

THE BRISTOL DIOCESAN BOARD OF FINANCE LIMITED

**FINANCIAL STATEMENTS
for the year ended
31 December 2006**

Registered Office
Diocesan Church House
23 Great George Street
Bristol BS1 5QZ

Company number 156243
Charity number 248502

The Bristol Diocesan Board of Finance Limited
Financial Statements 2006
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Diocesan Secretary
and Company Secretary

Mrs L E Farrall
Diocesan Church House,
23 Great George Street, Bristol, BS1 5QZ.

Auditors

Mazars LLP
Clifton Down House, Beaufort Buildings,
Clifton Down, Clifton, Bristol, BS8 4AN.

Solicitors

Harris & Harris
14 Market Place, Wells, Somerset, BA5 2RE.

Bankers

National Westminster Bank plc
40 Queen's Road, Clifton, Bristol, BS8 1RF.

Insurers

Ecclesiastical Insurance Group
Montpellier House, Montpellier, Gloucester GL1 1LF.

Investment Advisers

CCLA Investment Management Limited
80 Cheapside, London, EC2V 6DZ.

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The Financial Statements have been prepared in accordance with statutory requirements prevailing at 31 December 2006 and with the requirements of the Charity's governing document, its Memorandum and Articles of Association and the Statements of Recommended Practice - Accounting and Reporting by Charities (SORP 2005). Where possible the guidance used in the Diocesan Annual Report and Financial Statements Guide by the Diocesan Secretaries' Liaison Group has been followed.

Constitution

The Bristol Diocesan Board of Finance Limited (the DBF) is a company limited by guarantee registered under the Companies Act, number 156243. It is also a registered charity, number 248502.

The principal office and registered office of the charity is Church House, 23 Great George Street, Bristol, BS1 5QZ.

Directors and Trustees

The Directors of the Board of Finance are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the Directors. This report constitutes the Trustees' report for charity law purposes and the Directors' report for Companies Act purposes.

The names of all those who were Directors on the date the report was approved are given on page 9, as are the names of any who served as Directors during the financial year.

The name of the Diocesan Secretary (Chief Administrative Officer), to whom day to day management of the charity has been delegated, and the names and addresses of professional advisers are to be found on page 2.

Structure, Governance and Management

The DBF is governed by its memorandum and articles of association, but also has to work in accordance with the requirements of the Synodical Government Measure 1969, which is regularly updated by means of its schedule 3 'Church Representation Rules'.

The Articles provide that the members of the Standing Committee (Bishop's Council) shall be the Directors. The Bishop's Council and Standing Committee are elected triennially, by the houses of clergy and laity of the Diocesan Synod, in accordance with Church Representation Rules. Certain officers of the Diocese are ex-officio members of the Bishop's Council and Standing Committee. The Chairman and Vice-Chairman of the Board are elected at the General meeting next following the election of members. All members of the Diocesan Synod are entitled to be members of the company.

The first meeting of the Board of Directors following its election is in the form of an induction and training session to ensure that the Directors fully understand the responsibilities of Charity Trustees and Company Directors; a session was held in January 2007, at the first meeting of the newly constituted Board.

The Bishop's Council and Directors meet five times a year. All business between Directors' meetings is dealt with by the Finance Committee, which meets eight times a year. On behalf of the Directors, the Committee deals with such matters as the annual accounts, the collection of Parish Share and the management of the DBF's corporate property and investments. It also makes suggestions to the Bishop's Council about the appropriate level of stipends for the clergy and it deals, usually through the Chairman and the Remuneration Committee, with staff remuneration and conditions of service.

The DBF, although a fully independent charity, is one of 44 diocese in the Church of England, which itself is governed under the Synodical Government Measure 1969 by General Synod and Archbishops' Council.

Objectives and Achievements

The primary objective of the DBF is to promote and assist the work and purposes of the Church of England in the Diocese of Bristol.

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The Diocese is committed to a purpose of '**Creating Communities of Wholeness with Christ at the Centre**'. After considerable work in recent years, the Diocese has developed a strategy to support its communities in reaching that purpose. The primary thrust is the Diocesan Growth Programme which identifies four components of growth for its communities:

Partnership – working with those who share our aspirations, both within and beyond the church;

Influence – speaking and living prophetically in our culture;

Numbers – bringing others into relationship with Christ and His people;

Commitment – loving God and others more.

The development and monitoring of the programme have been and are being carried out and reviewed by the Strategy and Growth Groups.

There has been work at Deanery level to stimulate and develop cooperation beyond parish boundaries. A new cohort of Area Deans was appointed in June 2006, with a revised job description and financial resources made available from a designated fund. Deaneries are leading the plans for deployment and parochial reorganisation, working towards new partnerships and clusters of parishes.

Following a review of internal communications within the Diocese, it was agreed that more emphasis should be placed on the use of new media to inform and energise all within the diocese, with an equal emphasis on reaching those who do not currently see themselves as regular or committed members of the Church. To this end some of the Church Commissioners' Mission Fund monies was spent in the purchasing of audio/visual packages for Deaneries and the creation of a new communications post to work on the diocesan web-site and to project manage other new media work in the Diocese.

In many aspects of the work there is considerable inter-diocesan cooperation and collaboration across diocesan boundaries and inter-denominationally, but this has not yet resulted in any major initiative which will lead to longer-term cost savings, another key target identified during the process which led to the Growth Programme.

In addition to its normal work of supporting clergy and those in lay ministry through all stages of their ministry, from first selection through ordination to deployment and their continued work in parishes and elsewhere in the Diocese, the Parish Development Team has in 2006 organised and led a series of training courses on the management of change, generously funded by an anonymous donor. The Team has also reconfigured its methods of working, to provide more of a consultancy role than in previous years.

Support from the Clergy Societies continued to provide funding for an Adviser on Pastoral Care for clergy and their families, who is considered an essential component of any programme of change.

Our Diocesan Board of Education team has revisited their vision and mission over 2006 and now sees their central function as being committed to promoting a vision of education that is underpinned by Christian values. Children and young people will be nurtured in communities of wholeness with Christ at the centre where:

Individuals will be helped to recognise their own uniqueness and worth;

Excellence and enjoyment will be evident in all learning;

Children and young people will be encouraged on their spiritual journey;

Christ will be revealed to all.

In 2006, the team has worked with the 4 Local Authorities that cover the Diocese, with a view to increasing the number of church school places; the team was also involved in the appointment and induction of 6 new headteachers. Inspections of schools to ensure the quality of RE teaching continued, with most judged to be "good" or better, and certainly demonstrating an improvement over past years. A '**Values for Life**' training pack was produced and distributed for use in schools, with copies issued to each incumbent in the Diocese; the pack has been widely welcomed and praised.

The appointment of a Children & Young Persons Adviser in early 2006 has helped the team in its influence on the Christian development of young people, with the emphasis on supporting those adults who give of their time and skill to work with children and young people in children's

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worship, in children's play and in a Christian youth work setting. Also, the core purpose of the Resources Centre has been reviewed and we are now focussed on producing boxes of materials for RE and worship to support teaching in schools as well as our provision of a library for borrowers from across the Diocese.

The Churches' Council for Industry and Social Responsibility (an ecumenical body supported by the 6 main denominations, with offices based in Bristol) continues its work in providing industrial chaplaincy and looking after social responsibility issues, in pursuit of the objectives of working in **partnership** and also to bring about growth in the **influence** we have in the community in which we live.

The administrative support for all these functions and for the various committees comprising the synodical structure of the Diocese is mainly provided from Church House in Bristol.

The activities are mainly funded through the Parish Share system, with share requested from parishes, using a calculation based on the number of members – partly measured through attendance and partly through the parish Electoral Roll – and to their potential for giving, measured by an anonymous income survey. In addition the DBF is fortunate to receive substantial grants from local trusts and charities towards some of its work, together with a small amount of investment income and some residual financial support from the Church Commissioners.

Review of 2006

The Statement of Financial Activities ('SOFA') on page 11 summarises the movements on the various diocesan funds during the year. Incoming resources totalled £7,608,000 (2005 - £8,157,000) of which £5,075,000 was paid in Parish Share (2005 - £4,881,000). Resources expended totalled £7,573,000 (2005 - £7,136,000) giving a net surplus before investment capital gains of £35,000 (2005 - £1,021,000). Realised and unrealised gains on investments showed a net gain of £1,895,000 (2005 - £2,460,000), giving a total net gain for the year of £1,930,000 (2005 - £3,481,000).

The movement on the DBF's defined benefit pension scheme is also reported on the SOFA. The scheme was closed to new members a number of years ago, and the disclosure relates solely to the closed scheme. Remaining employees are in a defined contribution scheme, with no residual cost or risk to the DBF. The annual review of the scheme shows a surplus of £70,000 (2005 - deficit £110,000) in respect of existing and past employees with preserved benefits, and a further £22,000 positive adjustment to the overall deficit on the fund. Full details are shown in note 29. Payments into the scheme include a contribution to make up the deficit over future years.

After adjustment for the movement in the pension scheme deficit, there was a total net gain for the year of £2,000,000 (2005 - £3,371,000).

Most of the DBF's activities are reflected in the undesignated general fund shown in the first column of the SOFA and these are subject to detailed budgeting. Diocesan Synod approved a surplus budget of £20,000 for 2006. Actual results show a deficit of £9,000 (2005 - surplus £346,000). Significant factors leading to the deficit have been:

- £140,000 savings in expenditure on clergy and parochial staff, resulting from vacancies;
- £82,000 additional income raised through letting vacant parochial housing;
- £38,000 savings made across all other expenditure heads;
- £160,000 more non share income than budgeted comprising some additional grants and more income from investments and glebe.

offset by:

- £366,000 shortfall in share receipts. A collection rate of 93.7% was achieved compared with 93.2% in 2005; in cash terms, the amount collected was £194,000 more than 2005. The Directors are encouraged that there continues to be a significant majority of parishes who pay their share in full; the remainder, who have amounts unpaid, will be encouraged to pay and the reasons for their non-payment explored;
- £83,000 shortfall against budget in funds expected from the Church Commissioners, resulting from a revised calculation of sums due to the diocese after a change in the method of paying guaranteed annuities.

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The Directors have approved a transfer of £40,000 to the fund created in 2005, monies set aside to allow housing to be brought up to a more modern standard outside the normal process of budgeting and in part reflecting the increased wear and tear on houses from being let to commercial tenants.

The £9,000 deficit, £40,000 transfer and £22,000 adjustment to the pension fund, referred to above, all combine to give the £27,000 deficit on net incoming resources on unrestricted funds, shown on the SOFA.

Some of the DBF's activities cannot be budgeted in the conventional way. Movements on other funds are also set out in the SOFA.

There was a net surplus before investment gains on designated funds of £80,000. This comprised mainly investment income and the diocesan share of the funds made available by the Church Commissioners under the Parish Ministry and Mission Scheme. There was a net deficit before investment gains on restricted and endowment funds of £18,000. The income arose primarily from investments, together with further grants received from the Department for Education and Skills towards work on school buildings. Resources expended included grants from the Bristol Diocesan Clergy Charities and payments from the Educational Foundations in support of Church of England voluntary aided schools in the diocese.

Investment funds have continued to increase in their capital values and this is reflected in the unrealised gain on the revaluation of assets of £1,895,000, as shown in the SOFA and in the Statement of Total Recognised Gains and Losses on page 12. The Directors' investment advisers continue to recommend no change to the current investment strategy.

The future

Despite the Church of England's recent decision to maintain a defined benefit scheme for clergy pensions, with the Diocese of Bristol being a lone voice in recommending a fundamental change, the expectation of having to raise sums for pensions has stimulated significant national discussions. These have included the provision of both retirement and pre-retirement housing, and the greater degree of uncertainty about the route through vocation and training to paid deployment. This level of debate can only give hope for a fresh approach to a Church of England in the 21st century that may be significantly different to that to which it has become accustomed.

The Strategy Group has in 2006 started to look at projections for the years to 2015 and to the decisions that will need to be made to ensure the financial viability and stability of the Diocese.

Investment policy

The DBF has power to invest funds not immediately required for operational purposes in such concerns, securities or properties as it thinks fit. The Directors have resolved to invest such funds within the CBF Church of England equity and property funds, managed by CCLA Investment Management Limited, who also operate the ethical policy of the national church institutions. Investments are placed to avoid speculation and to achieve income and long-term capital growth. The Finance Committee monitors investment performance through quarterly reports from the Investment Advisers.

Funds held by the DBF as trustee

In February 1998 the Charity Commissioners issued a scheme making the DBF the sole Trustee of the charity known as the Bristol Diocesan Clergy Charities. The accounts of this charity have been aggregated into these financial statements as they are administered by the DBF and held for specific purposes which are within the general purposes of the DBF.

By virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964, and certain Charity Commissioners schemes, the DBF is the Diocesan authority over certain assets held on permanent trusts. These assets have not been aggregated in these financial statements, since the DBF does not control them. Separate financial statements have been prepared to account for the DBF's stewardship of these assets, and full trust accounts for each trust are the responsibility of the managing trustees in each case. Copies of the separate financial statements are available from the Secretary at the Registered Office of the DBF.

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Connected charity

The Foundation of Saint Matthias (registered charity number 311696) is administered from the DBF's registered office by its Clerk to the Trustees, who is an employee of the DBF. The Foundation paid a fee for these services of £19,000 in 2006 (2005 - £19,000). The Foundation made a grant to the DBF in 2006 of £41,000 towards the work of the Adviser to schools and the Education Resource Centre in the Diocese (2005 - £41,000). A further grant of £5,000 (2005 - £5,000) was made to the DBF to fund the work of a Further Education Development Officer.

Risk management

The Directors have continued the process of examining the major strategic and operational risks which the DBF faces and monitor a register of the significant risks, assessing the probability of occurrence and the steps required to manage the risk. Regular reports will continue to be produced so that the necessary steps can be taken to reduce these risks.

Reserves

The DBF's reserves policy is to maintain a level of cash and liquid assets equivalent to 3 months of general fund expenditure. This would mean a reserve of £1,683,000, which has not been achieved. The free reserves, as defined, stand at negative £940,000 (2005 - negative £187,000). The Clergy Stipends Reserve Fund (a designated fund) can be used to provide the reserve needed for the payment of clergy stipends out of general funds; there is sufficient in the Fund to meet the 3 months requirement of £924,000, leaving a further £1,699,000 to be found. A review of all funds, but in particular of designated funds, will take place in 2007, to ensure that their purpose is still appropriate to the changing needs of the Diocese.

The DBF has a number of other endowment and restricted funds which are represented by investments and fixed assets. The purpose of these funds is detailed in notes 16 to 18 of the financial statements.

Grant making policy

The DBF made a grant of £242,000 (2005 - £233,000) to the Archbishops' Council of the Church of England in 2006 as a contribution towards the costs of supporting the national church institutions, grants and contributions to other organisations and mission agencies' pension contributions; details of the amounts paid are shown in note 3. The Bristol Diocesan Clergy Charities makes grants to diocesan clergy and their dependants who are in conditions of need, hardship or distress; to advance the education of children of diocesan clergy; and to assist with the holiday expenses of clergy. Other grants made from time to time by the DBF are approved by the Directors in each year's budget.

Directors

None of the Directors have received any emoluments from the DBF in their capacity as directors for services to the Board. However, included in clergy stipends are the emoluments and expense reimbursements of certain Directors who have been paid in respect of their duties as clergy. Note 14 to the accounts details transactions with the Directors during the year.

As in previous years, the DBF has maintained insurance cover against losses arising from claims against it for wrongful acts committed by its Directors and officers.

Directors' responsibilities

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

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the accounts;

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- d) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the charitable company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Charitable contributions

Charitable contributions have been paid as normal expenditure in the pursuance of the DBF's objects. No political contributions have been made.

Taxation status

The DBF is a registered charity and, as such, is able to claim certain exemptions from Corporation Tax. No provision for tax is considered necessary.

Auditors

A resolution to reappoint Mazars LLP as auditors to the Company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

This report was approved by the directors of the Bristol Diocesan Board of Finance Limited on 18 April 2007 and signed on their behalf by

D C Froude
Chairman

The Bristol Diocesan Board Of Finance Limited Directors 2006

The following served as Directors and Trustees from 1 January 2006 to the date this report was approved (unless shown otherwise):

President: The Rt Rev M A Hill, Bishop of Bristol *

Chairman: Mr D C Froude *

Vice Chairman: Mr C W Smith *

The Rev V Abbot

The Rev Canon P R Bailey *

Mr D Bone – resigned 13 June 2006

Mrs F Brealey

The Rev Canon R J Burles *

Mrs G M Coniam

Mrs M D Coulter – resigned 31 December 2006

Mr A Crofts – appointed 1 January 2007 *

Mr P Eastwood – resigned 13 June 2006

The Rev Canon C A Froude

Mrs M Greening

The Very Rev R W Grimley, Dean of Bristol

The Rev D Harrex *

The Rev J Hasler

The Ven A F Hawker, Archdeacon of Malmesbury *

Mr I J Henderson – appointed 1 January 2007

The Rev Canon M Johnson – appointed 1 January 2007

The Ven T E McClure, Archdeacon of Bristol *

Mr N Orman *

Mr K J Petrie

Mr R D J Pool

The Rt Rev L S Rayfield, Bishop of Swindon *

Mr P Robottom – appointed 1 January 2007

Professor G M Stirrat

Mr D H Thornley

Mr E A W Tuck – resigned 31 December 2006

The Rev R Ward – appointed 1 January 2007

Mr R Willerton – appointed 1 January 2007

The Rev J Wilson – appointed 1 January 2007

* Members of Finance Committee

Independent Auditors' Report to the Members of The Bristol Diocesan Board of Finance Limited

We have audited the financial statements for the year ended 31 December 2006 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the directors, who also act as trustees for the charitable activities of the Bristol Diocesan Board of Finance Limited are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of state of the charitable company's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;

and

- the information given in the Directors' Report is consistent with the financial statements.

Mazars LLP
Chartered Accountants
and Registered Auditors

Clifton Down House
Beaufort Buildings
Clifton
Bristol BS8 4AN

19 April 2007

The Bristol Diocesan Board of Finance Limited
Statement of Financial Activities
for the year ended 31 December 2006

| | Note | Unrestricted Undesignated Funds £,000 | Designated Funds £,000 | Restricted Funds £,000 | Endowment Funds £,000 | 2006 Total Funds £,000 | 2005 Total Funds Restated £,000 |
|---|------|--|------------------------------|------------------------------|-----------------------------|---|--|
| Incoming resources | | | | | | | |
| Incoming resources from generated funds: | | | | | | | |
| Voluntary income | | | | | | | |
| Parish Share | | 5,075 | - | - | - | 5,075 | 4,881 |
| National Church institutions | | 41 | 87 | - | - | 128 | 149 |
| Other donations and grants | 2 | 655 | - | 475 | - | 1,130 | 1,868 |
| Activities for generating funds | | | | | | | |
| Parsonage rental income | | 129 | - | - | - | 129 | 127 |
| Investment income | | 230 | 139 | 381 | 51 | 801 | 768 |
| Incoming resources from charitable activities: | | | | | | | |
| Local fee income | | 341 | - | - | - | 341 | 361 |
| Grants and Course fees | | 4 | - | - | - | 4 | 3 |
| Total incoming resources | | 6,475 | 226 | 856 | 51 | 7,608 | 8,157 |
| Resources expended | | | | | | | |
| Cost of generating funds | | | | | | | |
| Cost of generating voluntary income | | 37 | 2 | 22 | - | 61 | 58 |
| Charitable activities | | | | | | | |
| Contributions to National Church | 3 | 242 | - | - | - | 242 | 233 |
| Other grants | 4 | 14 | - | 39 | - | 53 | 59 |
| Ministry and mission | | | | | | | |
| Ministry in parishes | 5 | 4,835 | 190 | 30 | 93 | 5,148 | 4,553 |
| Support & Training | 6 | 535 | (3) | 48 | - | 580 | 455 |
| Industrial & Social Responsibility | 7 | 254 | 5 | - | - | 259 | 263 |
| Board Of Education | 8 | 208 | 1 | 414 | - | 623 | 971 |
| Higher Education | 9 | 105 | (3) | - | - | 102 | 81 |
| Other direct activity | 10 | 250 | 2 | 11 | - | 263 | 240 |
| Indirect activity and support | 11 | 132 | 9 | 1 | - | 142 | 137 |
| Governance costs | 12 | 100 | - | - | - | 100 | 86 |
| Total resources expended | | 6,712 | 203 | 565 | 93 | 7,573 | 7,136 |
| Net incoming resources before transfers | | (237) | 23 | 291 | (42) | 35 | 1,021 |
| Transfers between funds | | 210 | 57 | (267) | - | - | - |
| Net incoming resources before revaluations and disposals of investment assets | | (27) | 80 | 24 | (42) | 35 | 1,021 |
| Gains on revaluations and disposals of investment assets | | 163 | 233 | 138 | 1,361 | 1,895 | 2,460 |
| Actuarial gains / (losses) on defined benefit pension scheme | 29 | 70 | - | - | - | 70 | (110) |
| Net movement in funds | | 206 | 313 | 162 | 1,319 | 2,000 | 3,371 |
| Funds brought forward | | 3,742 | 6,007 | 3,216 | 29,264 | 42,229 | 38,858 |
| Funds carried forward at 31 December 2006 | | 3,948 | 6,320 | 3,378 | 30,583 | 44,229 | 42,229 |
| | | Note 18 | note 18 | note 17 | note 16 | | |

The notes on pages 15 to 29 form part of these financial statements.

The Bristol Diocesan Board of Finance Limited
Summary Income and Expenditure Account
for the year ended 31 December 2006

| | 2006 £,000 | 2005 £,000 |
|---|-----------------------------|-----------------------------|
| Gross income from continuing operations | 7,557 | 8,107 |
| Total expenditure on continuing operations | (7,480) | (7,119) |
| Net income for the year before transfers and investment asset disposals | 77 | 988 |
| Profit on disposal of investment assets | 689 | 1,056 |
| Net income for the year | <u>766</u> | <u>2,044</u> |

Supplementary information

Total income comprises £6,701,000 for unrestricted funds, £856,000 for restricted funds and £Nil for endowed funds. A detailed analysis of income by source is provided in the statement of financial activities. Detailed analyses of expenditure are provided in the statement of financial activities on page 11, and notes 3 to 12 to the accounts.

Net income before investment asset disposals for the year of £77,000 comprises £53,000 net income of unrestricted funds and £24,000 net income of restricted funds, as shown in the statement of financial activities, and £Nil net gains on disposals of endowment fund fixed assets.

The summary income and expenditure account is derived from the statement of financial activities on page 11, which, together with the notes to the accounts on pages 15 to 29, provides full information on the movements during the year on all the funds.

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2006

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Surplus for the financial year | 766 | 2,044 |
| Unrealised gain on revaluation of assets | 465 | 1,404 |
| Actuarial gains / (losses) on defined benefit pension scheme | 70 | (110) |
| Total recognised gains relating to the year | <u>1,301</u> | <u>3,338</u> |

The Bristol Diocesan Board of Finance Limited
Balance Sheet
as at 31 December 2006

| | Note | £,000 | 2006 £,000 | £,000 | 2005 £,000 |
|--|------|---------------|---------------|---------------|---------------|
| Fixed assets | | | | | |
| Tangible assets | | | | | |
| Land & buildings | 20 | | 24,731 | | 23,551 |
| Refurbishment costs | 21 | | 50 | | 67 |
| Office equipment | 22 | | 23 | | 28 |
| Investments | 23 | | 13,214 | | 12,188 |
| | | | <u>38,018</u> | | <u>35,834</u> |
| Current assets | | | | | |
| Loans: amounts falling due | | | | | |
| after more than one year | 24 | 362 | | 468 | |
| Loans: amounts falling | | | | | |
| due within one year | 24 | 36 | | 27 | |
| Debtors and prepayments | 25 | 578 | | 564 | |
| Cash at bank and in hand | 26 | 7,863 | | 7,940 | |
| | | <u>8,839</u> | | <u>8,999</u> | |
| Less creditors: amounts falling | | | | | |
| due within one year | 27 | (1,478) | | (1,292) | |
| Net current assets | | | <u>7,361</u> | | <u>7,707</u> |
| Total assets less current liabilities | | | 45,379 | | 43,541 |
| Creditors: amounts falling due | | | | | |
| after more than one year | 27 | | (932) | | (1,002) |
| Net assets excluding pension liability | | | 44,447 | | 42,539 |
| Defined benefit pension scheme liability | 29 | | (218) | | (310) |
| Net assets including pension liability | 19 | | <u>44,229</u> | | <u>42,229</u> |
| Fund balances | | | | | |
| Endowment funds | | | | | |
| Endowment funds revaluation reserve | 16 | 11,276 | | 10,445 | |
| | | <u>19,307</u> | | <u>18,819</u> | |
| | | | 30,583 | | 29,264 |
| Restricted funds | | | | | |
| Restricted funds revaluation reserve | 17 | 2,728 | | 2,635 | |
| | | <u>650</u> | | <u>581</u> | |
| | | | 3,378 | | 3,216 |
| Unrestricted funds | | | | | |
| Revaluation reserve | 18 | 6,922 | | 6,891 | |
| | | <u>3,564</u> | | <u>3,168</u> | |
| Unrestricted funds excluding pension liability | | <u>10,486</u> | | <u>10,059</u> | |
| Pension reserve | 29 | (218) | | (310) | |
| | | | <u>10,268</u> | | <u>9,749</u> |
| Total funds | | | <u>44,229</u> | | <u>42,229</u> |

These accounts were approved by the directors of the Bristol Diocesan Board of Finance Limited on 18 April 2007 and signed on their behalf by

D C Froude
Chairman

The statement of financial activities is on page 11. The income and expenditure account is on page 12. The cash flow statement is on page 14. The notes on pages 15 to 29 form part of these financial statements.

The Bristol Diocesan Board of Finance Limited
Cash Flow Statement
for the year ended 31 December 2006

| | <i>£,000</i> | <i>2006 £,000</i> | <i>£,000</i> | <i>2005 £,000</i> |
|--|---------------|-----------------------|---------------|-----------------------|
| Reconciliation of net incoming resources before transfers to net cash outflow from operating activities | | | | |
| Net incoming resources before transfers | | 55 | | 988 |
| Add depreciation charges | | 42 | | 36 |
| Less investment income | | (750) | | (735) |
| Less increase in debtors | | (14) | | (36) |
| Add decrease in loans made by DBF | | 97 | | 32 |
| Add increase in creditors | | 186 | | 369 |
| Add interest expenditure | | 28 | | 28 |
| <i>Net cash (outflow) / inflow from operating activities</i> | | <u>(356)</u> | | <u>682</u> |
| Cash flow statement | | | | |
| <i>Cashflow from operating activities</i> | | (356) | | 682 |
| <i>Returns on investments and servicing of finance</i> | | | | |
| Interest and dividends received | 750 | | 735 | |
| Interest paid | (28) | | (28) | |
| Endowment interest capitalised | 51 | | 33 | |
| | <u> </u> | 773 | <u> </u> | 740 |
| <i>Capital expenditure and financial investment</i> | | | | |
| Payments to acquire investments | 0 | | (6) | |
| Payments to acquire tangible fixed assets | (1,590) | | (648) | |
| Receipts from sales of investments | 90 | | 0 | |
| Receipts from sales of tangible fixed assets | 1,169 | | 1,599 | |
| Cash flows attributable to endowments | (93) | | 0 | |
| | <u> </u> | (424) | <u> </u> | 945 |
| <i>Financing</i> | | | | |
| Loans repaid by the DBF | (70) | | (76) | |
| Cash inflow from endowment assets | (42) | | (33) | |
| New endowments | 42 | | 33 | |
| | <u> </u> | (70) | <u> </u> | (76) |
| <i>(Decrease) / Increase in cash</i> | | <u>(77)</u> | | <u>2,291</u> |
| Reconciliation of net cash flow to movement in net cash funds | | | | |
| <i>(Decrease) / Increase in cash</i> | | (77) | | 2,291 |
| Net cash funds at 1 January | | 7,940 | | 5,649 |
| <i>Net cash funds at 31 December</i> | | <u>7,863</u> | | <u>7,940</u> |

The statement of financial activities is on page 11. The income and expenditure account is on page 12. The balance sheet is on page 13. The notes on pages 15 to 29 form part of these financial statements.

The Bristol Diocesan Board of Finance Limited

Notes to the Accounts

for the year ended 31 December 2006

1 - Accounting policies

The Directors consider that adoption of the profit and loss account formats prescribed by the Companies Act 1985 would not enable the financial statements to show a true and fair view, and have therefore adopted consistently an income and expenditure account format which departs from those prescribed. The financial statements have been prepared in accordance with the historical cost convention, modified by the revaluation of investments, and in accordance with the Statements of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2005) and applicable Accounting Standards. The principal accounting policies are set out below.

Incoming resources

The principal source of income of the DBF is parish share, and amounts undertaken to be paid by parishes for the year, but not received by the year-end, are only accrued if received prior to 31 January 2007. The amounts shown in the accounts in respect of interest and dividends represent the income received in the year and no account has been taken of accrued interest. Income from grants and donations is recognised on receipt, except where it relates specifically to expenditure to be incurred at a future date, in which case the income is deferred in the balance sheet.

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources. Premises and other overheads have been allocated on the basis of the head count. Costs of generating funds are those incurred in glebe management, the management of non-glebe investments and costs associated with collecting Parish Share. Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure where the conditions attaching are fulfilled. Governance costs are those costs associated with the management of the charity and include the costs of Bishop's Council and Diocesan Synod meetings, together with a proportion of the costs of those members of staff concerned with the arrangement for those meetings.

Land and buildings

Land and buildings are carried as fixed assets of the DBF, and no depreciation provision is made for the buildings element thereof, since they are subject to a five-year cycle of survey and consequent repairs are charged to the income and expenditure account. As a result the properties maintain residual values at least equal to their book values. This, together with the length of the estimated remaining useful life, means that any depreciation charge in the year and accumulated depreciation is rendered immaterial. In accordance with the requirements of FRS 15 an impairment review is carried out at the end of each accounting period and any permanent diminution in value provided for.

Residential properties have been valued using the mid-point of the applicable council tax band, adjusted to 1 January 1993 by an appropriate index, or cost where known. Glebe land has been valued using an appropriate value per acre on a tenanted basis. Redundant churches have been valued at £1,000, reflecting the uncertainty of whether they will be sold by the DBF, or be transferred to the Redundant Churches Fund. Other property has been valued using the annual rent as a basis, or recent professional valuations. Benefice houses, although not strictly vested in the DBF, are accounted for as DBF properties since the DBF is responsible for their provision and maintenance and ultimately benefits from the sale proceeds if they become surplus to requirements.

Refurbishment costs and office equipment

Refurbishment costs are capitalised and depreciated over ten years using the straight-line method. Office equipment and furniture is capitalised and depreciated over three years using the straight-line method. Grants made for capital expenditure on church and other buildings not in the DBF's ownership are written off in the year the grant is made.

Investments

Investments are shown at their market value on the date of the balance sheet. Investments held by the DBF as custodian trustee are not included in these accounts.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the DBF and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Directors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements. Restricted funds are funds which have been raised by the DBF for particular purposes. The aim and use of each restricted fund is set out in the notes to the financial statements. Permanent endowment funds are a particular type of restricted fund which must be held permanently and the capital of the fund maintained.

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

Expendable endowment funds are similar to permanent endowments except that there is power of discretion to convert endowed funds into income to be expended.

Church Commissioners permanent loans in collection

Certain capital expenditure on parsonage and team vicarage properties has been financed by loans from the Church Commissioners at 5% p.a. repayable over periods of up to 25 years. These loans are legally the responsibility of the benefice concerned, and guaranteed by the DBF. In practice, all the repayments of these loans are met by the DBF, and hence they have been included as a liability of the DBF.

Pension costs

Pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the service lives of the employees concerned. Any excess or deficiency of the assets over the actuarial value of the liabilities of the DBF Staff Pension Scheme is allocated over the average remaining service lives of the current employees.

Operating leases

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Small values

Values which are £Nil are shown as - ; those below £500 are shown as 0.

Movement in funds for the year

The net income for the year is stated after charging:-

| | 2006 £,000 | 2005 £,000 |
|---|-----------------------------|-----------------------------|
| Auditor's remuneration | 15 | 13 |
| Depreciation | 42 | 36 |
| Operating lease charges - plant and equipment | 2 | 2 |
| Interest payable on loans wholly repayable: | | |
| within five years | - | - |
| not within five years | 28 | 28 |
| | <u> </u> | <u> </u> |

| | Unrestricted Funds £,000 | Designated Funds £,000 | Restricted Funds £,000 | Permanent Endowment Funds £,000 | 2006 Total £,000 | 2005 Total £,000 |
|---|--------------------------------|------------------------------|------------------------------|--|---|---|
| Incoming Resources | | | | | | |
| 2 – Other Donations and Grants | | | | | | |
| For Ministry | 307 | - | - | - | 307 | 296 |
| For Housing | 102 | - | - | - | 102 | 90 |
| For Support & Training | 76 | - | - | - | 76 | 48 |
| For ISR | 4 | - | - | - | 4 | 4 |
| For Education | 99 | - | 401 | - | 500 | 1,318 |
| For other purposes | 67 | - | 74 | - | 141 | 112 |
| | <u>655</u> | <u>-</u> | <u>475</u> | <u>-</u> | <u>1,130</u> | <u>1,868</u> |
| Resources Expended | | | | | | |
| 3 – Contributions to National Church | | | | | | |
| National Church responsibilities | 158 | - | - | - | 158 | 152 |
| Grants and provisions | 22 | - | - | - | 22 | 20 |
| Mission Agency pensions | 12 | - | - | - | 12 | 11 |
| Retired clergy housing (CHARM) | 50 | - | - | - | 50 | 50 |
| | <u>242</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>242</u> | <u>233</u> |
| 4 – Other grants | | | | | | |
| Clergy Society | - | - | 39 | - | 39 | 45 |
| Other | 14 | - | - | - | 14 | 14 |
| | <u>14</u> | <u>-</u> | <u>39</u> | <u>-</u> | <u>53</u> | <u>59</u> |

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

| | Unrestricted Funds £,000 | Designated Funds £,000 | Restricted Funds £,000 | Permanent Endowment Funds £,000 | 2006 Total £,000 | 2005 Total £,000 |
|--|--------------------------------|------------------------------|------------------------------|--|---------------------------------|---------------------------------|
| 5 – Ministry in Parishes | | | | | | |
| Staff costs – stipends & salaries | 3,471 | 28 | - | - | 3,499 | 3,400 |
| Housing costs | 965 | 6 | - | 93 | 1,064 | 779 |
| Removal & resettlement grants | 92 | - | - | - | 92 | 43 |
| Direct support costs | 150 | 148 | 30 | - | 328 | 182 |
| Indirect support costs | 157 | 8 | - | - | 165 | 149 |
| | <u>4,835</u> | <u>190</u> | <u>30</u> | <u>93</u> | <u>5,148</u> | <u>4,553</u> |
| 6 – Support & training | | | | | | |
| Staff costs – stipends & salaries | 202 | - | - | - | 202 | 162 |
| Housing costs, inc removal etc | 15 | (3) | - | - | 12 | 6 |
| Direct costs | 196 | - | 48 | - | 244 | 207 |
| Direct support costs | 112 | - | - | - | 112 | 69 |
| Indirect support costs | 10 | - | - | - | 10 | 11 |
| | <u>535</u> | <u>(3)</u> | <u>48</u> | <u>-</u> | <u>580</u> | <u>455</u> |
| 7 – Industrial & Social Responsibility | | | | | | |
| Staff costs – stipends & salaries | 205 | - | - | - | 205 | 205 |
| Housing costs, inc removal etc | 7 | 5 | - | - | 12 | 15 |
| Direct support costs | 42 | - | - | - | 42 | 43 |
| | <u>254</u> | <u>5</u> | <u>-</u> | <u>-</u> | <u>259</u> | <u>263</u> |
| 8 – Board of Education | | | | | | |
| Staff costs – stipends & salaries | 157 | - | - | - | 157 | 127 |
| Direct costs | 11 | 1 | 393 | - | 405 | 780 |
| Direct support costs | 40 | - | 21 | - | 61 | 64 |
| | <u>208</u> | <u>1</u> | <u>414</u> | <u>-</u> | <u>623</u> | <u>971</u> |
| 9 – Higher education | | | | | | |
| Staff costs – stipends & salaries | 48 | - | - | - | 48 | 44 |
| Housing costs, inc removal etc | 45 | (3) | - | - | 42 | 26 |
| Direct support costs | 12 | - | - | - | 12 | 11 |
| | <u>105</u> | <u>(3)</u> | <u>-</u> | <u>-</u> | <u>102</u> | <u>81</u> |
| 10 – Other direct activity | | | | | | |
| <i>Includes non-Governance Committees, Advisory, Pastoral, Redundant Churches, etc, and Communications.</i> | | | | | | |
| Staff costs – stipends & salaries | 119 | - | 9 | - | 128 | 88 |
| Direct costs | 49 | 2 | 2 | - | 53 | 73 |
| Indirect support costs | 82 | - | - | - | 82 | 79 |
| | <u>250</u> | <u>2</u> | <u>11</u> | <u>-</u> | <u>263</u> | <u>240</u> |
| 11 – Indirect activity | | | | | | |
| <i>Comprises costs of staff and overheads in Church House, insofar as they represent direct support for parishes and other aspects of the work of the Diocese.</i> | | | | | | |
| Staff costs – stipends & salaries | 74 | - | - | - | 74 | 79 |
| Direct costs | 11 | - | - | - | 11 | 13 |
| Indirect support costs | 47 | 9 | 1 | - | 57 | 45 |
| | <u>132</u> | <u>9</u> | <u>1</u> | <u>-</u> | <u>142</u> | <u>137</u> |
| 12 – Governance | | | | | | |
| Chancellor & Registrar | 33 | - | - | - | 33 | 28 |
| Auditors & other Professional Fees | 18 | - | - | - | 18 | 16 |
| Governance meetings & insurance | 9 | - | - | - | 9 | 11 |
| Support costs | 40 | - | - | - | 40 | 31 |
| | <u>100</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>100</u> | <u>86</u> |

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

13 – Employee details

| | 2006 | 2005 |
|---|-------------|-------------|
| Average staff numbers based on full time equivalents: | | |
| Generating funds | 0.9 | 0.9 |
| Ministry & Mission | | |
| Ministry in parishes | 10.0 | 9.9 |
| Support & Training | 2.5 | 2.7 |
| Industrial & Social Responsibility | 5.2 | 4.9 |
| Board Of Education | 5.9 | 5.7 |
| Higher Education | 0.8 | 0.7 |
| Other direct activity | 3.9 | 4.1 |
| Indirect activity and support | 4.8 | 4.7 |
| Governance | 1.2 | 1.3 |
| | <u>35.2</u> | <u>34.9</u> |

The employment costs of all the above:-

| | 2006 | 2005 |
|---|---------------|--------------|
| | £,000 | £,000 |
| Aggregate gross salaries | 950 | 792 |
| Employer's national insurance contributions | 89 | 74 |
| Employer's pension contributions | 113 | 75 |
| | <u>£1,152</u> | <u>£941</u> |

No employee received more than £60,000 pa during the year under review (2005 – none).

| | | |
|---|-----|-----|
| Average number of clergy and licensed lay workers paid through the Church Commissioners payroll but whose stipends were funded by the DBF (excluding two bishops and three cathedral clergy): | 127 | 128 |
|---|-----|-----|

14 – Directors and connected persons

None of the directors have received any emoluments from the DBF in respect of services performed as a director (2005 £Nil). The Bishops, Archdeacons and parochial clergy who are directors, whether ex-officio, elected, appointed or co-opted, are in receipt of a stipend and housing paid via the DBF or Church Commissioners by virtue of their office, £33,000 to £52,000 per person (£32,000 to £44,000 in 2005).

Travelling and other out of pocket expenses totalling £16,108 (2005 - £22,221) were paid to 12 (2005 - 12) of the directors during the year, in respect of General Synod duties, duties as Archdeacon or Area Dean, and other duties as directors. One director was provided with a DBF car for use on duties as an Archdeacon - the cost of providing the car in 2006 amounted to £2,404 (2005 - £2,315). Three grants totalling £553 (2005 - £3,389) for clergy in-service training were paid to directors during 2006: these grants were paid to the individuals as clergy of the diocese as part of the normal policy of the DBF.

A professional indemnity insurance has been effected to protect the Trustees at a cost of £4,197 (2005 - £4,180).

15 – Connected charities

The Foundation of Saint Matthias (registered charity number 311696) is administered from the DBF's registered office by its Clerk to the Trustees, who is an employee of the DBF. The Foundation paid a fee for these services of £19,000 in 2006 (2005 - £19,000). The Foundation made a grant to the DBF in 2006 of £41,000 towards the work of the Adviser to schools and the resource centre in the diocese (2005 - £41,000). A further grant of £5,000 (2005 - £5,000) was made to the DBF to fund the work of a Further Education Development Officer.

In February 1998 the Charity Commissioners issued a scheme making the DBF Trustee of the charity known as the Bristol Diocesan Clergy Charities, number 3127160. The accounts of the Bristol Diocesan Clergy Charities have been aggregated into these financial statements.

By virtue of the Parochial Church Councils (Powers) Measure 1956 and the Incumbents and Churchwardens (Trusts) Measure 1964, and certain Charity Commissioners' schemes the DBF is the Diocesan authority over certain assets held on permanent trusts, where the managing trustees are parochial church councils or others. These assets have not been consolidated in these financial statements, since the DBF does not control them. Separate financial statements have been prepared to account for the DBF's stewardship of these assets, and full trust accounts for each trust are the responsibility of the managing trustees in each case. Copies of the separate financial statements are available from the Secretary at the Registered Office of the DBF.

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

16 – Endowment funds

The endowment funds are established under a variety of trust deeds and documents to be retained for the benefit of the charity as capital funds. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is power of discretion to convert endowed funds into income, the fund is classified as expendable endowment.

| | At 1 January 2006 £,000 | Incoming resources £,000 | Resources Expended £,000 | Gains and transfers £,000 | At 31 December 2006 £,000 |
|--------------------------------------|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Expendable Endowment | | | | | |
| Diocesan Stipends Fund Capital | 9,299 | - | (93) | 717 | 9,923 |
| Parsonage Building Fund | 17,611 | 51 | - | 421 | 18,083 |
| | <u>26,910</u> | <u>51</u> | <u>(93)</u> | <u>1,138</u> | <u>28,006</u> |
| Permanent Endowment | | | | | |
| Clergy Pensions Trust | 13 | - | - | 1 | 14 |
| Diocesan Mission Trust | 149 | - | - | 15 | 164 |
| Diocesan Education Committee Trust | 10 | - | - | 1 | 11 |
| Diocesan Church House endowment | 169 | - | - | 18 | 187 |
| Parsonages Fund | 151 | - | - | 16 | 167 |
| 17 Oakfield Road, Clifton Trust | 215 | - | - | - | 215 |
| Schools Maintenance Fund capital | 222 | - | - | 23 | 245 |
| Younghusband legacy | 131 | - | - | 14 | 145 |
| Gummer legacy | 76 | - | - | 8 | 84 |
| Sir Francis Cowlin Trust | 1,005 | - | - | 105 | 1,110 |
| Bristol Diocese Clergy Holiday Trust | 213 | - | - | 22 | 235 |
| | <u>2,354</u> | <u>-</u> | <u>-</u> | <u>223</u> | <u>2,577</u> |
| | <u>29,264</u> | <u>51</u> | <u>(93)</u> | <u>1,361</u> | <u>30,583</u> |

(a) **Diocesan Stipends Fund capital**

This fund represents the value of glebe property and investments at the balance sheet date. The account is governed by the Diocesan Stipends Fund Measure 1953 as amended by the Endowments and Glebe Measure 1976, the National Institutions Measure 1998, and the Miscellaneous Provisions Measure 1992. It represents the accumulated sale proceeds of glebe property, sale proceeds of parsonage houses and surplus benefice endowments following pastoral reorganisation. The main function of the fund is to produce income for stipends, but it may also be used for other purposes including: acquiring glebe property, developing and protecting glebe amenities, discharging loans and levies on glebe, improving parsonage houses and discharging any loans made by the Church Commissioners under the Endowments and Glebe Measure 1976. The funds may be invested in any investments fund or deposit fund constituted under the Church Funds Investment Measure 1958 or in any investments in which the trustees may invest under the general power of investment in section 3 of the Trustee Act 2000.

(b) **Parsonage Building Fund**

Parsonage building funds represent resources restricted to provision of benefice houses in the diocese. They are represented by the benefice houses or by sale proceeds of former benefice houses held on suspense by the Church Commissioners. Although benefice houses are vested in incumbents for the time being of the benefices concerned, the DBF is obliged to maintain them, to ensure that there are sufficient houses for the pastoral structure of the diocese, and receives the sale proceeds of benefice houses surplus to requirements into its pastoral reserve.

(c) **Permanent endowments**

| Fund | Income purpose |
|--------------------------------------|--|
| Clergy Pensions Trust | To defray the cost of clergy pensions |
| Diocesan Mission Trust | Towards social responsibility work in the diocese |
| Diocesan Education Committee Trust | Towards the work of the Board of Education |
| Diocesan Church House endowment | Towards the maintenance of Diocesan Church House |
| Parsonages Fund | Towards the maintenance of parsonage houses in the diocese |
| 17 Oakfield Road, Clifton Trust | Towards the augmentation of stipends and general ecclesiastical purposes in the parish of Christ Church, Clifton |
| Schools Maintenance Fund capital | Maintenance of Church of England voluntary aided schools in the diocese |
| Younghusband legacy | Towards the augmentation of stipends |
| Gummer legacy | Towards the augmentation of stipends |
| Sir Francis Cowlin Trust | For the general purposes of the Bristol Diocesan Board of Finance |
| Bristol Diocese Clergy Holiday Trust | To assist with the holiday expenses of clergy |

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

17 - Restricted funds

Restricted funds consist of trust and other funds which the DBF may use only for specific purposes imposed by the settlor, donor or legislation.

| | At 1 January 2006 £,000 | Incoming resources £,000 | Resources expended £,000 | Gains and transfers £,000 | At 31 December 2006 £,000 |
|-------------------------------------|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Diocesan Stipends Fund Income | - | 288 | (21) | (267) | - |
| Withywood Church Hall Reserve | 0 | - | - | - | 0 |
| Meridian Hall Reserve | 128 | - | - | - | 128 |
| Urban Fund Reserve | 7 | - | - | - | 7 |
| Parsonage Major Works Reserve | 60 | - | - | - | 60 |
| Educational Foundations Capital | 805 | 396 | (393) | 40 | 848 |
| Educational Foundations Income | 1,413 | 61 | (21) | 47 | 1,500 |
| Schools Maintenance Income Funds | 220 | 16 | - | 4 | 240 |
| Clergy Society Capital Funds | 179 | - | - | 16 | 195 |
| Clergy Society Accumulated Income | 306 | 15 | (64) | 31 | 288 |
| Clergy Society Holiday Trust Income | 17 | 6 | (6) | - | 17 |
| Leadership Training | 60 | 45 | (47) | - | 58 |
| Uganda | 21 | 20 | (3) | - | 38 |
| Theatre Arts | - | 9 | (9) | - | 0 |
| Church Commissioners IT | - | - | (1) | - | (1) |
| | 3,216 | 856 | (565) | (129) | 3,378 |

(a) **Diocesan Stipends Fund Income**

Subject to any charges imposed by scheme or order the fund shall be applied to: provide or augment stipends of incumbents, assistant curates and others engaged in the cure of souls in the diocese; meet expenses incurred in repairing and maintaining parsonage houses; pay class 1 National Insurance contributions in respect of ministers not employed under a contract of service; defray sequestrators' expenses.

(b) **Meridian Hall Reserve**

This reserve represents the properties known collectively as Meridian Hall which are held on trust for use as a hostel for overseas students.

(c) **Urban Fund Reserve**

This reserve was originally created by the receipt of donations for funding projects in urban areas of the diocese, such as the projects originally supported by the Bishop of Bristol's Urban Fund and was augmented in 1995 by a donation of the residual funds of the Bishop of Bristol's Urban Fund. The reserve is held as cash on deposit.

(d) **Parsonage Major Works Reserve**

The creation of this reserve was authorised in 1993 and effected in 1995 by transfer of £280,000 from the Diocesan Stipends Fund capital reserve, in order to provide for improvement of certain parsonages to standards near to those recommended by the Church Commissioners. In 1997 the balance of the unrestricted fund set up for the same purpose was added to this restricted fund, and all expenditure on parsonage major improvements charged to the restricted fund. The reserve is represented by funds held on deposit.

(e) **Educational Foundations Capital Funds**

These funds result from the sale of redundant Church of England voluntary aided school property as directed by a Scheme under section 86(1) of the Education Act 1944, and subsequent orders made under section 2 of the Education Act 1973. They may be used for the provision, improvement or enlargement of Church of England voluntary aided schools in the Diocese of Bristol, and in the payment of any expenses incurred in the administration of the various foundations.

(f) **Educational Foundations Income Funds**

These funds result from accumulations of income arising from Educational Foundations capital funds. They may be used for the same purposes as the capital funds above.

(g) **Schools Maintenance Income Funds**

These funds result from accumulations of income arising from the permanent endowment designated for maintenance of Church of England voluntary aided schools in the diocese.

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

(h) **Clergy Society Capital Funds**

These funds form the capital of the Bristol (Diocesan) Clergy Society and the Bristol Diocesan Sustentation Trust, both of which funds are part of the Bristol Diocesan Clergy Charities. They may be used for relieving diocesan clergy and their dependants who are in conditions of need, hardship or distress; and in advancing the education of children of diocesan clergy.

(i) **Clergy Society Accumulated Income Funds**

These funds result from accumulations of income arising from the Clergy Society capital funds. They may be used for the same purposes as the capital funds above.

(j) **Clergy Society Holiday Trust Accumulated Income Funds**

This trust originates in a gift of the late Horace Gummer in 1923, and its object is to assist with the holiday expenses of clergy, with preference being given to diocesan clergy; and, if the income cannot be applied as above, to relieve diocesan clergy and their dependants who are in conditions of need, hardship or distress.

(k) **Leadership Training & Uganda Funds**

These funds have been made possible through the generosity of an anonymous donor. They are being spent, in accordance with the donor's wishes, on training for leadership and supporting the diocese in Uganda.

(l) **Theatre Arts**

Funds have been received to enable a new project, which aims to bring people to an understanding of the Christian faith, through theatre arts.

(m) **Church Commissioners IT**

Responsibility for the IT equipment in use in the Bishops' office has been passed to the Diocese, with effect from 1 January 2007. A grant is expected to fund this equipment, both purchase and maintenance.

18 – Unrestricted funds

Unrestricted funds are those funds which the DBF may use for its general purposes without any external restriction. Some of these funds have been set aside by the DBF for purposes which the DBF itself has designated; such designations may be changed from time to time according to DBF resolutions.

| | At 1 January 2006 £,000 | Incoming resources £,000 | Resources expended £,000 | Gains and transfers £,000 | At 31 December 2006 £,000 |
|---------------------------------------|-------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|
| Purposes designated by the DBF | | | | | |
| Dame Violet Wills Legacy | 521 | - | - | 54 | 575 |
| Clergy Stipends Reserve | 1,120 | - | - | 101 | 1,221 |
| Pastoral Reserve | 2,078 | 101 | (8) | 46 | 2,217 |
| Church House Maintenance | 69 | - | (9) | 17 | 77 |
| Church House Revaluation Reserve | 200 | - | - | - | 200 |
| Church Buildings Repair Loan Fund | 100 | - | - | - | 100 |
| Diocesan Car Loan Fund | 60 | - | - | - | 60 |
| New Church Building Reserve | 1,074 | 37 | (90) | 32 | 1,053 |
| Mission Fund | 233 | 87 | (81) | - | 239 |
| Sundry Other Specific Reserves | 206 | 1 | (15) | - | 192 |
| Parochial Housing Fund | 75 | - | - | 40 | 115 |
| Growth Fund | 271 | - | - | - | 271 |
| | 6,007 | 226 | (203) | 290 | 6,320 |
| Undesignated Funds | | | | | |
| H Gummer Gifts | 56 | - | - | 6 | 62 |
| H H Wills Bequest | 259 | - | - | 27 | 286 |
| Sir Nicholas Hall Trust | 277 | - | - | 29 | 306 |
| General Reserve | 3,460 | 6,475 | (6,734) | 311 | 3,512 |
| Pension reserve | (310) | - | 22 | 70 | (218) |
| | 3,742 | 6,475 | (6,712) | 443 | 3,948 |
| | 9,749 | 6,701 | (6,915) | 733 | 10,268 |

The Bristol Diocesan Board of Finance Limited
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(a) **Dame Violet Wills Legacy Fund**

This fund results from a general legacy to the DBF by the late Dame Violet Wills. The DBF has designated the fund's future use for children's and youth work, and the income arising from the capital sum is credited for use by the Board of Education. The funds are invested principally in the CBF Investment Fund.

(b) **Clergy Stipends Reserve**

The clergy stipends reserve results from the DBF's designation of past income accumulations and a bequest, and is invested in the CBF Investment Fund and the CBF deposit fund.

(c) **Pastoral Reserve**

The pastoral reserve results from past accumulations of general fund income, transfers and sales of property for the DBF's general use which the DBF has designated as a general building fund. It incorporates the Diocesan Pastoral Account which is governed by s 78 of the Pastoral Measure 1983.

(d) **Diocesan Church House Property Maintenance Reserve**

This reserve represents unspent annual allocations from general fund income designated for property maintenance of the Diocesan Offices at 23 Great George Street, Bristol.

(e) **New Church Building Reserve**

This reserve was originally created from the diocesan pastoral reserve to establish a fund from which new church buildings could be provided.

(f) **Mission Fund**

This reserve represents allocations received from the Church Commissioners since 2002 under the Parish Ministry and Mission scheme. This money will be allocated by the Board to parish mission initiatives.

(g) **Other Specific Reserves**

The majority of the reserves and of the present balances are monies set aside in 2006 and earlier years against the quinquennial repair costs of non-Parochial Housing.

(h) **Parochial Housing Fund**

This reserve is a sum set aside by the Directors from the General Fund surplus in 2005, with a further sum from 2006, to provide money to allow parochial housing to be brought up to a more modern standard outside the normal process of budgeting.

(i) **Growth Fund**

This reserve was also set aside from the General Fund surplus for 2005 and will be used to give grants to parishes, who wish to undertake new mission initiatives, but do not have sufficient funds to do so. Grants will be given towards the first years' employment costs of new positions, which can be shown to contribute to new mission initiatives within the parish.

(j) **General Reserve**

The general reserve represents accumulations from past general fund surpluses. The reserves policy for this fund is described in the Directors' report.

The Bristol Diocesan Board of Finance Limited
Notes to the Accounts
for the year ended 31 December 2006

19 - Analysis of net assets between funds

| | Unrestricted funds £,000 | Restricted Funds £,000 | Endowment funds £,000 | Total £,000 |
|--|---|---------------------------------------|--------------------------------------|------------------------|
| Fund balances at 31 December 2006 are represented by: | | | | |
| Tangible fixed assets | 5,420 | 144 | 19,240 | 24,804 |
| Investment assets | 3,664 | 1,386 | 8,164 | 13,214 |
| Loans | 270 | 188 | (60) | 398 |
| Current assets | 2,699 | 2,503 | 3,239 | 8,441 |
| Current liabilities | (635) | (843) | - | (1,478) |
| Long-term liabilities | (932) | - | - | (932) |
| Pension reserve | (218) | - | - | (218) |
| Total net assets at 31 December 2006 | <u>10,268</u> | <u>3,378</u> | <u>30,583</u> | <u>44,229</u> |

Unrealised gains included above:

| | | | | |
|--|--------------|------------|---------------|---------------|
| On tangible fixed assets | 1,385 | - | 15,318 | 16,703 |
| On investment assets | 2,179 | 650 | 3,989 | 6,818 |
| Total unrealised gains at 31 December 2006 | <u>3,564</u> | <u>650</u> | <u>19,307</u> | <u>23,521</u> |

**Reconciliation of movements in unrealised
gains on investment assets**

| | | | | |
|---|--------------|------------|--------------|--------------|
| Unrealised gains at 1 January 2006 | 1,884 | 581 | 3,305 | 5,770 |
| Net gains arising on revaluations in year | 295 | 69 | 684 | 1,048 |
| Unrealised gains at 31 December 2006 | <u>2,179</u> | <u>650</u> | <u>3,989</u> | <u>6,818</u> |

20 - Land and buildings

| Endowment funds | £,000 | 2006 £,000 | £,000 | 2005 £,000 |
|--|---------------|-----------------------|---------------|-----------------------|
| Benefice houses | | | | |
| As at 1 January | 15,890 | | 15,928 | |
| Add acquisitions | 1,154 | | 400 | |
| Less disposals | (455) | | (438) | |
| As at 31 December | <u>16,589</u> | | <u>15,890</u> | |
| Glebe properties | | | | |
| As at 1 January | 2,651 | | 2,746 | |
| Less disposals | - | | (95) | |
| As at 31 December | <u>2,651</u> | | <u>2,651</u> | |
| Total properties held for permanent funds | | 19,240 | | 18,541 |
| Restricted funds | | | | |
| Other properties | | | | |
| As at 1 January and 31 December | 144 | | 144 | |
| Total properties held for restricted funds | | 144 | | 144 |
| Unrestricted funds | | | | |
| As at 1 January | 4,866 | | 4,646 | |
| Add acquisitions | 518 | | 220 | |
| Less disposals | (37) | | - | |
| As at 31 December | <u>5,347</u> | 5,347 | | 4,866 |
| Total land and buildings | | <u>£24,731</u> | | <u>£23,551</u> |

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All of the properties in the balance sheet are freehold, with the exception of 12 St Paul's Road, Clifton, Bristol which is held on a long leasehold. Some properties have been purchased with the help of a value linked loan from the Church Commissioners; when disposed of, the appropriate share of the net sale proceeds will be remitted to the Commissioners, and the related loan liability thereby extinguished. The value of such properties included above amounts to £1,049,391 (2005 - £1,049,391). Of the total land and buildings at 31 December 2006 £3,857,600 is valued at cost (2005 - £3,582,395) and the remainder at valuation. Properties are subject to a five-year cycle of survey and consequent repairs are charged to the income and expenditure account. The Directors consider that depreciation of the buildings element of these properties is therefore not appropriate.

21 - Fixed assets – refurbishment costs

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Cost as at 1 January and 31 December | 168 | 168 |
| Provision for depreciation as at 1 January | 101 | 84 |
| Depreciation charges in year | 17 | 17 |
| Provision for depreciation as at 31 December | 118 | 101 |
| Net book value as at 31 December | £50 | £67 |

Refurbishment costs represent the major improvements carried out to Diocesan Church House during 1999. These are being written off over a period of ten years commencing from 2000.

22 - Fixed assets - office equipment

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Cost as at 1 January | 180 | 204 |
| Additions in the year | 20 | 28 |
| Disposals in the year | (6) | (52) |
| Cost as at 31 December | 194 | 180 |
| Provision for depreciation as at 1 January | 152 | 185 |
| Depreciation charges in year | 25 | 19 |
| Disposals in the year | (6) | (52) |
| Provision for depreciation as at 31 December | 171 | 152 |
| Net book value as at 31 December | £23 | £28 |

23 - Investments

| | 2006 £,000 | 2005 £,000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Valuation | | |
| At 1 January | 11,150 | 9,751 |
| Disposals in the year | (90) | (5) |
| Unrealised investment gains | 1,173 | 1,404 |
| At 31 December | 12,233 | 11,150 |
| Investment Properties | | |
| At 1 January | 1,038 | 1,037 |
| Additions in the year | - | 6 |
| Disposals in the year | (57) | (5) |
| At 31 December | 981 | 1,038 |
| Total Fixed Asset Investments | £13,214 | £12,188 |

The Bristol Diocesan Board of Finance Limited
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Investments comprise

| | 2006 | | 2005 |
|---|----------------|----------------|--------------|
| | £,000 | £,000 | £,000 |
| Endowment funds | | | |
| CBF Investment Fund shares | 5,626 | 5,095 | |
| CBF Property Fund shares | 1,556 | 1,346 | |
| | <u>7,182</u> | <u>6,441</u> | |
| Restricted funds | | | |
| CBF Investment Fund shares | 1,387 | 1,339 | |
| Rent charge | 0 | 0 | |
| | <u>1,387</u> | <u>1,339</u> | |
| Unrestricted funds | | | |
| CBF Investment Fund shares | 3,301 | 2,990 | |
| CBF Fixed Interest Securities Fund shares | 363 | 380 | |
| | <u>3,664</u> | <u>3,370</u> | |
| Total investments | <u>£12,233</u> | <u>£11,150</u> | |

The historic cost of the investments held at 31 December 2006 was £5,755,000 (2005 - £5,776,000).

Investment Properties comprise

| | 2006 | 2005 |
|-----------------------|--------------|---------------|
| | £,000 | £,000 |
| Glebe | | |
| Agricultural Land | 555 | 555 |
| Non-agricultural Land | 37 | 37 |
| Property | 174 | 231 |
| Other Property | 215 | 215 |
| | <u>£981</u> | <u>£1,038</u> |

The historical cost is not known, but additions at a cost of £Nil have been made in 2006 (£6,000 – 2005).

24 - Loans by the DBF

| | 2006 | 2006 | 2005 | 2005 |
|--|-----------------|------------------|-----------------|------------------|
| | Due in | Due after | Due in | Due after |
| | one year | one year | one year | one year |
| | £,000 | £,000 | £,000 | £,000 |
| Parish buildings loans | 7 | 11 | 8 | 8 |
| Diocesan car loan scheme | 1 | 2 | - | - |
| Equity loans to parishes for staff housing | - | 95 | - | 184 |
| PCC St John w St Andrew Park | 6 | 53 | 6 | 34 |
| PCC All Hallows Easton | - | 3 | - | 5 |
| PCC St Michael Bedminster | - | - | 1 | - |
| PCC Downend | 2 | - | 2 | - |
| PCC Penhill | 20 | 70 | - | 37 |
| All Saints Clifton Church Charity | - | - | 10 | 5 |
| Loans to CE VA school governors | - | 98 | - | 164 |
| Clergy Society loans | - | 30 | - | 31 |
| | <u>36</u> | <u>362</u> | <u>27</u> | <u>468</u> |
| Total loans made by the DBF | | <u>£398</u> | | <u>£495</u> |

25 - Debtors

| | 2006 | 2005 |
|--------------------------------|--------------|--------------|
| | £,000 | £,000 |
| <i>All due within one year</i> | | |
| Debtors for parish share | 196 | 186 |
| Other debtors and prepayments | 382 | 378 |
| | <u>£578</u> | <u>£564</u> |

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26 - Cash at bank and on deposit

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Diocesan Pastoral Account held by the Church Commissioners | 2 | 2 |
| Parsonage building funds held by the Church Commissioners | 1,172 | 1,121 |
| Diocesan Stipends Fund capital account at CBF | 1,416 | 1,416 |
| Central Board of Finance Deposit Funds | 2,508 | 2,938 |
| Educational Foundations deposit and cash | 2,153 | 1,620 |
| Bristol Diocesan Clergy Charities deposit and cash | 33 | 19 |
| Cash on hand and at bank | 579 | 824 |
| | <hr/> | <hr/> |
| Total cash at bank and on deposit | £7,863 | £7,940 |
| | <hr/> <hr/> | <hr/> <hr/> |

27 - Creditors

| | 2006 Due in one year £,000 | 2006 Due after one year £,000 | 2005 Due in one year £,000 | 2005 Due after one year £,000 |
|--|---|--|---|--|
| Loans | | | | |
| Church Commissioners' housing loans | 1 | 0 | 1 | 1 |
| Central Board of Finance loans | 20 | 70 | 1 | 50 |
| Loan from the Bishop of Bristol's Urban Fund | 0 | - | 0 | - |
| Church Commissioners' value linked loans | - | 862 | - | 951 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Other creditors and accruals | 21 | 932 | 2 | 1,002 |
| | 1,457 | - | 1,290 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total creditors | £1,478 | £932 | £1,292 | £1,002 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

- (a) The Church Commissioners' loans for capital works on certain parsonages and team vicarages are repayable over terms varying from 5 to 25 years in quarterly instalments, including interest at 5% per annum. Although the DBF bears the repayment of these instalments, the loans themselves are secured on the parsonage and team vicarage properties concerned, which do not belong to the DBF. In the unlikely event of the sale of any such properties the capital outstanding would be repaid from the sale proceeds, with no further liability on the DBF's part.
- (b) The Church Commissioners' loans for capital expenditure on clergy housing in parochial or diocesan ownership are of an equity nature. The appropriate equity share is repayable on the sale of the property concerned or when it ceases to be occupied by a member of the clergy or licensed lay worker, and interest is charged by the Commissioners at 4% per annum on the amount loaned initially, the rate rising annually by the increase in the Retail Prices Index.

28 - Capital commitments

At 31 December 2006 the DBF had authorised capital expenditure not contracted for of £Nil (2005 - £Nil). Commitments under contract not yet completed, and not accrued in the accounts, amounted to £Nil (2005 - £Nil). The following commitments existed under operating leases during the year following the balance sheet date, analysed by the expiry date of the leases:-

| | 2006 £,000 | 2005 £,000 |
|--------------------------------------|-----------------------------|-----------------------------|
| Leases expiring in one to five years | | |
| other operating leases | 2 | 2 |

The Bristol Diocesan Board of Finance Limited
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29 - Pension costs

The DBF operates a non-contributory pension scheme providing benefits based on final pensionable pay which is now closed to new employees (a group personal pension plan is available to new employees). The assets of the scheme are held separately from those of the DBF, being invested through the Pension Accumulation Fund of the Ecclesiastical Insurance Office plc. The scheme is funded by the payment of annual contributions by the employer determined following actuarial valuations as at 1 April each year. The present agreed contribution rate is 29.0% of pensionable salaries, plus £36,000 pa, to fund the deficit disclosed by the last valuation on 1 April 2006.

The accounting policy in respect of the scheme, which is different from the funding policy, is to provide for expected pension costs over the service lives of employees in the scheme such that the regular pension cost is a substantially level percentage of the current and expected future pensionable payroll in the light of current actuarial assumptions. The charge is determined by a qualified actuary on the basis of the most recent valuation as at 1 April 2006.

The pension charge for the scheme for the period amounted to £51,315 (2005 - £19,660). The pension charge for the scheme is lower than the DBF's total pension charge since the DBF also makes employer contributions to the group personal pension scheme which has replaced the final salary scheme.

The most recent actuarial valuation showed that the market value of the scheme's assets, including estimated future contributions, amounted to £747,000, representing 77% of estimated liabilities in respect of past and future service.

Under the method of valuing the liabilities, the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

Additional disclosures required under FRS17

The following figures and valuations are in respect of 31 December 2006 and have been provided by the scheme actuary.

The main financial assumptions are as follows:

| | 2006 | 2005 | 2004 |
|-------------------------------------|-------------|-------------|-------------|
| Discount rate | 5.00% | 4.75% | 5.25% |
| Rate of increase in salaries | 4.00% | 4.00% | 3.75% |
| Inflation assumption | 3.00% | 3.00% | 2.75% |
| Pension increases – pre April 1997 | 3.00% | 3.00% | 3.00% |
| Pension increases – post April 1997 | 3.00% | 3.00% | 2.75% |
| Increases to deferred to pensions | 3.00% | 3.00% | 2.75% |

The assets in the scheme and the expected rate of return were:

| | 2006 £,000 | 2005 £,000 | 2004 £,000 |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Insurance policy | 738 | 643 | 594 |
| Deferred annuities | 9 | 7 | 7 |
| | <u>747</u> | <u>650</u> | <u>601</u> |
| Long term rate of return | 6.00% | 6.00% | 6.00% |

The scheme's financial position was:

| | 2006 £,000 | 2005 £,000 | 2004 £,000 |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Deposit administration fund value | 747 | 650 | 601 |
| Present value of scheme liabilities | (965) | (960) | (801) |
| Deficit in scheme | <u>(218)</u> | <u>(310)</u> | <u>(200)</u> |
| Net pension liability | <u>(218)</u> | <u>(310)</u> | <u>(200)</u> |

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Analysis of amount chargeable to operating activities

| | 2006 £,000 | 2005 £,000 |
|----------------------|-----------------------------|-----------------------------|
| Current service cost | 27 | 21 |

Analysis of the amount creditable to other finance income

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Expected return on pension scheme assets | 40 | 36 |
| Interest on pension scheme liabilities | (46) | (43) |
| Net return | <u>(6)</u> | <u>(7)</u> |

**Analysis of amount recognisable in
Statement of Total Recognised Gains and Losses**

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Actual return less expected return on pension scheme assets | 25 | (7) |
| Experience (losses)/gains arising on the scheme liabilities | (2) | 15 |
| Changes in assumptions underlying the present value of the scheme liabilities | 47 | (112) |
| Actuarial loss recognisable | <u>70</u> | <u>(104)</u> |

Movement in deficit during the year

| | 2006 £,000 | 2005 £,000 |
|--|-----------------------------|-----------------------------|
| Deficit in scheme at beginning of the year | (310) | (200) |
| Movement in year: | | |
| Current service cost | (27) | (21) |
| Contributions | 55 | 22 |
| Actuarial gains / (losses) | 70 | (104) |
| Other finance (cost)/income | (6) | (7) |
| Deficit in scheme at end of the year | <u>(218)</u> | <u>(310)</u> |

**Analysis and history of amounts recognised
in Statement of Total Recognised Gains & Losses**

| | 2006 £,000 | 2005 £,000 | 2004 £,000 | 2003 £,000 | 2002 £,000 |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Actual less expected return on assets | 25 | (7) | (19) | (23) | (29) |
| Percentage of assets | 3% | 1% | 3% | 3% | 4% |
| Gains/(losses) arising on the liabilities | (2) | 15 | (22) | 9 | (27) |
| Percentage of liabilities | <1% | 2% | 3% | 1% | 4% |
| Impact of changes in the valuation basis | <u>47</u> | <u>(112)</u> | <u>(38)</u> | <u>(94)</u> | <u>(35)</u> |
| Net actuarial gains/(losses) | 70 | (104) | (79) | (108) | (91) |
| Percentage of liabilities | 7% | 11% | 10% | 12% | 12% |

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Clergy pension scheme

The Bristol DBF participates in the Church of England Funded Pensions Scheme and employs 137 members of the scheme out of a total membership of approximately 10,000 active members.

The Church of England Funded Pensions Scheme is a defined benefits scheme but the Bristol DBF is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. The latest valuation of the scheme was carried out as at 31 December 2003. This revealed a shortfall of £91m, with assets of £196m and a funding target of £287m, using the following assumptions:

- Investment return 6.8% pa;
- Increase in pensionable stipends 3.8% pa;
- Pension increases 3.8% pa.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Bristol DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year. Following the results of the valuation, the Bristol DBF contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005.

Following a subsequent informal review of the Scheme's funding position, the Bristol DBF contribution rate increased again to 39.8% of pensionable stipends with effect from 1 January 2007 as an interim measure, pending the results of the next formal valuation as at 31 December 2006.