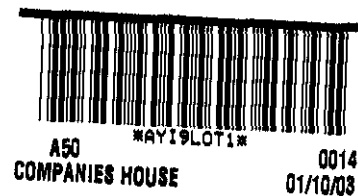


**SOUTH LONDON CHURCH FUND AND
SOUTHWARK DIOCESAN BOARD OF FINANCE**

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2002



**SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE
REPORT AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2002

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SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 31 DECEMBER 2002

Legal and administrative details

Constitution

The South London Church Fund and Southwark Diocesan Board of Finance ("The Board") is a company limited by guarantee and a registered charity. It exists to provide financial and administrative support to the activities of the Church of England in the Diocese of Southwark. It carries out its charitable objects through the principal activities described below.

Company Registration Number:	236594
Registered Charity Number:	249678
Governing Document:	Memorandum & Articles of Association

Directors

Under the Memorandum and Articles of Association all members of the board are legally regarded as directors. Members are also regarded as Trustees for the purposes of charity law. The names of those who served as directors during the year are set out below. No director had any beneficial interest in the company during 2001 or 2002.

Membership of the board of finance and principal committees

Chairman	Mr Andrew Britton*	
Vice Chairman	Mr Brian Warnes*	
Ex Officio Members	The Lord Bishop of Southwark	(Rt Rev Tom Butler)
	The Archdeacon of Croydon*	(Ven Tony Davies)
	The Archdeacon of Lambeth	(Ven Nick Baines)
	The Archdeacon of Lewisham	(Ven Christine Hardman)
	The Archdeacon of Reigate	(Ven Daniel Kajumba)
	The Archdeacon of Southwark*	(Ven Douglas Bartles-Smith)
	The Archdeacon of Wandsworth*	(Ven David Gerrard)

Elected members
28 Laity by Deanery Synod

Brixton	Mr Simon Grantham	Streatham	Mr Colin Hart
Merton	Mr Chamberlain Eke*	Battersea	Mr Sven Tester
Plumstead	Mr David Plummer	Tooting	Vacant
Charlton	Mrs Marion Chittleborough*	Wandsworth	Mr Andrew Simon
		Richmond & Barnes	Sir Peter Harrop
Eltham & Mottingham	Vacant	Kingston	Mr John Henson*
		Croydon North	Mrs Sandra Pickard*
East Lewisham	Mr Brian Warnes*	Croydon Addington	Mr Clive Christensen
West Lewisham	Mr Simon Taylor	Croydon Central	Mr John Timbury
Deptford	Mr David Sagi*	Croydon South	Mr Martin Day
Bermondsey	Mr Solomon Lartey	Sutton	Mr Neil Giles
Southwark & Newington	Mrs Linda Garnet		

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

Camberwell	Mr Sunny Lambe	Caterham	Mr Christopher Clementi
Dulwich	Dr Joan Greenwood	Godstone	Mr Jeremy Kean
Lambeth	Mr Robert Smeath	Reigate	Mr Anthony Parker*
Clapham	Mr Michael McNish		

12 Clergy by Archdeaconry

Lewisham	Rev Canon John Ardley*	
	Rev David Frith	(to 18 January 2003)
Southwark	Rev Sarah Archer	
	Rev Tony Lucas	
Lambeth	Rev Ray Skinner*	
	Rev Andrew Wakefield	
Wandsworth	Rev Alan Gadd	
	Rev Peggy Jackson	(to 14 January 2002)
	Rev Ross Collins	(from 26 February 2002)
Croydon	Rev Richard Williams*	
	Rev Tim Giles	
Reigate	Rev William Campen*	
	Rev Stephen Caple	
Bishop's Nominees	Mr Andrew Britton	
	Rt Rev Colin Buchanan* (Bishop of Woolwich)	
	Rev Peter Milligan*	
	Mr Daniel Fenuga	
	Rev Dr John Thewlis	

Executive & Glebe Committee (as at 31 December 2002)

As marked by * above, plus Rev Barry Nichols and Mr Roger Squire. Chaired by Mr Andrew Britton.

Audit Committee (as at 31 December 2002)

Dr Brian Martin (Chairman), Mr Sven Tester, Mr John Timbury, Mr Anthony Parker, Mr Jeremy Kean, Sir Peter Harrop, Rev Tim Giles.

Senior staff and principal advisors

Secretary to the Board:	Mr Simon J B Parton
Registered Address:	Diocesan Office, Trinity House 4 Chapel Court Borough High Street London, SE1 1HW
Financial Controller	Mr Robert Dallimore, ACMA
Diocesan Surveyor: Parsonages and Property Maintenance, Glebe & Capital Management and Redundant Churches Uses Committees	Mr Roger Pickett, FRICS
Assistant Secretary: Pastoral and Diocesan Advisory Committees	Mr Andrew Lane

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

Auditors: haysmacintyre
 Southampton House
 317 High Holborn
 London
 WC1V 7NL

Bankers: National Westminster Bank PLC
 (Lambeth North Branch)
 91 Westminster Bridge Road,
 London
 SE1 7HW

Solicitors: Winckworth Sherwood
 The Old Deanery,
 Dean's Court,
 London
 EC4V 5AA

Objectives

The Diocese of Southwark is one of 44 dioceses of the Church of England. The Board of Finance is the financial executive of the Diocesan Synod, with the responsibility of promoting and assisting the work of the Diocese including its mission. The task of the Board of Finance can be described as:

“To support the parishes and clergy of the Diocese in their mission and to order the use of cash and capital resources towards the fulfilment of that task”

Our Mission

The Mission Statement, approved by the Diocesan Synod is:

The people of God in Southwark Diocese – laity and clergy together are called to:

- Pray for the renewing power and love of the Holy Spirit in our worship, work and witness,
- Seek the Kingdom – Seek the rule of God in our lives, our church, communities, the life of the earth and the whole of creation,
- Share the Faith – proclaiming the Good News, teaching and nurturing new believers, making disciples and equipping them for service,
- Search for Truth – open to God's Word, exploring God's activity in different contexts and cultures,
- Serving our Neighbour – responding to human need by loving service and confronting the unjust structures of society,
- Follow Jesus – in his suffering love for the salvation of all people.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

Organisation and Decision making structure

The Board of Finance is the main governing body of the charity. However, the Diocesan Synod, through the Bishop's Council decides the strategic budget for the Diocese, including the overall level of parish contributions through the Fairer Share apportionment.

The Board of Finance meets quarterly to review its responsibilities and the work of a number of sub-committees. The scope of subcommittees include:

- The Executive & Glebe, which manages the development, retention or disposal of glebe and board properties. This committee also has an over-view of financial management and investment.
- The Parsonages and Property Maintenance Committee, which gives direction to the repair of parsonage, glebe and board properties. The committee also monitors the possible replacement of parsonages.
- The Fairer Shares Committee manages the parish apportionment formula. The committee liaises with parishes to ensure the fair evaluation and regular collection of parish contributions.
- The Audit Committee liaises with the External Auditors and advises the Board on internal control issues.
- The Communications & Resources Committee has the responsibility of looking after press, publicity, publications and communication as well as overseeing the central gift aid scheme.
- The Stipend & Budget Committee generally meets during the early summer, to review the budget strategy, departmental budgets and their consolidation into the annual budget submission.
- The Trust Committee reviews the management and investment of the stipendiary funds. The committee also monitors the Boards administration of the parish trust funds.

Financial Overview

The main source of income to the Diocese is the Fairer Shares contributions from parishes. We are most grateful to the parishes that have maintained the regular and full contributions, which amounted to £10.8m (2001:£10.1m) to the Parish Fairer Shares System. The Diocese is also fortunate to receive donations from the City Parochial Fund, and the Church Commissioners, as reflected in note 2a to the financial statements. This year some legacies have also been received. Total donations, legacies and similar income is £12.5m (2001: £11.9m).

Income from operating activities is mainly the fees, which incumbents assign to the Diocese. Contributions toward the ministry of non-establishment posts are also reflected in operating activities. The income from operating activities total £1.3m (2001:£1.0m).

The returns from our equity investments have reduced reflecting the general decline in interest rates and dividends. The income from property rents is reflected in investment income. Total investment income this year is £1.45m (2001: £1.35m). Net realised gains from property sales are reflected in other incoming resources in the Statement Of Financial Activities (SOFA).

In March 2002 the Diocesan Synod adopted a medium-term financial strategy. The strategy had been set following consultation with parishes and options outlined in a report on "Facing the Future". As part of the strategy there have been reductions in the Area Mission Teams. Some reductions have already been made. Additionally, the pre-planned reduction in the number of stipendiary clergy is reflected as indicated in note 8 to the financial statements.

The total costs of stipends and salaries have remained constant at £8m. Within this figure stipends were £5.9m (2001 £5.8m). The cost of clergy pensions however, has increased to £1.7m (2001: £1.2m). The increase reflects an increase in the Board's contribution rate from 21.9% to 29.1% in April 2002. These increases have been necessary since the actuarial review of the clergy pension scheme as at 31st December 2000, which confirmed that the scheme was in surplus funds. The contribution rate will increase again to 29.5% from January 2003. The benefits of the clergy pension scheme have remained unaltered but the cost of paying for future clergy pensions has transferred from the Church Commissioners to Dioceses. The year 2002 is the last year in which the Church Commissioners will provide funding toward the cost of clergy pensions. The next actuarial review of the Clergy Pension Fund is due in December 2003. With the decline in the value of equities it is likely that clergy pensions costs will increase yet again. Anticipating this increase, we have allocated £50,000 to the Designated Clergy Pension Fund. The further allocations to the designated funds are reflected in note 14 to the financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

Maintaining the properties, including parsonages is a further substantial cost, which is reflected in Total Ministry Cost £16.4m including depreciation of £1.1m (2001 £13.3m with zero depreciation). The cost of maintaining properties was reduced by drawing on the Parsonages capital fund by £150,000. Additionally £100,000 has been drawn from the Church Sales Capital Fund to support ministry. The detail of the use of designated funds is reflected in note 14 to the financial statements.

In September 2002 the staff who administer the Ordained Local Ministry and Ministry Training were able to occupy the property known as 169b Borough High Street. This office is now operational as an annex to Trinity House and is also used by the Woolwich Area Mission Team. The cost of refurbishing the property is reflected as a capital addition in Board Properties.

In the year to December 2002 the Board has adopted the accounting policy to depreciate properties. The Board of Finance accounting policy on properties is highlighted on page 12.

Reserves policy

The Board considers that free reserves should be maintained at a minimum amount equivalent to two months' of the current year's expenditure and up to a maximum of 6 months' expenditure. The Board considers that the minimum level is adequate to support the Board's current level of activity and to enable it to operate without recourse to bank borrowing. In arriving at the minimum amount consideration has been taken of the Board's well established and effective income raising and budgeting process. Most income is received in a steady stream throughout the year and performance against budget is monitored regularly and frequently.

These resources are maintained for the following purposes:

- I. To avoid bank borrowing if there is a temporary shortfall in income and/ or surge in expenditure.
- II. To provide for emergencies.
- III. To generate income which can be used to reduce the level of increase of the quota.

Free reserves of the Board as at 31 December 2002 were £3,027,000 representing 2.2 months of expenditure in 2002. In 2001 free reserves were £3,322,000 representing 2.7 months of expenditure in 2001.

Risk assessment

The major risks to which the Diocese is exposed, as identified by the trustees, have been reviewed and procedures identified to mitigate those risks. The trustees have formalised their risk assessment and management process to include a review of the risk register compiled by the officers of the Diocese. The trustees will keep under review the adequacy of the procedures, which are in place in the light of changing circumstances. Recognising the significant size of Diocesan activities, the trustees delegate responsibility for day-to-day management to officers, using committees, planning and budgeting procedures, hierarchical authorisation, and delegation with segregation of duties.

Parsonages Capital Fund

The major capital expenditure incurred by the Board is the purchase of new and replacement parsonage houses. This annual expenditure on functional charitable properties varies from year to year, and is funded through the Parsonage Capital Fund which is currently valued at £87.1 million. This fund is represented primarily by the current stock of parsonage houses. The Board considers that the cash generated from the regular sale of parts of the parsonages housing stock is sufficient to continue to fund the ongoing programme of parsonage replacements and upgrading the current stock of parsonage houses.

Investments

The trustees of the Board of Finance have prime responsibility to maintain the investments of the organisation as a Company Limited by Guarantee. The Trustee Act 2000 does not affect charities, which have been set up as companies. None the less the trustees have been cognisant of the Trustee Act when considering the approach toward investment.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

The Board of Finance has continued the long-term aim of maintaining capital together with keeping a high income. This has been achieved in the past with most investments held in the Central Board of Finance (CBF) Church of England Investment Fund. Some holdings have been retained both in properties and property units.

During 2002, the Board of Finance set-up an Equity Investment Review Group. This working party researched the performance and management of both property and leading Common Investment fund managers. These leading fund managers are identified in the "WM Charities" Common Investment fund performance table. Following meetings with four firms, the working party reported initially to the September Executive & Glebe Committee and then to the October Board of Finance. The Board agreed the investment strategy of retaining the current level of investment in property, with the main holdings retained in common equity-based funds. The long-term policy of investment in equity funds was endorsed, but a recommendation was made to transfer 50% of the investment out of the CBF to the M&G Charifund. The M&G Charifund had achieved a marginally better long-term yield than the CBF, and it was considered appropriate to spread the investment risk. The transfer of £3.2m from the Diocesan Stipend Fund plus £1m from the Board's investment was made in October. Additionally, as funds have become available, following the sale of properties, then re-investments have been made in property units. Two allocations of £200,000 have been invested in UBS Triton Property units in March and June 2002. Part of the investments are £800,000 in commercial glebe. The rental income is reviewed as part of the lease arrangements for commercial glebe, which is usually every five years.

The Board and Diocesan Stipend Fund Investments holdings are analysed in note 10. The capital value of the equity investments held with the CBF has fallen by 21% during the year. This fall is less than many of the falls of charity equity funds reflected in the WM index for the year to December 2002 and less than the 22.5% fall in the FSTE All Share Index. A realised loss of £0.97m is reflected in the SOFA, being the loss in value of the funds transferred from CBF to M&G. The SOFA also reflects a net unrealised loss of £3.1 million (2001 £2.5m).

During the year 2002, the capital value of the CBF Property Fund Units have increased by 3.6%. Investments are held in accordance with the Board's powers, investments are held to generate the maximum total return.

Grants

Grants made are set out in note 5 to the Financial Statements. The main Grant represented the Diocesan contribution toward the national church's (Church Commissioners) responsibilities, including their own grants, provisions and cost of pensions of mission clergy, working overseas or across dioceses. This contribution is agreed nationally on an allocation formula.

A grant to the Board of Education and grants agreed through the Board of Church in Society are annual allocations to support their activities. The amounts are determined through monitoring of current expenditure and an annual budgetary review.

The Archdeacons of the diocese jointly review parish and urban priority grant submissions. These submissions are evaluated against well-established criteria. Free funds must also be available from the annual budget.

Some grants are made to clergy for post ordination training. The assessment of the grant is based on the period of the time in post, the receipt of prior grants, the need for further training, but limited by budgetary constraints.

Trustees' responsibilities

Company law requires the trustees, who are the directors, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the income and expenditure of the charitable company for that period. In preparing those financial statements, the trustees are required to:

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

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

REPORT OF THE TRUSTEES (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

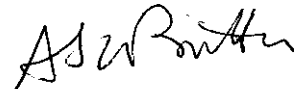
The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding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

The accounts have been prepared in accordance with company law and following the recommendations of the 2000 Statement of Recommended Practice (SORP) Accounting and reporting by Charities.

Auditors

haysmacintyre were appointed auditors in the year. A resolution to re-appoint haysmacintyre as the Diocese's auditor will be put to the forthcoming Annual General Meeting.

Mr Andrew Britton
Chairman
Signed


.....
3 June 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

We have audited the financial statements of South London Church Fund and Southwark Diocesan Board of Finance for the year ended 31 December 2002 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 and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities. The Trustees are also the directors of South London Church Fund and Southwark Diocesan Board of Finance for the purposes of company law.

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

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

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 charity's affairs as at 31 December 2002 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.

haysmacintyre
haysmacintyre
Chartered Accountants
Registered Auditors

Southampton House
317 High Holborn
London
WC1V 7NL

5 June 2003

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Unrestricted Funds £'000	Endowment Funds £'000	Total 2002 £'000	Total 2001 £'000
Incoming resources					
Donations, legacies and similar incoming resources	2/2a	12,465	-	12,465	11,890
Incoming resources from operating activities	3	1,325	-	1,325	995
Investment income	4	1,455	-	1,455	1,351
Other incoming resources		109	253	362	378
Total incoming resources		<u>15,354</u>	<u>253</u>	<u>15,607</u>	<u>14,614</u>
Resources expended					
Cost of generating funds					
Glebe management fees	6	191	-	191	115
Net incoming resources available for charitable application		<u>15,163</u>	<u>253</u>	<u>15,416</u>	<u>14,499</u>
Charitable expenditure:					
Cost of activities in support of charitable objects	6				
Grants	5	690	-	690	747
Ministry, Boards & Committees		15,373	981	16,354	13,331
Management and administration	7	481	-	481	456
Total charitable expenditure		<u>16,544</u>	<u>981</u>	<u>17,525</u>	<u>14,534</u>
Total resources expended		<u>16,735</u>	<u>981</u>	<u>17,716</u>	<u>14,649</u>
Net (outgoing) resources before transfers		<u>(1,381)</u>	<u>(728)</u>	<u>(2,109)</u>	<u>(35)</u>
Transfers between funds	13	(178)	178	-	-
Net (outgoing) resources after transfers		<u>(1,559)</u>	<u>(550)</u>	<u>(2,109)</u>	<u>(35)</u>
Revaluation of listed investments	10	(596)	(2,523)	(3,119)	(2,528)
Revaluation of tangible fixed assets	9	561	9,277	9,838	9,201
Net movements in funds		<u>(1,594)</u>	<u>6,204</u>	<u>4,610</u>	<u>6,638</u>
Fund balances brought forward at 1 January		<u>20,893</u>	<u>107,524</u>	<u>128,417</u>	<u>121,779</u>
Fund balances carried forward at 31 December	15	<u>£19,299</u>	<u>£113,728</u>	<u>£133,027</u>	<u>£128,417</u>

All amounts relate to continuing activities

The movements on unrestricted funds before transfers constitute the income and expenditure account of the charitable company.

The notes on pages 12 to 23 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	Unrestricted Funds £'000	Endowment Funds £'000	Total 2002 £'000	Total 2001 £'000
Incoming resources					
Donations, legacies and similar incoming resources	2/2a	12,465	-	12,465	11,890
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Other incoming resources		109	253	362	378
Total incoming resources		<u>15,354</u>	<u>253</u>	<u>15,607</u>	<u>14,614</u>
Resources expended					
Cost of generating funds					
Glebe management fees	6	<u>191</u>	<u>-</u>	<u>191</u>	<u>115</u>
Net incoming resources available for charitable application		<u>15,163</u>	<u>253</u>	<u>15,416</u>	<u>14,499</u>
Charitable expenditure:					
Cost of activities in support of charitable objects	6				
Grants	5	690	-	690	747
Ministry, Boards & Committees		15,373	981	16,354	13,331
Management and administration	7	<u>481</u>	<u>-</u>	<u>481</u>	<u>456</u>
Total charitable expenditure		<u>16,544</u>	<u>981</u>	<u>17,525</u>	<u>14,534</u>
Total resources expended		<u>16,735</u>	<u>981</u>	<u>17,716</u>	<u>14,649</u>
Net (outgoing) resources before transfers		<u>(1,381)</u>	<u>(728)</u>	<u>(2,109)</u>	<u>(35)</u>
Transfers between funds	13	<u>(178)</u>	<u>178</u>	<u>-</u>	<u>-</u>
Net (outgoing) resources after transfers		<u>(1,559)</u>	<u>(550)</u>	<u>(2,109)</u>	<u>(35)</u>
Revaluation of listed investments	10	(596)	(2,523)	(3,119)	(2,528)
Revaluation of tangible fixed assets	9	<u>561</u>	<u>9,277</u>	<u>9,838</u>	<u>9,201</u>
Net movements in funds		<u>(1,594)</u>	<u>6,204</u>	<u>4,610</u>	<u>6,638</u>
Fund balances brought forward at 1 January		<u>20,893</u>	<u>107,524</u>	<u>128,417</u>	<u>121,779</u>
Fund balances carried forward at 31 December	15	<u>£19,299</u>	<u>£113,728</u>	<u>£133,027</u>	<u>£128,417</u>

All amounts relate to continuing activities

The movements on unrestricted funds before transfers constitute the income and expenditure account of the charitable company.

The notes on pages 12 to 23 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

BALANCE SHEET

AT 31 DECEMBER 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	9	115,215	106,946
Investments	10	13,099	15,547
		<u>128,314</u>	<u>122,493</u>
CURRENT ASSETS			
Debtors	11	2,925	3,382
Cash and bank		4,272	4,946
		<u>7,197</u>	<u>8,328</u>
CREDITORS: amounts falling due within one year	12a	<u>1,326</u>	<u>1,139</u>
NET CURRENT ASSETS		<u>5,871</u>	<u>7,189</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>134,185</u>	<u>129,682</u>
CREDITORS: amounts falling due after one year	12b	<u>1,158</u>	<u>1,265</u>
NET ASSETS		<u>£133,027</u>	<u>£128,417</u>
CAPITAL FUNDS			
Endowment funds	13	113,728	107,524
INCOME FUNDS			
Unrestricted funds			
Designated funds	14	2,179	3,662
Other unrestricted funds:			
Functional fixed assets (including revaluation reserve of £7.9 m (2001: £7.9m))		12,935	12,644
Loans to parishes		1,158	1,265
Free reserves		3,027	3,322
		<u>£133,027</u>	<u>£128,417</u>

The financial statements were approved by the Board on 3rd June 2003

Mr Andrew Britton
Chairman

Andrew Britton

Mr Brian Warnes
Vice chairman

Brian Warnes

The notes on pages 12 to 23 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2002

		2002	2001
	Note	£'000	£'000
Net cash outflow from operating activities	18	(2,470)	(954)
Returns on investments and servicing of finance			
Dividends and interest received		801	762
		<u>(1,669)</u>	<u>(192)</u>
Capital expenditure and financial Investment			
Purchase of tangible fixed assets		(1,538)	(333)
Sale of tangible fixed assets		2,204	1,174
Transfers from parsonage sales		-	537
New parsonage buildings		-	(281)
Purchase of investments		(4,598)	-
Sale of investments		4,053	546
Receipts from redundant church sales		-	41
Payments to assist redundant church sales		-	(61)
Decrease in housing loans		-	-
Increase in other parish loans		660	(14)
(Increase)/decrease in long term loans		107	(156)
		<u>888</u>	<u>1,453</u>
Cash inflow/(outflow) before financing		<u>(781)</u>	<u>1,261</u>
Financing			
(Increase)/decrease in long term borrowings	18	107	(167)
		<u>107</u>	<u>(167)</u>
Decrease/(Increase) in cash	19	<u>£(674)</u>	<u>£1,094</u>

The notes on pages 12 to 23 form part of these financial statements.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention, as amended for the revaluation of certain fixed assets, and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting and reporting by Charities" ("SORP").

They comply with the Companies Act 1985, the Charities Act 1993 and the Diocesan Annual Report and Financial Statements Guide.

(b) Fixed assets - tangible assets and depreciation

Property valuations

Properties not owned by the Board but from which the Board derives the benefits and incurs the obligations of ownership are included in the accounts at valuation. These assets are held in the following funds valued at the bases indicated below:

Parsonages	80% Insurance Value (2001: 80%)
Glebe (residential)	80% Insurance Value (2001: 80%)

Freehold and leasehold properties are shown at valuation. Properties for own use are valued by the Board by reference to insurance value, if available, or otherwise by other reliable indications of value.

Properties which are vested in the Board in accordance with the provisions of Schemes under the Pastoral Measures 1968 and 1983 and certain other properties for which nil consideration has passed are included in the balance sheet but do not have any value attributed to them. This is predominantly redundant churches. The Board has considered that the residual proceeds after taking into account the financial responsibility of the Board for the security and upkeep of the properties is not material and therefore have valued these properties at nil.

Gains and losses in the Parsonage and Glebe portfolios

The release of surpluses from property sales not reinvested into property and the reinvestment of the Board's unrestricted funds in the capital value of parsonages are shown as transfers from and to the Parsonage Capital Fund respectively. Gains and losses arising on assets held as part of these funds are attributed to the relevant fund in the statement of financial activities.

Depreciation

Depreciation of tangible assets is charged at varying annual rates (see below) by reference to the expected useful lives of the assets.

Freehold board property	1% *
Parsonage and Glebe property	1% *
Furniture and equipment	10% - 25%

* Historically depreciation has been provided on these operational assets at 0 percent per annum. The trustees have elected to adopt a depreciation policy more in line with the Financial Reporting Standard 15 and have increased the depreciation rate on these assets to one percent per annum commencing in the year ended 31 December 2002. Since this constitutes a change in accounting estimate no adjustment was made to prior year amounts.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES (CONTINUED)

(c) Investments

Investments are shown at market value in the balance sheet. Any realised and unrealised gains and losses arising on an investment are attributed to the fund for which the investment is held in the statement of financial activities.

Cash and deposits held in endowment funds are included within investments as, due to the nature of the funds, these are held to be reinvested in property and investments or held in the long term to generate income. Housing loans made directly to parishes are treated as investments, short term loans and loans which are matched by borrowings from third parties are shown as debtors.

(d) Income

Parish contributions include amounts received up to 31 January following the year end. Income received net of tax is shown gross of any tax recoverable. Legacies are included on an accruals basis where receipt of funds is reasonably certain and the amount receivable can be quantified. All other amounts, including rental income, are shown when receivable.

(e) Expenditure

Expenditure is analysed over the activities undertaken by the Board wherever possible. Office costs and support services are re-charged to operating departments where appropriate. The remaining costs of the Board's offices and administration are shown as Ministry, Board & Committee costs within direct charitable expenditure where these relate to the Board's charitable objective of managing and promoting the activities of the Church within the Diocese of Southwark. Costs arising from the administration of the Board as a charity and a company are shown as management and administration costs.

(f) Funds

Endowment funds

These represent the assets and liabilities of the Parsonages, Diocesan Stipendiary and other Ministry funds. Whilst not owned by the Board, these are shown in the accounts as the Board takes on the risks, rewards and obligations which would arise from ownership. Under the relevant statutes, these funds can not generally be applied as income except for certain surpluses from sales of Parsonages which may only be released with the consent of the Church Commissioners. These funds are shown as endowment funds in the accounts.

Designated funds

These are funds set aside for specific future purposes by the Board. Where the need for such funds ceases, the Board may, at their discretion, release the funds for general use. These funds are shown within unrestricted funds.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

1. ACCOUNTING POLICIES (CONTINUED)

(f) Funds (continued) Unrestricted funds

Certain income sources of the Board are subject to restrictions in use or in area of application imposed or implied by the donor. In the Board's opinion, the restricted uses are not sufficiently different from the Board's general purposes to require presentation in the accounts as restricted income funds. Additionally, the income concerned represents only a partial contribution to the activities which it funds and is fully expended within the year. Accordingly, all incoming resources are shown within unrestricted funds.

Transfers between funds

These are included to reflect the movement of a property in its ownership or status or to reflect specific cash and accounting designation or undesignation of funds.

(g) Pensions costs

The Board participates in the Church Workers Pension Fund and a Pension Scheme for those in Stipendiary Ministry. Both are defined benefit pension schemes administered by the Church of England Pension Board. The assets of the schemes are held separately from those of the Board. Contributions to the Board's defined benefit pension schemes are charged to the statement of financial activities account so as to spread the cost of pensions over employees' working lives with the Board in accordance with the actuary's recommendation and both Statement of Standard Accounting Practice 24 and Financial Reporting Standard 17.

2. DONATIONS, LEGACIES, AND SIMILAR INCOMING RESOURCES	2002 £'000	2001 £'000
Parish assessments	10,778	10,090
2a. Grants Receivable		
Church Commissioners	705	1,058
City Parochial Fund	649	491
Ecclesiastical Insurance Group	95	95
3. INCOME FROM OPERATING ACTIVITIES includes:	2002 £'000	2001 £'000
Parochial fees assigned	494	534
Parsonage sales	214	536
Area Bishop Mission grants	99	86
Dartmouth House Trust	30	30
4. INVESTMENT INCOME	2002 £'000	2001 £'000
Dividend and interest – Church Board funds	793	756
Interest Income – Area Bishop Trust Fund	8	6
Rental income	654	590
	£1,455	£1,352

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

5. GRANTS PAYABLE

	2002 £'000	2001 £'000
The following significant grants to institutions were made:		
Southwark Diocesan Board of Education	191	186
Board for Church in Society – General	18	30
- Zimbabwe	-	5
General Synod	381	374
Parish grant fund	30	61
Urban Priority projects	7	30
In-service Training	63	61
	<u>£690</u>	<u>£747</u>

Grants made to parishes, clergy and other Diocesan bodies as part of the administration of Diocesan finances by the Board (including those above) are treated as direct costs in the accounts.

**6. ANALYSIS OF RESOURCES
EXPENDED**

	Staff costs £'000	Other costs £'000	Depreciation £'000	Total 2002 £'000	Total 2001 £'000
Cost of generating funds					
Glebe property management costs	-	191	-	191	115
Charitable expenditure					
Grants	-	690		690	747
Ministry, Boards & Committees	9,761	5,402	1,191	16,354	13,331
Management and administration	415	66		481	456
	<u>10,176</u>	<u>6,158</u>	<u>1,191</u>	<u>17,525</u>	<u>£14,534</u>

**OTHER COSTS:
MINISTRY, BOARDS &
COMMITTEES
(Excluding Staffing & Depreciation)**

	Total 2002 £'000	Total 2001 £'000
Area Mission Teams	34	36
Board for Church in Society	182	105
Board of Education	20	20
Communication and resources	82	77
Parish property maintenance	4,032	2,529
Parish incumbent support and welfare	946	1,087
Other sundry ministry cost	106	101
	<u>£5,402</u>	<u>£3,955</u>

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

7. MANAGEMENT AND ADMINISTRATION COSTS

	2002	2001
	£'000	£'000
Staff costs	415	354
Staff travel	11	12
Members expenses	8	8
Use of cathedral	9	9
Other costs	6	42
Auditors' remuneration		
Audit -current year	19	15
-previous year	11	-
Accountancy	-	5
Consultancy	-	9
Annual report and accounts	2	2
	<u>£481</u>	<u>£456</u>

8. STAFF COSTS

	2002	2001
	£'000	£'000
Stipends and salaries	8,015	8,022
National insurance	429	503
Other pension costs	1,732	1,205
Total cost of all staff	<u>£10,176</u>	<u>£9,729</u>
The average number of employees and stipendiary clergy during the year, by activities, was:	No.	No.
Parochial ministry	348	351
Boards and councils	39	40
Support and administration	25	24
	<u>412</u>	<u>415</u>

Two employees received annual emoluments of between £50,000 and £59,999 (2001: Two). Board members do not receive emoluments in respect of their duties as trustees. Those Board members who are working clergy receive stipends in accordance with the Board's standard scales. Board members are reimbursed only in respect of out of pocket expenses incurred in the performance of their duties.

Expenses reimbursed for out of pocket expenditure totalled £155 (2001: £389).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

9. TANGIBLE FIXED ASSETS

TANGIBLE FIXED ASSETS	Land and buildings				Total £'000
	Endowment Glebe and Parsonages £'000	Unrestricted		Furniture & Equipment £'000	
		Freehold £'000	Leasehold £'000		
Cost or valuation					
At 1 January 2002	94,302	12,363	181	489	107,335
Additions	244	1,248	-	46	1,538
Disposals	(667)	(1,147)	(181)	-	(1,995)
Transfers	105	(105)	-	-	-
Revaluation	8,296	435	-	-	8,731
At 31 December 2002	102,280	12,794	-	535	115,609
Depreciation					
At 1 January 2002	-	-	79	310	389
Charge for the year	981	126	-	84	1,191
Disposals	-	-	(79)	-	(79)
Revaluation	(981)	(126)			(1,107)
At 31 December 2002	-	-	-	394	394
Net book value					
At 31 December 2002	£102,280	£12,794	£ -	£141	£115,215
At 31 December 2001	£94,302	£12,363	£102	£179	£106,946

The net book value of the Glebe & Parsonage and Freehold property as at 31 December 2002 was £105.23m prior to revaluation these were then revalued as at that date by £9.84m to £115.07m.; this is reflected in the revaluations shown in the table above £8,731 + £1,107.

All assets are held primarily for direct charitable use. The freehold properties were revalued by the trustees at 31 December 2002 at 80% of insurance value, where insured by the Board. The historic cost of these properties at 31 December was £4,875,936 (2001: £4,510,401). The historic cost of the Glebe and Parsonage properties is not known.

10. INVESTMENTS

	2002 £'000	2001 £'000
UK Listed investments		
CBF Investment fund	6,987	13,555
CBF Property fund	877	846
M&G Charifund	4,141	-
Equities and fixed interest securities fund	90	142
	12,095	14,543
Unlisted investments		
Investment properties – Glebe	800	800
Housing loans to parishes	204	204
	£13,099	£15,547

The historic cost of investments in the Glebe and Parsonage portfolio is not known

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

INVESTMENTS-MOVEMENTS

	UK Listed Investments £'000	Unlisted Investments £'000	Total £'000
Balance at 1 st January 2002	14,544	1,004	15,548
Purchases during the year	4,598	100	4,698
Trust transfers	25	-	25
Disposals proceeds during the year	(3,953)	(100)	(4,053)
Revaluation of investment	(3,119)	-	(3,119)
Balance at 31 st December 2002	<u>£12,095</u>	<u>£1,004</u>	<u>£13,099</u>

The Board owns 100% of the issued ordinary share capital of a subsidiary undertaking, Southwark DBF Trading Limited, which is registered in England and supplies property administrative services to the Board. The company began trading on 1 January 2002. Its results for the year and assets and liabilities have not been consolidated into the Board's financial statements on the grounds of materiality. The company had no income or expenditure in the year. A summary of the Company's balance sheet at 31 December 2002 is set out below:

	2002 £'000
Cash and bank	14
Work in progress	36
Loan from South London Church Fund	(50)
Share Capital and reserves - £1.	

11. DEBTORS

	2002 £'000	2001 £'000
Due within one year		
Parish assessments	30	52
Other debtors	882	549
	<u>£912</u>	<u>£601</u>
After more than one year		
Loans to parishes - interest bearing	232	844
- interest free	623	683
Other loans	1,158	1,254
	<u>£2,013</u>	<u>£2,781</u>
Total debtors	<u>£2,925</u>	<u>£3,382</u>

Loans to parishes are due for repayment within between one and seven years. The other loans represent amounts lent to parishes or individuals where a matching obligation has been incurred by the Board. Where these loans relate to property, the full amount is repayable on sale of the property or over the period of the underlying mortgage loan (see note 12b).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

12. CREDITORS	2002	2001
	£'000	£'000
a) Amounts falling due within one year		
Trade creditors and accruals	1,241	1,063
Other taxes and social security	85	76
	<u>£1,326</u>	<u>£1,139</u>
b) Amounts falling due after one year	2002	2001
	£'000	£'000
Loans	<u>£1,158</u>	<u>£1,265</u>

The loans represent obligations incurred by the Board as principal on behalf of parishes and individuals within the Diocese of Southwark. The loans are matched by a corresponding amount recoverable from the beneficiary (see note 11).

13. ENDOWMENT FUNDS

		Opening Balance £'000	Net Outgoing Resources £'000	Transfers £'000	Gains & (losses) £'000	Closing balance £'000
Permanent endowments						
Ministry fund	a	3,272	-	-	(685)	2,587
Expendable endowment						
Diocesan Stipendiary fund	b	24,561	(6)	400	(953)	24,002
Parsonage Capital fund	c	79,691	(1732)	(222)	9,402	87,139
Total endowment funds		<u>£107,524</u>	<u>£(1,738)</u>	<u>£178</u>	<u>£7,764</u>	<u>£113,728</u>

a) These represent funds held on trust for the benefit of augmenting clergy stipends within the diocese, and the income is mandated directly to the Ministry Fund. The capital of the funds remain on trust for the benefices originally specified.

b) This fund represents the Glebe assets of benefices from which the income arising and/ or benefit of use has been passed to the Board under the Glebe and Endowments Measure.

c) This fund represents the capital assets relating to Parsonages but which under the measures are maintained by the Diocese. Funds arising from sales of parsonages are only released to the Board's unrestricted funds under Church Commissioners' orders where either the cost of replacement is lower than the proceeds of sale or under a Pastoral Scheme where no replacement is to be made. This transfer is made at the time the property is vested in the Board of finance. Any funds released are held in a designated fund for future building or improvement works to other parsonages (see note 14 (b)).

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

14. DESIGNATED FUNDS		Balance At 1 January 2002 £'000	Additions £'000	Reductions £'000	Transfers from/(to) General £'000	Transfers from/(to) Endowment £'000	Balance At 31 December 2002 £'000
	Note						
Parish grant fund	a	277	-	30	100	-	347
Parsonages capital fund	b	1,893	220	1,407	(150)	(48)	508
Clergy pensions reserves fund	c	510	-	-	50	-	560
Church sales capital fund	d	780	-	70	(176)	-	534
Urban priority	e	65	-	7	-	-	58
In-service training	f	56	62	-	(63)	-	55
Brixton Faith CUF	g	7	-	-	-	-	7
Office maintenance fund	h	50	-	-	-	-	50
Unfunded pensions	i	24	-	5	-	-	19
Diocese conference 2004	j	-	41	-	-	-	41
		<u>£3,662</u>	<u>£323</u>	<u>£1,519</u>	<u>£(239)</u>	<u>£ (48)</u>	<u>£2,179</u>

- (a) This fund represents amounts set aside to fund grants to parishes in need of financial assistance for repairs to church buildings.
- (b) This fund represents capital receipts released following the sale of parsonages. These are set aside to fund contributions by the Board to future capital projects in relation to Parsonages which are not fully funded by corresponding sale proceeds. As the capital value of a Parsonage can not subsequently be released except as set out in note 13(c) this expenditure is treated as a transfer to the Parsonages fund.
- (c) This fund was established in 1996 and will be used to fund the implementation of future service pension contributions to the clergy (see note 16). Draw down of this fund commenced in 2001 and the fund is expected to be fully used over a five-year period.
- (d) This fund represents proceeds arising on the sale of redundant churches which are set aside to fund new building and capital works on other churches.
- (e) This fund represents funds set aside to assist with projects in Urban Priority Areas.
- (f) This fund represents funds set aside to support Post Ordination Training. (The Canon Chancellor, the Theologian and Bishop's Advisor administers the fund.)
- (g) This fund reflects sums provided through the Church Urban Fund and set aside for the use by the former Brixton Challenge project.
- (h) This fund represents amounts set aside to fund future maintenance costs of Trinity House.
- (i) This fund represents the funds set aside for a previous member of staff's pension costs.
- (j) This represents funds set aside for training conference for parish incumbents in 2004.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

14. DESIGNATED FUNDS (continued)

The following transfers were made to and from the above funds during the year:

	General Funds £'000	From/(to) Endowment Funds £'000
Church repair grants	100	-
Church sales capital fund	(176)	-
Clergy Pension	50	-
Parsonage capital fund	(150)	-
Parsonage sales	-	214
Parsonage capital purchases	-	-
Parsonage repairs and maintenance	-	(262)
In-service Training	(63)	-
	<u>(239)</u>	<u>(48)</u>

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £'000	Designated Funds £'000	Endowment Funds £'000	Total £'000
Fund balances at 31 December 2002 are represented by:				
Tangible fixed assets	12,935	-	102,280	115,215
Investments	2,420	17	10,662	13,099
Cash and deposits	1,270	2,162	840	4,272
Other net current assets/(liabilities)	1,653	-	(54)	1,599
Long term liabilities	(1,158)	-	-	(1,158)
Total net assets	<u>£17,120</u>	<u>£2,179</u>	<u>£113,728</u>	<u>£133,027</u>

16. PENSIONS ARRANGEMENTS

The Board of Finance operates two defined benefit pension schemes. Both schemes constitute collective defined benefit schemes under FRS17: Retirement benefits and have therefore been accounted for as if they were defined contribution schemes. The disclosures below comply with the requirements of both FRS17 and SSAP24 which will continue to apply until FRS17 is fully adopted.

(i) Stipendiary ministry

The Board participates in the Church of England Funded Pensions Scheme. The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. The first valuation of the Scheme was carried out as at 31 December 2000 and showed a surplus. The Board's contribution rate was however, increased from 21.9% to 29.1% of pensionable stipends with effect from 1 April 2002, increasing to 29.5% from 1 January 2003.

Financial Reporting Standard 17: "Retirement Benefits", requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year. The total pension costs paid for all stipendiary staff amounted to £1.59m (2001: £1.25m). No contributions were payable at 31 December 2002 or 2001.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

16. PENSIONS ARRANGEMENTS (continued)

Clergy pensions measure

From 1 January 2000 the Board became responsible for the future service pension costs of licensed clergy and lay workers included in the Pensions Measure. To assist with the transitional arrangements a reserve fund has been set up. (see note 14c). Contributions are calculated to provide for the pension rights of clergy over their future service life. Transitional grant funding of £264,729 (2001: £410,077) was received toward this expense in 2002.

(ii) Lay administration staff

The Board participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. There was a valuation of the fund as at 31 December 2001, which indicated that the fund was in surplus. However, as at 1 January 2003 the contribution rate will increase from 19.95% to 24.65%.

At 31 December 2002 the Board had 45 active members and 20 deferred pensioner members in the Fund. The Board is unable to identify its share of the underlying assets and liabilities of the scheme. The cost of lay staff pensions in the year amounted to £0.25m (2001:£0.21m). No contribution were payable at 31 December 2002 or 2001.

17. RELATED PARTIES

Southwark Diocesan Board of Education

The Board of Finance provides a grant toward the operation of Southwark Diocesan Board of Education. The Board is an independent charity (No.313001) and Company Limited by Guarantee. The grant this year was £191,130 (2001 £185,560). The Ven David Gerrard, Archdeacon of Wandsworth is a trustee of both the Board of Education and the Board of Finance.

Southwark & London Diocesan Housing Association

The Bishop of Southwark and the Bishop of London are joint presidents of Southwark & London Diocesan Housing Association (S&LDHA). The Ven. Douglas Bartles-Smith, Archdeacon of Southwark, is Vice Chair of S&LDHA and a trustee of the Board of Finance.

Ecclesiastical Insurance

Both parishes and the Diocese take various forms of insurance cover from Ecclesiastical Insurance. During the year 2002 the Ven Nicholas Baines, Archdeacon of Lambeth, was appointed a director of Ecclesiastical Insurance. He is also a trustee of the Board of Finance.

SOUTH LONDON CHURCH FUND AND SOUTHWARK DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2002

18.	NOTES TO THE CASH FLOW STATEMENT	2002	2001
	RECONCILIATIONS OF NET INCOMING RESOURCES	Total	Total
	TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES	£'000	£000
	Net incoming resources	(2,109)	(35)
	Depreciation	1,191	89
	Decrease/(Increase) in debtors	(311)	167
	(Decrease)/increase in creditors	187	(35)
	Investment income	(801)	(762)
	Gain on disposal of fixed assets	(627)	(378)
	Net cash outflow from operating activities	<u>£(2,470)</u>	<u>£(954)</u>
	RECONCILIATIONS OF NET CASH INFLOW TO		2002
	MOVEMENT IN NET FUNDS		£'000
	Decrease in cash in the year		(674)
	Cash outflow from decrease in debt		107
	Change in net funds resulting from cash flows		<u>(567)</u>
	Opening net funds		3,681
	Closing net funds		<u>3,114</u>
19.	ANALYSIS OF NET FUNDS	At	At
		1 January	31 December
		2002	2002
		£'000	£'000
	Cash in hand and at bank	4,946	4,272
	Debt due after 1 year	(1,265)	(1,158)
	Total	<u>£3,681</u>	<u>3,114</u>
20.	ASSETS HELD AS CUSTODIAN TRUSTEE	2002	2001
		£'000	£'000
	Investments	9,301,791	11,174,678
	Cash at bank	8,603,662	8,367,907
		<u>£17,905,353</u>	<u>£19,542,585</u>

The custodian trusteeships of parish and other diocesan assets were transferred from Rochester and Southwark Diocesan Church Trust (RSDCT) to the Board of Finance under a scheme agreed with the Charity Commission on 30 March 1998.