

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
(A company limited by guarantee)

**FINANCIAL STATEMENTS**

**31 DECEMBER 2003**



**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**INDEX**

	<u>PAGE</u>
DIRECTORS (BISHOPS' COUNCIL)	1 and 2
COMPANY INFORMATION	3
CHAIRMAN'S STATEMENT	4 and 5
REPORT OF THE DIRECTORS	6 to 10
REPORT OF THE AUDITORS	11
STATEMENT OF FINANCIAL ACTIVITIES	12
BALANCE SHEET	13
CASH FLOW STATEMENT	14
NOTES TO THE FINANCIAL STATEMENTS	15 to 26

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**DIRECTORS (BISHOP'S COUNCIL)**

The members of the Bishop's Council set out below have held office during the period from 1 January 2003 to the date of this report, unless otherwise stated.

The Lord Bishop of Birmingham - President  
Mr David F Briggs - Chairman (Solihull)

**Ex-Officio**

The Bishop of Aston  
The Archdeacon of Aston (retired September 2003)  
The Archdeacon of Birmingham  
The Dean of Birmingham Cathedral  
The Chair of the Diocesan House of Clergy - Canon John Hughes (Edgbaston) (until November 2003)  
The Chair of the Diocesan House of Clergy - The Revd Peter Howell-Jones (from December 2003)  
The Chair of the Diocesan House of Laity - Dr Terry R Slater (Moseley) (until November 2003)  
The Chair of the Diocesan House of Laity - Mrs Annette Hanny (Warley) (from December 2003)

**General Synod Representative**

Mrs Bridget Langstaff

**Bishop's Appointees**

Miss Sharon Palmer (Aston) (until December 2003)  
Mr David Ritchie (Moseley) (until December 2003)

**Council Appointments**

Mrs Annette Hanny (Warley) (until December 2003)  
Mrs Rachael Linstead (Solihull) (until December 2003)  
Canon Rob Morris (Kings Norton) (until December 2003)  
The Revd Canon James G Pendorf (City) (until December 2003)  
The Revd Eric Russell (Solihull) (until December 2003)

**Elected - House of Clergy**

The Revd Kevin Chandra (Aston) (until December 2003)  
The Revd Stephen Corbett (Moseley)  
The Revd Neil Elliot (Chaplain) (until December 2003)  
The Revd Peter Howell-Jones (Sutton Coldfield) (until December 2003)  
The Revd Michael Parker (Solihull) (from December 2003)  
Canon Marlene B Parsons (Edgbaston) (until December 2003)  
The Revd Rob Morris (Kings Norton) (from December 2003)  
The Revd Simon Thorburn (Edgbaston) (until December 2003)  
The Revd Graham Turner (Yardley) (from December 2003)  
The Revd David Warbrick (Shirley) (from December 2003)  
The Revd Angela Weaver (Handsworth) (from December 2003)

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**DIRECTORS (BISHOP'S COUNCIL) (Continued)**

***Elected - House of Laity***

Mr Terry R Adams (Moseley) (until December 2003)  
Mr Stephen Fraser (Yardley)  
Mrs Valerie Hamley (Solihull)  
Mr Joe Heaton (Edgbaston) (until December 2003)  
Mr Robert Holgate (Solihull)  
Mrs Claire Laland (Solihull)  
Mr Malcolm Owens (Solihull)  
Dr Terry Slater (Moseley) (from December 2003)  
Mr Geoffrey Shuttleworth (Handsworth) (from December 2003)  
Mrs Diana Smith (Kings Norton) (from December 2003)  
Mr Michael Wilkin (Solihull) (until December 2003)

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**COMPANY INFORMATION**

<b>DIOCESAN SECRETARY</b>	Mr J D Drennan
<b>DIOCESAN DEPUTY SECRETARY (FINANCE)</b>	Mr P G Wilson
<b>DIOCESAN SURVEYOR</b>	Mr A N Broadway
<b>DIOCESAN REGISTRAR</b>	Mr H Carslake
<b>REGISTERED OFFICE</b>	Diocesan Office 175 Harborne Park Road Harborne Birmingham B17 OBH
<b>AUDITORS</b>	Mazars The Broadway Dudley West Midlands DY1 4PY
<b>INVESTMENT ADVISERS</b>	Gerrard Limited Temple Court 35 Bull Street Birmingham B4 6ES
<b>PROPERTY AGENTS</b>	Bruton Knowles 42 Bull Street Birmingham B4 6AF
<b>COMPANY REGISTRATION NUMBER</b>	440966
<b>CHARITY REGISTRATION NUMBER</b>	249403

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**CHAIRMAN'S STATEMENT: YEAR ENDED 31 DECEMBER 2003**

**Introduction**

It gives me great pleasure to present my third report to the members of the Diocesan Board of Finance.

**Results for the year**

You will see from page 12 of the accounts that the combined surplus for the year amounted to £1,320,000. Of this sum, £972,000 related to proceeds from the sale of the former St Thomas' Community School in Ladywood, £228,000 related to the Board's general revenue activity and the remainder of the balance, £120,000, related to the Pastoral account.

**Income**

Once again we have been blessed with outstanding levels of contributions from Parishes to the Common Fund. A collection rate of 97.8% is one of the highest in the country, and we are very grateful to the 161 parishes or church centres who have paid their asking in full. It is worth recording that over the last four years the number of parishes paying in full has risen from 136 in 2000 to 161 last year.

**Spending**

Our expenditure was, once again, very well controlled with an under spend of £234,000 on a budget of £7.3m. This was recorded largely as a result of a 'one-off' effect of 'Called to a New Kingdom' as deaneries carefully thought out their clergy deployment arrangements. Our Ministry costs were, therefore, more than £157,000 below budget. Our Parsonage and Clergy Housing costs were also £59,000 below budget for similar reasons. My thanks are therefore due to all budget holders for their continuing restraint!

**Investments**

Our modest investments performed well last year recovering much of the market led losses seen in 2002. We saw a 9% improvement in the value of our quoted portfolio and property investments remained 'solid'. In conjunction with the Board's investment advisers, the Directors continue to review our investments on a regular basis in order to ensure acceptable levels of return.

**Outlook**

The "Called to a New Kingdom" initiative is now well advanced and it is pleasing to see moves towards new clergy appointments in the Diocese. Obviously, the associated costs will impact on our expenditure but, with prudent and controlled budgeting the impact on our Common Fund should enable us to continue to limit increases to within 5% per annum in the medium term.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**CHAIRMAN'S STATEMENT: YEAR ENDED 31 DECEMBER 2003 (continued)**

We continue to receive transitional relief in respect of Clergy Pension costs but only until March 2005. The full impact will then be felt and will result in additional costs of about £250,000 a year – equivalent to 6% on the Common Fund. There is also the possibility that the current contribution rate of 29.5% might have to increase further once the results of Triennial Valuation of the Pension Fund are known.

The Common Fund Review Working Party report has been discussed further by Bishop's Council and the parish responses carefully considered. It is hoped that Synod will agree a revised 'Fixed Element' for 2005 and 2006 in the light of modifications suggested.

Birmingham continues to be one of 17 of the 'poorer' dioceses and continues to receive Selective Allocation grants from the Church Commissioners, we are grateful for their support. Last year this totalled £971,000 out of our budget of £7.3m.

We give thanks that we continue to be blessed with enthusiastic and committed clergy to lead us and our grateful thanks are due to our Bishop Sentamu, Bishop John, Archdeacon Hayward Osborne, all clergy and Readers for all that they do for us.

On a personal note my thanks also go to Jim Drennan, Paul Wilson and all the DBF staff for all that they do and for the manner in which they do it. Similarly, grateful thanks to the members of all the Boards and Committees for their time, patience and commitment.

David F Briggs  
21 April 2004

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**ANNUAL REPORT OF THE DIRECTORS**

The directors present their report and the financial statements for the year ended 31 December 2003.

**CONSTITUTION, OBJECTS AND PRINCIPAL ACTIVITIES**

Birmingham Diocesan Board of Finance ('the Board') is established under the Diocesan Boards of Finance Measure of 1925. It is a company limited by guarantee and subject to its own Memorandum and Articles of Association. The Board is also a registered charity.

The Board is constituted as the Financial Executive of the Diocesan Synod, each member of which is also a member of the Board. Directors are appointed by the members on a triennial basis. The Board acts as the Parsonage Board and the Pastoral Committee (for the purposes of the ecclesiastical legislation).

The main object of the Board is to act as financial executive for the Diocesan Synod in the administration of the Church of England's interests within the area covered by the Diocese of Birmingham. The Board's officers and employees provide financial and advisory services to all the boards and committees of the Synod, and to certain other small funds and trusts 'connected with' the Church of England within the Diocese. The Finance Office also provides similar services to the Birmingham Diocesan Trustees Registered, a separately registered charity, acting as legal custodian for the properties and permanent endowments of parishes.

The main activities of the Board in meeting its objectives are the payment and housing of Clergy, the provision of central advisory services (officers) to parishes and Church bodies, and contributing financially to the national work of the Church of England.

The affairs of the Board are conducted through the Bishop's Council whose members are also the Directors of the Board and Trustees of the charity. Current membership of the Council is set out on pages 1 and 2 of these financial statements. The Board has sub-committees dealing with parsonage and housing matters, the management of Glebe, endowments and other investments, and general finance matters.

**REVIEW OF THE YEAR**

The statement of the Board's Chair includes a review of the year's activities. Incoming resources for the year exceeded outgoing resources by £1,320,000 (including exceptional income of £972,000, as noted below); this sum includes the £120,000 surplus accruing to the Diocesan Pastoral account from sale of redundant parsonages. The Main Board revenue surplus amounted to £198,088 (the balance attributable to Sites & Buildings and School funds). This surplus is encouraging particularly when set alongside the Common Fund receipts at 98% of budget. Most areas of cost were controlled to well below their budgets. Clergy and advisory Boards together, which account for £5.6m of the Boards' expenditure budget, produced a saving against budget of £170,000. Parsonage and other housing costs were £48,000, below budget. Unusually there is an exceptional item of income attributable to the Church schools fund arising from the sale of the site of a former secondary schools in Lea Bank amounting £972,000 with a further £410,000 payable during 2004 and 2005. This capital sum will add to the Schools Fund's investments to produce future income streams for the benefit of the remaining schools within the Diocese.

**RISK ASSESSMENT**

During the year the directors have carried out a detailed risk assessment and the results of that review are contained in a detailed report received by the Trustees in May 2004.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**ANNUAL REPORT OF THE DIRECTORS (CONTINUED)**

**INVESTMENT POLICY**

A summary of the Board's investments is provided in note 10, 'Analysis of Assets and Liabilities'. Of total investments of just under £10m at 31 December 2003, £5m is represented by property investments (Glebe £3.7m, Endowment £1.4m), £4.5m of various fiscal investments of which £1.8m represents Schools Fund holdings, and £0.8m comprises the Board's investment in its property subsidiary BIRDBOF Properties Limited. Property investments are managed with a view to achieving a return of 8% net overall on valuation. The balance of property / fiscal investments accords with the existing policy of the Board approved in December 1995 of increasing the proportion of non - property investments to what was initially about 15% of the current total of circa 20% (excluding schools) and with a target yield of 5%. Fiscal investments are managed by the Board's investment advisors in accordance with the terms of an agreed strategy, and are spread approximately 50/50 between direct Stock Market investments (mainly investments trusts) and authorised Common Investment Funds for charities (Central Board of Finance Investment Office, COIF and Schroders). In view of the recent and well publicised Stock Market falls, which impacted four successive years' accounts, the upward drift in the market prices has been very encouraging, producing (in 2003) an unrealised investment gain of £299,000. A significant, but unquantifiable, advantage of the fiscal investments is that they are readily realisable, and realisable in part, if required.

**FUTURE PLANS AND COMMITMENTS**

The matter which most exercises the Board's future planning relates to the known increase in clergy pension contributions arising from the most recent actuarial review of the Clergy Pension Fund. The effective contribution rate during 2003 was 22%, this rate should be held for 2004 but in 2005 the Board will lose transitional relief and the full 30% rate will become effective. The impact in the first full year will amount to about £250,000

**FIXED ASSETS**

There have been no significant changes in the Board's fixed assets during the year. The directors are however seeking to dispose of the Hemming Road (Redditch) factory units held by the Glebe fund and valued at £2.1m at the year end. A sale has now been agreed at a price considerably in excess of that valuation. It is expected that the proceeds together with additional capital funds will be re-invested in a modern commercial property with the benefit of good quality covenants designed to maximise current and future income requirements.

**RESERVES POLICY**

The general reserves of the Board are largely represented by property holdings, including certain houses for curates and assistant clergy, the administrative offices in Harborne Park Road, and the loan to BIRDBOF Properties Limited for the reordering of two redundant churches. The 'free reserves' are represented by General fund net current assets, and at the year end amounted to £468,000, about the sum required to meet six weeks' stipends and salaries. The directors recognise that the Board is heavily dependent upon the receipt of parish contributions to the Common Fund of the Diocese, as are all such 'administrative' charities. There is a regular reporting process in place to enable officers of the Diocese to monitor and manage the timely receipt of these contributions. As we indicated last year the directors are pursuing a policy designed to ensure that the recent small annual deficits are reversed.

## **BIRMINGHAM DIOCESAN BOARD OF FINANCE**

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### **ANNUAL REPORT OF THE DIRECTORS (CONTINUED)**

#### **RESTRICTED FUNDS AND ENDOWMENTS**

There are three restricted funds under the control of the Board - Sites and Buildings, Parsonages and Church Schools - and two permanent endowments - Glebe and Endowment. We give below a brief summary of their historic origin and objects of each.

i) **Sites and Buildings**

This fund was originally created under a scheme of the Charity Commissioners by the Worcester Diocese in November 1906, when Birmingham was first being established as an independent Diocese, Birmingham being formed mostly from parishes previously part of either the Diocese of Worcester or Lichfield. The objects of that fund were to assist the proposed new Diocese in providing sites for and building new churches and mission rooms. The fund was absorbed into the Annual Reports of the Birmingham Diocese during the years following the first World War and in 1951 the Charity Commissioner's consent was obtained to replacing individual trustees by the Birmingham Diocesan Board of Finance. This fund continues to be used to provide income for making grants to PCC's for the maintenance or extension of churches, and loans at reduced interest rates for new churches or (more usually) major repair projects.

ii) **Parsonages Fund**

This fund was established in 1972 following the implementation of the 'Repair of Benefice Buildings' measure of 1971. The cost of all repairs and renewals to benefice properties (parsonages) during the course of a year are charged to this fund, which is credited with parish contributions to repairs, any grants received from external trusts and any residual monies from sale of redundant parsonages. The balance of expenditure is met by a transfer from the Board's General Fund.

iii) **Church Schools Fund**

This fund comprises the accumulated capital proceeds arising from the sale of closed Church schools. Under section 86 of the 1944 Education Act (now section 554 of the 1996 act), part or all of the proceeds arising on the sale of closed schools will have been directed to this fund under a Determination Order by the Secretary of State for Education. These proceeds in Birmingham are held under the terms of a Uniform Statutory Trust. The income deriving from the deposits and investments (mainly Common Investment Funds) is applied for the benefit of existing voluntary aided schools by way of grants and or loans for building projects and repairs. During the year this fund has benefited from the disposal of a redundant school site in central Birmingham which has produced £700,000 of capital proceeds plus mesne profits. The majority of which income has been placed with the CCLA and CBF equity and property funds as capital investment to produce long term income and growth.

iv) **Glebe properties**

Under the terms of the Endowment and Glebe Measure 1976, all historic parish Glebe land holdings were transferred to the respective Diocesan Boards of Finance, who were required, in return, to ensure that all clergy within their Diocese received at least the agreed minimum stipend for the year. Until recently, all Glebe assets were required to be held in property and, all of this fund is still represented by property investments. All clear income derived from these investments is transferred to the General Fund as a contribution towards the cost of clergy stipends.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**ANNUAL REPORT OF THE DIRECTORS (CONTINUED)**

**RESTRICTED FUNDS AND ENDOWMENTS (CONTINUED)**

v) **Birmingham Diocesan Endowment Fund**

This fund was also established under a scheme of the Charity Commissioners (dated September 1906), promoted by the Worcester Diocese, with the object of providing a permanent capital endowment, the income derived from which to be available to the Diocesan trustees for the purpose of augmenting the incomes of clergy serving in the 'poorer areas' of Birmingham. In 1963, the Commissioners approved a variation to the scheme appointing the Board as joint trustees of the charity, together with the Diocesan Trustees Registered. The objects were varied slightly by a Commissioners Order dated August 1981, following the implementation of the Endowment and Glebe Measure, confirming that any clear income of the charity is to be applied in augmenting stipends of the clergy in the Diocese of Birmingham. Subsequent to the 'Fresh Start' re-organisation of 1993, the Board transferred certain property and fiscal investments previously held in the General Fund into the Endowment Fund. Glebe and Endowment Fund investments are monitored by the Finance Investments and Property Sub-committee, advised by the Board's professional property agents and investment managers.

**CHARITABLE AND POLITICAL CONTRIBUTIONS**

No political contributions were made during the year. Small charitable contributions have been made as part of the Board's objectives, mainly to projects sponsored under parish initiatives.

**POST BALANCE SHEET EVENTS**

In addition to the imminent sale of the main Glebe property investment (referred to above) the Board has contracted to sell the site of St Luke's church and parsonage (Bristol Street), and the redundant school site adjacent to the church. The proceeds of sale will mostly be committed to the provision of an alternative church and parsonage and to the refurbishment of St Thomas VA school, Attwood Green (Formerly Lea Bank).

**DIRECTORS**

None of the directors received any emoluments from the Board in their capacity as directors for services to the Board.

The total amount of expenses reimbursed was less than £100.

**TAXATION STATUS**

The Board is a charity having been established under the Diocesan Boards of Finance Act 1926 and, as such, is not liable to income tax or corporation tax. The Board is also registered as a charity (reg. No. 249403).

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**ANNUAL REPORT OF THE DIRECTORS (CONTINUED)**

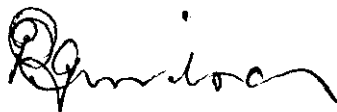
**RESPONSIBILITIES OF THE DIRECTORS**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements;
- \* prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board on 19<sup>th</sup> May 2004  
and signed on its behalf



P G Wilson  
Deputy Diocesan Secretary

**INDEPENDENT REPORT OF THE AUDITORS TO THE MEMBERS OF  
BIRMINGHAM DIOCESAN BOARD OF FINANCE  
(A company limited by guarantee)**

We have audited the financial statements of the Birmingham Diocesan Board of Finance for the year ended 31 December 2003, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain freehold properties and fixed asset investments, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the statement of Directors' Responsibilities the directors, who also act as trustees for the charitable activities of the Birmingham Diocesan Board of Finance, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Accounting Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Annual Report and Chairman's Statement and consider their implications for our report if we become aware of any apparent misstatement therein.

**Basis of opinion**

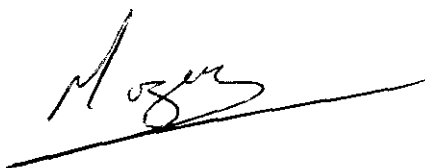
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates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

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

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the charitable company's affairs at 31 December 2003 and of its incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MAZARS  
CHARTERED ACCOUNTANTS and  
Registered Auditors  
The Broadway  
Dudley  
West Midlands DY1 4PY



19<sup>th</sup> May 2004

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**STATEMENT OF FINANCIAL ACTIVITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Restricted funds		Unrestricted funds		Total funds 2003	Total funds 2002
		Endowment funds £'000	Other funds £'000	Designated funds £'000	Undesignated funds £'000	£'000	£'000
<b>INCOME AND EXPENDITURE</b>							
<b>INCOMING RESOURCES</b>							
Donations, legacies & similar incoming resources:							
Parochial contributions		-	-	-	4,384	4,384	4,268
Church Commissioners		-	-	-	1,278	1,278	1,175
Stipend Sources		-	-	-	434	434	389
Other donations		-	-	-	65	65	60
From operating activities:							
Fees		-	-	-	486	486	504
Activities for Generating Funds:							
Housing income		-	96	56	-	152	130
Investment income		506	76	3	44	629	633
Other income		-	1,004	872	196	2,072	544
<b>TOTAL INCOME RESOURCES</b>		<b>506</b>	<b>1,176</b>	<b>931</b>	<b>6,887</b>	<b>9,500</b>	<b>7,703</b>
<b>RESOURCES EXPENDED</b>							
Charitable Activities:							
<i>Ministry in Parishes:</i>							
Clergy pay, including national insurance and pension contributions		-	-	-	4,932	4,932	4,902
Housing		-	393	825	-	1,218	807
Grants – National Church Responsibilities		-	-	-	176	176	148
General		-	59	5	130	194	245
<i>Support for Ministry in Parishes:</i>							
Diocesan Boards		-	-	-	693	693	594
Ministry Training		-	-	-	123	123	179
Synodical support		-	-	-	128	128	136
Management and Administration		102	143	-	334	579	416
Interest	3	-	34	66	37	137	158
<b>TOTAL RESOURCES EXPENDED</b>		<b>102</b>	<b>629</b>	<b>896</b>	<b>6,553</b>	<b>8,180</b>	<b>7,585</b>
<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b>		<b>404</b>	<b>547</b>	<b>35</b>	<b>334</b>	<b>1,320</b>	<b>118</b>
Transfers between funds		( 404)	452	13	( 61)	-	-
<b>NET INCOMING RESOURCES FOR THE YEAR</b>	4	<b>0</b>	<b>999</b>	<b>48</b>	<b>273</b>	<b>1,320</b>	<b>118</b>
Gains/(losses) on investments:	5/6	210	106	14	-	330	( 542)
<b>NET MOVEMENT IN FUNDS</b>		<b>210</b>	<b>1,105</b>	<b>62</b>	<b>273</b>	<b>1,650</b>	<b>( 424)</b>
Balance brought forward		7,164	2,478	364	1,931	11,937	12,361
<b>Balance carried forward</b>	10/11	<b>7,374</b>	<b>3,583</b>	<b>426</b>	<b>2,204</b>	<b>13,587</b>	<b>11,937</b>

All activities derive from continuing operations.

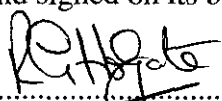
There are no recognised gains and losses other than the net movement in funds for the financial year.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
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**BALANCE SHEET**  
**YEAR ENDED 31 DECEMBER 2003**

	Note	£'000	2003 £'000	£'000	2002 £'000
<b>FIXED ASSETS</b>					
Tangible assets:					
Other fixed assets	5	3,911		3,810	
			3,911		3,810
Investments:					
Investment properties	6	5,134		5,020	
Birdbof Properties Limited loan	6	829		829	
Other investments	6	3,644		2,596	
			9,607		8,445
<b>TOTAL FIXED ASSETS</b>			<b>13,518</b>		<b>12,255</b>
<b>CURRENT ASSETS</b>					
Debtors:					
Receivable within one year	7	1,402		1,035	
Receivable after one year	7	716		566	
		2,118		1,601	
Cash at bank		1,567		1,628	
		3,685		3,229	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	8	( 1,087)		( 1,016)	
<b>NET CURRENT ASSETS</b>			<b>2,598</b>		<b>2,213</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>16,116</b>		<b>14,468</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	9		( 2,529)		( 2,531)
<b>NET ASSETS</b>			<b>13,587</b>		<b>11,937</b>
<b>FUNDS</b>					
Restricted funds			3,583		2,295
Unrestricted funds			2,630		2,478
Endowment funds			7,374		7,164
	10/11		<b>13,587</b>		<b>11,937</b>

Approved by the Board on 19<sup>th</sup> May 2004  
and signed on its behalf

  
.....  
Robert Holgate  
Deputy Chairman

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 £'000	2002 £'000
Cash flow from operating activities	14	1,264	642
Servicing of finance (interest paid)		( 137)	( 158)
Capital expenditure and financial investment	15	( 945)	288
Cash inflow before use of liquid resources and financing		182	772
Use of liquid resources	15	( 190)	( 138)
Cash flow from financing	15	( 243)	( 309)
(Decrease)/increase in cash in the year		( 251)	325

**RECONCILIATION OF NET CASH FLOW TO  
MOVEMENT IN NET DEBT**

(Decrease)/increase in cash in the year		( 251)	325
Net cash flow relating to loans and deposits		433	347
Movement in net debt in the year	16	182	672
Net debt at beginning of year		( 1,304)	( 1,976)
Net debt at end of year		( 1,122)	( 1,304)

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", with the exception that consolidated accounts have not been prepared for the reasons given in note 6 below. The particular policies adopted are described below. Compliance with Statement of Recommended Practice "Accounting and Reporting by Charities" requires departure from the requirements of the Companies Act 1985 relating to depreciation, and an explanation of the departure is given below.

**Accounting convention:**

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties and fixed asset investments.

**Turnover:**

The Board does not undertake trading on its own account. There is a subsidiary company which covenants its profits up to the Board:

Birdbof Properties Limited - a wholly owned property investment company.

**Diocesan Common Fund:**

Amounts received from parishes are credited to the income and expenditure account in the accounting period to which they relate.

**Tangible fixed assets and depreciation:**

*Investment properties*

In accordance with the SORP, investment properties are revalued by the Directors annually and the aggregate surplus or deficit is recognised in the Endowment Fund and Glebe Fund. Investment properties were last professionally valued in December 2001, the results of which are included in these accounts. No depreciation is provided on investment properties.

The Companies Act 1985 requires all properties to be depreciated. However this requirement conflicts with the generally accepted accounting principle set out in the SORP. The Directors consider that, because these properties are held as investments, to depreciate them would not give a true and fair view, and that it is necessary to adopt the SORP in order to give a true and fair view. If this departure from the Act had not been made, the profit for the financial year would have been reduced by depreciation. However, the amount of depreciation cannot reasonably be quantified because depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES (Continued)**

*Other fixed assets:*

i) Other properties

No depreciation is provided on freehold properties on the grounds that they are maintained regularly to a high standard and, in the opinion of the Board, given the length of their economic useful lives, the depreciation charge and accumulated depreciation would be immaterial to these accounts. The Board has carefully considered any impairment in the carrying value of the properties (which are externally valued every three years) and a provision is not considered necessary.

ii) Computer equipment

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets at 33% per annum straight line.

*Other investments*

All other investments are stated at market value.

**Funds**

Funds over which the Board's control is limited by statute or the terms of a trust deed, or which are restricted in their use have been defined as "restricted funds". Funds which are controlled by the Board and over which there are essentially no restrictions as to their use (either by statute or trust) have been defined as "unrestricted".

**Endowments**

The Endowment Funds are those whose capital represents permanent endowment and is therefore not available for revenue expenditure. The income derived from the properties and other investments is available for meeting the costs of clergy stipends only. There are two such funds:

**Diocesan Glebe:** represents those historic lands and buildings which were held by incumbents and formed part of the benefice prior to the Endowment and Glebe Measure 1976. Glebe investments are subject to regulations under this Measure and previous Acts of Parliament, the main provisions being that Glebe should be held only as land or property.

**The Endowment Fund:** is a local fund originally set up under a Charity Commissioners Scheme of 1906 (amended in 1930) and is available for investment at the discretion of the Board of Finance subject to general charities legislation.

**Other administered funds**

Funds not forming part of the Board's assets, but only administered by the staff of the Board, are excluded from these accounts.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
(A company limited by guarantee)

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES (Continued)**

**Parsonage houses**

The Board has given considerable thought to the question of whether or not the capital value of parsonage houses should be included on its Balance Sheet.

The Repair of Benefice Buildings Measure requires Diocesan Boards of Finance periodically to survey parsonages and initiate repairs as necessary with costs recoverable from parishes (mainly through the Common Fund). The Board does not enjoy the benefits of ownership nor is it able to receive the proceeds of any redundancy unless the Bishop agrees that such proceeds should accrue to the Board, and an Order in Council is secured giving effect to that decision. Until then, the property remains part of the benefice and of the incumbent for the time being. The Board therefore considers that these properties should not be included as Board assets.

Because of the inherent uncertainty as to whether any profits will accrue to the Board, sale proceeds in respect of Parsonage houses and similar assets are recognised in the financial statements only when they become receivable by the Board.

The parsonages are insured by the Board as agents for the benefice on a block policy in order to minimise the cost to parishes. As at 31 December 2003, there were 154 parsonages (2002: 154), with a total insured value of £29m (2002: £28m).

**2 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2003	2002
	No	No
Average number of persons employed (full and part-time) during the year:		
Executives	15	15
Secretarial	9	9
Administration	10	9
Action in the City and Youth Advisers	5	7
	<hr/>	<hr/>
	39	40
	<hr/>	<hr/>
Employee costs during the year (excluding clergy pay)		
	£000	£000
Wages and salaries	774	732
Social security costs	57	54
Pension costs	146	110
	<hr/>	<hr/>
	977	896
	<hr/>	<hr/>

None of the directors received any remuneration as directors during either year.

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 £'000	2002 £'000
<b>3 INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Bank loans, overdrafts and other loans	<u>137</u>	<u>158</u>
<b>4 NET INCOMING RESOURCES</b>		
Net movement in funds is stated after charging/(crediting):		
Depreciation - owned assets	19	19
(Profit)/loss on disposal of fixed assets	( 15)	47
(Profit)/loss on disposal of investments	( 16)	155
Auditors' remuneration	<u>12</u>	<u>12</u>

In accordance with the Boards' Accounting Policies, income directed to the Board in respect of property assets not previously recorded (amounting to £409,625) will be recognised as income within the Schools Fund in future accounting periods as it was not receivable as at 31 December 2003.

**5 TANGIBLE FIXED ASSETS**

	Freehold properties £'000	Long leasehold properties £'000	Computer equipment £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2003	3,455	339	153	3,947
Additions	156	-	19	175
Re-valuation	-	-	-	-
Disposals	( 22)	( 33)	-	( 55)
At 31 December 2003	<u>3,589</u>	<u>306</u>	<u>172</u>	<u>4,067</u>
<b>Accumulated depreciation</b>				
At 1 January 2003	-	-	137	137
Charge for the year	-	-	19	19
At 31 December 2003	<u>-</u>	<u>-</u>	<u>156</u>	<u>156</u>
<b>Net book value</b>				
At 31 December 2003	<u>3,589</u>	<u>306</u>	<u>16</u>	<u>3,911</u>
At 31 December 2002	<u>3,455</u>	<u>339</u>	<u>16</u>	<u>3,810</u>

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**5 TANGIBLE FIXED ASSETS (Continued)**

Properties (other than those dealt with in note 6) were valued by Bruton Knowles (Chartered Surveyors) on an open market existing use basis as at 31 December 2001.

The total original cost of the valued properties including those held as investments (note 6), was £4,180,834 (2002 £4,182,577).

Within freehold properties are certain houses purchased for the clergy, financed by loans from the Church Commissioners, on terms that provide that any surplus or deficit on eventual disposal accrues to the Church Commissioners and not to the Board of Finance. Accordingly, these properties are included at cost, which at 31 December 2003, amounted to £2,756,443 (2002 £2,521,991).

**6 INVESTMENTS HELD AS FIXED ASSETS**

a) Investment properties

	Glebe £'000	Endowment fund £'000	Total £'000
At 1 January 2003	3,635	1,385	5,020
Additions	131	-	131
Re-valuation	-	-	-
Disposals	-	( 17)	( 17)
	<hr/>	<hr/>	<hr/>
At 31 December 2003	<u>3,766</u>	<u>1,368</u>	<u>5,134</u>

b) Birdbof Properties Limited loan

	2003 £'000	2002 £'000
Amount due at beginning of year	965	965
Advanced	-	-
Repaid	-	-
Provision against under-recovery	( 136)	( 136)
	<hr/>	<hr/>
Amount due at end of year	<u>829</u>	<u>829</u>

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**6 INVESTMENT HELD AS FIXED ASSETS (Continued)**

	Listed shares £'000	Unlisted shares £'000	Total £'000
c) Other investments			
<b>At valuation</b>			
At 1 January 2003	840	1,756	2,596
Additions	56	750	806
Disposals	( 57)	-	( 57)
Revaluation	161	138	299
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,000	2,644	3,644
	<hr/>	<hr/>	<hr/>
<b>Historic cost:</b>			
At 31 December 2003	1,050	2,279	3,329
	<hr/>	<hr/>	<hr/>
At 31 December 2002	1,060	1,529	2,757
	<hr/>	<hr/>	<hr/>

Unlisted investments consist of freely marketable shares in The Central Board of Finance Investment Fund administered by the CCLA Fund Managers.

d) Subsidiary undertakings

The Board owns the entire share capital of Birdbof Properties Limited, a property investment company registered in England and Wales. At the end of the year, the company had net liabilities of £136,358, and appropriate provision has been made against its indebtedness to the Board (see above).

The company's trading results can be summarised as follows:

	2003 £'000	2002 £'000
Turnover	62	61
Administrative expenses	( 46)	( 37)
Interest (net)	-	-
	<hr/>	<hr/>
Profit on ordinary activities	16	24
	<hr/>	<hr/>
Payment under Gift Aid	( 16)	( 24)
	<hr/>	<hr/>
Result for the year	-	-
	<hr/>	<hr/>

Consolidated accounts have not been prepared on the basis that the results of the subsidiary company are not material to the accounts of the Birmingham Diocesan Board of Finance

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

<b>7</b>	<b>DEBTORS</b>	<b>2003</b> <b>£000</b>	<b>2002</b> <b>£000</b>
	Receivable within one year:		
	Parish loans	316	103
	Other loans	399	227
	Prepayments and accrued income	687	705
		<hr/>	<hr/>
		1,402	1,035
		<hr/>	<hr/>
	Receivable after one year:		
	Parish loans	519	301
	Other loans	197	265
		<hr/>	<hr/>
		716	566
		<hr/>	<hr/>
	<b>TOTAL DEBTORS</b>	<b>2,118</b>	<b>1,601</b>
		<hr/> <hr/>	<hr/> <hr/>

Parish loans includes an amount of £316,168 (2002 £127,200) due from parishes in respect of "back-to-back" loans made to parishes from funds made available to the Board by the Central Board of Finance. The corresponding liability, being the amount repayable by the Board to the Central Board of Finance, is included within other loans in note 9 below. Interest is payable and receivable at the same rate, being 1% above the CBF deposit rate.

<b>8</b>	<b>CREDITORS: AMOUNTS FALLING DUE</b> <b>WITHIN ONE YEAR</b>	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
	Bank loans	-	150
	Other loans	160	251
	Trade creditors	380	265
	Other creditors	40	42
	Accruals and deferred income	507	308
		<hr/>	<hr/>
		1,087	1,016
		<hr/> <hr/>	<hr/> <hr/>

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003 £'000	2002 £'000
<b>9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Other loans	2,529	2,531

Other loans due after more than one year relate principally to advances from the Church Commissioners for house purchases.

The average current interest rate is approximately 6% per annum.

Repayment of each loan is due upon the sale of the related property. It is not anticipated that any of these loans will be repayable within five years, unless the properties to which they relate are sold.

**10 ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS**

	Restricted		Unrestricted		Total funds	Total funds
	Endowment	Other	Designated funds	Undesignated funds	2003	2002
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Tangible assets</b>						
Other fixed assets	-	-	2,407	1,504	3,911	3,810
<b>Investments</b>						
Investment properties	5,134	-	-	-	5,134	5,020
Birdbof	-	-	-	829	829	829
Other	1,814	1,830	-	-	3,644	2,596
<b>Debtors</b>						
Due within one year	-	632	-	770	1,402	1,035
Due after one year	-	464	-	252	716	566
<b>Cash at bank</b>	426	773	( 61)	429	1,567	1,628
<b>Creditors</b>						
Due within one year	-	( 104)	-	( 983)	( 1,087)	( 1,016)
Due after one year	-	( 12)	( 1,920)	( 597)	( 2,529)	( 2,531)
<b>Net assets</b>	7,374	3,583	426	2,204	13,587	11,937

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**11 MOVEMENTS IN FUNDS**

	1 January 2003 £'000	Income £'000	Expenditure £'000	Transfers £'000	Capital movements £'000	31 December 2003 £'000
<b>Endowment funds</b>						
Glebe	3,768	334	( 90)	( 244)	-	3,768
Endowment	3,396	172	( 12)	( 160)	210	3,606
	<u>7,164</u>	<u>506</u>	<u>( 102)</u>	<u>( 404)</u>	<u>210</u>	<u>7,374</u>
<b>Other restricted funds</b>						
Parsonages fund	2	96	( 533)	437	-	2
Sites and buildings fund	942	11	( 32)	15	-	936
Schools funds	1,534	1,069	( 64)	-	106	2,645
	<u>2,478</u>	<u>1,176</u>	<u>( 629)</u>	<u>452</u>	<u>106</u>	<u>3,583</u>
<b>Unrestricted funds</b>						
Designated funds:						
Houses fund	281	56	( 141)	13	14	223
Pastoral fund	83	875	( 755)	-	-	203
Undesignated funds:						
General fund	1,931	6,887	( 6,553)	( 61)	-	2,204
	<u>2,295</u>	<u>7,818</u>	<u>( 7,449)</u>	<u>( 48)</u>	<u>14</u>	<u>2,630</u>
<b>Total</b>	<u>11,937</u>	<u>9,500</u>	<u>( 8,180)</u>	<u>-</u>	<u>330</u>	<u>13,587</u>

**12 CAPITAL COMMITMENTS**

At 31 December 2003 the company had no capital commitments which were contracted for but not provided in the financial statements (2002 £Nil).

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**13 PENSION COSTS**

**Employees**

The Board participates in the Church of England Defined Benefits Scheme ('DBS') section of the Church Workers Pension Fund (the Fund), a pension scheme administered by the Church of England Pensions Board to provide benefits to lay employees based on final pensionable salaries. The assets of the fund are held separately from those of the employer.

The pension cost for the year shown in the financial statements is equal to the total contributions which were paid by the employer only. The contributions were assessed by a qualified actuary using the projected unit credit method of valuation.

At 31 December 2003, the company had 34 active members and 24 deferred pensioner members in the fund.

The company is unable to identify its share of the underlying assets and liabilities, as each employer is exposed to actuarial risks associated with current and former employees of other entities participating in the DBS.

A valuation of the fund was carried out as at 31 December 2002 and the company's contribution rate will be reviewed from 1 January 2003. The next valuation of the scheme will be carried out as at 31<sup>st</sup> December 2004

**Stipendiary Clergy**

With effect from 1 January 1998, diocesan clergy became members of the new Church of England Funded Pension Scheme, which provides benefits on a defined benefit basis. This Scheme provides that part of their pension that relates to pensionable service after 1 January 1998 and the scheme's assets are held independently of the Diocese or other responsible bodies. Pensions in respect of pensionable service before 1 January 1998 will be paid by the Church Commissioners under the previous arrangements. For 2003, the total contributions were £907,807 (2002 £838,623).

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Birmingham diocese is unable to identify its share of the underlying assets and liabilities – each employer in the scheme pays a common contribution rate. The first valuation of the Scheme was carried out as at 31 December 2000, and the Diocese's contribution rate increased from 21.9% of the pensionable stipends, at 1 April 2002, to 29.5% from 1 January 2003.

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

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**14 RECONCILIATION OF INCOMING/(OUTGOING) RESOURCES TO OPERATING CASH FLOWS**

	2003 £'000	2002 £'000
Incoming resources, before interest	1,488	226
Depreciation	19	19
(Increase)/Decrease in debtors	( 517)	187
Increase in creditors	312	162
Profit on disposal of fixed assets	( 14)	( 105)
Loss on disposal of investments	( 24)	153
	<u>1,264</u>	<u>642</u>
Net cash inflow from operating activities	<u>1,264</u>	<u>642</u>

**15 ANALYSIS OF CASH FLOW FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

**Capital expenditure and financial investment**

Purchase of tangible fixed assets	( 176)	( 138)
Sale of tangible fixed assets	112	609
Purchase of investments	( 937)	( 190)
Sale of investments	97	126
Profit on Church Commissioners' properties remitted	( 41)	( 119)
	<u>( 945)</u>	<u>288</u>
Net cash (outflow)/inflow for capital expenditure and financial investment	<u>( 945)</u>	<u>288</u>

**Use of liquid resources**

Placing of cash on long term deposit	( 190)	( 138)
	<u>( 190)</u>	<u>( 138)</u>

**Financing**

Loan repayments	( 243)	( 309)
	<u>( 243)</u>	<u>( 309)</u>
Net cash outflow from financing	<u>( 243)</u>	<u>( 309)</u>

**BIRMINGHAM DIOCESAN BOARD OF FINANCE**  
**(A company limited by guarantee)**

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

**16 ANALYSIS OF NET DEBT**

	At 1 January 2003 £'000	Cash flow £'000	At 31 December 2003 £'000
Cash in hand and at bank	540	( 251)	289
	<u>540</u>	<u>( 251)</u>	<u>289</u>
Bank loans	( 150)	150	-
Other loans	( 2,782)	93	( 2,689)
	<u>( 2,932)</u>	<u>243</u>	<u>( 2,689)</u>
Cash held on deposit	1,088	190	1,278
Net debt	<u>( 1,304)</u>	<u>182</u>	<u>( 1,122)</u>

Included in "other loans" shown above are loans amounting to £2,155,473 (2002 £2,425,571) in respect of advances from the Church Commissioners for the purchase of houses, at a cost of £2,578,309 (2002 £2,600,480). Full details are given in note 5 to the accounts.