for the year 2020

Funds held as custodian

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 2006 was £1.31m

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 £3.1m

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

Tangible fixed assets for use by the Board

Details of movements in fixed assets are set out in note 13 to the accounts and attention is also drawn to the accounting policies note 17

Trustees' responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice applicable to charities

Company and charity law applicable to charities in England and 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
- prepared the financial statements on the going concern basis (unless it is inappropriate to presume that the Board will continue in operation)

The Trustees are responsible for keeping proper accounting records that 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. So far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the Board's auditors are unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

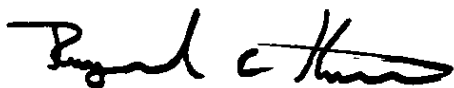
Canterbury Diocesan Board of Finance
(A company limited by guarantee)

Trustees' report (continued)
For the year ended 31 December 2006

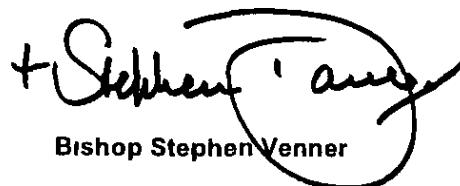
Auditors

A resolution proposing that Reeves & Neylan be re-appointed as auditors of the Board will be put to the Annual General Meeting

This report was approved by the Trustees on 29 March 2007 and signed on its behalf, by



Mr Raymond Harris (Chairman)



Bishop Stephen Venner

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

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 2006 which comprise the Statement of Financial Activities, Income and Expenditure Account, Balance Sheet and Cash Flow Statement, with the related notes. 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 Board'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 Board's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities the charity's Trustees (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 Trustees' 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 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 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.

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

Opinion

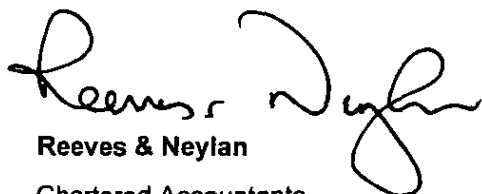
In our opinion

- 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 2006 and of its incoming resources and application of resources in the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Report is consistent with the financial statements

Emphasis of matter - Benefice Property

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 18 to the financial statements which details the accounting policy under which Benefice Property is not capitalised in the Balance Sheet

The value of these assets has not been quantified



Reeves & Neylan

Chartered Accountants
Registered Auditors

Canterbury

Date 30 March 2007

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

Statement of Financial Activities
For the year ended 31 December 2006

| | Note | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|--|------|---------------------------------|----------------------------------|------------------------------------|-----------------------------|-----------------------------|
| Incoming resources | | | | | | |
| Incoming resources from generated funds | | | | | | |
| Voluntary income | 2 | - | 996 | 100,156 | 101,152 | 96,281 |
| Investment income | 3 | 72,940 | 59,041 | 163,643 | 295,624 | 317,329 |
| Incoming resources from charitable activities | | | | | | |
| | 4 | - | - | 6,564,867 | 6,564,867 | 6,317,450 |
| Other incoming resources | 5 | - | 778,222 | 857,449 | 1,635,671 | 955,555 |
| Total incoming resources | | 72,940 | 838,259 | 7,686,115 | 8,597,314 | 7,686,615 |
| Resources expended | | | | | | |
| Charitable activities | 10 | - | 79,874 | 7,907,793 | 7,987,667 | 8,242,112 |
| Governance costs | 8 | - | - | 23,913 | 23,913 | 20,710 |
| Total resources expended | | - | 79,874 | 7,931,706 | 8,011,580 | 8,262,822 |
| Net incoming resources / (resources expended) before transfers | | | | | | |
| | | 72,940 | 758,385 | (245,591) | 585,734 | (576,207) |
| Transfers between Funds | 18 | (72,940) | (57,487) | 130,427 | - | - |
| Net incoming resources / (resources expended) before revaluations | | | | | | |
| | | - | 700,898 | (115,164) | 585,734 | (576,207) |
| Gains on investment assets | 14 | 155,195 | 142,635 | 188,507 | 486,337 | 547,726 |
| Net movement in funds for the year | | 155,195 | 843,533 | 73,343 | 1,072,071 | (28,481) |
| Total funds at 1 January 2006 | | | | | | |
| | | 1,828,752 | 1,367,569 | 8,231,999 | 11,428,320 | 11,456,801 |
| Total funds at 31 December 2006 | | | | | | |
| | | 1,983,947 | 2,211,102 | 8,305,342 | 12,500,391 | 11,428,320 |

All activities relate to continuing operations

The notes on pages 15 to 33 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
(A company limited by guarantee)

Summary Income and Expenditure Account
For the year ended 31 December 2006

| | Note | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|---|-----------|----------------------------------|------------------------------------|-----------------------------|-----------------------------|
| Total income | | 838,259 | 7,686,115 | 8,524,374 | 7,686,615 |
| Less: Total expenditure | | 79,874 | 7,931,706 | 8,011,580 | 8,262,822 |
| Net income/(expenditure) for the year before transfers | | <u>758,385</u> | <u>(245,591)</u> | <u>512,794</u> | <u>(576,207)</u> |
| Transfers between funds | 18 | <u>(57,487)</u> | <u>130,427</u> | <u>(72,940)</u> | <u>72,492</u> |
| Income less expenditure for the year | | <u>700,898</u> | <u>(115,164)</u> | <u>439,854</u> | <u>(503,715)</u> |
| Net income/(expenditure) for the year | 18 | <u>700,898</u> | <u>(115,164)</u> | <u>439,854</u> | <u>(503,715)</u> |

The notes on pages 15 to 33 form part of these financial statements

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

Balance Sheet
As at 31 December 2006

| | Note | £ | 2006 £ | £ | 2005 £ |
|---|------|------------------|-------------------|------------------|-------------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 13 | | 6,606,650 | | 5,969,625 |
| Fixed asset investments | 14 | | 5,587,542 | | 5,189,007 |
| | | | <u>12,194,192</u> | | <u>11,158,632</u> |
| Current assets | | | | | |
| Stocks | | 10,295 | | 6,880 | |
| Debtors | 15 | 1,350,161 | | 898,332 | |
| Cash at bank and in hand | | 716,783 | | 1,041,809 | |
| | | <u>2,077,239</u> | | <u>1,947,021</u> | |
| Creditors amounts falling due within one year | 16 | (989,800) | | (1,237,861) | |
| Net current assets | | | <u>1,087,439</u> | | <u>709,160</u> |
| Total assets less current liabilities | | | <u>13,281,631</u> | | <u>11,867,792</u> |
| Creditors amounts falling due after more than one year | 17 | | (781,240) | | (439,472) |
| Net assets | | | <u>12,500,391</u> | | <u>11,428,320</u> |
| Charity Funds | | | | | |
| Endowment funds | 18 | | 1,983,947 | | 1,828,752 |
| Restricted funds | 18 | | 2,211,102 | | 1,367,569 |
| Unrestricted funds | 18 | | 8,305,342 | | 8,231,999 |
| | | | <u>12,500,391</u> | | <u>11,428,320</u> |

The financial statements were approved by the Trustees on 29 March 2007 and signed on their behalf, by


Bishop Stephen Venner


Mr Raymond Harris (Chairman)

The notes on pages 15 to 33 form part of these financial statements

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

Cash flow statement
For the year ended 31 December 2006

| | Note | 2006 £ | 2005 £ |
|--|-------------|-------------------|-------------------|
| Net cash outflow from operating activities | 20 | (684,068) | (343,798) |
| Capital expenditure and financial investment | 21 | 125,854 | 178,918 |
| Cash outflow before financing | | (558,214) | (164,880) |
| Financing | 21 | 233,188 | (165,218) |
| Decrease in cash in the year | | (325,026) | (330,098) |

Reconciliation of net cash flow to movement in net funds/debt
For the year ended 31 December 2006

| | 2006 £ | 2005 £ |
|--|-------------------|-------------------|
| Decrease in cash in the year | (325,026) | (330,098) |
| Cash outflow from decrease in debt and lease financing | (233,188) | 165,218 |
| Movement in net debt in the year | (558,214) | (164,880) |
| Net debt at 1 January 2006 | (180,618) | (15,738) |
| Net debt at 31 December 2006 | (738,832) | (180,618) |

Statement of changes in resources applied for fixed assets for charity use
For the year ended 31 December 2006

| | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|--|---|--|--|---------------------------------------|---------------------------------------|
| Net movement in funds for the year | 155,195 | 843,533 | 73,343 | 1,072,071 | (28,481) |
| Resources used for net acquisitions of tangible fixed assets | - | - | - | - | (627,498) |
| Net movement in funds available for future activities | 155,195 | 843,533 | 73,343 | 1,072,071 | (655,979) |

The notes on pages 15 to 33 form part of these financial statements

Notes to the financial statements
For the year ended 31 December 2006

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 March 2005, 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 Trustees 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 18.

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.

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.

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. The apportionment in 2006 can be summarised as follows:

79% - Parochial Ministry
15% - Training
2% - Senior Clergy
4% - Mission

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.

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

Notes to the financial statements
For the year ended 31 December 2006

1. Accounting policies (continued)

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.

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 Benefice property

The Board is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent.

The policy of the Board has been that these assets should not be capitalised in the Balance Sheet. Benefice property (parsonages) is legally vested in the incumbent, and only under certain circumstances can proceeds arising on sale be transferred to the DBF. The Board has reviewed this policy and have agreed that as such property is not currently in the Board's ownership, and the possibility of receipt by the Board of sale proceeds is by no means certain in every case, it will continue with this policy of non-capitalisation of these assets.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.10 Pensions

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

1.11 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.

1.12 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.

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

1. Accounting policies (continued)

1.13 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. Voluntary income

| | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|--|--|--|---------------------------------------|---------------------------------------|
| Donations | 996 | 6,526 | 7,522 | 11,161 |
| Grants from Ecclesiastical Insurance Group | - | 93,630 | 93,630 | 85,120 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 996 | 100,156 | 101,152 | 96,281 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

3 Investment income

| | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|----------------------|---|--|--|---------------------------------------|---------------------------------------|
| Rent | - | - | 2,334 | 2,334 | 3,173 |
| CBF Fixed Interest | | | | | |
| Securities Fund | 58,907 | 57,431 | 7,747 | 124,085 | 65,777 |
| CBF Investment Fund | 10,727 | - | 39,556 | 50,283 | 74,398 |
| CBF Property Fund | 3,306 | - | 21,552 | 24,858 | 77,388 |
| CBF Deposit Fund | - | 1,610 | 40,095 | 41,705 | 60,186 |
| Other interest | - | - | 26,136 | 26,136 | 8,759 |
| Pastoral Fund Income | - | - | 26,223 | 26,223 | 27,648 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 72,940 | 59,041 | 163,643 | 295,624 | 317,329 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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

Notes to the financial statements
For the year ended 31 December 2006

4. Incoming resources from charitable activities

| | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|---|------------------------------------|-----------------------------|-----------------------------|
| Parish shares | 6,023,203 | 6,023,203 | 5,851,117 |
| Church Commissioners grants and allocations | 538,330 | 538,330 | 440,894 |
| Other incoming resources | 3,334 | 3,334 | 25,439 |
| Total | 6,564,867 | 6,564,867 | 6,317,450 |

5 Other incoming resources

| | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|---|----------------------------------|------------------------------------|-----------------------------|-----------------------------|
| Church commissioners grants | - | 84,250 | 84,250 | 78,100 |
| Net profit on sale of property used directly for charitable purposes | - | 758,951 | 758,951 | 246,713 |
| Sale of Glebe | 778,222 | - | 778,222 | 584,848 |
| Other incoming resources | - | 14,248 | 14,248 | 45,894 |
| Total | 778,222 | 857,449 | 1,635,671 | 955,555 |

6 Grants payable - institutional

| | Number | Total 2006 £ | Number | Total 2005 £ |
|--|-----------|--------------------|-----------|--------------------|
| Purchase of properties | - | - | 3 | 717,442 |
| Improvements to properties | 2 | 43,607 | - | - |
| Grants to Clergy widows and spouses | 18 | 22,267 | 13 | 20,205 |
| Mission Initiatives | 19 | 269,033 | 27 | 106,254 |
| Housing Improvements | 2 | 90,394 | 1 | 140,590 |
| Spirituality grants | 4 | 21,686 | 1 | 19,650 |
| Grants to Deaf Ministry Post | 1 | 12,577 | 1 | 4,364 |
| Grants to Redundant churches | 6 | 29,633 | 5 | 89,628 |
| Pastoral grants to churches | 4 | 133,810 | 5 | 57,522 |
| Training - Additional Financial Resources | 12 | 3,707 | 8 | 5,853 |
| Grants towards extra parochial ministry | 4 | 84,659 | 4 | 85,906 |
| Total | 72 | 711,373 | 68 | 1,247,414 |

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

7. Expenditure by charitable activity

Summary by fund type

| | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|---------------------------------|---|--|--|---------------------------------------|---------------------------------------|
| Parochial Ministry | - | 79,874 | 6,187,138 | 6,267,012 | 6,859,991 |
| Training | - | - | 1,025,398 | 1,025,398 | 831,565 |
| Senior Clergy | - | - | 163,884 | 163,884 | 153,835 |
| Mission | - | - | 531,373 | 531,373 | 396,721 |
| Sub-total charitable activities | - | 79,874 | 7,907,793 | 7,987,667 | 8,242,112 |
| Governance | - | - | 23,913 | 23,913 | 20,710 |
| | - | 79,874 | 7,931,706 | 8,011,580 | 8,262,822 |

Summary by expenditure type

| | Depreciation 2006 £ | Other costs 2006 £ | Total 2006 £ | Total 2005 £ |
|---------------------------------|------------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Parochial Ministry | 66,114 | 6,200,899 | 6,267,013 | 6,859,991 |
| Training | - | 1,025,398 | 1,025,398 | 831,565 |
| Senior Clergy | - | 163,884 | 163,884 | 153,835 |
| Mission | - | 531,373 | 531,373 | 396,721 |
| Sub-total charitable activities | 66,114 | 7,921,554 | 7,987,668 | 8,242,112 |
| Governance | - | 23,913 | 23,913 | 20,710 |
| | 66,114 | 7,945,467 | 8,011,581 | 8,262,822 |

8. Governance costs

| | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|------------------------|---|--|--|---------------------------------------|---------------------------------------|
| Internal audit costs | - | - | 5,231 | 5,231 | 5,710 |
| Auditors' remuneration | - | - | 18,682 | 18,682 | 15,000 |
| | - | - | 23,913 | 23,913 | 20,710 |

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

9. Support costs

| | Parochial Ministry £ | Training £ | Senior Clergy £ |
|--------------------------------------|----------------------------|------------------|-----------------------|
| Education | 111,000 | - | - |
| Stewardship and Gift Aid | 90,423 | - | - |
| Communications and publishing | 60,351 | - | - |
| Dioecesan Advisory Committee | 80,861 | - | - |
| Criminal Records | 20,558 | - | - |
| Vacancy in See Committee | 10 | - | - |
| Pastoral Committee | 15,230 | 2,902 | 464 |
| Registry and legal services | 16,870 | 3,215 | 514 |
| Office management and administration | 368,336 | 70,185 | 11,217 |
| General Synod and miscellaneous | 203,697 | 38,814 | 6,203 |
| Management charge | 14,000 | - | - |
| Depreciation | 66,114 | - | - |
| | 1,047,450 | 115,116 | 18,398 |
| | | Total | Total |
| | Mission | 2006 | 2005 |
| | £ | £ | £ |
| Education | - | 111,000 | 89,167 |
| Stewardship and Gift Aid | - | 90,423 | 74,756 |
| Communications and publishing | - | 60,351 | 51,782 |
| Dioecesan Advisory Committee | - | 80,861 | 72,848 |
| Criminal Records | - | 20,558 | 19,716 |
| Vacancy in See Committee | - | 10 | - |
| Pastoral Committee | 743 | 19,339 | 15,847 |
| Registry and legal services | 822 | 21,421 | 29,800 |
| Office management and administration | 17,956 | 467,694 | 402,653 |
| General Synod and miscellaneous | 9,930 | 258,644 | 252,091 |
| Management charge | - | 14,000 | 14,000 |
| Depreciation | - | 66,114 | 61,336 |
| | 29,451 | 1,210,415 | 1,083,996 |

10. Analysis of resources expended by activities

| | Activities undertaken directly 2006 £ | Grant funding of activities 2006 £ | Support costs 2006 £ | Total 2006 £ | Total 2005 £ |
|--------------------|---|--|-------------------------------|--------------------|--------------------|
| Parochial Ministry | 4,777,223 | 442,339 | 1,047,450 | 6,267,012 | 6,859,991 |
| Training | 910,282 | - | 115,116 | 1,025,398 | 831,565 |
| Senior Clergy | 145,486 | - | 18,398 | 163,884 | 153,835 |
| Mission | 232,889 | 269,033 | 29,451 | 531,373 | 396,721 |
| | 6,065,880 | 711,372 | 1,210,415 | 7,987,667 | 8,242,112 |

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

11 Net incoming resources / (resources expended)

This is stated after charging

| | 2006 | 2005 |
|---|-----------------------|-----------------------|
| | £ | £ |
| Depreciation of tangible fixed assets - owned by the charity | 142,707 | 131,116 |
| Auditors' remuneration (inclusive of VAT) | 18,682 | 15,000 |
| Internal audit costs | 5,231 | 5,710 |
| | <u>166,619</u> | <u>151,826</u> |

During the year, no Directors received any remuneration (2005 - £NIL), benefits in kind (2005 - £NIL) or reimbursement of expenses (2005 - £NIL)

12. Staff costs

Staff costs were as follows

| | | |
|-----------------------|-----------------------|-----------------------|
| Wages and salaries | 553,601 | 529,243 |
| Social security costs | 40,458 | 42,863 |
| Other pension costs | 170,288 | 131,501 |
| | <u>764,347</u> | <u>703,607</u> |

The average monthly number of during the year was as follows

| | 2006 | 2005 |
|---|------------------|------------------|
| | No. | No |
| Support for clergy, parishes and people | <u>26</u> | <u>26</u> |

No employee received remuneration amounting to more than £60,000 in either year

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

Notes to the financial statements
For the year ended 31 December 2006

13 Tangible fixed assets

| | Diocesan Property £ | Investment Property £ | Office equipment £ | Total £ |
|-----------------------|---------------------------|-----------------------------|--------------------------|------------------|
| Cost | | | | |
| At 1 January 2006 | 6,211,909 | 10,000 | 269,520 | 6,491,429 |
| Additions | 1,211,081 | - | 69,428 | 1,280,509 |
| Disposals | (543,617) | - | (10,070) | (553,687) |
| At 31 December 2006 | <u>6,879,373</u> | <u>10,000</u> | <u>328,878</u> | <u>7,218,251</u> |
| Depreciation | | | | |
| At 1 January 2006 | 366,048 | - | 155,756 | 521,804 |
| Charge for the year | 83,767 | - | 58,940 | 142,707 |
| On disposals | (42,840) | - | (10,070) | (52,910) |
| At 31 December 2006 | <u>406,975</u> | <u>-</u> | <u>204,626</u> | <u>611,601</u> |
| Net book value | | | | |
| At 31 December 2006 | <u>6,472,398</u> | <u>10,000</u> | <u>124,252</u> | <u>6,606,650</u> |
| At 31 December 2005 | <u>5,845,861</u> | <u>10,000</u> | <u>113,764</u> | <u>5,969,625</u> |

Included in Diocesan property and Ministry Housing is freehold land at a cost of £2,434k (2005 - £2,031k) which is not depreciated

At 31 December 2006, included within the net book value of diocesan property is £1,197,910 (2005 - £1,244,425) relating to freehold land and buildings, £5,274,488 (2005 - £4,601,435) relating to long term leasehold land and buildings and £NIL (2005 - £NIL) relating to short term leasehold land and buildings

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

13 Tangible fixed assets (continued)

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 £47k and Ministry Housing includes property at a valuation of £871k.

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 Board 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 Onon 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
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Notes to the financial statements
For the year ended 31 December 2006

14 Fixed asset investments

| | CBF Fixed Interest Securities Fund £ | CBF Investment Fund £ | CBF Property Fund £ | Crowebridge Housing £ | Total £ |
|------------------------|--|--------------------------------|------------------------------|-----------------------------|------------------|
| Market value | | | | | |
| At 1 January 2006 | 965,300 | 2,698,251 | 1,525,455 | 1 | 5,189,007 |
| Additions | - | 16,077 | - | - | 16,077 |
| Disposals | (42,808) | (61,071) | - | - | (103,879) |
| Revaluations | (41,171) | 289,539 | 237,969 | - | 486,337 |
| At 31 December 2006 | <u>881,321</u> | <u>2,942,796</u> | <u>1,763,424</u> | <u>1</u> | <u>5,587,542</u> |
| Historical cost | <u>889,054</u> | <u>1,266,825</u> | <u>1,327,462</u> | <u>1</u> | <u>3,483,342</u> |

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

15 Debtors

| | 2006 £ | 2005 £ |
|-------------------------------------|------------------|----------------|
| Due after more than one year | | |
| Loans - Unsecured | 171,348 | 49,736 |
| Due within one year | | |
| Parish shares | 656,083 | 553,508 |
| Other debtors | 101,445 | 68,924 |
| Loans - Secured | 22,000 | 22,000 |
| Prepayments | 212,897 | 99,330 |
| Loans - Unsecured | 186,388 | 104,834 |
| | <u>1,350,161</u> | <u>898,332</u> |

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

16 Creditors:
Amounts falling due within one year

| | 2006 £ | 2005 £ |
|--|----------------|------------------|
| Other loans | 8,000 | 10,500 |
| Variable debit loans (See note b) | 20,673 | 26,444 |
| Value linked loans (See note c) | 599,915 | 698,415 |
| Loans from Appleton Trust (See note d) | 44,949 | 44,949 |
| Ecclesiastical Insurance Office (4.75% over 7 years) | - | 1,696 |
| Ecclesiastical Insurance Office (9% over 6 years) | 838 | 951 |
| Other creditors | 233,364 | 388,193 |
| Deferred income | 82,061 | 66,713 |
| | <u>989,800</u> | <u>1,237,861</u> |

(a) Included in the figure of creditors above are the In Service Training (CME) grants not taken up at the Balance Sheet date £47k (2005-£38k)

(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 |

17 Creditors:
Amounts falling due after more than one year

| | 2006 £ | 2005 £ |
|---|----------------|----------------|
| Building Society loans | 569,999 | 159,999 |
| Variable debit loans (See notes b and c above) | 174,736 | 234,614 |
| Ecclesiastical Insurance Office (9% over 6 years) | - | 952 |
| Permanent loans | 36,505 | 43,907 |
| | <u>781,240</u> | <u>439,472</u> |

Canterbury Diocesan Board of Finance
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Notes to the financial statements
For the year ended 31 December 2006

17. Creditors:
Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows

| | 2006 £ | 2005 £ |
|-------------------------------------|----------------|----------------|
| Repayable by instalments | 118,764 | 137,107 |
| Repayable other than by instalments | 569,999 | 159,999 |
| | <u>688,763</u> | <u>297,106</u> |

The mortgages with Kent Reliance Building Society are interest only loans of £159,999, £210,000 and £200,000, these loans are secured on 9 Greenside High Halden, 67 High Street St Peters and 5 Oliver Road Staplehurst respectively. Each of the loans is repayable within 20 years.

18 Statement of funds

| | Brought Forward £ | Incoming resources £ | Resources Expended £ | Transfers in/(out) £ | Gains/ (Losses) £ | Carried Forward £ |
|---|-------------------------|----------------------------|----------------------------|----------------------------|-------------------------|-------------------------|
| Designated funds | | | | | | |
| Ministry Housing | 4,011,178 | 518,990 | (66,479) | (25,044) | - | 4,438,645 |
| Spirituality Funds | 187,579 | 8,041 | (21,686) | - | 14,345 | 188,279 |
| Witney & Holiday | 710,928 | 27,887 | (84,659) | - | 70,142 | 724,298 |
| Pastoral General & Development | 483,942 | 47,704 | (401,493) | 25,044 | - | 155,197 |
| Housing R&M | 90,393 | - | (90,393) | - | - | - |
| Mission Initiatives | 804,539 | 110,003 | (269,033) | - | 58,515 | 704,024 |
| Deaf Ministry | 58,106 | 2,479 | (12,577) | - | - | 48,008 |
| Training - Additional Financial Resources | 5,292 | 247 | (3,707) | - | 25 | 1,857 |
| | <u>6,351,957</u> | <u>715,351</u> | <u>(950,027)</u> | <u>-</u> | <u>143,027</u> | <u>6,260,308</u> |
| General funds | | | | | | |
| General fund | 1,880,042 | 6,970,764 | (6,981,679) | 130,427 | 45,480 | 2,045,034 |
| Total Unrestricted funds | <u>8,231,999</u> | <u>7,686,115</u> | <u>(7,931,706)</u> | <u>130,427</u> | <u>188,507</u> | <u>8,305,342</u> |

Canterbury Diocesan Board of Finance

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Notes to the financial statements

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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

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Designated Funds (continued)

(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 £400k 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 £500k

(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

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Endowment funds

| | Brought Forward £ | Incoming resources £ | Resources Expended £ | Transfers In/(out) £ | Gains/ (Losses) £ | Carried Forward £ |
|-----------------|----------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|----------------------------------|----------------------------------|
| Ministry Trust | 1,340,152 | 53,731 | - | (53,731) | 115,190 | 1,455,342 |
| Clergy Training | 362,965 | 14,232 | - | (14,232) | 32,850 | 395,815 |
| Tait Mission | 125,635 | 4,977 | - | (4,977) | 7,155 | 132,790 |
| | 1,828,752 | 72,940 | - | (72,940) | 155,195 | 1,983,947 |

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 Fund

Clergy Training Trust

Candidates for the Ministry Fund
 The Holt Fund
 Knight Trust Fund

Tait Mission Fund

For the expenses of the Tait Missioner

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Restricted funds

| | Brought Forward £ | Incoming resources £ | Resources Expended £ | Transfers in/(out) £ | Gains/ (Losses) £ | Carried Forward £ |
|-----------------------------|-----------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|
| Stipends Capital | 913,383 | 835,709 | (53,607) | (57,487) | 94,998 | 1,732,996 |
| Clergy & Spouses Retirement | 454,186 | 2,550 | (26,267) | - | 47,637 | 478,106 |
| | <u>1,367,569</u> | <u>838,259</u> | <u>(79,874)</u> | <u>(57,487)</u> | <u>142,635</u> | <u>2,211,102</u> |
| Total of Funds | <u>11,428,320</u> | <u>8,597,314</u> | <u>(8,011,580)</u> | <u>-</u> | <u>486,337</u> | <u>12,500,391</u> |

(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 | 6,351,957 | 715,351 | (950,027) | - | 143,027 | 6,260,308 |
| General Funds | 1,880,042 | 6,970,764 | (6,981,679) | 130,427 | 45,480 | 2,045,034 |
| Other | <u>8,231,999</u> | <u>7,686,115</u> | <u>(7,931,706)</u> | <u>130,427</u> | <u>188,507</u> | <u>8,305,342</u> |
| Endowment Funds | 1,828,752 | 72,940 | - | (72,940) | 155,195 | 1,983,947 |
| Restricted Funds | <u>1,367,569</u> | <u>838,259</u> | <u>(79,874)</u> | <u>(57,487)</u> | <u>142,635</u> | <u>2,211,102</u> |
| | <u>11,428,320</u> | <u>8,597,314</u> | <u>(8,011,580)</u> | <u>-</u> | <u>486,337</u> | <u>12,500,391</u> |

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19 Analysis of net assets between funds

| | Endowment Funds 2006 £ | Restricted Funds 2006 £ | Unrestricted Funds 2006 £ | Total Funds 2006 £ | Total Funds 2005 £ |
|--|---|--|--|---------------------------------------|---------------------------------------|
| Tangible fixed assets | - | 10,000 | 6,596,650 | 6,606,650 | 5,969,625 |
| Fixed asset investments | 1,983,947 | 1,630,007 | 1,973,588 | 5,587,542 | 5,189,008 |
| Debtors due after more than 1 year | - | - | 171,348 | 171,348 | 49,736 |
| Current assets | - | 571,095 | 1,334,796 | 1,905,891 | 1,897,284 |
| Creditors due within one year | - | - | (989,799) | (989,799) | (1,237,861) |
| Creditors due in more than one year | - | - | (781,240) | (781,240) | (439,472) |
| Difference | - | - | (1) | (1) | - |
| | 1,983,947 | 2,211,102 | 8,305,342 | 12,500,391 | 11,428,320 |

20. Net cash flow from operations

| | 2006 £ | 2005 £ |
|--|-------------------|-------------------|
| Net incoming resources before revaluations | 585,734 | (576,207) |
| Depreciation of tangible fixed assets | 142,707 | 131,116 |
| Surplus on disposal of tangible fixed assets | (817,783) | (246,713) |
| (Increase)/decrease in stocks | (3,415) | 6,285 |
| (Increase)/decrease in debtors | (451,830) | 10,235 |
| (Decrease)/increase in creditors | (139,481) | 331,486 |
| Net cash outflow from operations | (684,068) | (343,798) |

21. Analysis of cash flows for headings netted in cash flow statement

| | 2006 £ | 2005 £ |
|---|-------------------|-------------------|
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (1,280,509) | (627,498) |
| Sale of tangible fixed assets | 1,318,561 | 439,237 |
| Purchase of unlisted and other investments | (16,077) | (314,935) |
| Sale of unlisted and other investments | 103,879 | 682,114 |
| Net cash inflow capital expenditure | 125,854 | 178,918 |

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21 Analysis of cash flows for headings netted in cash flow statement (continued)

| | 2006 £ | 2005 £ |
|---|----------------|------------------|
| Financing | | |
| New secured loans | 410,000 | - |
| Repayment of loans | (176,812) | (165,218) |
| Net cash inflow/(outflow) from financing | <u>233,188</u> | <u>(165,218)</u> |

22. Analysis of changes in net debt

| | 1 January 2006 £ | Cash flow £ | Other non-cash changes £ | 31 December 2006 £ |
|--|------------------------|------------------|-----------------------------------|--------------------------|
| Cash at bank and in hand | 1,041,809 | (325,026) | - | 716,783 |
| Debt. | | | | |
| Debts due within one year | (782,955) | (233,188) | 341,768 | (674,375) |
| Debts falling due after more than one year | (439,472) | - | (341,768) | (781,240) |
| Net debt | <u>(180,618)</u> | <u>(558,214)</u> | <u>-</u> | <u>(738,832)</u> |

23. Contingent liabilities

There are contingent liabilities of £38k and £3k 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

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24. 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.

25. Related party transactions

The Secretary of the Diocesan Board of Finance is a director of the Kent Reliance Building Society which has advanced loans on normal commercial terms. Details are disclosed in note 17.