



ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

PORTSMOUTH DIOCESAN BOARD OF FINANCE

Company number - 226466

Registered charity number – 249256

A large print version is available on request from

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TABLE OF CONTENTS

Page Number

Annual Report

Legal Objects	1
Strategic Report:	
Strategic Aims	1
Activities and Achievements in the year	2
Future plans	5
Financial review	6
Principal risks and uncertainties	9
Structure and Governance	10
Trustees Responsibilities	12
Administrative details	13
Independent Auditors Report	16
Statement of Financial Activities	17
Balance Sheet	18
Cash Flow Statement	19
Notes to the Financial Statements	20

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2015.

The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a Directors Report of a charitable company,
- a Strategic Report under the Companies Act 2006 and
- a Trustees Annual Report under the Charities Act 2011

LEGAL OBJECTS

The Portsmouth Diocesan Board of Finance ("PDBF")'s principal object is to promote, assist and advance the work of the Church of England in the Diocese of Portsmouth by acting as the financial executive of the Portsmouth Diocesan Synod. The Diocese of Portsmouth covers principally South East Hampshire and the Isle of Wight.

STRATEGIC AIMS

In November 2015, the Diocesan Synod endorsed a new Strategic Purpose, **Live: Pray: Serve**, which identifies four streams of work:

- **Making disciples:** enabling those who are already Christians to grow in their faith, and creating accessible ways for newcomers to come to faith.
- **Growing churches:** enabling churches to cultivate fresh outreach initiatives that connect with their communities and so bring new people into God's pilgrim people.
- **Learning for life:** enabling churches and schools to have a holistic view of education that seeks to grow people in Christian faith and hope.
- **Transforming society:** communicating a Christian understanding of society and friendship as God's will for humanity; enabling the church to live out its calling as a place of debate, peace-making and justice.

This builds on our previous major initiatives, Kairos and Ministry for Mission, that also aimed to promote discipleship, church growth and community engagement. It is also our response to the Church of England's increasing emphasis on church growth, discipleship and outreach.

The challenge facing Portsmouth Diocese is the need to reverse a trend of consistent long-term decline in church attendance in common across the Church of England, for example a loss in Portsmouth of 11.5% over 10 years from 2001-2011.

The need for a bolder, stronger, and clearer vision and definition of our purpose has emerged, along with a coherent and dynamic sense of how to implement change. We need urgently to engage and equip new disciples; to re-imagine the church and its patterns of ministry; to develop our work with schools and colleges to articulate a vision of them as communities of faith and places of encounter with God; and to rediscover the role of prophetic witness, with social engagement and transformation. Our purpose is to participate in God's work towards the wise transformation of the

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

world. Our starting point has been verses in Matthew 5 (14-16) which speak of a distinctive witness to the world, rooted in prayer and service. As Christians in Portsmouth Diocese, reflecting the light of Christ, like a beacon across land and sea, we seek to transform this place, on the mainland and on our islands, and as we respond and serve faithfully in this particular context.

ACTIVITIES AND ACHIEVEMENTS IN THE YEAR

The following sets out activities and achievements for the year against key objectives. Overall it has been a year of considerable activity and many successes to be thankful for.

Objective: To refresh our strategic planning

Vision setting, consultation and planning took place with the Bishop's staff team, Bishop's Council, and with parishes through large consultation events through 2015. Bishop's Council and Synod have given full backing to the Strategic Purpose and accompanying strategic action plan, and progress continues with a cycle of parish responses, focus groups, and staff training.

Within the context of our new diocesan strategic planning, many deaneries, including the whole of the Isle of Wight, have completed revised deanery plans, which include the reallocation of stipendiary resources into areas of need and opportunity, the strengthening of ministry with young people, plans for the closure or alternative use of unwanted churches, and the building up of self-supporting lay and ordained ministers.

We have also established a three year budget framework within which to operate.

Objective: To renew and revitalise our approach to vocations and training

Over the past three years we engaged in a thorough review of our future ministry needs so that our ministers and churches are equipped to engage imaginatively in mission in our contemporary society. Our diocesan review of calling and vocations is part of our process of asking what it means for Christians to live out a life of discipleship and create healthy churches.

A number of new initiatives have been, and are being launched:

1. We have added to our diocesan vocations capacity by appointing two Associate Directors of Ordinands, who work with the Diocesan Director of Vocation and Ordinands in raising up and nurturing vocations.
2. In September 2015 we launched our new non-residential training course for Readers and ordinands: the Portsmouth Pathway. This course is held locally in St Luke's Church in Portsmouth and operates in partnership with Ripon College Cuddesdon and Common Awards. The aim of the Pathway is to offer high quality contextualised training that engages with the real issues of mission within our diocese. There are already 19 students training on the Pathway, and there will be over 30 once it has been running for a year.
3. For the last two years we have been running a young vocations scheme called 'Discovery'. This scheme both offers a Gap Year during which participants can engage with vocation in its widest sense by undertaking a placement in one of the churches of the diocese, and also has youth chaplains who engage with young people in our schools and churches.

ANNUAL REPORT

For the year ended 31 December 2015

4. In 2015 we launched a lay ministry framework, including roles such as lay pastoral assistant (LPA) and lay worship leader (LWL). Four groups of LPAs have already been commissioned and several other deanery groups are undergoing training for commissioning this year.
5. We have been running the Mission Shaped Introduction course with the aim of promoting lay pioneering and Fresh Expressions across the diocese.
6. In 2015 our first pioneer ordinand began training at St Luke's Portsmouth and CMS, and in 2016 the diocese appointed to three stipendiary pioneer posts, and is due to appoint to others. This is a major plank in our diocesan strategy for renewed mission engagement.

Objective: To develop pioneer ministry and fresh expressions

Pioneering and fresh expressions are key to the success of the new strategy and the impetus for developing these new forms of ministry is now widely understood in the Diocese. We know that we need to minister differently and change rapidly in order to witness and serve effectively and to reverse our historic decline and our lack of engagement with young people. The most exciting development of the last 12 months has been the rapid start to the implementation of our pioneer project, which is focussed on hard-to-reach areas, new housing, and working better with young people. Engagement has been widespread in the diocese and new initiatives have come from the grass roots up. Reallocation of existing stipendiary resources, and setting aside £200,000 of reserves (with the possibility of a further £100,000 to follow for a specific church planting project), has already enabled the creation of new posts and the start of a lay pioneer training programme.

The pioneer project has already been, and will continue to be, a catalyst for change and for the implementation of the new strategy throughout the Diocese. Having laid the foundations, we are confident that we are ready to move this project on still further, with the injection of external expertise and money. Portsmouth Diocese's Pioneer Project is about forming new disciples and new missional communities by developing pioneering approaches, pioneering training, and pioneering posts. There are three key priorities for the project:

1. Hard to reach areas (primarily inner city, outer housing estates, and later, remote rural areas)
2. New areas of housing
3. Work with young people

In the last 12 months we have made rapid progress in the following areas:

- **Culture:** raising pioneering awareness in the Diocese through news articles, diocesan, archdeaconry, and deanery presentations, and input into the Diocesan conference; appointing an experienced priest, alongside parish responsibilities, as Dean of Pioneer Ministry.
- **Lay Pioneer Training:** running a Mission Shaped Introduction course for lay pioneers; this will be repeated on a termly basis to build up a core group of pioneers who will be offered support, resources, and further training in order to start up and lead fresh expressions.

ANNUAL REPORT

For the year ended 31 December 2015

- **Stipendiary Posts:** creating four new pioneer posts; allocating funding for a full-time church planting minister and a stipendiary curate from St Peter's Brighton to begin work alongside our most deprived inner city parishes from Easter 2016; and allocating start up grant money for those new posts in poorer areas.

Our total commitment to this project stands at £1.6 million over the next five years. In addition, we have successfully reached the final stage in the 2016 Church Commissioners Strategic Development Funding application process with a bid for £929,000 of development money for our Pioneer Project.

Objective: To strengthen our Church Schools and Academies and our relationship with all schools in the diocese

In 2015 we appointed additional staff to our Education team, including a dedicated Academies Officer. We have devoted considerable work to strengthening our academies in 2015 which has borne fruit in improved results and assessments. Although results are improving, challenges still remain and Portsmouth Diocese strategy is to work with our schools to adapt and benefit from the changing policy environment; seeking to foster cooperation between schools to facilitate new school led multi-academy trusts. In addition, our own joint multi academy trust with Winchester Diocese contains three schools and anticipates adding another in 2016.

Our Education Team works across Church of England academies and schools to support the promotion of Christian Distinctiveness and Christian Values, rooted in our commitment to support all who teach and learn in them to flourish and reach their God given potential. During 2015 we have focussed on supporting parishes and individuals to demonstrate commitment to this expression of The Common Good in Community and Church Schools. We have also recruited a team of voluntary associate staff to support this work and are also actively promoting the growth of governor and trustee representation.

Objective: To invest in our properties

With the appointment of a new property manager in 2015, the comprehensive review of all our properties is continuing. Whereas the last five years have focussed mainly on significant structural and essential maintenance work in the properties, it is planned that new works will also look at making improvements to the properties that will have a positive impact on the lives of our clergy and their families. This will be assisted by the investment of £600,000 from reserves in the next three to four years as the Board recognise that there had been historic under investment in our properties.

2016 will be the tenth year of occupation of the current diocesan office. At the end of 2015 a reordering and refurbishment was completed, using specifically designated funds for this provided for annually in our budget, which will ensure the charity's workspace will remain fit for purpose going forward.

ANNUAL REPORT

For the year ended 31 December 2015

FUTURE PLANS

Our future plans will continue to develop the key themes of our strategy. In particular:

Strategic Planning: Deaneries and parishes will be encouraged to adopt and respond to the new strategic direction and priorities. A newly commissioned committee set up by the Bishop's Council to provide space and time to assist them with the development of mission and pastoral discussions and plans met for the first time in March. In addition to working with deaneries in developing and reviewing their plans, this group will provide advice on pastoral reorganisation and will place particular emphasis on our response to new housing developments. Our strategic planning will pay closer attention to outward engagement with society and the future potential or otherwise for our church buildings within that context.

Vocations: We are currently in the process of appointing a new Diocesan Director of Vocation and Ordinands to build on recent successes and present plans to create a vocational discernment process that engages a wide range of candidates with the possibility of ministry within God's church, and who will actively promote ministry as a valuable feature of discipleship.

In particular our aims for the next five years are:

1. We plan to identify at least 6 non-residential candidates for training on the Portsmouth Pathway each year, and around 4 ordinands in residential or mixed mode training, with a view to offering at least 4 stipendiary curacies per year. We would like to raise up and train ordinands who have a pioneering focus.
2. In accordance with national church priorities, we will be seeking to increase the number of young vocations to ordained ministry.
3. We want to actively promote Reader ministry within the diocese and would like to see at least 6 candidates being selected and trained for Reader ministry each year.
4. We also plan to promote vocations to a variety of lay ministries, including LPA, LWL and lay pioneer.

The Isle of Wight Mission and Ministry Plan: Central to the Isle of Wight Plan is the collaborative working of parishes in clusters. In 2016 a key element of the plan is to develop clusters as mission areas where parishes work together.

Vocations to education: we will also seek to encourage, promote and endorse vocations to education to revitalise an historic and important expression of ministry and service by Christians to working in schools and colleges as senior leaders, teachers, teaching assistants, administrators and volunteers.

Pioneer Ministry: 2016 will see the first new church plant in the Diocese for some decades. We will ensure this and our full new and growing cohort of pioneer ministers are supported in growth and in collaborating with existing parishes in order to serve the full range of communities within the richly mixed economy of people in the diocese. The full scope of our exciting pioneer project will be nurtured through our well planned project management arrangements, with the help of the new Dean of Pioneer Ministry.

Sustainability: We have adopted a policy which will enable us to review the sustainability of our churches, to be known as Viability Focus Meetings. These will be high level and focus on supporting and enabling turnaround strategies for potentially struggling churches or congregations. Initially these will encompass parishes which carried three months or more parish share arrears into 2016 but if this approach of resourcing and supporting parishes facing particular challenges proves helpful it will be adapted for wider use.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

FINANCIAL REVIEW

Financial Performance

Whilst these statutory accounts show a net income, before investment gains and transfers, on the general fund of £315,000 the vehicle for the regular review of performance by the trustees is the management accounts which ended the year with a net income of £440,000. These 2 figures are reconciled as follows:

	£000's
Statutory accounts surplus	315
Budgeted transfers from other funds	164
Net loss on property transactions	94
Depreciation in statutory accounts	37
Parsonage fund income	20
Difference to reported parish share	103
Parsonage insurance	-34
Lay Pension deficit	-46
Clergy pension deficit	<u>-213</u>
	<u>440</u>

Actual expenditure, as reported in the management accounts 2015, amounted to £6,952,000 being 3.7% down on a budget of £7,222,000. The saving of £269,000 was due primarily to the unfilled clergy posts as the average number of incumbent clergy for the year was around 7 posts below budget and the subsequent savings in stipends, pension and NI was around £265,000. A decision was made by the Bishop's Council to use this surplus to absorb the remaining deficit cost associated with the lay pension scheme which will ease the pressure on the budget in future years by about £46,000 pa.

The income for the year also showed a positive variance against budget of £158,000. This was due in part to the increased rental income arising from additional vacant properties as well as additional investment income resulting from further investments that were made within the year. The parish share income received from the parishes was also better than anticipated thanks in no small part to the improved contributions from the Isle of Wight. At the close of books the cash receipts from parish share were £4,754,000 which included a reduction in the amount of share due from previous years.

Transitional adjustments to Financial Statements

During the year ended 31 December 2015, as noted within the accounting policies, the PDBF has adopted for the first time as required the Statement of Recommended Practice for Charities (SORP 2015) which takes into account a number of changes contained within Financial Reporting Standard (FRS) 102. This has resulted in changes to the accounting policies in the following area:

- Accounting for pension scheme deficits on multi-employer defined benefit pension schemes

The net impact of these changes is disclosed within note 27 to the financial statements. The restatement represents a decrease in the net assets of £3,211,000 as at 1 January 2014 (the opening reserves) in respect of the deficit accruing to the clergy pension scheme plus the removal of the £315,007 pre-paid deficit contributions in respect of the lay workers scheme. The effect on the net income for 2014 as compared with the accounts as previously stated was an increase in the surplus of £339,682 (£278,000 + £61,682) with the cumulative effect on the reserves as at 31 December 2014 being a reduction of £3,186,325 (£2,933,000 + £253,325).

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

In addition to the required transitional adjustment, the presentation of all amounts have been aligned to that required under FRS102 and SORP 2015.

Significant Property Transactions

During the year 2 properties were sold, 3 Victory Road, Southsea and Littledene Lodge, Ventnor, whilst a new curates house was purchased in Botley. A realised loss of £86,000 was recorded for the sale of the property on the Isle of Wight. The stock of properties was further valued downwards by a total of £759,000 which is the result of changing the basis of valuation from a global revaluation index to cyclical valuations of individual properties. By 2017 the current policy of revaluing a fifth of the stock each year will have applied for five years and all such discrepancies will have been removed.

Balance sheet position

The Trustees consider that the balance sheet together with details in note 21 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the balance sheet date totalled £61,996,274 (2014 restated: £62,105,932) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £50,949,643 (2014: £51,940,022). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the PDBF.

Reserves policy

Having considered financial risk, liquidity requirements and the timing of cashflows throughout the year, the Trustees' policy is to hold not more than 6 weeks' normal expenditure in cash or on deposit, this being around £800,000. The year-end total for 2015 was higher at £1.4 million, as a result of a property sale in November and funds being held on behalf of others.

The free reserves, being the unrestricted general fund net of tangible assets totalled £1,765,000 (2014: £1,461,000).

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 22. The total value of designated funds at the end of 2015 was £3,859,000 (2014: £3,960,000).

ANNUAL REPORT

For the year ended 31 December 2015

Restricted and endowment funds

As set out in note 22 PDBF also holds and administers a large number of restricted and endowment funds. As at 31 December 2015 restricted funds totalled £1,399,000 (2014: £1,091,000) and endowment funds totalled £45,584,000 (2014:£43,831,000). Neither are available for the general purposes of the PDBF.

Grant making policy

The Memorandum of Association of the PDBF explicitly permits the PDBF to make grants in pursuance of its objects, and the nature of grants made in 2015 is indicated in note 12.

Investment policy

In managing their investments the PDBF continue to receive advice from their Investment Advisory Group (IAG), and the fund managers, CCLA Investment Management. The level of cash being held is kept under constant scrutiny as, despite the continuing low level of inflation, the interest rates have also remained very low such that the investment income relied upon for the underpinning of the mission work of the Diocese can only be achieved through an active investment strategy that delivers real growth in total return. A further £1,050,000 was invested during 2015 which produced the positive variance against budget for investment income. The IAG continue to encourage a similar approach in relation to parish funds and members of the group have engaged with several parishes during the year to provide support and guidance in this important area.

The investment policy of the IAG as set out in the terms of reference for this group are:

- a) Not more than 6 weeks normal expenditure is to be held in cash for routine purposes. This money (currently about £800,000) is to be held in the CBF Deposit fund (or such other bank deposit account as may be deemed suitable by the Board from time to time). It being understood that the bank current account be maintained in credit.
- b) The Diocesan Secretary following discussion with the IAG is authorised to switch investments managed by CCLA from time to time in order to achieve the Board's required total return.
- c) Any Fund managed by CCLA may be used for the Board's investments, but no other types of investment may be used without the Board's prior approval.
- d) The *Investment* managers are to be instructed to achieve a Yield of not less than 4% (taking into account the cash at 1 above), and a Total Return in line with the appropriate Benchmarks agreed by the Board annually.
- e) This Policy will be reviewed at least annually by the Board.

For the year ended 31 December 2015 the investments achieved a total return (being the increase/decrease in market value plus the actual yield/income received) of 8.1% (2014: 12.9%). The benchmark against which each of the individual CCLA funds is compared is disclosed in their quarterly report and each fund outperformed the selected benchmark in the last quarter of 2015 to varying degrees.

The long term financial investments are shown in the balance sheet at their market value on 31 December 2015 and showed a capital return for the year of 3.35%. The PDBF's investment strategy continues to be to maintain the highest possible level of income and to concentrate on good quality companies and properties with long term growth potential. The property fund continues to produce

ANNUAL REPORT

For the year ended 31 December 2015

the best income yield at 5.96% and its rather volatile capital value also showed a healthy increase of 8.40% in 2015. The global equity fund did not perform so well due to the various political and economic events in the global environment with a fall of 1.07% in capital values and an income return of 3.01%. These compare with the investment fund that produced a capital growth of 1.36% and an income yield of 3.87%. The IAG continue to review the asset allocation on a regular basis and believe this to be an appropriate mix in the current climate.

PRINCIPAL RISKS AND UNCERTAINTIES

As this report has evidenced, the PDBF is essentially fit for purpose: financially stable, proactive and responsive to the needs of the Diocese and parishes and the assets and investments held by the PDBF are well managed and secure.

The main risk and uncertainties facing the PDBF therefore currently relate to the general health of **mission and ministry**. In common with the wider church, active membership has fallen and that trend, although slow, continues. The age profile of worshipping communities and of ministers is a concern, with a high proportion in the upper age brackets. This has potentially far reaching implications for the aims and objectives of both the PDBF and each PCC in the medium to long term.

The future plans of the PDBF as outlined above are designed specifically to address and mitigate these key risks and uncertainties and in this way to continue to fulfil its charitable aims and objectives and thus serve God faithfully in this Diocese, by responding to his call to action.

Other key risks and mitigating actions are as follows:

- **Parish Share:** 67% of the diocese's income is given by parishes through parish share. A reduction in payments could have a large effect on the diocese's ability to deliver mission. As set out in the financial review parish share payments remain high. Through consultation and communication the diocese looks to actively involve parishes in the financial and strategic decisions. Through its mission strategy, the diocese seeks to help parishes grow. In 2014, the diocese also appointed a full-time stewardship officer to support parishes.
- **Appointments:** A diocese is critically dependent on the quality of leadership, discipleship and pastoral care of its clergy. The pressure on appointments is exacerbated by a national shortage of clergy and the number of current retirements. Although extended vacancies are painful for all, the diocese seeks to maintain an appropriate high standard. Clear strategy, good levels of support and improving the quality of housing are also important to mitigating this risk. Longer term, promoting vocations and better training are also key mitigation strategies.
- **Safeguarding:** The care of children and vulnerable adults remains very important to the diocese. The diocese invests in suitable trained officers and training and support of parishes and schools. As reported above, the dioceses safeguarding procedures were inspected by the new national review panel which validated their high quality. We are now implementing their recommendations for further improvement.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within the benefices and parishes which together make up the Diocese.

The National Church has a General Synod comprising ex-officio and elected representatives from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that leadership assisted by the governance functions of the Diocesan Synod. The Diocese has eight deaneries, each with its own Synod, and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that parish.

Organisational structure

The Portsmouth Diocesan Board of Finance is constituted under the provisions of the Diocesan Boards of Finance Measure 1925. It is a registered charitable company and has responsibility for conducting the financial affairs of the diocese.

The Board of Directors is the main governing body of the charity. Its members are the Directors and Trustees. The Diocesan Synod, however, agrees the overall annual budget, including the level of parish contributions to be sought from parishes under the 'Fairer Shares' scheme. The Directors also form the Bishop's Council (Standing Committee of the Diocesan Synod), the Diocesan Mission and Pastoral Committee, and the Diocesan Parsonages Board. These arrangements achieve the uniting of the diocese's policy-setting and finance-controlling responsibilities. Membership comprises ex-officio members (the bishop, dean, archdeacons, diocesan secretary, and Diocesan Synod vice presidents), clergy and lay members elected by their respective Diocesan Synod houses, and one member nominated by the bishop. Members receive appropriate induction training and updates in their duties as trustees.

Trustee recruitment, selection and induction

Trustees are members of the Bishop's Council & Standing Committee and are selected as set out above. Trustees are given induction at the outset of the triennium and at other times as appropriate. They are also informed before seeking membership and, at all other relevant times, of the role and function of the Committee.

Decision making structure

Corporate priorities and the overall financial strategy for the Diocese, in its primary object to promote, assist and advance the work of the Church of England within the Diocese of Portsmouth are set by the Diocesan Synod, and the PDBF. The responsibility for ensuring that these priorities and

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

strategies are delivered is delegated to the Diocesan Secretary. The company meets once a year in general meeting to receive and approve the annual report and financial statements and to appoint the auditors. The Diocesan Synod each year receives and agrees the annual budget, prepared and approved by the PDBF. The Trustees, meeting within the context of the Bishop's Council and Standing Committee, normally hold eight meetings during the year to:

- plan the business of the synod, to prepare the agenda for its sessions, and to circulate to members, information about matters for discussion
- initiate proposals for action by the synod and to advise it on matters of policy which are placed before it
- advise the president on any matters which he may refer to the council
- transact the business of the synod when it is not in session
- undertake the responsibilities of the diocesan Board of Finance
- undertake the responsibilities of the Diocesan Mission and Pastoral Committee
- to hold all boards and committees accountable for their work and to provide an annual report to synod of that work
- to work with deanery standing committees on the communication of diocesan issues and the understanding of deanery issues
- carry out such other functions as the Synod delegates to it.

The Trustees are assisted in their work by the following sub-committees:-

The Property Sub Committee reports to the Directors; it oversees repairs to parsonages, glebe property, properties held for the charity's own use, and the disposal and purchase of property.

The Diocesan Finance Committee includes representatives from all the deaneries and meets regularly to review and report on the finances of individual parishes and their ability to meet their parish share commitments, and to scrutinise and bring recommendations to the Bishops Council on matters of diocesan finance.

Investment Advisory Group that provides advice (the sub-committee has no executive authority) to the Diocesan Finance Committee and the Diocesan Secretary on PDBF's investments and funds available for investment.

Delegation of day to day delivery

The Trustees and the sub-committees which assist them in the fulfilment of their responsibilities, rely upon the Diocesan Secretary and her colleagues for the delivery of the day to day activities of the company. The Diocesan Secretary is given specific and general delegated authority to deliver the business of the PDBF in accordance with the policies framed by the Trustees.

Connected Charities

The Portsmouth Diocesan Education Trust (PDET) and the Portsmouth Diocesan Council for Social Responsibility (PDCSR) are separately constituted companies and charities, and PDBF Directors are also trustees and directors of both the PDET and PDCSR. The eventual aim is to dis-incorporate PDET and for its assets and functions to be subsumed into the remit of the PDBF. The PDCSR has a

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

charitable collaboration with the PDBF, as the PDBF employs the staff, and provides accommodation, and office services to meet the business needs of the PDCSR and, in return, the PDCSR reimburse a major proportion of the staff and other costs involved.

Related Parties

The PDBF is required to comply with Measures passed by the General Synod of the Church of England and is required to make annual payments to the Archbishops' Council towards the costs and the national arrangements for training clergy. The PDBF currently receives annual grants from the Church Commissioners.

Remuneration of key management personnel

The Board operates a set salary scale and employees are placed on this with regard to benchmarking against comparable roles in other dioceses and the external employment market. The salary scale is reviewed each year by the Board with reference to cost of living movements in clergy and national church staff pay. Emoluments of higher-paid employees are determined in consultation between the Bishop of Portsmouth (who is also chair of the Board), the Chair of the Finance Committee and the Diocesan Secretary.

Funds held as Custodian Trustee

The PDBF is custodian trustee of assets held on permanent trust by virtue of the Parochial Church Councils (Powers) Measure 1956 (as amended) and the Incumbents and churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. These assets are not aggregated in the financial statements as the PDBF does not control them, and they are segregated from the PDBF's own assets by means of a separate bank account and accounting system. Further details of financial trust assets, whose market value amounted to £6,533,473 at 31 December 2015 (2014: £6,520,277), are available from the PDBF on request, and are summarised in note 30. Where properties are held as custodian trustee, the deeds are identified as such and held in safe custody by the PDBF's solicitor, Messrs Brutton & Co

Funds held on behalf of schools

The PDBF, on behalf of the joint Portsmouth and Winchester Diocesan Board of Education (which is not incorporated) receives contributions from governors of church schools within the Dioceses in connection with major repair and capital projects to church schools and also government grants in connection with the same. The staff of the Board of Education (who are employees of the PDBF) administer these monies as managing agent and make appropriate payments to contractors for work carried out. The monies do not belong to the PDBF or the Board of Education and as such the receipts and payments are not treated as income and expenditure in the Statement of Financial Activities. Any monies held at the balance sheet date are treated as creditors on the balance sheet. The amount included in creditors as at 31 December 2015 is £1,263,000 (2014:£1,190,000). The income and expenditure relating to school projects not reflected in the Statement of Financial Activities amounted to £3,189,000 and £3,120,000 respectively in 2015 (2014: £4,140,000 and £4,149,000).

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

ADMINISTRATIVE DETAILS

Trustees

No Trustee had any beneficial interest in the company during 2015. The following are the Trustees who served at any time during 2015 up to the date of this report:

Chairman: The Rt Revd Christopher Foster – Lord Bishop of Portsmouth
Ex-officio The Very Revd D C Brindley (The Dean of Portsmouth)
The Ven G Collins (Archdeacon of the Meon)
The Ven Dr J W Grenfell (Archdeacon of Portsdown)
The Ven P Sutton (Archdeacon of the Isle of Wight)
The Revd Canon R C White (Chair of the House of Clergy)
Canon D Sutton (Chair of the House of Laity)
The Revd W P Kennedy (The Diocesan Secretary)

Bishop's Nominee: Canon J Gwynn (Chairman of Diocesan Finance Committee)

Elected by:

Synod House of Clergy The Revd P Armstead (fr 1.1.16) The Revd W Hughes
The Revd M Bagg The Revd A Kerr (from 1.1.16)
The Revd Dr P Chamberlain (fr 1.1.16) The Revd Canon G Morris
The Revd Canon R Coutts (to 31.12.15) The Revd Canon D Power (31.12.15)
The Revd A Davis (res 30.9.15) The Revd I Snares (from 1.1.16)
The Revd M Duff (fr 1.1.16)

Synod House of Laity Col J Barrett (to 31.12.15) Miss I James (from 1.1.16)
Mr G Barwick Cdre M Lane
Canon D Bennison Mr A Littlejohn (to 31.12.15)
Mr N Chapman Canon Dr H Mason
Mrs L Clay Mr G Ringrow (from 1.1.16-7.3.16)
Canon L Docherty Mr R Solomon
Mr K Doyle (from 1.1.16) Canon H Spurgeon
Canon S Forster Mr J Steadman
Mr A Hill (to 31.12.16)

Senior staff and advisers

Diocesan Secretary	Wendy Kennedy
Director of Finance	Malcolm Twigger-Ross
Head of Mission and Resources and Deputy Diocesan Secretary	Jenny Hollingsworth
Head of Mission, Discipleship and Ministry	Anthony Rustell
Head of Mission and Education and Director of Education	Jeff Williams
Head of Mission and Society	Nick Ralph

PORTSMOUTH DIOCESAN BOARD OF FINANCE

ANNUAL REPORT

For the year ended 31 December 2015

TRUSTEES' RESPONSIBILITIES

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

Company law requires the Trustees (as Directors) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the PDBF and of the surplus or deficit of the PDBF for that period.

In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP
- 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
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in operation

The Trustees are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the DBF and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the PDBF and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included in the PDBF's website. Legislation in England/Wales governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

STATEMENT OF DISCLOSURE TO THE AUDITORS

So far as the Trustees are aware:

- a) there is no relevant audit information of which the charitable company's auditors are unaware, and
- b) we have taken all the steps that we ought to have taken as Trustees in order to make ourselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

APPOINTMENT OF AUDITORS

The re-appointment of Haysmacintyre as auditors to the PDBF will be proposed at the Annual General Meeting.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

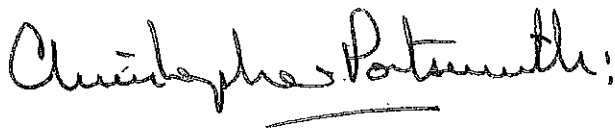
ANNUAL REPORT

For the year ended 31 December 2015

Registered Office:	Diocesan Office, Peninsular House, Wharf Road, Portsmouth, PO2 8HB
Bankers	Barclays PLC, PO Box 165, Crawley, RH10 1YX
Auditors	haysmacintyre, 26 Red Lion Square, London WC1R 4AG
Solicitors	Messrs Brutton & Co, West End House, 288 West Street, Fareham, PO16 0AJ
Investment advisers	CCLA, 80 Senator House, 85 Queen Victoria Street, London, EC4V 4ET
Glebe Agents	Carter Jonas LLP, 9-10 Jewry Street, Winchester SO23 8RZ
Insurers	EIG, Beaufort House, Brunswick Road, Gloucester, GL1 1JZ

In approving this Trustees' Report, the Trustees are also approving the Strategic Report included on pages 5 – 12 within their capacity as company directors.

ON BEHALF OF THE TRUSTEES



The Right Revd Christopher Foster
Chairman
27 April 2016



The Revd Wendy P Kennedy
Diocesan Secretary
27 April 2016

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF PORTSMOUTH DIOCESAN BOARD OF FINANCE

We have audited the financial statements of Portsmouth Diocesan Board of Finance for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 13, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the charitable company as at 31 December 2015 and of its incoming resources and application of resources, including the income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Annual Report, incorporating the Strategic Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Adam Halsey, Senior Statutory Auditor
For and on behalf of haysmacintyre
Chartered Accountants and Statutory Auditors
27 April 2016

26 Red Lion Square
London
WC1R 4AG

PORTSMOUTH DIOCESAN BOARD OF FINANCE

STATEMENT OF FINANCIAL ACCOUNTS

At 31 December 2015

	Note	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2015	Total funds 2014
		General	Designated				
		£	£	£	£	£	£
Income and endowments from:							
From generated funds:							
Donations	2						
Parish contributions		4,651,007	-	-	-	4,651,007	4,632,691
Archbishops' Council		473,013	-	-	-	473,013	486,006
Other donations		141,412	13,277	292,072	-	446,761	174,267
Charitable activities	3	1,116,238	8,074	-	3,000	1,127,312	1,062,468
Other activities	4	259,469	-	-	-	259,469	81,113
Investments	5	329,466	134,308	40,172	56,835	560,781	668,970
Other	6	-	17,901	-	40	17,941	72,644
Total incoming resources		6,970,605	173,560	332,244	59,875	7,536,284	7,178,159
Expenditure on:							
Raising funds	7	5,578	-	-	-	5,578	20,961
Charitable activities	8	6,554,952	264,326	44,569	-	6,863,847	6,564,058
Other	9	94,941	-	-	-	94,941	19,824
Total	10	6,655,471	264,326	44,569	-	6,964,366	6,604,843
Net income/(expenditure) before investment gains		315,134	(90,766)	287,675	59,875	571,918	573,316
Net gains on investments	16	53,620	107,655	22,566	147,006	330,847	1,136,706
Net income/(expenditure)		368,754	16,889	310,241	206,881	902,765	1,710,022
Transfers between funds	14	(48,828)	(118,195)	(1,774)	168,797	-	-
Other recognised gains/(losses)							
Gains/(losses) on revaluation of fixed assets	15	(136,930)	-	-	(622,178)	(759,108)	(390,788)
Net movement in funds		182,996	(101,306)	308,467	(246,500)	143,657	1,319,234
Total funds at 1 January 2015		12,971,086	3,959,824	1,090,816	43,830,891	61,852,617	60,533,383
Total funds at 31 December 2015	20	13,154,082	3,858,518	1,399,283	43,584,391	61,996,274	61,852,617

The net surplus/(deficit) of income over expenditure, together with details of income and expenditure required by the Companies Act, may be derived from net incoming resources before transfers, excluding movements on endowment funds, in the Statement of Financial Activities above. All incoming resources and resources expended derive from continuing activities.

The notes on pages 20 to 44 form part of the financial statements

PORTSMOUTH DIOCESAN BOARD OF FINANCE

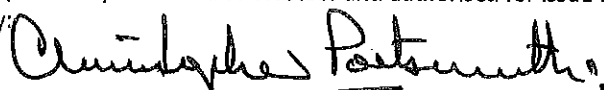
BALANCE SHEET

At 31 December 2015

Company Number –226466

	Note	2015		2014	
		£	£	£	£
FIXED ASSETS					
Tangible Functional Assets	15		50,949,643		51,940,022
Investments	16		12,699,698		11,277,065
			<u>63,649,341</u>		<u>63,217,087</u>
CURRENT ASSETS					
Debtors	17	379,693		699,500	
Cash on Deposit		1,694,864		2,001,676	
Cash at bank and in hand		1,483,880		873,491	
			<u>3,558,437</u>	<u>3,574,667</u>	
CREDITORS: amounts falling due within one year					
	18	2,440,108		1,872,771	
NET CURRENT ASSETS					
			<u>1,118,329</u>	<u>1,701,896</u>	
Total assets less current liabilities					
			<u>64,767,670</u>	<u>64,918,983</u>	
CREDITORS amounts falling due after more than one year					
Pension scheme liabilities	23	2,448,000	2,771,396	2,639,700	3,066,366
Other creditors		323,396		426,666	
			<u>2,771,396</u>	<u>2,639,700</u>	
NET ASSETS					
			<u>61,996,274</u>	<u>61,852,617</u>	
FUNDS					
Endowment funds:					
including revaluation reserve			43,584,391		43,830,891
of £	2,154,621				
2014:	2,629,793				
Restricted income funds:					
including revaluation reserve			1,399,283		1,090,816
of £	246,094				
2014:	223,528				
Unrestricted income funds:					
General funds					
including revaluation reserve			13,154,082		12,971,086
of £	503,040				
2014:	395,385				
Designated funds					
including revaluation reserve			3,858,518		3,959,824
of £	831,718				
2014:	915,028				
TOTAL FUNDS	24		<u>61,996,274</u>		<u>61,852,617</u>

The Cash Flow Statement and the Notes form part of these financial statements. The financial statements were approved by the Board of Trustees and authorised for issue on 27 April 2016 and signed on behalf of the Board

by: 

THE RIGHT REVD CHRISTOPHER FOSTER

PORTSMOUTH DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

For the year ended 31 December 2015

	Note	2015		2014	
		£	£	£	£
Net cash inflow/(outflow) from operating activities			893,001		123,664
Cash flows from investing activities					
Dividends, interest and rent from investments		517,224		452,618	
Interest received on loans		1,637		2,107	
Interest from cash on deposit		13,138		8,323	
			531,999		463,048
Receipts from sale of:					
Tangible fixed assets		471,926		619,042	
Investments		2,000		65,725	
		473,926		684,767	
Payments to acquire:					
Tangible fixed assets		(366,215)		(409,342)	
Investments		(1,065,004)		-	
		(1,431,219)		(409,342)	
Net cash provided by/(used in) investing activities			(957,293)		275,425
Cash flows from financing activities					
Loans repaid by PDBF		(203,270)		(43,814)	
Loans repaid to PDBF		39,140		27,234	
Net cash provided by/(used in) financing			(164,130)		(16,580)
Change in cash and cash equivalents in the reporting period			303,577		845,557
Cash and cash equivalents at 1 January			2,875,167		2,029,610
Cash and cash equivalents at 31 December			<u>3,178,744</u>		<u>2,875,167</u>
Reconciliation of net movements in funds to net cash flow from operating activities					
			<u>2015</u>		<u>2014</u>
Net movement in funds for the year ended 31 December			571,918		573,316
Adjustments for:					
Depreciation charges			37,785		37,785
Dividends, interest and rent from investments			(560,781)		(668,970)
Loss/(profit) on sale of functional assets			87,775		(52,845)
Loss/(profit) on disposal of investments			-		(65,725)
Decrease/(Increase) in debtors			280,667		136,702
Increase/(Decrease) in creditors			475,637		3,278,432
Transitional adjustment for FRS102			-		(3,115,031)
Net cash provided by/(used in) operating activities			<u>893,001</u>		<u>123,664</u>
Analysis of cash and cash equivalents					
Cash at bank and in hand			1,483,880		873,491
Cash on deposit			1,694,864		2,001,676
			<u>3,178,744</u>		<u>2,875,167</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, with the exception of freehold properties, which are included at their fair value as determined under the applicable valuation method as detailed in e), and fixed asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006 and applicable accounting standards (FRS102).

Following the transition to FRS102 for the first time in 2015 all of the accounting policies have been aligned with the new accounting standard and where these have resulted in a material change to the amounts, classification or presentation within the financial statements as at the date of transition then a transitional adjustment has been made (see note 27). The principle accounting policies and estimation techniques are as follows.

a) Income

All income is included in the Statement of Financial Activities (SOFA) when the PDBF is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

- i) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent** receivable is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they are receivable.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the PDBF's own use** (i.e. non-investment assets) are accounted for as other income. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

b) Expenditure

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the Statement of Financial Activity category.

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, and expenditure on resourcing mission and ministry within the Diocese.
- iii) **Grants payable** are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the PDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.
- v) **Pension contributions.** The PDBF's staff are members of the Church Workers Pension Fund; either the Pension Builder or the Defined Benefit Schemes, and Clergy are members of the Church of England Funded Pensions Scheme (see note 26). The pension costs charged as resources expended represent both the PDBF's contributions payable in respect of the accounting period, in accordance with FRS102 and the funding of the deficit. Deficit funding for the pension schemes to which PDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

c) Tangible fixed assets and depreciation

Freehold properties

Properties are accounted for at their fair value and are reviewed on a five year cycle and revalued accordingly.

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value is not materially less than their carrying value. The PDBF has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Trustees perform annual impairment reviews in accordance with the requirements of FRS102 to ensure that the carrying value is not more than the recoverable amount.

Investment land and buildings

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

Glebe land is valued at ten times the annual rental income.

Parsonage houses

The PDBF has followed the requirements of FRS102, in its accounting treatment for benefice houses (parsonages). FRS102 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The PDBF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if not required as a benefice house, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Trustees therefore consider the most suitable accounting policy is to capitalise such

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

properties as expendable endowment assets and to carry them at their estimated current market value. This treatment is also applied to any property where the title will revert to the PCC in the event that it should no longer be required as a parsonage. Parsonage houses are revalued on a five year cycle.

Property cost values

For the purposes of the calculation of a revaluation reserve, where the actual cost is not known, the cost value is deemed to be the value at which the property was brought into the current accounting system in 2007.

d) **Depreciation on leasehold property**

Depreciation is provided on leasehold properties over the lesser of 50 years or the life of the lease.

e) **Other accounting policies**

i) **Fixed asset investments** are included in the balance sheet at market value and the gain or loss taken to the Statement of Financial Activities.

ii) **Leases.** The PDBF has entered only into operating lease arrangements for the use of certain assets, the rental for which is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is reflected in the Statement of Financial Activities over the shorter of the overall lease term or first break clause whichever is shorter in time.

f) **Fund balances**

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

- **Unrestricted funds** are the PDBF's corporate funds and are freely available for any purpose within the charitable company's objects, at the discretion of the PDBF. There are two types of unrestricted funds:
 - **General funds** which the PDBF intends to use for the general purposes of the PDBF and
 - **Designated funds** set aside out of unrestricted funds by the PDBF for a purpose specified by the Trustees
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the PDBF (Stipends Fund Capital, Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. ACCOUNTING POLICIES (continued)

“Special trusts” (as defined by the Charities Act 2011) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company’s own financial statements. Trusts where the PDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

2 DONATIONS

Parish Contributions

The majority of donations are collected from the parishes of the diocese through the parish share system.

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	
	General	Designated			2015	2014
	£	£	£	£	£	£
Parish share						
Parish share collected	4,742,106	-	-	-	4,742,106	4,601,636
Shortfall adjustment	(91,099)	-	-	-	(91,099)	31,055
	<u>4,651,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,651,007</u>	<u>4,632,691</u>

Current year parish share receipts represent 92.8% of the total apportioned (2014 – 94.5%), or, when receipts for previous years are included, 100% of the total apportioned (2014 – 95.0%).

Archbishops’ Council

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	
	General	Designated			2015	2014
	£	£	£	£	£	£
Selective allocation	377,773	-	-	-	377,773	390,756
Parish mission development fund	95,240	-	-	-	95,240	95,250
	<u>473,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>473,013</u>	<u>486,006</u>

This is the annual grant for the parish mission fund, which may be used either for specific parish mission and development projects or for clergy stipends.

Other donations

	Unrestricted funds		Restricted funds	Endowment funds	Total funds	
	General	Designated			2015	2014
	£	£	£	£	£	£
Ecclesiastical Insurance Group	70,763	-	-	-	70,763	69,037
Donations	43,057	13,277	282,448	-	338,782	65,402
Grants from trusts	27,592	-	9,624	-	37,216	39,828
	<u>141,412</u>	<u>13,277</u>	<u>292,072</u>	<u>-</u>	<u>446,761</u>	<u>174,267</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

3. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2015	Total funds 2014
	General	Designated				
	£	£	£	£	£	£
Statutory fees and chaplaincy income	432,927	-	-	-	432,927	378,506
Miscellaneous income	69,217	8,074	-	3,000	80,291	80,390
Section income:						
Mission Discipleship and Ministry	9,258	-	-	-	9,258	9,719
Mission and Education	397,981	-	-	-	397,981	365,277
Mission and Resources	87,668	-	-	-	87,668	84,783
Mission and Society	119,187	-	-	-	119,187	143,793
	1,116,238	8,074	-	3,000	1,127,312	1,062,468

4. OTHER TRADING ACTIVITIES

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2015	Total funds 2014
	General	Designated				
	£	£	£	£	£	£
Rental income from properties	259,469	-	-	-	259,469	81,113
	259,469	-	-	-	259,469	81,113

5. INVESTMENT INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2015	Total funds 2014
	General	Designated				
	£	£	£	£	£	£
Dividends receivable	287,610	132,199	34,542	56,326	510,677	513,299
Interest receivable	6,527	2,109	5,630	509	14,775	10,430
Rents receivable	35,329	-	-	-	35,329	145,241
	329,466	134,308	40,172	56,835	560,781	668,970

6. OTHER INCOME

	Unrestricted funds		Restricted funds	Endowment funds	Total funds 2015	Total funds 2014
	General	Designated				
	£	£	£	£	£	£
Gain on disposal of properties	-	-	-	40	40	72,644
Proceeds of sale of redundant church/ Glebe land	-	17,901	-	-	17,901	-
	-	17,901	-	40	17,941	72,644

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7. FUND RAISING COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	Total funds
	General	Designated			2015	2014
	£	£	£	£	£	£
Glebe agent's fees and repairs	5,378	-	-	-	5,378	20,781
Management fees of rentals	200	-	-	-	200	180
	5,578	-	-	-	5,578	20,961

8. CHARITABLE ACTIVITIES

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	Total funds
	General	Designated			2015	2014
	£	£	£	£	£	£
Contributions to Archbishop's Council						
Training for ministry	119,663	-	-	-	119,663	149,969
National church responsibilities	120,228	-	-	-	120,228	120,201
Grants and provisions	14,840	-	-	-	14,840	14,840
Mission agency pension contributions	9,348	-	-	-	9,348	8,970
Retired clergy housing costs	50,362	-	-	-	50,362	48,078
Pooling of ordinands' maintenance grants	38,494	-	-	-	38,494	38,494
	352,935	-	-	-	352,935	380,552
Resourcing ministry and mission						
Parish ministry:						
Stipends and national insurance	2,462,062	-	-	-	2,462,062	2,527,506
Pension costs	593,407	-	-	-	593,407	513,795
Housing costs	879,591	163,245	-	-	1,042,836	859,267
Removal, resettlement & other grants	137,861	-	31,413	-	169,274	182,318
Other expenses	31,028	12,584	-	-	43,612	41,221
	4,103,949	175,829	31,413	-	4,311,191	4,124,107
Support for ministry and mission						
Mission Discipleship and Ministry	573,169	3,941	-	-	577,110	622,980
Mission and Education	541,129	-	3,532	-	544,661	475,793
Mission and Resources	669,315	84,556	-	-	753,871	609,233
Mission and Society	274,715	-	9,624	-	284,339	310,801
Governance	24,440	-	-	-	24,440	25,292
Other Diocesan Central Support	15,300	-	-	-	15,300	15,300
	2,098,068	88,497	13,156	-	2,199,721	2,059,399
	6,554,952	264,326	44,569	-	6,863,847	6,564,058

9 OTHER RESOURCES EXPENDED

	Unrestricted funds		Restricted funds	Endow't funds	Total funds	Total funds
	General	Designated			2015	2014
	£	£	£	£	£	£
Loss on sale of glebe property	94,941	-	-	-	94,941	19,824
	94,941	-	-	-	94,941	19,824

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

10. ANALYSIS OF EXPENDITURE INCLUDING ALLOCATION OF SUPPORT COSTS

	Activities Undertaken Directly £	Grant Funding of Activities £	Support Costs £	TOTAL 2015 £
Raising funds	5,578	-	-	5,578
Contributions to Archbishops' Council	-	352,935	-	352,935
Parish Ministry	4,238,631	72,560	-	4,311,191
Support for Ministry and Mission	1,289,463	76,468	289,129	1,655,060
Education	544,661	-	-	544,661
Other	94,941	-	-	94,941
	6,173,274	501,963	289,129	6,964,366

Support costs comprise general management and administration costs incurred in the diocesan office.
The basis of allocation of support costs is activity based

11. ANALYSIS OF SUPPORT COSTS

	Unrestricted funds		Restricted funds	Endow't funds	Total funds 2015 £
	General £	Designated £	£	£	£
Central administration	264,689	-	-	-	264,689
Governance	24,440	-	-	-	24,440
	289,129	-	-	-	289,129

12. ANALYSIS OF GRANTS

	Number	Individuals £	Institutions £	Total £
From unrestricted funds for national Church responsibilities:				
Contributions to Archbishop's Council	1	-	352,935	352,935
From unrestricted funds:				
Cathedral	1	-	15,300	15,300
Retired Lay Worker Pension Grant	1	1,917	-	1,917
Removal and resettlement grants	32	70,643	-	70,643
Mission Opportunity Fund parish grants	5	-	29,755	29,755
	39	72,560	45,055	117,615
From restricted funds for various purposes:				
Bishops Lent Appeal grants	13	-	31,413	31,413
	53	72,560	429,403	501,963

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

13. STAFF COSTS

Employee costs during the year were as follows

	2015 £	2014 £
Wages and salaries	1,094,701	1,001,364
National insurance contributions	89,184	79,408
Pension costs	<u>242,942</u>	<u>228,686</u>
	<u>1,426,827</u>	<u>1,309,458</u>

The average number of persons employed during the year based on full-time equivalents:

	2015 fte	2014 fte
Resourcing ministry:		
Mission & Education (of which 0.67 are externally funded)	7.26	6.21
Mission Discipleship and Ministry	6.33	4.97
Mission & Resources (of which 0.76 are externally funded) (of which Property = 1.88 [2014=1.83])	13.34	14.13
Mission & Society (of which 2.2 are externally funded)	3.40	3.72
	<u>30.33</u>	<u>29.03</u>
Parochial Assistants	<u>1.76</u>	<u>1.82</u>
	<u>32.09</u>	<u>30.85</u>

The average number of persons employed during the year:

	2015 no.	2014 no.
Resourcing ministry:		
Mission & Education	11.00	8.00
Mission Discipleship and Ministry	8.00	7.00
Mission & Resources	17.00	18.00
Mission & Society	5.00	7.00
	<u>41.00</u>	<u>40.00</u>
Parochial Assistants	<u>3.00</u>	<u>4.00</u>
	<u>44.00</u>	<u>44.00</u>

The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

	2015 Nbr	2014 Nbr
£60,000 - £70,000	1	-
£70,000 - £80,000	1	1

Pension payments of £41,378 (2014:£21,498) were made for these employees.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

13. STAFF COSTS (continued)

Remuneration of Key Management Personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2015 they were:

Diocesan Secretary and Company Secretary	Revd Wendy Kennedy
Director of Finance	Malcolm Twigger-Ross (24%)
Deputy Diocesan Secretary	Jenny Hollingsworth
Head of Mission and Society (to Nov'15)	Canon Nick Ralph
Head of Mission and Discipleship	Revd Anthony Rustell
Head of Education	Jeff Williams (33%)

Remuneration, pensions and expenses for these 6 employees amounted to £287,000 (2014: £276,000)

Trustees' emoluments

No Trustee received any remuneration for services as Trustee. The Trustees received travelling and out of pocket expenses, totalling £26,682 (2014 - £29,059) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees.

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the PDBF during the year:

	Stipend	Housing	Salary
The Archdeacon of the Meon (Collins)	Yes	Yes	No
The Archdeacon of Portsdown (Grenfell)	Yes	Yes	No
The Archdeacon of the Isle of Wight (Sutton)	Yes	Yes	No
Chair of House of Clergy (Canon R C White)	Yes	Yes	No
The Diocesan Secretary (Revd W Kennedy)	No	No	Yes
The Revd M Bagg	Yes	Yes	No
The Revd Canon R Coutts	Yes	Yes	No
The Revd A Davis - Resigned 1.10.15	Yes	Yes	No
The Revd W Hughes	Yes	Yes	No
The Revd Canon G Morris	Yes	Yes	No
The Revd Canon D Power	Yes	Yes	No

The PDBF is responsible for funding via the Church Commissioners the stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The PDBF is also responsible for the provision of housing for stipendiary clergy in the diocese, again excluding the diocesan bishop and cathedral staff.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

The PDBF paid an average of 89 (2014 – 94) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2015	2014
	£'000	£'000
Stipends	2,243	2,319
National insurance contributions	175	179
Pension costs - current year	511	514
- deficit reduction	295	278
	<u>3,224</u>	<u>3,290</u>

The annual rate of stipend, funded by the PDBF, paid to Archdeacons in 2015 was in the range £33,670 - £34,970 (2014 range £33,010 – £34,280) and other clergy who were Trustees were paid in the range £25,386 - £26,162 (2014 range £24,888 – £25,649)

14. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	Unrestricted funds		Restricted funds	Endowment funds
	General	Designated		
	£	£	£	£
Transfer to conference fund for costs net of budget	18,840	(18,840)	-	-
Portsmouth share of interest earned by P&WCSG Fund	1,719	-	(1,719)	-
Transfer of unspent M&D budget to CME Fund	(10,930)	10,930	-	-
To charge the cost of reduction in pension deficit provision to the General fund	(213,000)	-	-	213,000
Transfer from Catherington Trust fund to General fund for spirituality adviser	36,682	(36,682)	-	-
Budgeted transfer to office repair fund	(10,200)	10,200	-	-
Budgeted transfer to Lambeth Conference fund	(1,076)	1,076	-	-
Transfer to Mission fund for MOF parish grants	8,228	(8,228)	-	-
Various transfers of 2015 income between funds	120,909	(76,651)	(55)	(44,203)
	<u>(48,828)</u>	<u>(118,195)</u>	<u>(1,774)</u>	<u>168,797</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

15. TANGIBLE FIXED ASSETS – Land and Buildings

	Unrestricted		Endowment		Total 2015 £
	General Leasehold Property £	General Freehold Property £	Expendable Parsonages £	Permanent Glebe Houses £	
At Cost or Valuation					
At 1 January 2015	1,851,443	10,176,719	38,354,378	1,821,974	52,204,514
Additions	-	359,261	6,954	-	366,215
Disposals	-	(559,554)	(146)	-	(559,700)
Revaluation	-	(136,930)	(625,998)	3,820	(759,108)
At 31 December 2015	1,851,443	9,839,496	37,735,188	1,825,794	51,251,921
Accumulated depreciation					
At 1 January 2015	(264,493)	-	-	-	(264,493)
Charge for the year	(37,785)	-	-	-	(37,785)
At 31 December 2015	(302,278)	-	-	-	(302,278)
Net book value at 31 December 2015	1,549,165	9,839,496	37,735,188	1,825,794	50,949,643
Net book value at 31 December 2014	1,586,950	10,176,719	38,354,378	1,821,974	51,940,021

All of the properties in the balance sheet are freehold and are vested in the PDBF, except for benefice houses which are vested in the incumbent. All properties are held and market value and are subject to a five-year cycle of survey and consequent repairs are charged as expenditure. The Diocesan Office at Peninsular House is a leasehold property for which the premium is being amortised over 50 years. Just under half of the office space is sublet as it is not required for diocesan use. The carrying value of this property valued on a part functional, part investment basis would not be materially different from that quoted above.

16. FIXED ASSETS INVESTMENTS

	At 1st January 2015 £	Additions £	Disposals £	Change in Market Value £	At 31st December 2015 £
Unrestricted General Funds					
Unlisted investments	1,148,548	300,000	-	53,620	1,502,168
Designated Funds					
Unlisted investments	2,722,607	281,691	-	107,655	3,111,952
Restricted Funds					
Unlisted investments	1,030,526	287,093	-	22,566	1,340,185
Endowment Funds					
Unlisted investments	5,842,133	225,003	-	175,711	6,242,847
Investment Property	200,000	-	-	-	200,000
Investment Land	333,251	-	(2,000)	(28,705)	302,546
Total Funds	11,277,065	1,093,786	(2,000)	330,847	12,699,698

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

17. DEBTORS

	2015	2014
	£	£
Due within one year		
Loans to parishes	21,720	13,908
Other debtors	<u>311,084</u>	<u>392,835</u>
	<u>332,804</u>	<u>406,743</u>
Due after one year		
Loans to parishes	44,070	84,836
Other debtors	<u>2,819</u>	<u>207,921</u>
	<u>46,889</u>	<u>292,757</u>
Total	<u><u>379,693</u></u>	<u><u>699,500</u></u>

18. CREDITORS: amounts falling due within one year

	2015	2014
	£	£
Accruals	640,414	114,802
Other creditors	350,994	425,623
* P&WCSG Fund Creditors	1,109,711	983,392
Loan repayments	40,060	40,060
Deferred income	26,929	15,594
Pension scheme liabilities:		
Clergy Pension Scheme	272,000	293,300
	<u>2,440,108</u>	<u>1,872,771</u>

* The P&WCSG fund holds £1,269,007 on deposit with CCLA and Barclays

19. CREDITORS: amounts falling due after more than one year

	2015	2014
	£	£
Loan repayment instalments		
due after more than one year		
1 - 2 years	40,060	40,060
2 - 5 years	120,180	120,180
After 5 years	163,156	266,426
Pension scheme liabilities:		
Clergy Pension Scheme	2,448,000	2,639,700
	<u>2,771,396</u>	<u>3,066,366</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. SUMMARY OF FUND MOVEMENTS

	Balances at 1 January 2015 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2015 £
Unrestricted funds - General	12,971,086	6,970,605	(6,655,471)	(48,828)	(83,310)	13,154,082
Unrestricted funds - Designated						
Brown, Doig, Silver Bequest	21,900	-	-	-	324	22,224
Circus Charity Fund	1,524	-	-	-	19	1,543
Diocesan Conference Fund	45,586	169	-	(18,840)	-	26,915
Car Loan Fund	197,442	8,017	-	(8,016)	3,688	201,131
Diocesan Loan Fund	389,470	16,159	-	(15,933)	(2,654)	387,042
Parsonages Repairs Fund	374,037	20,715	(33,825)	-	24,265	385,192
Pastoral Fund	1,342,139	68,730	(8,141)	(48,552)	57,091	1,411,267
CME Fund	31,754	83	-	10,847	-	42,684
Transition Fund	9	-	-	-	-	9
Valpy Bequest	20,619	-	-	-	305	20,924
Winterbotham Legacy	92,415	3,912	-	(3,912)	3,283	95,698
Office Repair Fund	123,692	7,369	(84,556)	10,045	498	57,048
Mission Fund	360,594	13,316	(8,384)	(8,228)	-	357,298
Lambeth Conference Fund	6,471	-	-	1,076	-	7,547
Evangelism Fund	1,495	-	-	-	-	1,495
Building Repair Fund	130,000	-	(129,420)	-	-	580
Catherington House Fund	820,677	35,090	-	(36,682)	20,836	839,921
	3,959,824	173,560	(264,326)	(118,195)	107,655	3,858,518
Restricted funds						
Barclay Bequest	4,116	134	-	-	45	4,295
Ben Aug Fund	64,021	-	-	-	947	64,968
Bishop's Lent Appeal	2,970	32,450	(31,413)	-	-	4,007
Christian Healing Fund	240	1	-	-	-	241
Harrison Parochial Loan Fund	17,279	87	-	-	-	17,366
Huckstepp Legacy	108,653	-	-	-	7,501	116,154
James Legacy	14,637	-	-	-	197	14,834
New Churches Fund	773,056	27,615	-	-	18,486	819,157
Turret House Fund	59,679	1,880	-	-	788	62,347
Surrexit Fund	9,882	55	-	(55)	-	9,882
P&WCSGF	4,108	5,251	(3,532)	(1,719)	-	4,108
Youth Development	7,170	9,738	(9,624)	-	-	7,284
Corban Fund	25,005	861	-	-	297	26,163
Eckersley Clergy families	-	254,172	-	-	(5,695)	248,477
	1,090,816	332,244	(44,569)	(1,774)	22,566	1,399,283

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

20. SUMMARY OF FUND MOVEMENTS (continued)

	Balances at 1 January 2015 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Balances at 31 December 2015 £
Expendable Endowment funds						
Parsonage Houses	38,348,804	-	-	-	(625,998)	37,722,806
	<u>38,348,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(625,998)</u>	<u>37,722,806</u>
Permanent Endowment funds						
Stipends Capital Fund	1,478,852	-	-	213,000	145,878	1,837,730
Bells Loan Fund	247,575	8,867	-	-	(877)	255,565
Boyd Richardson Trust	111,655	-	-	-	1,651	113,306
Constance Trust	20,916	-	-	-	309	21,225
Cowes St M Ben Aug	692	-	-	-	9	701
Diocesan House Trust	161,495	-	-	-	4,096	165,591
Fawdry Bequest	27,164	-	-	-	366	27,530
Glebe Fund	790,620	47,204	-	(44,203)	22,936	816,557
Glebe Property	2,529,113	40	-	-	(24,885)	2,504,268
Glebe House Cottage Trust	3,109	-	-	-	43	3,152
Hayling St M Curacy End	903	-	-	-	10	913
Lambert Loan Fund	109,993	3,764	-	-	1,290	115,047
	<u>5,482,087</u>	<u>59,875</u>	<u>-</u>	<u>168,797</u>	<u>150,826</u>	<u>5,861,585</u>
Total Funds	<u>61,852,617</u>	<u>7,536,284</u>	<u>(6,964,366)</u>	<u>-</u>	<u>(428,261)</u>	<u>61,996,274</u>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

21. SUMMARY OF ASSETS BY FUND

	Fixed Assets		Current	Liabilities	Net
	Tangible	Investments	Assets		Assets
	£	£	£	£	£
Unrestricted funds - General					
General funds	11,388,661	1,502,168	1,478,927	(1,215,674)	13,154,082
Unrestricted funds - Designated					
Brown, Doig, Silver Bequest	-	24,127	(1,903)	-	22,224
Circus Charity Fund	-	1,408	135	-	1,543
Diocesan Conference Fund	-	-	26,915	-	26,915
Car Loan Fund	-	200,292	839	-	201,131
Diocesan Loan Fund	-	409,956	(22,914)	-	387,042
Parsonages Repairs Fund	-	403,249	(18,057)	-	385,192
Pastoral Fund	-	1,037,778	373,489	-	1,411,267
CME Fund	-	-	42,684	-	42,684
Transition Fund	-	-	9	-	9
Valpy Bequest	-	22,716	(1,792)	-	20,924
Winterbotham Legacy	-	101,263	(5,565)	-	95,698
Office Repair Fund	-	37,070	19,978	-	57,048
Mission Fund	-	-	357,298	-	357,298
Lambeth Conference Fund	-	-	7,547	-	7,547
Evangelism Fund	-	-	1,495	-	1,495
Building Repair Fund	-	-	580	-	580
Catherington House Fund	-	874,093	(34,172)	-	839,921
	-	3,111,952	746,566	-	3,858,518
Restricted funds					
Barclay Bequest	-	3,379	916	-	4,295
Ben Aug Fund	-	70,534	(5,566)	-	64,968
Bishop's Lent Appeal	-	-	4,007	-	4,007
Christian Healing Fund	-	-	241	-	241
Harrison Parochial Loan Fund	-	-	17,366	-	17,366
Huckstepp Legacy	-	114,073	2,081	-	116,154
James Legacy	-	14,681	153	-	14,834
New Churches Fund	-	809,288	9,869	-	819,157
Turret House Fund	-	61,835	512	-	62,347
Surrexit Fund	-	-	9,882	-	9,882
P&WCSGF	-	-	1,267,289	(1,263,181)	4,108
Youth Development	-	-	19,933	(12,649)	7,284
Corban Trust	-	22,090	4,073	-	26,163
Eckersley Clergy families	-	244,305	4,172	-	248,477
	-	1,340,185	1,334,928	(1,275,830)	1,399,283

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

21. SUMMARY OF ASSETS BY FUND (continued)

	Fixed Assets		Current	Liabilities	Net
	Tangible	Investments	Assets		Assets
	£	£	£	£	£
Expendable Endowment funds					
Parsonage Houses	37,735,188	-	(12,382)	-	37,722,806
	<u>37,735,188</u>	<u>-</u>	<u>(12,382)</u>	<u>-</u>	<u>37,722,806</u>
Permanent Endowment funds					
Stipends Capital Fund	-	4,557,730	-	(2,720,000)	1,837,730
Bells Loan Fund	-	247,112	8,453	-	255,565
Boyd Richardson Trust	-	123,012	(9,706)	-	113,306
Constance Trust	-	23,043	(1,818)	-	21,225
Cowes St M Ben Aug	-	639	62	-	701
Diocesan House Trust	-	177,443	(11,852)	-	165,591
Fawdry Bequest	-	27,245	285	-	27,530
Glebe Fund	-	986,492	(169,935)	-	816,557
Glebe Property	1,825,794	502,546	175,928	-	2,504,268
Glebe House Cottage Trust	-	3,112	40	-	3,152
Hayling St M Curacy End	-	832	81	-	913
Lambert Loan Fund	-	96,187	18,860	-	115,047
	<u>1,825,794</u>	<u>6,745,393</u>	<u>10,398</u>	<u>(2,720,000)</u>	<u>5,861,585</u>
Total Funds	50,949,643	12,699,698	3,558,437	(5,211,504)	61,996,274

22. DESCRIPTION OF FUNDS

Unrestricted funds - General

General Fund	DBF's revenue operations
Leasehold Property	Property for the charities own use
Freehold Property	Housing other clergy
FHP Capital Fund	Provision of clergy housing

Unrestricted funds - Designated

Brown, Doig, Silver Bequest	To offset DBF office costs
Circus Charity Fund	For stipends
Diocesan Conference Fund	To offset cost of diocesan Clergy Conference
Car Loan Fund	Loans to DBF employees
Diocesan Loan Fund	Loans to Parishes
Parsonages Repairs Fund	Repair and maintenance of parsonages
Pastoral Fund	Management of money in accordance with the Pastoral Measure 1983
CME Fund	In service education and training
Transition Fund	Pension Support for clergy
Valpy Bequest	For stipends
Winterbotham Legacy	For DBF's own purposes
Office Repair Fund	Repair and maintenance of Office Equipment
Mission Fund	For outward focussed mission activities
Lambeth Conference Fund	To offset the next Lambeth conference costs
Evangelism Fund	For evangelism within the diocese
Building Repair Fund	Additional repair work on Diocesan properties
Catherington House Fund	For work of the Diocesan Spirituality Adviser

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

22. DESCRIPTION OF FUNDS (continued)

Restricted funds

Barclay Bequest	For 'new churches' buildings
Ben Aug Fund	For stipends
Bishop's Lent Appeal	Bishop's annual charity appeal
Christian Healing Fund	For Christian healing work
Harrison Parochial Loan Fund	Loans to Parishes
Huckstepp Legacy	Support Ordinands
James Legacy	Support Ordinands
New Churches Fund	For 'new churches' buildings
Turret House Fund	For church building projects
Surrexit Fund	For youth development
P&WCSGF	Income from school governors' funds
Youth Development	For work with the young people of the diocese
Corban Trust Fund	For work of the Diocesan Spirituality Adviser
Eckersley Clergy Families	

Expendable Endowment funds

Parsonage Houses	Housing incumbents/priests in charge
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**Original
Capital**

Permanent Endowment funds

	£	
Stipends Capital Fund		For stipends
Bells Loan Fund	14,563	Loans to parishes in Portsmouth Deanery
Boyd Richardson Trust	2,500	For DBF's own purposes
Constance Trust	500	To offset DBF office costs
Cowes St M Ben Aug	679	For stipend (Cowes:St Mary)
Diocesan House Trust	4,800	Upkeep of DBF offices & payment of staff
Fawdry Bequest	12,001	For clergy widows & DBF general purposes
Glebe Fund		Glebe funds held on deposit
Glebe Property		Glebe held for investment and housing
Glebe House Cottage Trust	2,200	For DBF's own purposes
Hayling St M Curacy Ed	630	For stipend (Hayling Island)
Lambert Loan Fund	21,300	Loans to clergy and PCCs

23. CAPITAL COMMITMENTS

At 31 December 2015 the PDBF had capital expenditure commitments authorised but not contracted for of £NIL (2014 - £NIL), and contracted for but not yet due of £NIL (2014 - £NIL).

24. OPERATING LEASES

Total commitments under non-cancellable operating leases are as follows:

	£
Operating leases payable:	
Within 1 year	5,440
In 1-5 years	8,758
After 5 years	-
	<u>14,198</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

25. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

There were no post balance sheet events or contingent liabilities at the balance sheet date.

26. PENSIONS

The PDBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the **Church of England Funded Pensions Scheme** for stipendiary clergy. The other is the **Church Workers Pension Fund**. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

These schemes are multi-employer last man standing defined benefit pension schemes for which the DBF is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pension Scheme

With effect from 1 January 1998, diocesan clergy became members of the Church of England Funded Pensions Scheme. This defined benefit scheme provides benefits based on the National Minimum Stipend in the year before their date of retirement and provides for that part of the benefit that relates to pensionable service after 1 January 1998. Benefits are currently being accrued on the basis of half of the National Minimum Stipend (NMS) being paid as the normal pension on reaching the age of 68 on completion of maximum service of 41.5 years, or 1.25 times this amount for archdeacons, plus a lump sum of three times the pension based on the previous year's NMS payable from the scheme. Pensions in respect of pensionable service before 1 January 1998 will be provided for by the Church Commissioners under the previous arrangements.

Portsmouth DBF participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2012. Though work has commenced on the 31 December 2015 valuation, the final report and recovery plan is not expected to be finalised until late 2016 and is not formally required to be finalised until 31 March 2017. The 2012 valuation revealed a deficit of £293m, based on assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two thirds by 31 December 2029, with the balance in return-seeking assets; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns of 3.2% p.a. on gilts and 5.2% p.a. on equities;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Post-retirement mortality in accordance with 80% of the S1NFA and S1NMA tables, with allowance for future improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for females and males.

Following the 31 December 2012 valuation, a recovery plan was put in place until 31 December 2025 and the contribution rates (as a percentage of pensionable stipends) were set as follows:

% of pensionable stipends	1 January 2014 to 31 December 2014	1 January 2015 to 31 December 2025
Accrual of future service benefits (including expenses)	25.8%	25.8%
Deficit repair contributions	12.4%	14.1%
Total contribution rate	38.2%	39.9%

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2015 £	2014 £
Balance sheet liability at 1 January	2,933,000	3,211,000
Deficit contribution paid	-295,000	-272,000
Interest cost (recognised in SoFA)	64,000	108,000
Remaining change to the balance sheet liability* (recognised in SoFA)	18,000	-114,000
Balance sheet liability at 31 December	2,720,000	2,933,000

* Comprises change in agreed deficit recovery plan and change in discount rate between year-ends.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2015	December 2014	December 2013
Discount rate	2.5% pa	2.3% pa	3.5% pa
Price inflation	2.4% pa	2.7% pa	3.2% pa
Increase to total pensionable payroll	0.9% pa	1.2% pa	1.7% pa

Church Workers Pension Fund

Portsmouth DBF (DBS) participates in the Defined Benefits Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Defined Benefits Scheme

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries.

For funding purposes, the DBS is divided into sub-pools in respect of each participating employer as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between employers, including those relating to mortality and post-retirement investment returns.

The division of the DBS into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the DBS are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of deficit contributions (see below).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

If, following an actuarial valuation of the Life Risk Pool, there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 29.9% of pensionable salary and expenses of £5,200 per year.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. In 2012 the Portsmouth DBF paid in full the deficit that had been identified, ahead of the recovery payment dates and reflected this pre-paid expense as a debtor in the accounts. Following the application of FRS102 in these 2015 accounts this debtor has been removed and the prior year figures adjusted accordingly.

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement.

Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable.

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPf valuation date, 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

Teachers' pension scheme (TPS)

The PDBF made contributions to the TPS on behalf of 3 employees who had previously been teachers.

The TPS is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010) and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. Membership is automatic for full-time teachers and from 1 January 2007, automatic for teachers in part-time employment following appointment or a change of contract, although they are able to opt out.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis, these contributions along with those made by employers are credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

Not less than every four years the Government Actuary, using normal actuarial principles, conducts a formal actuarial review of the TPS in accordance with the Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014 published by HM Treasury. The aim of the review is to specify the level of future contributions. Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. The latest actuarial valuation of the TPS was carried out as at 31 March 2012 and full details are available on the Government website at: <https://www.gov.uk/government/collections/teachers-pension-scheme>

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

27. TRANSITION TO FRS102

This is the first year PDBF has presented its results under FRS 102 and SORP2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 1 December 2014. Set out below are a reconciliation of the surplus for the year and the reserves from the amounts previously stated in the 2014 financial statements following the change in accounting policies.

	Unrestricted funds		Restricted Funds £,000	Endowment Funds £,000	Total Funds 2014 £,000
	General £,000	Designated £,000			
Reconciliation of the net income for the financial year as previously stated to that restated.					
Surplus/(deficit) as previously reported (before investment gains and transfers)	97,650	96,282	14,517	90,935	299,384
Defined benefit pension scheme:					
Clergy scheme	278,000	-	-	-	278,000
Churchworkers	61,682	-	-	-	61,682
Realised gain on investment asset	-	-	-	(65,750)	(65,750)
Total adjustment to net income	339,682	-	-	(65,750)	273,932
Net income for the year under FRS102 (before investment gains)	437,332	96,282	14,517	25,185	573,316
Reserves reconciliation - 1 January 2014					
As at 1 January 2014 - as previously reported	13,097,400	3,602,986	1,013,182	46,345,822	64,059,390
Defined benefit pension scheme:					
Clergy scheme	-	-	-	(3,211,000)	(3,211,000)
Churchworkers	(315,007)	-	-	-	(315,007)
As at 1 January 2014 - Restated	12,782,393	3,602,986	1,013,182	43,134,822	60,533,383
Reserves reconciliation - 31 December 2014					
As at 31 December 2014 - as previously reported	13,224,411	3,959,824	1,090,816	46,763,891	65,038,942
Defined benefit pension scheme:					
Clergy scheme	-	-	-	(2,933,000)	(2,933,000)
Churchworkers	(253,325)	-	-	-	(253,325)
As at 31 December 2014 - Restated	12,971,086	3,959,824	1,090,816	43,830,891	61,852,617

A Recognition of the liability to fund pension fund deficits on defined benefit pension schemes

FRS 102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS 102 section 28.13 and 28.13A. PDBF has a payment plan with the Church of England Pension's Board to pay the Clergy Pension Scheme deficit over a ten year period (until 2022). Upon transition, PDBF has recognised the present value of deficit funding contributions. As at 31 December 2015, this amounted to £2,933k (2014:£3,211k) for the Clergy Pension Scheme.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

28. PRIOR YEAR COMPARATIVE SOFA RE-STATED

	Unrestricted funds		Restricted	Endowment	Total Funds
	General	Designated	Funds	Funds	2014
	£,000	£,000	£,000	£,000	£,000
Income and endowments from:					
Donations					
Parish contributions	4,632,691	-	-	-	4,632,691
Archbishops' Council	486,006	-	-	-	486,006
Other donations	138,110	-	36,157	-	174,267
Charitable activities	1,053,733	8,735	-	-	1,062,468
Other activities	81,113	-	-	-	81,113
Investments	439,612	138,264	38,047	53,047	668,970
Other	72,669	(25)	-	-	72,644
Total	6,903,934	146,974	74,204	53,047	7,178,159
Expenditure on:					
Raising funds	12,923	-	-	8,038	20,961
Charitable activities	6,453,679	50,692	59,687	-	6,564,058
Other	-	-	-	19,824	19,824
Total	6,466,602	50,692	59,687	27,862	6,604,843
Net income/(expenditure) before investment gains	437,332	96,282	14,517	25,185	573,316
Net gains on investments	105,958	204,516	64,202	762,030	1,136,706
Net income/(expenditure)	543,290	300,798	78,719	787,215	1,710,022
Transfers between funds	(291,905)	56,040	(1,085)	236,950	-
Other recognised gains/(losses)					
Gains/(losses) on revaluation of fixed assets	(62,692)	-	-	(328,096)	(390,788)
Net movement in funds	188,693	356,838	77,634	696,069	1,319,234
Total funds at 1 January 2014	13,097,400	3,602,986	1,013,182	46,345,822	64,059,390
Prior year adj't due to policy changes	(315,007)	-	-	(3,211,000)	(3,526,007)
Funds restated as at 1 January 2014	12,782,393	3,602,986	1,013,182	43,134,822	60,533,383
Funds restated at 31 December 2014	12,971,086	3,959,824	1,090,816	43,830,891	61,852,617

29. RELATED PARTY TRANSACTIONS

The Portsmouth Diocesan Council for Social Responsibility (PDCSR) is a separate charitable limited company whose directors are the same as the directors of the PDBF. Staff engaged in the activities of PDCSR are employed by the PDBF and a contribution towards their staff costs was made by the PDCSR for £62,699 (2014 – 85,631). The PDCSR also paid the PDBF £2,187 [2014 – 2,719] for CRB checks and £47,364 [2014 - £53,069] as a management charge for the services of the Director of Mission and Society.

The Portsmouth Diocesan Education Trust (PDET) is a separate charitable limited company whose directors are the same as the directors of the PDBF. The PDET made a grant of £51,000 [2014 - £50,000] to the PDBF towards the costs of the Board's Mission and Education section.

The E C Roberts Trust transferred no further funds [2014 – £5,000] to the PDBF Youth Development Fund to secure the employment of the youth worker.

PORTSMOUTH DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

30. FUNDS HELD AS CUSTODIAN TRUSTEE

The PDBF acts as Diocesan Authority or custodian trustee for many trust funds by virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964 where the managing trustees are parochial church councils and others. Assets held in this way are not aggregated in these financial statements as the PDBF does not control them. The financial assets held in this way may be summarised as follows:

	2015	2014
	£	£
CBF Investment Fund income shares	3,715,372	3,670,935
CBF Investment Fund accumulation shares	68,500	65,004
CBF Property Fund income shares	297,956	274,865
CBF Global Equity Fund	122,671	124,003
CBF Fixed Interest Securities Fund Shares	1,158,783	1,218,667
CBF COIF Investments	82,599	80,551
Other unit trust units	46,514	22,096
UK Equity holdings	35,972	37,359
UK Gilt-edged stocks	79,320	110,893
Other Fixed interest stock	133,505	139,736
Foreign Equities	7,611	7,938
Deposits & Cash at Bank	784,670	768,230
	<hr/>	<hr/>
Total assets held as custodian trustee	<u>6,533,473</u>	<u>6,520,277</u>