

**Consolidated
Financial
Statements**

.....
for the year ended
31 August 2016

“I look upon
all the
world as
my parish.”

John Wesley

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Foreword from the Revd Canon Gareth J Powell



This report reveals something of the confidence and imagination with which The Methodist Church in Great Britain is seeking to respond to God's love. What you find here is rather more than a set of financial statements and some stories. This is only part of our telling the story of how the Methodist people are resourced by the love of God. It is a glimpse of how the people called Methodists are proclaiming the gospel of Jesus Christ. What follows is possible because a group of people called by God are responding to the Holy Spirit.

The Methodist people are held in connexion through a variety of ways. A clear expression of that is the Methodist Conference, our annual decision-making body. The Conference discusses the work of the Church now and in the future. Amidst the work of this year's Conference we made sure that our finances are invested ethically; we received and ordained 42 new Presbyters and 13 Deacons, alongside three Presbyters who were received by transfer; we promoted grant making from our Mission Alongside the Poor Programme, to be known in the future as Methodist Action on Poverty and Justice; we considered the results of a wide consultation on marriage and relationships, from which it was decided to revisit the Church's definition of marriage; we considered the manifestos of young Methodists who attended its 3Generate assembly, an event which is rapidly growing in numbers; and much more.

Each local church contributes to and plays a vital part in the whole Connexion. It is in local communities that the work of the Methodist Church finds its most significant expression and it is the task of the Conference and the Methodist Council to ensure that the resources that are accounted for here are directed to support the proclamation of the love of God. As you will read in what follows, the diversity of that expression is considerable. The complexity of human society and the expansive nature of God's love demands nothing less than an inquisitive, inquiring and dynamic engagement of all the gifts and graces we have at our disposal.

I commend this report to you, and trust you will enjoy reading something of the life and work of the Methodist Church in 2015/16. Given that each of us needs to discover how to articulate the gospel of Jesus Christ, I hope this report will offer inspiration.

**Never from thy service move,
needful to each other prove;
use the grace on each bestowed,
tempered by the art of God.**

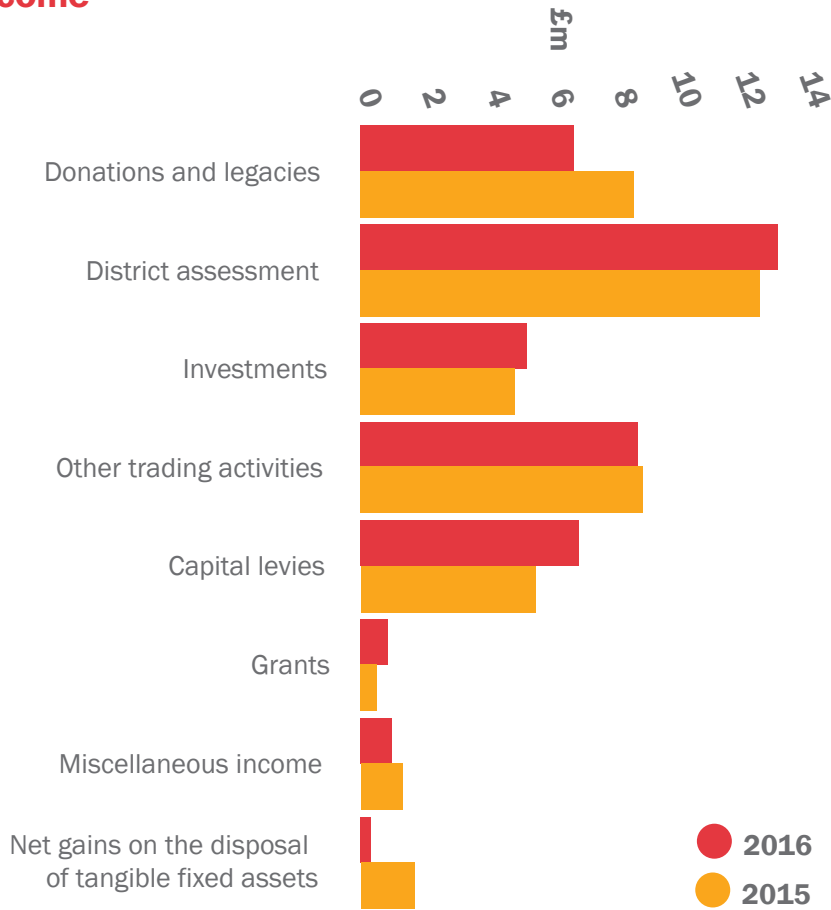
Charles Wesley (1707-88)

A handwritten signature in black ink that reads "Gareth J. Powell".

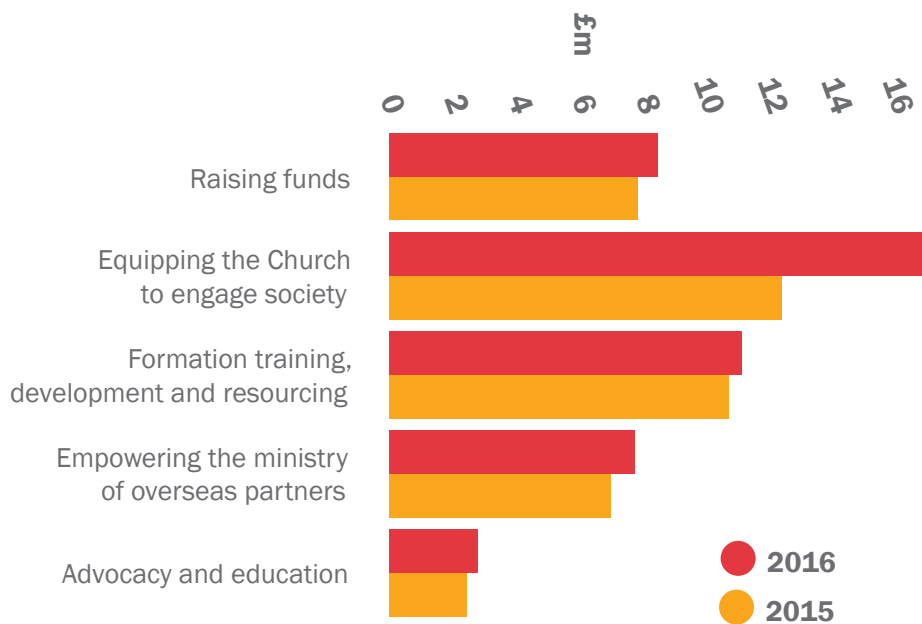
The Revd Canon Gareth J Powell
Secretary of the Conference

The year at a glance

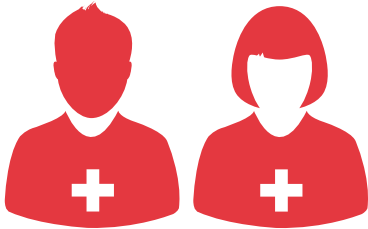
Income



Total expenditure



The work of around



1,600

active Methodist ministers
of whom around 180
are in chaplaincy roles



places of worship, with
around **195,000** members



25,000 pupils
enrolled in 83 Methodist schools

thank you



Innumerable hours
of voluntary time

given by our
members, local
preachers, office-
holders and others
in the community
contributing
to the diverse
activities of the
local church.



516,000
additional visits

to groups and outreach activities
associated with the Church

Approximately **210,000** visits to
a Methodist service each week



including **30,000**
by children and young people

The Methodist Church in Great Britain Trustees' Report

Strategic objectives, aims and purposes

The activities covered in these financial statements fall within the work of the Methodist Church ("The Methodist Church"). The strategic objectives of The Methodist Church in Great Britain are directly linked to its aims.

They are:

- 1. Worship** – to increase awareness of God's presence and to celebrate God's love;
- 2. Learning and caring** – to help people to learn and grow as Christians, through mutual support and care;
- 3. Service** – to be a good neighbour to people in need and to challenge injustice; and
- 4. Evangelism** – to make more followers of Jesus Christ.

Public benefit requirement

The trustees of the Methodist Church had due regard to the public benefit guidance published by the Charity Commission in compliance with its duties under section 17 of the Charities Act 2011.

This guidance sets out two key principles:

- 1.** the organisation must have an identifiable benefit; and
- 2.** the benefit must be to the public or a section of the public.

The Church exists, *inter alia*, to:

- 1.** increase awareness of God's presence and to celebrate God's love;
- 2.** help people to learn and grow as Christians, through mutual support and care; and
- 3.** be a good neighbour to people in need and challenge injustice.

The trustees consider that for these reasons the charity meets these public benefit requirements.

Structure

The entities included in this report are not a record of all the financial activities of the Methodist Church as they do not include local church, circuit and district financial statements. The names of the entities included in this report are listed in 'Note 1e' of the financial statements on page 51 and include:

Activities managed or administered by the Connexional Team (hereafter referred to as the "Connexional Funds")

Cliff College	(a separately registered charity)
Cliff College Outreach Limited	(a separately registered company)
Cliff (Methodist) Developments Limited	(a separately registered company)
All We Can	(a separately registered charity)
Southlands Methodist Trust	(a separately registered charity)
Methodist International Centre Limited	(a separately registered company)
Westminster College Oxford Trust Limited	(a separately registered company)
Westminster College Oxford Trust	(a separately registered charity)



For the purposes of these financial statements these entities are referred to as The Methodist Church in Great Britain.

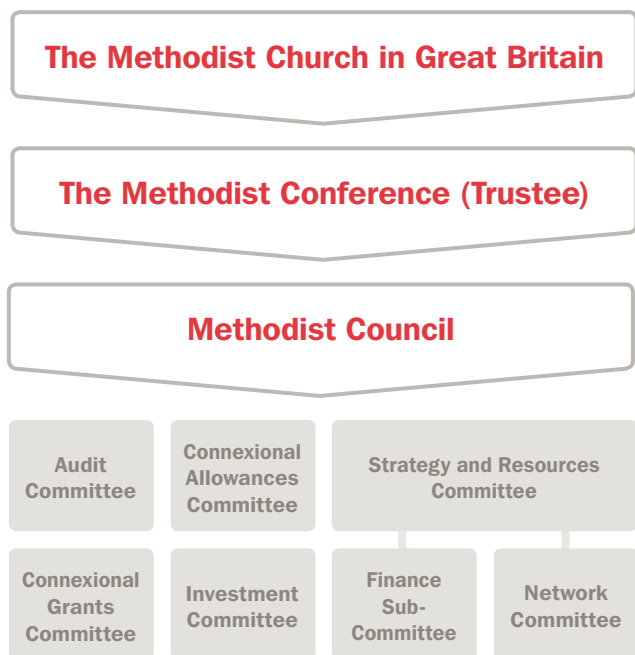
The Methodist Church registered as a charity on 20 October 2009 (1132208 – “The Methodist Church in Great Britain”) when it became necessary for excepted charities with a gross annual income over £100,000 to register. The members of the Methodist Conference are the trustees and their names are publicly available on the Charity Commission website. The Methodist Council is appointed annually by the Conference. Amongst other functions the Council is responsible for the adoption annually of a unified statement of connexional finances, clearly distinguishing between restricted and unrestricted funds and conforming to the law and accounting regulations so as to give an overall view of those monies and other assets for which the Council is responsible. The Council is further responsible for presenting that unified statement of connexional finances to the Conference. The names of the members of the Methodist Council are appended at the end of these financial statements.

Governance and oversight

The Constitutional Practice and Discipline of The Methodist Church (2016 edition) volumes 1 and 2 contain the governing documents of the Methodist Church. The authority under which the Conference acts is legally given by the Methodist Church Act 1976. The Deed of Union, the Model Trusts and the Standing Orders set out the constitution, governance arrangements and discipline of the Methodist Church, districts, circuits and local churches. The Standing Orders may be changed on the authority of the Conference according to prescribed procedures.

Much of the day-to-day work for which the Methodist Council is responsible is delegated to the Connexional Secretary and other members of the Senior Leadership Group of the Connexional Team (for matters relating to the objectives of the Connexional Team), and to local trustees (in the case of the self-accounting entities). These local trustees are accountable to the Methodist Council.

The basic governance structure so far as these financial statements are concerned is presented in the diagram below.



The Methodist Conference

This is the ultimate decision-making body of the Methodist Church. It is the body that sets policy for the Church, exercises discipline and ensures effective management and administration of the Church’s affairs. The Conference meets annually in Representative and Presbyteral Sessions (and there is, in addition, a Conference Diaconal Committee). The Conference is a representative body of 306 members comprising ministers and laypersons from the 31 districts of the Methodist Church as well as other bodies of the Church.

Governance and oversight (continued)

The Methodist Council

The Methodist Council consists of 54 members (see page 104) most of whom hold office for four years. It meets at least three times a year and its terms of reference are to:

- continuously review the life of the Methodist Church;
 - study the work of the Methodist Church and witness throughout the Connexion;
 - indicate what changes are necessary or what steps should be taken to make the work of the Church more effective;
 - give spiritual leadership to the Church;
 - implement Conference decisions;
 - report annually to the Conference, bringing to the notice of the Conference matters to which it believes the Conference ought to give urgent attention; and
 - protect the assets of the Methodist Church.
- making recommendations on expenditure and amounts to be contributed by the circuits through districts to fund the next connexional year;
 - recommending to the Conference minimum stipends for ministers and probationers including additional allowances to be paid to superintendent ministers, district chairs and the maximum to be reimbursed from the Connexional Sabbatical Fund;
 - dealing with all model trust property affairs for all Home Districts and the building, legal and financial aspects of shared schemes under the Sharing of Church Buildings Act 1969, where that act applies;
 - acting generally in relation to property affairs, and being constituted to discharge the responsibilities of the former Property Division; and
 - ensuring that the sale, lease, rental or lending of artefacts, publications and records which are Model Trust property and which in the view of the Council are historically significant are scrutinised before going ahead.

In addition to the above it is responsible for (*inter alia*):

- adopting and presenting to the Conference the unified statement of connexional finances;
- recommending the budget for The Methodist Church Fund (unrestricted general fund);
- employing lay members of the Connexional Team and being the responsible body recommending the stationing of the Church's ordained members;
- administering the following funds:
 - The Methodist Church Fund
 - The Connexional Priority Fund
 - The World Mission Fund
 - The Mission in Britain Fund
 - The Fund for Training
 - The Fund for Property
 - The Epworth Fund
 - The Fund for the Support of Presbyters and Deacons
 - The Sabbatical Fund



The following committees have an oversight/governance role and report to the Methodist Council:

The Strategy and Resources Committee

The Conference appoints annually the Strategy and Resources Committee (SRC), a sub-committee of the Methodist Council. The SRC advises the Council in relation to all matters that are within the SRC's terms of reference, having regard to advice of non-voting members. The Committee, which met four times in the year, has specific responsibility for detailed review and subsequent reporting to the Council on the following aspects of its work:

- detailed examination of the annual consolidated financial statements and budgets;
- recommending to the Methodist Council the three year Connexional finance budgets;
- supervision of the work of the Secretary of the Conference and the Connexional Team;
- exercising oversight of the general work of the Connexional Team and reporting to the Council and the Conference;
- ensuring that a collaborative style of working is adopted throughout the Connexional Team;
- reviewing and presenting to the Methodist Council of the annual trustees' report and consolidated financial statements; and
- identifying and managing risks.

The Audit Committee

This is a committee of the Conference appointed on the nomination of the Methodist Council. To safeguard its independence, members of the Methodist Council or the Connexional Team are barred from serving. This committee nevertheless has powers to require the Connexional Treasurers and any appropriate staff members of the Connexional Team to attend its meetings.

Meeting three times in the year and reporting annually to the Methodist Council, the Audit Committee has responsibility for:

- advising the Council on the appointment of external auditors;

- reviewing, with the auditors, the consolidated financial statements;
- reviewing the effectiveness of procedures relating to risks;
- reviewing the effectiveness of the financial and other internal control systems with regards to monies and other assets for which the Council is responsible;
- approving the annual risk-based internal audit plan, receiving internal audit reports, regular progress reports and risk updates; and
- submitting an annual report to the Council.

The Investment Committee

The Investment Committee is appointed by the Methodist Council. It meets up to four times a year and has a membership of six people, including the Connexional Treasurers. Its remit is to:

- supervise the management of all the investment assets;
- manage the assets agreed to be under the direction of the Investment Committee; and
- liaise with other boards or committees that report to the Methodist Council to ensure that all investment assets are subject to appropriate oversight and day-to-day management.

Oversight Committees

To assist the Council in discharging its duties there are a number of other committees, the key ones being:

- **The Finance Subcommittee of the Strategy and Resources Committee, whose remit is to:**
 - provide expert advice on financial matters to the SRC;
 - provide the core membership of the Conference Financial Committee;
 - represent the Council as the employer in discussions with the trustees of Connexional Pension Schemes.

Governance and oversight (continued)

- **The Connexional Allowances Committee, which is responsible for recommending allowances for ministers and awarding grants from the following funds:**

- The Fund for the Support of Presbyters and Deacons;
- The Methodist Medical Benevolent Fund;
- The Methodist Ministers' Children's Relief Association; and
- The Connexional Travel Fund.

- **The Connexional Grants Committee, which is responsible for:**

- all connexional grants;
- monitoring all grants made by subcommittees and grant streams;
- operating within the annual budget set by the Council;
- monitoring the use of District Advance Funds (DAFs); and
- establishing clear processes for the longer term monitoring and evaluation of grant expenditure.

- **The Network Committee, which is responsible for:**

- developing and maintaining the learning and training of lay people and ministers and the pursuit of scholarship, research and innovation throughout the Connexion;
- ensuring the generation of income from those centres for which the committee has managing trustee responsibilities and the appropriate use of the resources so generated;
- reviewing and monitoring of the fulfilment of the terms of all agreements reached between the Council and any training institutions with which the Council has agreements; and
- working collaboratively with the Ministries Committee to ensure the implementation of connexional policy as regards learning, training, scholarship, research and innovation.

- **The trustees of All We Can (the operating name of the Methodist Relief and Development Fund), whose remit is to receive, hold and transmit monies for relief, rehabilitation and development under Methodist, ecumenical or other appropriate oversight primarily overseas;**

- **Local managing trustees for those bodies which report to the Council but are not administered by the Connexional Team ('self-accounting entities').**

A comprehensive list of the subsidiaries whose financial statements are included in The Methodist Church Consolidated Financial Statements is provided on page 51. For each of them, with the exception of Westminster College Oxford Trust Ltd, a local governance committee or group of managing trustees is appointed by the Council to oversee the entity, within the terms of responsibility delegated to them. Ultimate control in all these cases resides with the Methodist Council. In the case of Westminster College Oxford Trust Ltd the Conference appoints the trustees, subject to the approval of the Methodist Council, and they in turn report to the Conference. Through a governance scrutiny process overseen by the SRC, the Council aims to monitor standards of governance in all the entities which are accountable to the Council and the Conference.

Appointments to the various trustee bodies are appointed by the Methodist Council or the Conference on the recommendations of existing members, following a selection process that involves a skills audit and advertisement for trustees with the appropriate skills and expertise. Appointments are normally for a six-year period but each trustee body will have its own governing document that will set out the terms of appointment and re-appointment.

All new members of the Council undergo induction to familiarise themselves with the aims and work of the charity, and to ensure they understand fully their responsibilities as trustees and the organisational expectations in terms of their commitment. As part of the induction programme, trustees are provided with constitutional, governance, financial and organisational documentation. Trustees also receive regular updates and are made aware of relevant events and training opportunities.

Key activities

Overview of the work of the Methodist Church in Great Britain

The calling of the Methodist Church is to respond to the gospel of God's love in Christ and to live out its discipleship in worship and mission. Most of the work of the Church goes on week in and week out in, or associated with, local churches throughout the country:

- 4,552 places of worship, with around 195,000 members;
- the work of around 1,500 active Methodist ministers, of whom around 180 are in chaplaincy roles;
- approximately 210,000 visits to a Methodist service each week, including 30,000 by children and young people;
- 516,000 additional visits to groups and outreach activities associated with the Church;
- 25,000 pupils enrolled in 83 Methodist schools; and
- innumerable hours of voluntary time given by our members, local preachers, office-holders and others in the community contributing to the diverse activities of the local church.

This report cannot capture in detail the breadth and depth of the Church's work. This "key activities" section presents a range of stories from around the Connexion but these are just samples of that work.

The work of the Church in 2015/16 as reported to the Methodist Conference

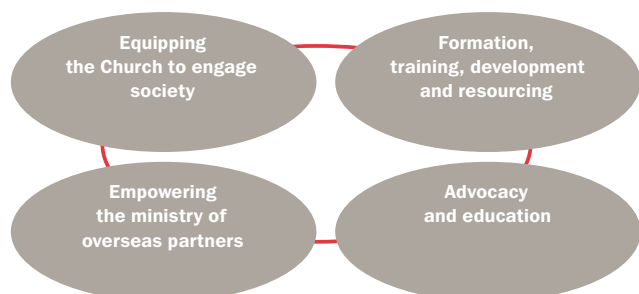
The government and discipline of the Methodist Church, along with the management and administration of its affairs, are vested in the Methodist Conference, which meets annually. The Conference receives reports covering all aspects of the Church's life and witness. At its meeting in London in July 2016, these included:

- a report of the work of the Joint Advisory Committee on the Ethics of Investment (JACEI) which seeks to ensure that the Church's finances are invested ethically;
- training and ordination of ministers: 42 new Presbyters and 13 Deacons, having completed their training, were received into Full Connexion and subsequently ordained. 3 Presbyters were additionally received by transfer;

- receipt of the consolidated financial statements of the Church for the previous year (2014/15);
- work done to promote grant making from the Mission Alongside the Poor Programme, to be known in the future as Methodist Action on Poverty and Justice;
- the work of the Joint Covenant Advocacy and Monitoring Group (JCAMG) aimed at helping the Methodist Church deepen its relationship with the Church of England;
- reports from the Faith and Order Committee, engaged *inter alia* in exploring the theology and ecclesiology underpinning the Methodist Diaconate;
- production of a resource for the Church entitled *Homophobia: Definition and Guidance*;
- the results of a wide consultation within the Church on marriage and relationships, from which it was agreed to prepare a new Conference statement on this topic and to revisit the Church's definition of marriage;
- a report into how the Church is structured at "Larger than Circuit" level, with recommendations for reviewing the role of District Chair. Further work was agreed;
- an update on the wide-ranging work of the Methodist Council, which acts on behalf of the Conference when the latter is not sitting; and
- reports from 3Generate on responding to the refugee crisis and on implementation of the Past Cases Review, as reported more fully below.

Organisation of the work

In 2015/2016 The Methodist Church in Great Britain, in response to its calling and in pursuit of the strategic objectives shown at the start of this report, organised its work in the following four key areas:



Each of these is reviewed in turn below, along with a summary of the grants process which supports the Church's work across all of the above.

Key activities (continued)

1. Equipping the Church to engage society

Holiness and Justice: the President and Vice-President address the Conference

On Saturday 2 July 2016 the President and Vice-President of the Methodist Conference, the Revd Dr Roger Walton and Rachel Lampard MBE, gave their inaugural addresses to the Conference at Methodist Central Hall, Westminster.

Dr Walton's address focused on holiness as being inherent in everything the Church does and as the echo of God within all of us. "Holiness is not blind zeal," the President said. "It doesn't call us to narrowness of perception and living. It doesn't desire the harming of others. Rather it widens our view and makes us more aware, sensitive and compassionate."

"Holiness is not moral superiority ... it doesn't look down on others. Indeed, it is marked by humility and love. Holiness puts others' needs first and delights in the image of God in every person."

"Holiness is not isolated existence away from the tarnishing of the world. It is a social holiness that grows in contact, conversation and commitment to others."

In her address, Rachel Lampard called for the Church to stop 'problematizing' and trying to 'fix' the poor, but instead to "address the problems and pain that not having enough money brings". She said: "We have problematised the poor so much that we choose to look for the mother's faults rather than address the problems and pain that not having enough money brings to her. And surely this is at the heart of our challenge in responding as Christians to God's passionate call for justice. In the Bible we read that we would encounter Jesus in three ways: through the Holy Spirit, through bread and wine, and through the poor – 'Truly, just as you did it to one of the least of these who are members of my family, you did it to me'."

Echoing the Old Testament prophet Amos, the Vice-President ended her address by asking, "Do you know what I want?"

"I want justice - oceans of it.

"I want fairness - rivers of it.

"That's what I want. That's all I want."

Giving his reflections on the Conference, the Secretary of the Conference, the Revd Canon Gareth Powell, said: "We might persuade ourselves that we are short of resources, especially if we have believed in a golden age that I am not sure ever existed. There are, it is true, fewer of us than there used to be, but we are not short of a body of Methodists raised up by God to proclaim the gospel. And we are certainly not short of it when we employ the confidence of God and the imagination that is given to us in the great history of the Christian Church."

Past Cases Review

A year on from the publication of *Courage, Cost & Hope*, the report on the Past Cases Review (PCR), the 2016 Conference received an update on the implementation of the 23 recommendations made in the PCR.

The Past Cases Review Implementation Group (PCRIG) has undertaken a huge amount of work on the report's recommendations. This includes the establishing of a survivors' reference group whose brief is to ensure that all policies, guidelines and training materials produced as part of the recommendations are informed by the perspective of survivors and victims of abuse. In January 2016, the Chair of the PCRIG, the Revd Gwyneth Owen, attended a survivors' conference organised by the Liverpool District project Church Action on Sexual Abuse Issues.

There have also been extensive discussions with the Church of England's Safeguarding Team and others as to how support for survivors and victims can be improved.

Along with this, significant progress has been made on a system of structured supervision for ministers (including a pilot programme in two districts) and a draft code of conduct of ministerial practice.

All recommendations will be implemented in full, or with a clear process and timetable for completion, by the 2017 Conference.

3Generate 2015

In November 2015, almost 600 children and young people attended 3Generate 2015, the Methodist Children and Youth Assembly. It took place at Liddington Activity Centre near Swindon, with the theme 'Wonderfully Made'. Attendance at 3Generate 2015 was more than double that of 2014, when just 250 children and young people attended. 3Generate is shaped by children and young people and the process that follows the event ensures there is a continual dialogue throughout the year. Feedback is received through local youth events, Shaper groups, volunteers and more. This year, each age stream at 3Generate produced a manifesto for that particular age stream, containing the issues that the young people are passionate about. These were sent to the Districts to inform them about Methodist young people's concerns.

A few extracts from the manifestos include:

8-11s

- **Our Church: We are part of our church's life and community, and are keen to play a full part in all its activities: worship, junior church, our groups, decision-making, leading. We would like to understand more about Methodism and why it is called Methodism. We have lots of questions about God, Jesus, the Holy Spirit and being a Christian, and we would like time in worship and in our groups to explore them. Participating in the whole life of the Church is important to us; we want worship that is interesting and relevant to all people in the Church.**

11-18s

- **Discussions about same-sex marriage: in particular reflecting on biblical perspectives and exploring the Church's understanding.**
- **Discussions around the issues of war and conflict and particularly the use of prayer as a response.**
- **Refugees and asylum seekers: in particular, showing them welcome, love and protection.**

18-23s

- **Explore the question "How do we love our enemies?" on a local church level in proactive, theological, contextual and, most importantly, practical ways.**
- **Using the language of love to challenge the poverty gap so that no one is shamed or excluded. A person's worth is not assigned by their wealth.**
- **Taking a lead on practical responses to climate change – revisiting *Hope in God's Future*, updating policies and enabling local churches to learn about taking action at a local and global level.**

Grace McAloon, representing Methodist youth

Grace McAloon was one of four young Methodists charged with the job of representing the Methodist Church on the British Youth Council (BYC) in 2015/2016 to support BYC's vision of empowering young people to influence and inform decisions that affect their lives. "I want my role within Methodism to be to help young people get their voices heard," explained Grace, who hails from Newcastle. "I believe that as Methodist young people, our voices should be heard beyond the Methodist Church."



One focus of Grace's work with BYC was to encourage young people to learn more about the political process. "I'm really passionate about that," she says. "Politics is an important thing for young people to get to know about, because so many young people nowadays aren't voting. I feel it's really important that we as young people have the knowledge to be able to do that. The BYC really helps in that area. I've been able to go to a couple of meetings in Parliament, discuss issues with MPs and other practitioners, and see some of what goes on."

Key activities (continued)

The One Programme

The 2015/2016 connexional year saw 10 young people, aged between 16 and 23, employed on the One Programme. Their projects were based across the Connexion and varied in task.

The One Programme participants (OPPs) were brought together for four training weekends across the year. At these weekends, they were joined by the Youth President and two interns – one from Christian Aid and one from Swan Bank Methodist Church. Seven of the OPPs undertook the Cliff College Certificate in Leadership; a course based upon the input they receive on the training weekends. The final weekend also involved a visit to the Methodist Conference, participating in the Conference worship. In November 2015, all the OPPs were involved in the 3Generate event, where they worked on a variety of tasks: facilitating workshops, helping with pastoral support and being involved in worship. In May 2016, three of the OPPs were part of a visit to Romania for a week working in an orphanage. Since the completion of the One Programme year, a number of OPPs have maintained involvement locally where their projects were based.

Supporting local work through grants

The missional work of The Methodist Church in Great Britain is enabled in part by grants administered by the Connexional Grants Committee. This committee distributes money held by five funds: the Mission in Britain, World Mission, Property, Epworth and Connexional Priority Funds. It looks to support well organised and costed project and building initiatives aimed at equipping the Church and making a real difference to the work of Christian mission. (For criteria in detail, see: www.methodist.org.uk/mission/connexional-grants/what-do-we-fund/mission-and-ministry-including-heritage). A few examples follow of how grants are used across the Church and beyond.

Chaplaincy: the NEC Group chaplain in Birmingham

The Revd David Butterworth is Lead Chaplain of the NEC Group, which comprises three of Birmingham's biggest venues: the National Exhibition Centre (NEC), the International Conference Centre (ICC) and the Barclaycard Arena. It was with a grant of £109,000 from the Mission in Britain Fund that Birmingham District secured this post, enabling the chaplaincy role to develop further.

“Chaplaincy via the Methodist Church has been central to the business at the National Exhibition Centre – and its 3 million customers a year – for 40 years,” says David. “Increased funding enables us to offer pastoral care and well-being training to about 50 lay and ordained chaplains. It also enables us to offer chaplaincy in children's hospitals, universities, shopping centres, homes for the aged, and many more places such as bus depots, fire stations, business, conference centres and football clubs.”

David's wider role in the Birmingham District involves action on refugees and other social justice issues. He sits on the National Refugee Welcome Board (NRWB) and successfully challenged Birmingham City Council to offer hospitality to 50 Syrian refugees. He was also awarded Living Wage Champion status for his work in that area.





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CAP debt centre, Penrith

With help from Penrith Methodist Church and its connexional grant, Christians Against Poverty (CAP) has opened its first debt centre in Eden Valley, Cumbria.

The centre's office is in the Bridge, part of the Penrith Methodist Church building complex. With CAP, Penrith Methodist Church employs Jon Cook to manage the debt centre. Several of the volunteers assisting Jon are from Penrith Methodist Church, while people from other churches around Penrith and Eden are involved too – accompanying Jon on visits to clients and giving practical care and support. Twice yearly, the centre provides CAP's award-winning debt counselling service to the whole of the Eden District, including the communities of Alston Moor and the Upper Eden as well as Penrith and the Ullswater Valley. The Penrith Circuit received a £43,500 grant from the Mission in Britain Fund. This will allow the debt centre to grow and reach out to more people in need throughout Eden, one of the most rural and sparsely populated regions of the UK.



Chapel in the Fields

Sinderland Green Methodist Chapel is one of five churches in Sale Circuit, Manchester and Stockport Methodist District, in the heart of Trafford. The aim of the Chapel in the Fields project, funded by a Mission and Ministry in Britain grant of £67,000, is to convert Sinderland Green Chapel into a centre for spiritual growth through creativity.

Chapel in the Fields has two strands. The first involves outreach from the chapel using Godly Play. This enables people, principally children, unfamiliar with faith stories to engage with religious language, and reflect on the stories to discover who God is. The second strand is concerned with spiritual formation and growth. It involves creative work and reflection based in the chapel and workshop, principally with adults drawn from local churches, or connected to churches. There is an emphasis here on reaching men, who are under-represented in present Methodist congregations, and who face issues of isolation and unacknowledged emotional and spiritual need. The project is still in the development stage, with a management group appointed by the district. In September 2016, the Revd Kevin Johnson started working full time as the project leader.



Key activities (continued)

Ecumenical partnerships change rural life

“All we want to do is continue worshipping in our village” said a member of a rural Methodist church – struggling with a building they could no longer maintain. As National Rural Officer based at the Arthur Rank Centre in Stoneleigh, jointly funded by the Methodists and the United Reformed Church (URC), Elizabeth Clark is passionate about churches working together. She believes that ecumenism is now a ‘mission imperative’ in rural areas and she encouraged this congregation to explore a closer relationship with their local Anglican parish church. So began a journey to a Local Ecumenical Partnership (LEP), and much later a shared community centre in the old Methodist church. Village life changed: people across denominations worshipped together and a community hub formed for socialising and support. In an increasingly post-denominational world, Elizabeth’s work in the countryside shows that ecumenism, churches coming together in partnership, is not just about keeping the show on the road but growing the kingdom.



PeerTalk: Promoting good mental health

The Methodist Church will also consider applications for grants from organisations outside the Church, where these fit the Church's criteria. According to mental health experts, one in four people in the UK experiences a mental health problem in any given year, with depression and anxiety being two of the most common problems. PeerTalk aims to help people who live with depression – and their families. It achieves this through support groups and awareness days.

The support groups are for individuals who have experienced depression/anxiety, bipolar or mood related disorders, and for their family members and friends. At meetings, group members offer support and encouragement from their own experience of living with depression as others share their stories. Awareness days provide information about depression and other mental health conditions – including advice on good practice in communicating with, and supporting, people living with mental health conditions, and how to point people to mental health services, if necessary. Currently, PeerTalk is supported and core funded by the Methodist Church (with a grant of £101,000). The project is working towards establishing itself as an independent charitable foundation.



Positive Working Together

Positive Working Together focuses on combating bullying and harassment in any part of the Methodist Church. A key focus of the work is support and regular training for District Reconciliation Groups, as a source of support for those experiencing bullying or harassment.

The first phase of work on Positive Working Together began in 2015/2016 with a conference at Cliff College in June 2016 for members of District Reconciliation Groups. Work included producing *Positive Working Together: A Short Guide* and a small group resource called *Shared Commitments*. Further modules will follow, including the development of a module on Growing through Conflict which is being undertaken in partnership with the Church of Scotland's related agency, Place for Hope.



Key activities (continued)

2. Formation, training, development and resourcing

Discipleship

The Discipleship Team has developed the Re-imagine brand as an umbrella for supporting local churches and circuits in ‘re-imagining’ what their future might look like. The team engaged with the Birmingham Circuit on Holy Habits, a programme aimed at deepening discipleship and fostering the formation of followers of Jesus through local church contexts, based on ten practices cited in a portrait of the early Church in Acts 2:42-47.

Much of this work is conducted or coordinated through the Discipleship and Ministries Learning Network (DMLN), organised in three specialist teams and eleven geographical regions. DMLN also supports two learning centres, the Queen’s Foundation and Cliff College, on which brief reports are included below. Along with Southlands Methodist Trust and Westminster College Oxford Trust, figures for these entities are included in the consolidated financial statements.

Plans to make learning local, focusing on missional leadership, growing participation and enhanced visibility were achieved in 2015/2016 through:

Church and Community

The Church and Community Team has broad responsibilities including children and youth work, family and intergenerational ministry, chaplaincy support and congregational and community development. The year saw a significant growth in numbers attending 3Generate and proposals agreed for the future of the ONE Programme, including the launch of ONE Intern. Further details of 3Generate and the ONE Programme are under the heading of “Equipping the Church to engage society”.

Ministry Development

Whilst continuing to support the development of ordained ministries, the Ministry Development Team has worked on the new training course for Worship Leaders and Local Preachers – Worship: Leading and Preaching. Development of this continued during the year, with a planned release date of December 2016. This has been a major undertaking involving the whole of DMLN engaging with local circuits, the development of writing teams and the creation of a new Virtual Learning Environment supported by the University of London Computer Centre, which will provide a platform for future developments in open learning.

The Queen’s Foundation

Queen’s has led responsibility for initial ministerial training (IMT) and has introduced a new pathway, the Circuit Based Learning Pathway, following consideration of approaches to practice-based formation. Queen’s is beginning to embed the Common Awards into its training. The use of a single institution for IMT has enabled a more strategic approach to formation and first appointments. There are currently 64 students in IMT (33 full-time and 31 part-time).

Cliff College

Cliff College is increasingly becoming a focus for lay ministry development. In the last few years, members of the DMLN have joined Cliff College faculty in the delivery of courses – some of which are shaped specifically to the needs of the Methodist Church. Two examples of this in 2015/2016 are Chaplaincy for All and the Worship teaching stream.

Failure to appoint a replacement for the Revd Dr Chris Blake as Principal led to the secondment of the DMLN Directors for part of the work. Whilst this presents some short-term challenges for both the College and



the DMLN, this gap does provide an opportunity for a review of the College's purpose and strategic direction.

From a humble beginning in 2011 with 30 people, the Cliff College Summer School is now a regular feature of college life. In 2016 the event attracted over 80 participants, and expanded from one week in June to an additional teaching week in August. With a focus on encouraging local church members from across the denominations to deepen their faith in the teaching atmosphere of the college, the week acts as a spiritual retreat for many and has become part of sabbatical study for some in ministry.

Southlands Methodist Trust

The Southlands Methodist Trust continues to support both the development of the community at Southlands College and also research and learning activities which address issues of significance to the life of the Church and to wider society. It supports the appointment of the college Assistant Chaplain and chaplaincy activities, student volunteer programmes, community music awards, scholarships, performances and more. The Trust's goal of supporting learning and research is achieved through the Susanna Wesley Foundation, which focuses on practical theology and organisational practice within faith institutions (see www.susannawesleyfoundation.org).

Connecting Disciples

A connexional learning and development opportunity for lay employees, children and youth workers, this annual event ran over four days on 7-10 March 2016 at High Leigh Conference Centre. Attracting 141 delegates who represented 27 districts, they included administrators, children, youth and family workers and pastoral, community and outreach workers as well as other roles. Connecting Disciples was supported by staff, speakers and facilitators from the Discipleship and Ministries Learning Network, other parts of the Connexional Team and beyond.





Key activities (continued)

3. Empowering the ministry of overseas partners

In January 2016, the Methodist Council approved a new strategy for the Church's global relationships under the heading of "Partnership, Focus and Evolution". It set out a vision that the Methodist Church in Great Britain will be a distinctive and highly effective global participant in mission by means of true partnership with sister Churches around the world, a focus on the places and programmes where our participation can make a real difference locally and globally, and evolution that encourages new initiatives while maintaining the best of what has gone before. A new Global Relationships Strategic Oversight sub committee was established to oversee the implementation of the strategy.

The Methodist Church in Great Britain has Partner Churches in over 65 countries across the globe. Being in partnership does not in itself imply that we will provide grant funding, which is only one way of expressing that partnership. However, grants do play a valuable role in building the capacity of our partners and assisting them in other ways. The new strategy defined the following priorities for grants from the World Mission Fund:

- building the capacity, leadership, and long-term stability of Partner Churches;
- encouraging evangelism, outreach and engagement with the wider society (including interfaith and peace initiatives);
- supporting partners who have a special emphasis on issues of justice, inclusion, education, health and empowerment, and support for those who have been marginalised because of their identity, faith, ethnicity, gender or economic status;
- assisting Partner Churches in responding to emergencies, natural disasters and where there has been human violence or ethnic conflict;
- supporting partner organisations which have close relationships with Partner Churches overseas and are used by them for the ministry and mission of that Church.

Emergency support and relief

Whenever disaster strikes a country where we have partners, we show solidarity and give support which may include immediate financial assistance.

Partner Churches that received emergency grants from us in 2015/2016 included:

- In January 2016 the Methodist Church in Kenya received an emergency grant of £10,000 as a response for victims of El Niño rains in Kenya;
- In February 2016 the Methodist Church Zimbabwe received £10,000 as an emergency response to drought in Zimbabwe;
- In February 2016 the Methodist Church Fiji received £25,000 (£20,000 to MC Fiji and £5,000 to Pacific Theological College) in solidarity after Cyclone Winston;
- In April 2016 The United Evangelical Methodist Church in Ecuador received \$14,500 (£10,212) as earthquake relief and solidarity support.

Other grants not classed as emergencies, but agreed following a natural disaster included:

- In February 2016 the United Church of Zambia received £10,000 to support drought victims in Zambia and to train farmers on sustainable livelihoods;
- In April 2016 Community World Service received £21,000 to aid with emergency preparedness and response to reduce mortality and morbidity rates owing to climate change-induced heat waves in Sindh, Pakistan;
- In May 2016 the Methodist Church in Chile received £3,410 as support for post-earthquake recovery in Ecuador (to equip the Evangelical Methodist Church with the necessary tools to develop a long-term recovery strategy for communities affected by the recent earthquake);
- In May 2016 the Methodist Church Sri Lanka (MCSL) and National Christian Council Sri Lanka (NCCSL) received £25,500 (£8,500 to NCCSL and £17,000 to MCSL) to help victims of flooding.

NMA Programme: Tarazana's jungle mission

Victor Tarazana is one of our nationals in mission appointments (NMAs) in Latin America. He and his wife Angela Mariategui oversee the Methodist Church in Peru's mission work in the town of Tarapoto, on the edge of the Amazon rainforest. Originally from Lima, Victor and Angela used to work as psychologists, but gave up their careers when they felt God calling them

to mission work. They have been doing this for just over two years, building on work started by a Brazilian missionary, Hugo Pereira.

"The Church in Tarapoto continues with the vision of discipleship Pastor Hugo left," says Victor. "Our values are to win more lives for Christ, to consolidate those lives in the Christian walk, and then send those disciples out to spread the gospel to those who need it."

Dr Jill Barber met Victor and Angela when she visited Peru as Methodist Vice-President (2015/16). "They are a wonderful young couple with a passion for Christ and desire to bless the people, despite often difficult circumstances in what is predominantly a very poor and needy area," she said.

SALT: Helping train Rwandan church leaders

Since our partnership with Rwanda's Free Methodist Church was formalised in 2014, our Scholarship and Leadership Training (SALT) programme has been playing a key role in the development of church leaders there.



The Revd Jeremy Serugo (third from right), Conference Secretary for the Free Methodist Church Rwanda, is studying for a Masters degree in Theology and Development at Uganda Christian University. This has been made possible through SALT funding received from The Methodist Church in Great Britain. According to Jeremy, this has "boosted confidence and improved leadership quality" in the Rwanda Church.

Another Rwandan SALT student is Ruth Mukamudenge (second from left) – the only female Masters student from the Church. Ruth is studying development, with a focus on savings and credit association among Rwandan women. Her long-term goal is to empower women in financial issues and to support sustainable development programmes.



A Methodist response to refugees in Europe

The largest movement of people in Europe since the Second World War has provoked fear, generosity, hostility and welcome. Europe's political system is struggling to make a rational response, but its people have responded with enormous generosity, as well as anxiety. However, the work of churches rarely hits the headlines, prompting the question: what are Methodist churches and our partners in Europe doing? In many parts of Europe we have been working through our major partner, the United Methodist Church (UMC). Member churches of the United Methodist Church in Central and Southern Europe straddle the routes through the Balkans and have been active in various ways:

- UMC's Miss Stone Centre in Macedonia has ferried food and water, blankets and toiletries to the Greek border;
- UMC Austria is planning help for long-term housing as well as for integration needs such as language; and
- UMC Serbia assists the Ecumenical Humanitarian Organisation (EHO) to improve camp conditions at the Serbian/Croatian border. Croatian volunteers in EHO's long term reconciliation work, supported by The Methodist Church in Great Britain, are also engaged there.

In Italy, the Methodist Waldensian Union is at the forefront of the Protestant Federation's Mediterranean Hope programme, offering welcome to boat passengers on the island of Lampedusa as well as post-trauma and integration support in the House of Culture. They monitor and publicise the situation and promote policies to ensure 'safe corridors' for vulnerable people from North Africa.

The generosity of Methodists in Britain who donated to support refugees meant that all these groups received grants during the year.



4. Advocacy and education

Over the past year the Connexional Team set out to restructure functions within the Mission and Advocacy Cluster, as approved by the Strategy and Resource Committee in 2015. Publishing and Communications have been brought together and a new Engagement Team combines Marketing, Fundraising and Heritage activities. Both these teams work alongside the Joint Public Issues Team (JPIT) to support and deliver advocacy and education. Inclusion of the Church of Scotland in JPIT alongside the Methodist Church, Baptist Union and United Reformed Church was confirmed during the year following a successful trial period.

With increased focus, the achievements of these teams include the activities listed below. Details are also shown of collaboration with All We Can which undertakes its own advocacy work.

Climate change

JPIT supported Methodist people in prayer and reflection in advance of the Paris climate summit (COP21) in December 2015. Methodist Church leaders provided statements as a part of the Pray and Fast for the Climate initiative, which ran throughout 2015. Julia Edwards, a Methodist mission partner, was present in Paris as a member of the Fiji Government delegation.

At the Paris summit, a petition of 1.8 million signatures was delivered on behalf of faith groups from around the world. The Methodist Church expressed delight at the outcome of the summit, which included a commitment to keep global temperature increases “well below” two degrees Celsius.

Advocating for refugees

As well as supporting our partners in Europe (as described under the heading of Empowering the ministry of overseas partners), the Church has responded to the plight of refugees in or close to this country. The Birmingham District led in consultations with the National Refugee Welcome Board and Citizens UK, while other circuits and districts have provided support for refugees in the UK and in Calais.

To give a faithful response to the refugee crisis, JPIT produced *Made for Goodness*, and helped facilitate a workshop at the 2016 Methodist Conference. *Made for Goodness* calls on the UK government to take

further action with respect to:

- **the introduction of a system of humanitarian visas to help people fleeing violence and persecution to travel safely and legally to a country which will give them sanctuary;**
- **enabling family reunion for refugees to make it easier for refugees living in the UK to bring older children, dependent parents and siblings with no other family to join them;**
- **provision of care for more unaccompanied children who are amongst the most vulnerable of those seeking sanctuary; and**
- **reforming the UK asylum system, such that those who claim asylum in the UK are treated with dignity and none are made destitute.**

The EU referendum

In preparation for the referendum on the European Union in June 2016, JPIT produced a resource to help Christians interact with the various issues relating to this crucial decision. *Think, Pray, Vote* sought to provide impartial analysis and theological reflection against a backdrop of a divisive public debate.

Ministers and churchgoers provided feedback on events and discussion groups that had taken place in their churches using the resource. The JPIT website registered more than 9,000 downloads of *Think, Pray, Vote*. The various EU referendum-themed web pages received more than 23,500 visits.

The Methodist Conference unanimously passed a resolution calling for respect and tolerance in our national life in the wake of the divisive EU referendum campaign and asked members to contact MPs accordingly. The JPIT churches' reflection on the result of the referendum can be found on the JPIT website at: bit.ly/jpit-common-good.

Poverty and benefits

JPIT, with the Society of Friends (Quakers) and the Scottish Episcopal Church produced the *Enough* report in October 2015 in response to proposed changes to the benefits system.

The report expressed grave concerns that cuts and other changes to benefits would undermine the basic principle that the welfare system should provide enough for families to live on. Indeed, a number of

Key activities (continued)

rules were proposed to assess families' needs and deliberately provide a lower level of support than that indicated by the assessment. The impact would be felt mainly by families with children, breaking the historic link between the support that is offered to a family by the benefit system and the family's actual needs.

Hundreds of Methodists wrote to their MPs; many more sent Christmas cards to Iain Duncan Smith MP, then Secretary of State for Work and Pensions, asking that the principle of "enough" be upheld. Working with partners including charities, academics and other faith groups JPIT put its concerns to parliamentarians. Important concessions were made, delaying changes to tax credits, protecting adoptive families and care leavers and ensuring that the government continues to measure and be held accountable for child poverty.

Methodist Publishing

The Connexional Team produces a wide range of printed and online materials to resource the Church. 2015/16 was the second year of *the connexion* magazine, which aims to share stories, encourage the Methodist people and inspire new local initiatives. Three issues were produced under the editorship of the Revd David Perry.

The Presidential Year prayer card proved popular throughout 2015/2016. These cards were informative for creating interest in the President and Vice-President's schedule throughout the year as they travelled around the Connexion. They were particularly useful for reminding members to uphold the President, the Revd Steve Wild, and Vice-President, Dr Jill Barber in prayer as they served the needs of the Connexion and engendered a sense of inclusion and unity. The cards reinforced the President and Vice-President's chosen themes for the year which were Evangelism and Heritage.

Methodist Heritage

Dr Jill Barber communicated enthusiastically the value of heritage as a means of pursuing contemporary mission, as demonstrated by the four main Methodist Heritage sites. At one of those, Englesea Brook, a service in March 2016 marked the centenary of conscientious objection and this was provided as a video resource for use across the Connexion.

The bicentenary of the death of Francis Asbury was commemorated in a series of public events: the Black Country metal worker who became America's first Methodist Joint Superintendent was remembered in April at the Black Country Living Museum. Three hundred Methodists engaged with other museum visitors in a two-day programme of Asbury-related activities. For these celebrations, representatives of the United Methodist Church in the USA gave talks and supported our successful local and national media coverage. All the Asbury events were arranged in partnership with those Methodist districts integral to the Francis Asbury story.

Earlier in the year, Methodist Heritage was present at the UK's biggest family history event, Who Do You Think You Are? Over 1,000 people visited the Heritage stall, staffed by a team of volunteers across three days. The Methodist Heritage Committee has also been increasing support to churches regarding decisions about artefacts. This help is especially crucial for those churches undergoing church closure processes.



Supporting the advocacy of All We Can

In November 2015, Dr Jill Barber travelled to Jharkhand, India, with All We Can. Jill met women who are standing up for their rights against a background of discrimination and exclusion in local society. She was so moved by what she saw that she agreed to be the voice of a BBC Radio 4 appeal on behalf of All We Can, aired in March 2016.

Jill commented: "For many women things may not change immediately, or even in their lifetime, but they are making a difference for their children. I support All We Can's vision of every person's potential being fulfilled and I saw for myself the difference the work is making in India."

In June 2016, All We Can invited the Revd Dr Roger Walton and Rachel Lampard MBE to visit Jordan to find out more about their work with refugee communities in the country. After the visit, Roger said, "The work that's been done in Jordan by All We Can is giving people the opportunity to regain their humanity. That work makes an incredible difference in people's lives." After their visit to Jordan, Roger and Rachel supported All We Can's launch of a Bible-based resource, *Refugees: "To all the people we can"*.



Key activities (continued)

5. Grant programmes

In 2015/2016 grants were only offered to projects in line with the Calling and Priorities of the Methodist Church – and with the understanding that the One Mission of God is the same across the UK and the world.

When considering grant applications, the Connexional Grants Committee (CGC) examined how applicants intended to fulfil the calling of The Methodist Church in Great Britain:

- to increase awareness of God's presence and to celebrate God's love through worship;
- to help people to grow and learn as Christians, through mutual support and care;
- to be a good neighbour to people in need and to challenge injustice; and
- to make more followers of Jesus Christ.

The CGC sought to concentrate its resources on projects that:

- underpin every activity with God-centred worship and prayer;
- support community development and action for justice, especially among the most disadvantaged – in Britain and worldwide;
- develop confidence in evangelism and in the capacity to speak of God and faith in ways that make sense to all involved;
- encourage fresh ways of being Church; and
- nurture a culture in the Church which is people-centred and flexible.



Mission and Ministry in Britain grants £5.1m (2015: £4.1m)

The CGC receives applications for funding for Mission and Ministry projects and Chaplaincy and Mission Alongside the Poor (now renamed Methodist Action on Poverty and Justice). The CGC assesses these applications against criteria for eligibility and impact. The first allows the committee to assess whether the project should be funded from its resources; the second enables the committee to prioritise competing applications on the basis of potential impact.

Property grants £2.5m (2015: £0.9m)

The CGC assesses applications for funding by circuits and churches for property projects which have mission aims. Grants are drawn from the Fund for Property, the Connexional Priority Fund and a number of endowment funds.

Mission and Ministry in the World Church grants £4.5m (2015: £1.6m)

The CGC also administers the Church's international grants. These are given to Partner Churches and organisations overseas to support mission and ministry in their communities. These grants are made from the World Mission Fund and the entire cost of a multi-year grant, where there is no break clause, is committed in the year it is approved.

All We Can – Methodist Relief and Development grants £1.2m (2015: £1.4m)

All We Can awards grants through local partners in its priority countries. These partners are registered non-governmental organisations (NGOs), community based organisations (CBOs) or development offices of Methodist churches. Humanitarian aid is only allocated through organisations which are existing All We Can partners, Methodist Churches, or through Action by Churches Together (ACT).

Personnel Support grants £1.2m (2015: £1.0m)

Small grants are made to Methodist presbyters, deacons, lay employees and local preachers and their families towards the education of their children during times of ill health and for one-off financial support. Giving for this purpose draws on a variety of funds including the Fund for the Support of Presbyters and Deacons, Trinity Hall Trust and several benevolent funds.

Remuneration of key management personnel

The Methodist Council oversees the operation of the Church on a day-to-day basis. It acts as the employing body for staff and the appointing body for Ministers serving within the Connexional Team. It delegates the monitoring of the Connexional Team to its Strategy and Resources Committee (SRC). The Senior Leadership Group of the Connexional Team comprises the key management personnel of the Church in charge of directing and controlling, running and operating the Team on a day-to-day basis.

Two senior leadership posts, the Secretary of the Conference and the Assistant Secretary of the Conference, have to be held by ordained Ministers. They each receive the standard stipend plus a fixed percentage allowance. The levels of both are set annually by the Methodist Conference. The pay of the senior employed staff is set by a Job Grading Panel by reference to the Hays Pay and Grading Scale. In view of the nature of the Church's work, the salaries are benchmarked against pay levels in other charities of a similar size run on a voluntary basis. The salaries for senior staff posts are determined as part of the same salary scale as is used for all staff posts.

Trustees are required to disclose all relevant interests and register them with the Conference Office. In accordance with the Church's policy, trustees are asked to withdraw from decisions where a conflict of interest arises.

Details of the expenses reimbursed and related party transactions relating to the Council and the SRC are disclosed in Notes 26, 27 and 28 to the financial statements.

Financial review

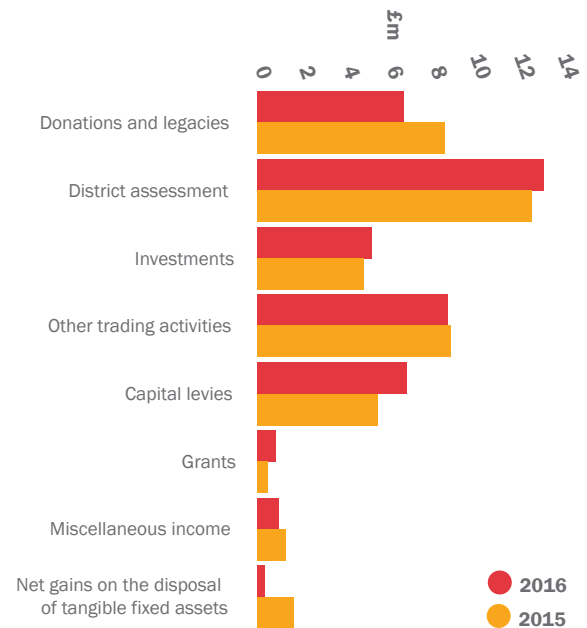
The activities covered in these consolidated financial statements are those under the oversight of the Methodist Council. The Methodist Church in Great Britain is the registered charity and the Charity Commission has agreed that these financial statements can properly serve as the financial statements of the charity.

This is the first year that the financial statements included in the annual report have had to comply with Financial Reporting Standard 102 and the new SORP. Changes to accounting policies on adoption of the new SORP have resulted in a major increase in reported net assets compared with last year, but the main impact has been an increased level of disclosure about the defined benefit pension schemes and the financial risks associated with them.

The total income for the year was £43 million, a decrease of 2% compared to the previous year (2015: £44 million). Total expenditure increased by 18% to £46 million (2015: £39 million). At the end of the year, the Church recorded a net surplus of £14 million (2015: £10 million), an increase of 40%. The surplus includes net investment gains before other recognised gains and losses of £17 million (2015: £4 million). The “other recognised gains and losses” for the year of £12 million (2015: £111k gain) include actuarial losses on the Pension and Assurance Scheme for Lay Employees of the Methodist Church. This was caused by changes in the assumptions used to value the Scheme’s liabilities, the result of changes in market conditions and resulting in an overall increase in the Scheme’s deficit. A detailed disclosure on the Scheme’s financial position is provided in Note 13 (page 70).

Income

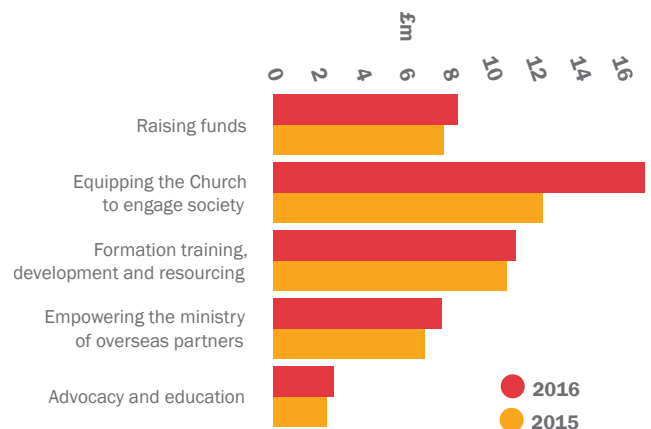
Total income fell by 2% this year due firstly to legacy income, which was significantly less than that which we received in 2015, and secondly to there being fewer property disposals compared to last year. This decline was partially offset by the increase in the income from property levies which increased by 28% compared to last year.



Investment income and interest rose by 12%, building on our success from 2015 and a real achievement in a tough economic climate. The value of our investments increased by £13 million to £164 million (2015: £151 million). A detailed analysis of the income is provided in Notes 2 – 5 (pages 58-59).

Expenditure

Total expenditure increased by 18% to £46 million (2015: £39 million). Of this, £38 million was spent directly on charitable activities. This includes all amounts spent in furtherance of our mission including grants and direct programme activities. A detailed analysis of expenditure by activity is presented in Notes 6 – 7 (page 60).



The Methodist Church in Great Britain managed reserves

The total value of funds held at 31 August 2016 was £248 million (2015: £246 million). There are restricted reserves of £182 million (2015: £175 million); unrestricted reserves of £49 million (2015: £56 million) and endowment reserves of £17 million (2015: £16 million). A detailed breakdown of the funds is set out in Notes 20, 21 and 22 on pages 81 – 87.

The Methodist Church in Great Britain does not have a blanket reserves policy to cover its operations. Rather, the policies are set locally by the relevant trustee bodies and take into account the unique risk factors faced by each entity. The unrestricted funds reported in these financial statements are under the trusteeship of the Methodist Council, therefore the reserves policy outlined below is that of the Methodist Council. There are four main unrestricted funds:

- **The Methodist Church Fund (also the general fund);**
- **The Connexional Priority Fund;**
- **The Pension Reserve Fund; and**
- **The Epworth Fund.**

Financial risks

The Council's general reserves enable it to make long-term commitments to projects, and to protect its work against adverse financial events. A formal review of the reserve levels takes place every three years. In the intervening years the Strategy and Resources Committee (SRC) considers the impact of the financial risks associated with the income and expenditure streams and balance sheet items and assesses the appropriateness of the reserve range. This allows time for fundamental restructuring in the event of a major downturn and protection of the current programme of work from unexpected demands. The goal is to plan for the effective deployment of the available financial resources to achieve the aims of the Methodist Church which are:

- **Worship – to increase awareness of God's presence and to celebrate God's love;**
- **Learning and Caring – to help people to learn and grow as Christians, through mutual support and care;**
- **Service – supporting community development and action for justice, especially among the most deprived and poor, in Britain and worldwide; and**

- **Evangelism – developing confidence in evangelism and in the capacity to speak of God and faith in ways that make sense to all involved.**

The Council is faced with the following financial risks:

- **dependency on limited income sources (the Methodist Church Fund (MCF) assessment, investment income and donations);**
- **fluctuations in investment income;**
- **fluctuations in income from the levies on proceeds of property sales;**
- **inability to attract donations from the general public;**
- **an unforeseen rise in demand for grants;**
- **an increase in the defined pension scheme liabilities;**
- **an unforeseen increase in the requirement for additional connexional manses; and**
- **a sustained fall in the value of investments and property held by the Council.**

The MCF assessment is the main source of unrestricted income for the Council. It is a major contributor to the funding of a number of key activities including the administration of the Connexional Funds, the Discipleship and Ministries Learning Network and major aspects of the governance processes such as the Methodist Council and the Conference.

The assessment is a charge upon circuit receipts. The impact of a reduction in membership and a turbulent economic environment has left a number of circuits expressing doubts about their ability to meet the assessment. If these trends continue there is a risk that the annual increases in the assessment will not be sustainable and in a few years we could see a decline. If this decline were to happen it would be gradual, and with the three year planning processes in place, the Council would have time to adjust.

Other sources of income available to the Council are in the form of donations, legacies and investment income. Legacy income, when received, is significant and prone to fluctuation. Unrestricted donations have been mainly from a single donor, whose support is provided on a year-by-year basis. In recent years the Council has seen an increase in investment income.

The Methodist Church in Great Britain managed reserves (continued)

Financial risks (continued)

However, there could be a reduction in investment income as assets are realised to reflect the level of reserves deemed necessary by the Council.

The impact of a sustained fall in the investments and other assets held by the Council would be felt in two ways: first, a deficit in the statement of financial activities occurring over a number of years; second, difficulties in realising assets with the potential for consequent cash flow and operational problems.

General funds

At 31 August 2016 the balance of the Methodist Church Fund was £26 million (2015: £24 million). Of this, £17 million is invested in tangible fixed assets, equipment and furniture used in the day-to-day running of the Council's activities and therefore not available for use as a reserve. The trustees approved a reserves balance of £7.5 million to be held, which is approximately six months of expenditure. This would ensure that there is sufficient cash or near cash at hand at all times to enable operations to continue smoothly and without the disruption that might otherwise arise when receipts and payments occur irregularly or are delayed or accelerated. At 31 August 2016 the free general reserves balance was £9 million.

Designated funds

Designated funds are part of the unrestricted funds which the trustees have earmarked for a particular project or use, without restricting or committing the funds legally. The designation may be cancelled by the trustees if they later decide that the charity should not proceed or continue with the project for which the funds were designated.

At 31 August 2016 the designated funds totalled £40 million, (2015: £36 million) of which there were three main funds with balances as follows:

	£ million
• The Connexional Priority Fund	10
• Epworth Fund	7
• The Pension Reserve Fund	22
Total:	39

The Connexional Priority Fund (CPF) is a large designated fund that reflects the connexional nature of the Methodist Church. Its income is derived from levies on property sales. It serves to redistribute money around the Connexion as a proportion of money released in one area becomes available for new mission and ministry elsewhere. This happens via District Advance Funds (27.5% of the net levies). It has been used to promote the establishment of new church communities via VentureFX and Fresh Expressions and more recently to contribute to the general expenses of the Church through funding of the Pension Reserve Fund (45% of the net levies) and a contribution of £1 million per annum towards the work of the Discipleship and Ministries Learning Network (DMLN). The Methodist Council in 2015 approved a reserves policy for this fund, setting the long-term uncommitted reserves level of the CPF at £5m. Around £3m of this will cover the potential claims for levy refunds as applications can be made regarding replacement projects for up to five years under Standing Order 973. The remaining £2 million will cover year-to-year fluctuations in levy income and investment values.

A key financial risk faced by the Church is the level of the deficit of the defined benefit pension schemes. In order to mitigate this risk, the Pension Reserve Fund was established by the 2009 Conference to establish a fund outside of the Schemes, which could be used to meet future funding deficits. This fund has

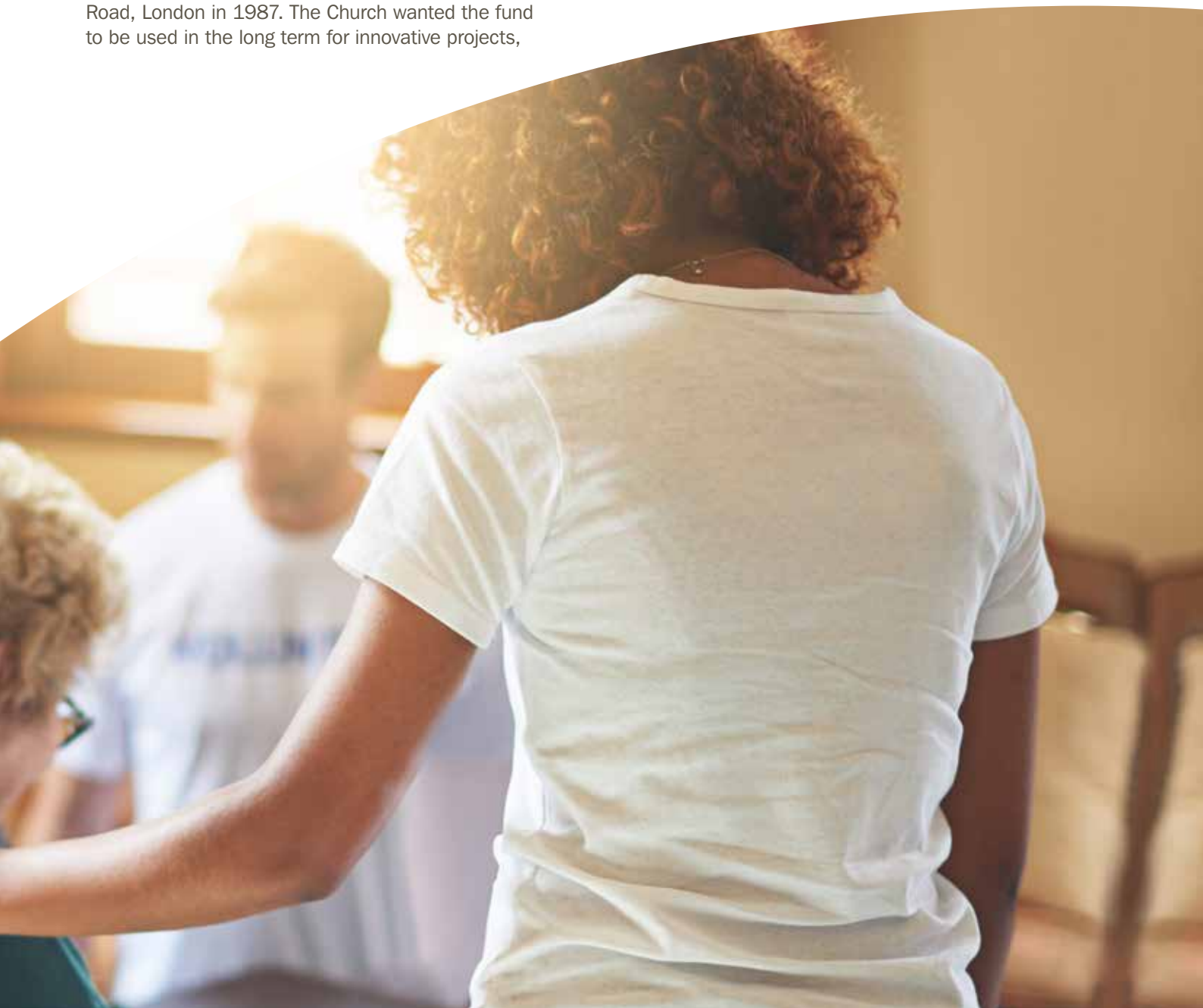


the benefit of providing comfort to the Pension Fund trustees of the financial support of the Church for the Schemes. It enables them to follow an investment policy more likely to generate higher returns than would a more conservative policy. The fund is currently making annual contributions of £1 million for 10 years (ending in 2020) to the Methodist Ministers' Pension Scheme (MMPS) in order to help eliminate the existing deficit. The accumulating level of reserves expected to be held in this fund forms part of the 'employer covenant' with the pension trustee boards and is therefore currently considered to be appropriate. This fund is defined by SO 974(iA) and decisions regarding its use can only be taken by the Conference.

The Epworth Fund, a designated fund, was set up with the proceeds from the sale of Epworth House, City Road, London in 1987. The Church wanted the fund to be used in the long term for innovative projects,

expenditure for which could not always be justified using other resources, and designated an amount of £5 million for this purpose. It receives approximately £0.2 million annually from investments and has the potential for some capital appreciation. The current expenditure policy is in line with the reserves policy and serves to ensure that the fund balance does not fall below £5 million.

At 31 August 2016 the reserves position on the designated funds is above the policy by £8 million. The Connexional Priority Fund's reserves are above the policy by £5 million and the Epworth Fund is also above policy by £2 million. The balance held in the smaller designated funds is detailed in Note 20c (page 81) in the notes to the financial statements.





Investments

As at 31 August 2016, the Church held fixed asset investments with a market value of £164 million (2015: £151 million). The Investment Committee regularly reviews the investment portfolio and performs an annual review of the investment policy. The Church's investment objective is to seek an optimal return from income and capital combined. The Investment Committee is satisfied with the overall performance of the investment portfolio against agreed benchmarks.

Investment policy and review

Funds not immediately required are invested in marketable securities through the Methodist Church's in-house investment manager, the Central Finance Board (CFB) of the Methodist Church, whose mission is to:

- **provide a high quality investment service, seeking above average returns for long-term investors;**
- **follow a discipline in which the ethical dimension is an integral part of all investment decisions;**
- **construct investment portfolios which are consistent with the moral stance and teachings of the Christian faith;**

- **encourage strategic thinking on the ethics of investment; and**
- **be a Christian witness in the investment community.**

To ensure that the CFB is working to the highest ethical standards, the trustees established the Joint Advisory Committee for the Ethics of Investment (JACEI), which is made up of five people nominated by the CFB and five by the Methodist Council. The committee monitors the activities of the CFB to ensure that it complies with the ethical stance of the Church.

With regard to investment management the Investment Committee and representatives from the Connexional Team decide, after taking advice from the CFB, the most appropriate investment strategy for each fund under the management of the Connexional Team.

In addition to marketable securities, some funds hold freehold property as investments. These tend to be either given to the fund, or are redundant properties that are either rented out or are awaiting disposal. The value of these properties is small in relation to the overall amounts held in marketable securities £40m vs £164m (2015: £33m vs £151m).

Investments (continued)

Performance and holdings

The total returns as at 31 August for CFB managed funds are summarised as follows:

Index	1 year to 31.08.16 %	5 years to 31.08.16 % p.a.	10 years to 31.08.16 %p.a.
Equity			
CFB UK Equity Fund	+10.2	+9.7	+5.8
FTSE All Share Index	+11.7	+9.5	+5.8
CFB proprietary ethical Index	+9.5	+9.7	+5.6
FTSE All Share Index (traditional ethical adjustment)	+8.9	+9.0	+5.0
CFB Overseas Fund	+24.5	+14.0	+9.3
FTSE All World ex U.K Index	+27.8	+14.2	+9.4
CFB Managed Equity Fund1	+12.4	+10.4	+6.3
Managed Equity Fund Composite Index	+14.0	+10.3	+6.3
Managed Equity Fund Composite Index (using CFB proprietary UK Index)	+12.1	+10.4	+6.2
Managed Equity Fund Composite Index (using traditional UK ethical adjustment)	+11.6	+9.8	+5.7
CFB Managed Mixed Fund1	+12.3	+9.6	+6.6
Managed Mixed Composite Index	+13.3	+9.2	+6.4
Managed Mixed Composite Index (using CFB proprietary UK Index)	+11.9	+9.4	+6.3
Managed Mixed Composite Index (using traditional UK ethical adjustment)	+11.6	+9.0	+6.0
Fixed Interest			
CFB Managed Fixed Interest Fund1	+11.1	+5.3	+5.9
Managed Fixed Interest Composite	+11.6	+5.6	+5.9
CFB Corporate Bond Fund1	+14.6	+8.0	+6.9
Corporate Bond Composite Index	+15.3	+8.1	+6.0
Property			
CFB Property Fund1,3	+9.8	+10.0	+3.4
IPD All Balanced Funds Index 2,3	+7.2	+8.4	+2.9
Cash (AERs)			
CFB Deposit Fund1	+0.6	+0.8	+2.0
Higher Rate Bank Deposits (over £10,000)	+0.1	+0.1	+0.6
1 Week LIBID	+0.3	+0.4	n/a

Principal risks and uncertainties

The Methodist Church in Great Britain has a risk management policy, which has been set by the Methodist Council for use both by the trustees and by the Connexional Team on behalf of the trustees. The risk management policy is designed to identify and analyse key strategic and operational risks facing The Methodist Church and, where at unacceptable levels, to take steps to mitigate the risks.

We define key strategic and operational risks as those that, without effective or appropriate mitigation, are highly likely to occur and would have a positive or negative impact on the Church's ability to fulfil its purpose of advancing the Christian faith in accordance with its doctrinal standards. These risks are reported to the trustees through a risk management process, which allows them both to challenge any assumptions the management team has made about risks and also to understand the context in which decisions are taken. This helps to ensure that the most serious risks are being managed effectively.

The trustees recognise that it is neither possible nor appropriate to seek to eliminate risk entirely. We recognise that risk-taking is inherent within the task of communicating the gospel; John Wesley himself took risks in establishing the Methodist communities. Our task, therefore, is to embrace risks that aim to advance the Church's purposes while ensuring that we avoid or minimise those risks that might have a negative impact. Effective risk management processes will help to increase the likelihood of the Church fulfilling its mission.

The most significant risks faced by the Church are:

- **inability to create new Methodist disciples results in further decline, ultimately resulting in the Methodist Church ceasing to exist;**
- **lack of coherent strategy and an inability to identify priorities contributes to decline, ultimately resulting in the Methodist Church ceasing to exist;**
- **circuits decide to leave the connexional framework resulting in reduction or break up of the Methodist Connexion;**
- **changes in government policy result in loss of favourable charitable status in law;**
- **ineffective recruitment and training of those who fulfil ministerial/lay roles results in shortage of ministers or decline in membership due to poor standard/allocation of ministers/lay workers;**
- **reputational damage hinders engagement with society and Church growth, or results in litigation;**
- **ineffective stewardship of resources which would increase the financial risks and damage the Church's reputation;**
- **dependency on limited income sources (the MCF assessment, investment income and donations);**
- **the impact of economic fluctuations on our assets, liabilities and our ability to raise funds to enable us to continue our work; and**
- **an unforeseen increase in the actuarial shortfall on the pension funds for which the Council could be deemed responsible.**

Principal risks and uncertainties (continued)

Risk management

The trustees consider that the following framework provides the Church with adequate measures to minimize the impact of identified risks.

Risk appetite

Risk appetite is the amount of risk that the Church is willing to accept in relation to key drivers of the organisation. Our risk management philosophy is to minimise risk but it enables us to accept additional risk, providing the impact has been evaluated, mitigation measures have been put in place and a regular robust monitoring process is established. This approach to reviewing risk enables the Methodist Council to adopt appropriate behaviours, decisions and controls according to the priorities in the Connexional Team's strategy plan.

Prior to any risk being accepted, we consider the likelihood of the risk occurring and the impact on the Church if the risk did occur. Any risk that seriously threatens the ability of The Methodist Church in Great Britain, now or in the future, to further its purpose of advancing the Christian faith will not be acceptable. If such a risk cannot be extinguished then all steps will be taken to minimise the likelihood of the risk occurring.

Risk strategy and responsibilities

The Council's role in the oversight of risk is to set the ethos for risk management and to promote a culture of risk management within the activities of The Methodist Church in Great Britain on behalf of the trustees, including:

- determining the risk appetite for key drivers of the Church; determining which types of risk are acceptable and which are not; setting of standards and expectations of staff with respect to conduct and probity;
- approving major decisions affecting the Church's risk profile or exposure;
- monitoring the management of significant risks on an annual basis by the Audit Committee and the Strategy and Resources Committee on behalf of the Council;
- satisfying itself that the less significant risks are being managed actively, with the appropriate controls in place and working effectively; and
- annually reviewing the Team's approach to risk management; approving changes or improvements to key elements of its processes and procedures; and forming an opinion on whether or not the Team has complied with expected risk management practice. For example:
 - Policies and procedures: attached to significant risks are a series of policies that underpin the internal control system. Written procedures support the policies where appropriate.
 - Reporting: the Senior Leadership Group of the Connexional Team, the Council and its committees (Audit Committee and Strategy and Resources Committee) receive a number of key reports on a regular basis, which allow for the monitoring of key risks and their controls. Decisions to rectify problems are made at regular meetings of the Senior Leadership Group and the Council if appropriate.
 - Strategic planning and budgeting: the strategic planning and budgeting process, undertaken by the Strategy and Resources Committee, is used to set objectives, agree action plans and allocate resources. Progress towards meeting strategic plan objectives is monitored regularly.
 - Risk register: registers exist for both the corporate and programme dimensions of the life of the Church. These documents are formally appraised annually and updated for emerging risks as these arise. Additionally, improvement actions and risk indicators are monitored regularly.
 - Team risk management: the senior managers are expected to use the framework of the plan to ensure that risk management is embedded within their areas of responsibility and that significant risks are identified, assessed and referred to the Connexional Secretary, who acts as the Church's 'Risk Champion'. This also includes the removal of any previously listed risks where the threat is no longer significant enough to be included in the document.

- **Audit Committee:** in its report to the Council on internal controls, the Audit Committee alerts the Council to any emerging issues. In addition, the Committee oversees internal audit, external audit and management as required in its review of the internal controls. The Committee is therefore well-placed to provide advice to the Council on the effectiveness of the internal control system, including the Team's system for the management of risk.
- **Internal audit programme:** internal audit is an important element of the internal control process. Apart from the normal programme of work, the internal audit is responsible for aspects of the annual review of the effectiveness of the internal control system within the organisation.
- **External audit:** external audit provides a report to the Audit Committee on the operation of the internal financial controls and the statutory requirements placed upon the trustee body.
- **Third party reports:** from time to time, the use of external consultants will be necessary in areas such as health and safety and human resources. The use of specialist third parties for consulting and reporting can increase the reliability of the internal control system.

Monitoring and review of the policy

The risk management policy is reviewed by the Senior Leadership Group of the Connexional Team, meeting annually as the Risk Management Group, which makes reports to the Audit Committee and makes recommendations to the Strategy and Resources Committee and/or the Council.

For the year under review, the Council is satisfied that the major risks to which the Church is exposed have been assessed and is satisfied that systems are in place to manage and mitigate exposure to them.

Risk management is part of the wider system of internal control. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the Church to respond to a variety of operational, legal, financial and commercial risks.

The environment

The Methodist Church takes its responsibility towards the environment seriously (as detailed in *Hope in God's Future*) and has established a Carbon Reduction project, whose management group works with ecumenical partners to lead the Church's policy and action in this area. The Methodist Church has set itself an ambitious target of an 80% reduction of carbon emissions by 2050. Interim targets will need to be reviewed annually against a carbon management plan and budgets.

Our environmental goals

- improved knowledge of the footprint of the Methodist Church and of the measures that would be most effective in reducing carbon emissions;
- improved knowledge of further technical support that could be made available to support circuits' adaptation of buildings;
- further financial resources identified to support reduction in carbon emissions; and
- improved equipping of staff and ministers to make informed choices to reduce their carbon footprint.

Related parties

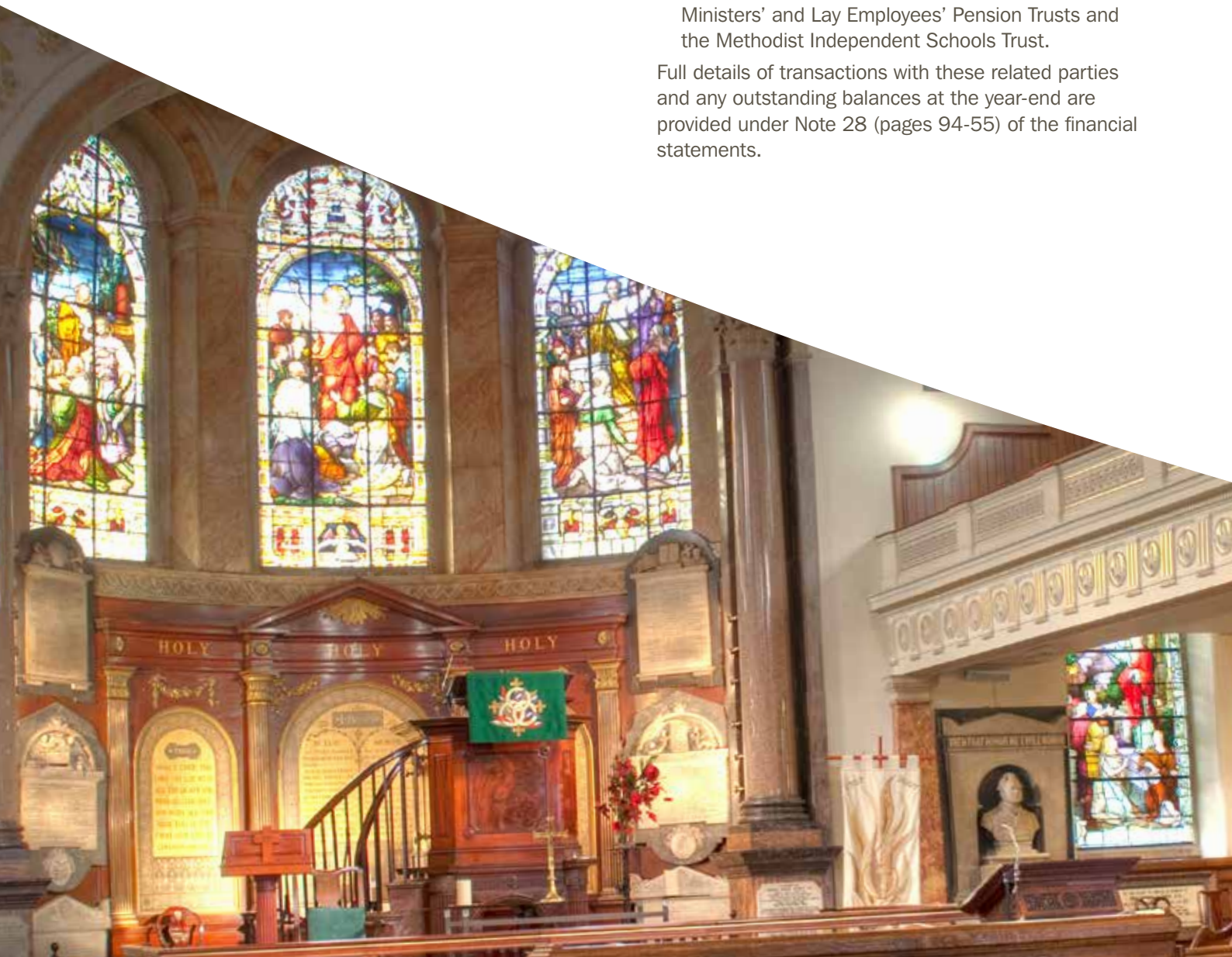
The various parts of the legal framework within which the Methodist Church is governed allow for the setting up of separate bodies, all reporting into the Conference, to handle specific aspects of the Church's work and/or discharge a specific power of the Church.

- a) The Trustees for Methodist Church Purposes (TMCP) are the custodian trustees of all property held on the model trust of the Methodist Church Act 1976, except for that in the Channel Islands or the Isle of Man which is held by the Trustees for Jersey Methodist Church Purposes, the Trustees for Guernsey Methodist Church Purposes or the Trustees for Manx Methodist Church Purposes.
- b) The Central Finance Board (CFB) of the Methodist Church set up by an Act of Parliament in 1960 to enable Methodist organisations to pool their assets and manage them efficiently. The Board has its own fund management department enabling it

to provide professional investment management for the Connexional Team as well as other organisations within Methodism.

- c) The Methodist Ministers' Housing Society – set up under the Community and Co-operative Benefit Societies Act 2014 and operating from Methodist Church House in London – provides housing and associated amenities for retired Methodist presbyters, deacons and their partners. The Methodist Council makes regular grants from the Fund for the Support of Presbyters and Deacons (FSPD) in support of its work under Standing Order 364.
- d) The Queen's Foundation for Ecumenical and Theological Education, which offers training pathways for student ministers to prepare for ordained ministry in the Methodist Church.
- e) Other Methodist bodies with which the Connexional Team has regular dealings include the Methodist Ministers' and Lay Employees' Pension Trusts and the Methodist Independent Schools Trust.

Full details of transactions with these related parties and any outstanding balances at the year-end are provided under Note 28 (pages 94-55) of the financial statements.



Statement of trustees' responsibilities

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure of the charity for that period. In preparing these financial statements, the trustees are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) observe the methods and principles in the Charities SORP;
- c) make judgements and estimates that are reasonable and prudent;
- d) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- e) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the

Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group 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 charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

A resolution proposing the re-appointment of RSM UK Audit LLP as auditor to the charity will be put to the Methodist Council.

RSM UK Audit LLP has indicated its willingness to continue in office.

The Reverend Ruth M Gee
Chair of the Council



02 April 2017



Independent Auditor's Report to the trustees of The Methodist Church in Great Britain

Opinion on financial statements

We have audited the accounts ('financial statements') of The Methodist Church in Great Britain (the 'charity') and its subsidiaries (the 'group') for the year ended 31 August 2016, which comprise the Consolidated Statement of Financial Activities, the Connexional ('parent charity') Statement of Financial Activities, Consolidated and parent charity Balance Sheets, the Consolidated and parent charity Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charity's affairs as at 31 August 2016 and of their incoming resources and application of resources 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 Charities Act 2011.

Emphasis of matter – early adoption of the Charities SORP (FRS 102)

In forming our opinion, which is not modified, we have considered the disclosure in note 1a) concerning the charity's early adoption of the Charities SORP (FRS 102) issued in July 2014, rather than applying the Charities 2005 SORP which has been withdrawn but is still referred to in the extant Charities (Accounts and Reports) Regulations 2008. This departure has been necessary for the financial statements to show a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for accounting periods beginning on or after 1 January 2015.

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 <http://www.frc.org.uk/auditscopeukprivate>.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 39, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 151 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. 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.

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.

RSM UK AUDIT LLP Statutory Auditor
Chartered Accountants
Hartwell House
55 – 61 Victoria Street
Bristol, BS1 6AD

RSM UK Audit LLP

Date: *6 April 2017*

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.



Consolidated statement of financial activities

For the year ended 31 August 2016

	Notes	Unrestricted £000	Restricted £000	Endowment £000
Income and endowments from:				
Donations and legacies	2a	785	5,963	-
Charitable activities				
District Assessment		13,067	-	-
Investments	3a	1,296	4,160	-
Other trading activities	4a	887	7,987	-
Other				
Capital levies	5a	7,035	-	-
Grants	5b	-	757	-
Miscellaneous income	2c	415	744	-
Net gains on the disposal of tangible fixed assets		-	322	-
Total income	20a, 21a, 22a	23,485	19,933	-
Expenditure on:				
Raising funds	6a	1,517	6,632	13
Charitable activities				
Equipping the church to engage society	6a, 21a, 22a	10,853	6,225	-
Formation, training, development and resourcing	6a, 21a, 22a	7,113	3,745	2
Empowering the ministry of overseas partners	6a, 21a, 22a	1,560	6,115	-
Advocacy and education	6a, 21a, 22a	2,376	118	-
Net loss on the disposal of tangible fixed assets		10	-	-
Total expenditure on charitable activities		21,912	16,203	2
Total expenditure	21a, 22a	23,429	22,835	15
Net gains on investments	15a	4,383	11,010	1,440
Net income		4,439	8,108	1,425
Transfers between funds	20a, 21a, 22a	946	(1,131)	185
Net income after transfers		5,385	6,977	1,610
Other recognised gains and losses:				
Actuarial gains/(losses) on defined benefit pension schemes	13	(12,226)	(115)	-
Net movement in funds		(6,841)	6,862	1,610
Total funds at 1 September as restated		55,789	174,755	15,836
Total funds at 31 August	20a, 21a, 22a	48,948	181,617	17,446

2016 Total £000	Unrestricted £000	Restricted £000	Endowment £000	Restated 2015 Total £000
6,748	642	7,674	-	8,316
13,067	12,810	-	-	12,810
5,456	1,251	3,629	-	4,880
8,874	663	8,293	-	8,956
7,035	5,515	-	-	5,515
757	23	606	-	629
1,159	546	924	-	1,470
322	-	1,764	-	1,764
43,418	21,450	22,890	-	44,340
8,162	1,545	6,051	25	7,621
17,078	8,576	3,550	-	12,126
10,860	6,206	4,147	2	10,355
7,675	1,485	5,408	-	6,893
2,494	1,988	121	-	2,109
10	-	-	-	-
38,117	18,255	13,226	2	31,483
46,279	19,800	19,277	27	39,104
16,833	68	4,285	74	4,427
13,972	1,718	7,898	47	9,663
-	765	(949)	184	-
13,972	2,483	6,949	231	9,663
(12,341)	91	20	-	111
1,631	2,574	6,969	231	9,774
246,380	53,215	167,786	15,605	236,606
248,011	55,789	174,755	15,836	246,380

Statement of financial activities – The Connexional Funds

For the year ended 31 August 2016

	Notes	Unrestricted £000	Restricted £000	Endowment £000
Income and endowments from:				
Donations and legacies	2b	785	4,009	-
Charitable activities				
District Assessment		13,067	-	-
Investments	3b	1,296	4,984	-
Other trading activities	4b	907	1,452	-
Other				
Capital levies	5a	7,035	-	-
Grants	5c	-	196	-
Miscellaneous income	2d	463	110	-
Net gains on the disposal of tangible fixed assets		-	-	-
Total income		23,553	10,751	-
Expenditure on:				
Raising funds	6b	1,517	1,281	13
Charitable activities				
Equipping the church to engage society	6b, 20b, 21b, 22b	11,141	5,018	-
Formation, training, development and resourcing	6b, 20b, 21b, 22b	7,113	1,870	2
Empowering the ministry of overseas partners	6b, 20b, 21b, 22b	1,560	5,072	-
Advocacy and education	6b, 20b, 21b, 22b	2,376	92	-
Net loss on the disposal of tangible fixed assets		10	-	-
Total expenditure on charitable activities		22,200	12,052	2
Total expenditure	6b, 20b, 22b	23,717	13,333	15
Net gains on investments	15b	4,383	5,981	1,440
Net income		4,219	3,399	1,425
Transfers between funds		946	(1,131)	185
Net income after transfers		5,165	2,268	1,610
Other recognised gains and losses:				
Actuarial gains/(losses) on defined benefit pension schemes	13	(12,226)	(115)	-
Net movement in funds		(7,061)	2,153	1,610
Total funds at 1 September as restated		55,789	153,936	15,836
Total funds at 31 August		48,728	156,089	17,446

2016 Total £000	Unrestricted £000	Restricted £000	Endowment £000	Restated 2015 Total £000
4,794	642	4,951	-	5,593
13,067	12,810	-	-	12,810
6,280	1,251	4,902	-	6,153
2,359	663	1,631	-	2,294
7,035	5,515	-	-	5,515
196	23	181	-	204
573	594	82	-	676
-	-	1,763	-	1,763
34,304	21,498	13,510	-	35,008
2,811	1,545	785	25	2,355
16,159	8,601	3,652	-	12,253
8,985	6,466	3,658	2	10,126
6,632	1,485	2,928	-	4,413
2,468	1,988	121	-	2,109
10	-	-	-	-
34,254	18,540	10,359	2	28,901
37,065	20,085	11,144	27	31,256
11,804	68	3,225	74	3,367
9,043	1,481	5,591	47	7,119
-	1,002	(1,186)	184	-
9,043	2,483	4,405	231	7,119
(12,341)	91	20	-	111
(3,298)	2,574	4,425	231	7,230
225,561	53,215	149,511	15,605	218,331
222,263	55,789	153,936	15,836	225,561

The Methodist Church in Great Britain

Balance Sheets as at 31 August 2016

	The Methodist Church in Great Britain			The Connexional Funds	
	Notes	2016 £000	Restated 2015 £000	2016 £000	Restated 2015 £000
Fixed assets					
Intangible Assets	14c	171	65	171	65
Tangible fixed assets	14a, b	93,101	90,463	85,931	83,348
Investments	15a, b	164,250	150,765	148,763	138,684
		257,522	241,293	234,865	222,097
Current assets					
Stocks	18	145	189	145	178
Debtors	16	6,986	5,668	6,231	5,224
Short term deposits		20,518	17,511	16,810	15,361
Cash at bank and in hand		1,349	3,430	1,078	2,519
Total current assets		28,998	26,798	24,264	23,282
Creditors					
Amounts falling due within one year	17a	(15,964)	(11,085)	(14,323)	(9,406)
Net current assets		13,034	15,713	9,941	13,876
Total assets less current liabilities		270,556	257,006	244,806	235,973
Creditors					
Amounts falling due after more than one year	17b	(6,343)	(6,899)	(6,341)	(6,685)
Net assets excluding pension liability		264,213	250,107	238,465	229,288
Defined benefit pension scheme liability	13	(16,202)	(3,727)	(16,202)	(3,727)
Net assets including pension liability	23	248,011	246,380	222,263	225,561
The funds of the charity:					
Unrestricted funds					
General funds		25,507	23,882	25,287	23,882
Designated funds		39,776	35,899	39,776	35,899
Defined benefit pension scheme liability	13	(16,335)	(3,992)	(16,335)	(3,992)
Total unrestricted funds	20,24	48,948	55,789	48,728	55,789
Restricted funds	21,24	181,617	174,755	156,089	153,936
Endowment funds	22	17,446	15,836	17,446	15,836
Total funds		248,011	246,380	222,263	225,561

Total unrestricted funds include revaluation reserve of £6.5m (2015: £6.5m). Total restricted funds include revaluation reserve of £58.5m (2015: £58.5m) for The Methodist Church in Great Britain and £56.6m (2015: £56.6m) for The Connexional Funds.

The notes on pages 49-101 form an integral part of these financial statements.

Approved and authorised for issue by the Board of Trustees on 02 April 2017 and signed on their behalf by:



The Reverend Ruth M Gee
Chair of the Council



The Reverend Timothy Swindell
Connexional Treasurer

The Methodist Church in Great Britain

Consolidated cash flow statement for the year ended 31 August 2016

Statement of cash flows	Note	2016 £000	Restated 2015 £000
Cash flows from operating activities			
Net cash used in operating activities		(3,608)	(1,414)
Cash flows from investing activities			
Dividends, interest and rents from investments		5,297	4,876
Proceeds from the sale of property, plant and equipment		627	2,553
Investment cash withdrawn	15a	1,633	10,709
Purchase of property, plant and equipment	14a	(3,586)	(5,782)
Purchase of intangible assets	14c	(138)	-
Cash received from asset held for sale		-	228
Proceeds from the sale of investments	15a	4,794	6,999
Purchase of investments	15a	(3,079)	(7,431)
Net cash provided by investing activities		5,548	12,152
Cash flows from financing activities			
Repayments of borrowing		(1,014)	(914)
Net cash used in financing activities		(1,014)	(914)
Change in cash and cash equivalents in the reporting period		926	9,824
Cash and cash equivalents at the beginning of the reporting period		20,941	11,117
Cash and cash equivalents at the end of the reporting period		21,867	20,941
Reconciliation of net income to net cash flow from operating activities			
Net income for the reporting period (as per the statement of financial activities)		13,972	9,663
Adjustments for:			
Depreciation and amortisation charges		353	487
Profit on the sale of fixed assets		(322)	(1,764)
Loss on the sale of fixed assets		10	-
Gains on investments		(16,833)	(4,427)
Dividends, interest and rents from investments		(5,456)	(4,880)
Decrease in stocks		44	21
Increase in debtors		(1,318)	(790)
Increase / (decrease) in creditors		5,337	(825)
Difference between pension costs charged and paid		605	1,101
Net cash used in operating activities		(3,608)	(1,414)
Analysis of cash and cash equivalents			
Cash in hand and at bank		1,349	3,430
Short term deposits (less than 3 months) (restated ¹)		20,518	17,511
Total cash and cash equivalents		21,867	20,941

¹ Short term deposits now include deposits held at the Central Finance Board of the Methodist Church. Previously, these were included in the investment portfolio as fixed asset investments.

The Methodist Church in Great Britain

The Connexional Funds cash flow statement for the year ended 31 August 2016

	2016	2015
		Restated
Statement of cash flows	£000	£000
Cash flows from operating activities		
Net cash used in operating activities	(3,761)	(4,107)
Cash flows from investing activities		
Dividends, interest and rents from investments	5,760	6,149
Proceeds from the sale of property, plant and equipment	475	2,548
Investment cash withdrawn	15b -	10,522
Purchase of property, plant and equipment	14b (3,253)	(4,499)
Purchase of intangible assets	14c (138)	-
Proceeds from the sale of assets held for sale	-	228
Proceeds from the sale of investments	15b 4,707	6,917
Purchase of investments	15b (2,982)	(6,776)
Net cash provided by investing activities	4,569	15,089
Cash flows from financing activities		
Repayments of borrowing	(800)	(700)
Net cash used in financing activities	(800)	(700)
Change in cash and cash equivalents in the reporting period	8	10,282
Cash and cash equivalents at the beginning of the reporting period	17,880	7,598
Cash and cash equivalents at the end of the reporting period	17,888	17,880
	2016	2015
	£000	£000
Reconciliation of net income to net cash flow from operating activities		
Net income for the reporting period (as per the statement of financial activities)	9,043	7,119
Adjustments for:		
Depreciation and amortisation charges	227	426
Loss/(profit) on the sale of fixed assets	10	(1,763)
Gains on investments	(11,804)	(3,367)
Dividends, interest and rents from investments	(6,280)	(6,153)
Decrease in stocks	33	18
Increase in debtors	(1,007)	(486)
Increase/(decrease) in creditors	5,373	(1,127)
Difference between pension costs charged and paid	644	1,226
Net cash used in operating activities	(3,761)	(4,107)
	2016	Restated 2015
	£000	£000
Analysis of cash and cash equivalents		
Cash in hand and at bank	1,078	2,519
Short term deposits (less than 3 months) (restated 1)	16,810	15,361
Total cash and cash equivalents	17,888	17,880

1 Short term deposits now include deposits held at the Central Finance Board of the Methodist Church. Previously, these were included in the investment portfolio as fixed asset investments.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016

1 Accounting policies

a) Scope and basis of the preparation of the financial statements

The Methodist Church in Great Britain is a public benefit entity for the purposes of FRS 102 and therefore the financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) ('the SORP'), the Charities Act 2011 and UK Generally Accepted Practice.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005, which has since been withdrawn.

The preparation of the financial statements in accordance with FRS 102 requires the trustees to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement, or areas where assumptions or estimates were significant to the financial statements are disclosed in Note 30 on pages 96-101.

b) Reconciliation with previous Generally Accepted Accounting Practice

These financial statements for the year ended 31 August 2016 are the first financial statements that comply with FRS 102. The date of transition is 1 September 2014.

The transition to FRS 102 has resulted in a number of changes in accounting policies to those used previously which include:

- a) short-term compensated absence arising from employee entitlement from the charity to paid annual leave (holiday pay). The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken;
- b) employee benefits, in respect of a defined benefit pension scheme; and
- c) revaluation of fixed assets on transition.

The financial statements have subsequently been restated in accordance with FRS 102 at the date of transition. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance is given in Note 25 to the financial statements.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

c) Preparation of the financial statements on a going concern basis

These financial statements have been prepared on the basis that The Methodist Church in Great Britain is a going concern. A comprehensive review of the Church's financial performance and general reserves position is covered in the financial statements and trustees' report. Evidently, the Church has adequate financial resources and is able to manage the business risks. The planning processes, including financial projections, take into consideration the prevailing economic climate and its potential impact on the various sources of income and planned expenditure. The trustees have looked at least 12 months ahead and are satisfied that the Church has adequate resources to continue in operational existence for the foreseeable future and that there are no material uncertainties that call into doubt the Church's ability to continue in operation.

d) Group financial statements

The Statement of Financial Activities (SOFA) and balance sheet consolidate the financial statements of the Church and its subsidiary undertakings as set out in the diagram on page 51.

The consolidation principles applied are based on FRS 102 24.14 whereby the parent charity consolidates the subsidiaries it controls. Control in this context is the power to govern the financial and operating policies of an entity in order to benefit from its activities. This control is exercised through trusteeship. The Methodist Council, as managing trustee, has the ability to govern the financial and operating policies of the entities listed on page 6.

The beneficial element of this control is demonstrated by the concurrence of purpose. All the subsidiary entities included in the consolidation contribute to the purposes and aims of The Methodist Church in Great Britain and benefit its beneficiaries.

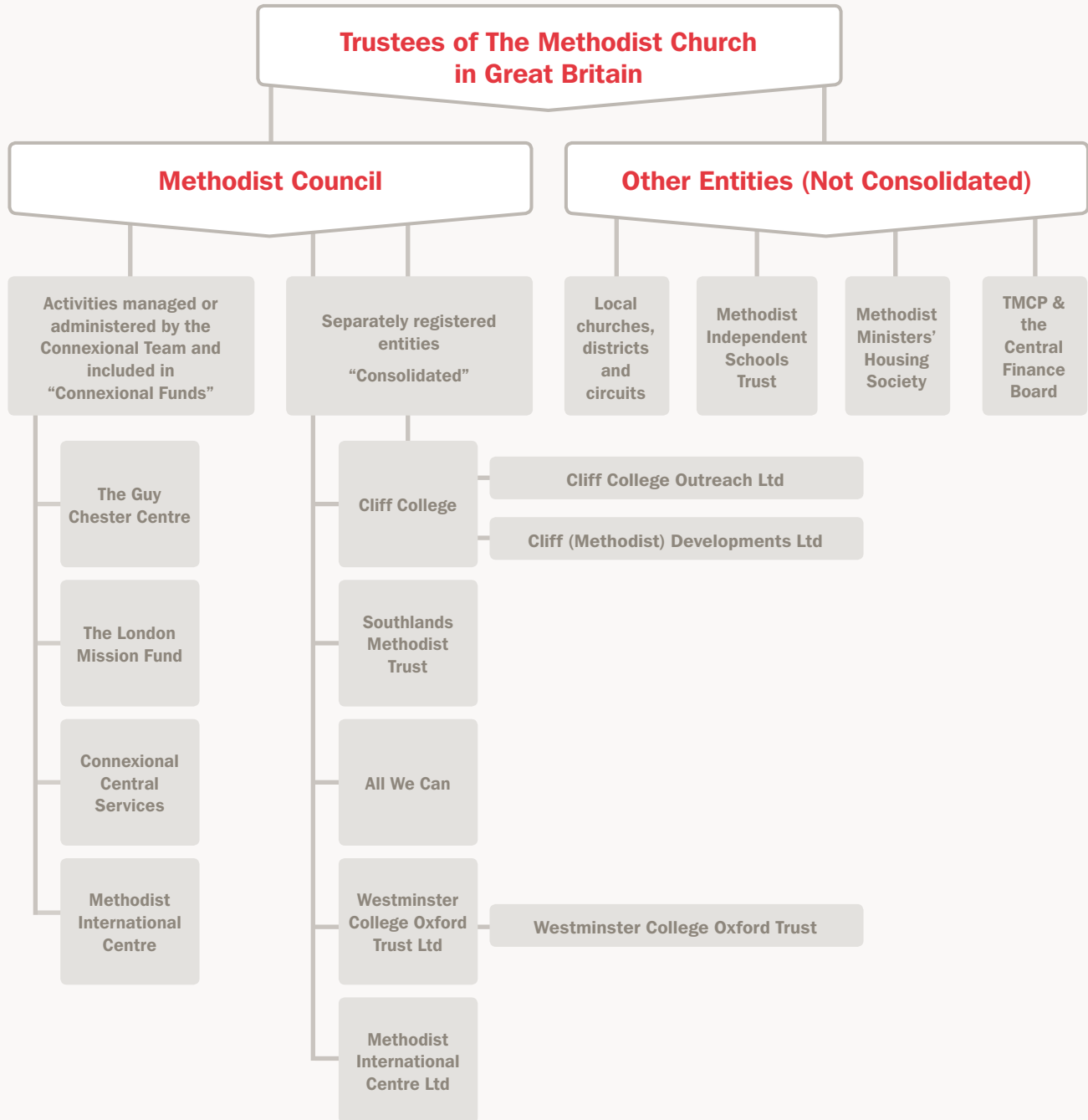
The results of the subsidiary entities are consolidated on a line-by-line basis in accordance section 9 of FRS 102. Any inter-entity balances and transactions have been eliminated on consolidation. All the entities have the same reporting date and uniform group accounting policies have been adopted.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

e) The group structure



The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

f) Excluded entities

There are a number of entities which form part of the wider picture of The Methodist Church in Great Britain, some of which are mentioned below. These entities are excluded from consolidation because the Methodist Council has no control over their financial and operating policies.

Methodist churches, circuits and districts

Methodist Independent Schools Trust

Trustees for the Methodist Church Purposes (TMCP)

The Central Finance Board (CFB)

The Methodist Ministers' Housing Society

g) Recognition of income and endowments

All income is accounted for when the Church has entitlement to the funds, the amount can be quantified and receipt of the funds is probable. Where income is received in advance of providing goods and/or services, it is deferred until the Church becomes entitled to that income.

All income is reported gross. Any fee charged for fundraising by third parties and deducted from the amount collected before it is remitted to the Church is not offset against the fundraised income recognised in the financial statements but is reported as a fundraising expense.

No amounts are included in the financial statements for services donated by volunteers.

District Assessment

The assessment is accounted for on a receivable basis. The amount can be measured reliably by the Church as it is published annually in advance in the Minutes of Conference. Standing Order 361 (2) states that the Methodist Church Fund shall be maintained “by an assessment levied by the Conference on each Circuit in the home church through the Districts [...]”. The assessment primarily funds the decisions of the Conference, part of which is the provision of certain services such as the administration of the connexionally held funds and the processing of ministerial stipends.

Donations

Donations are recognised when there is evidence of entitlement, receipt is probable and the amounts can be measured reliably. Where a donor has specified certain terms and conditions, the Church evaluates whether these conditions can be met before claiming entitlement. In any event, donations or gifts with conditions or terms which are outside of the Church's stated purposes, or which are illegal are rejected by the Church.

Goods donated for ongoing use by the Church in carrying out its activities are recognised as tangible fixed assets with the corresponding gain recognised as income from donations within the SOFA, subject to the capitalisation threshold of £1,000.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

Legacies

Entitlement to a legacy is assumed when there is sufficient evidence that a gift has been left to the Church, usually through the notification of a will. Receipt of a legacy is deemed probable when there has been a grant of probate and it has been established that there are sufficient assets in the estate to pay the legacy and there are no conditions attached to the legacy that are outside the control of the Church, or uncertainty around the receipt of this gift. Income from pecuniary legacies is recognised upon notification or receipt if earlier.

Where legacies have been notified to the Church or the Church is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Capital (property) levies

Capital levies are due on the disposition of property by churches, circuits and districts under Standing Order 970 of the Constitutional Practice and Discipline of the Methodist Church. These are accounted for on a receipts basis when the disposal proceeds are deposited with the Church's custodian, Trustees for Methodist Church Purposes. Capital levies are disclosed net of any refunds due back to the church, circuit or district.

Grants

Income from grants is recognised when there is evidence of entitlement to the grant, receipt is probable and its amount can be measured reliably. To this end, evidence of entitlement is assumed to exist when the formal offer of funding is communicated in writing to the Church. Where there is a performance condition attached to the grant, entitlement is only recognised when the conditions have been met.

h) Recognition of expenditure

All expenditure is accounted for on an accruals basis when an obligation that can be measured or reliably estimated exists at the reporting date and it is more likely than not that payment will be made in settlement. There are two main categories of expenditure shown in the statement of financial activities: expenditure on raising funds and charitable activities.

Expenditure on raising funds includes all expenditure incurred to raise income to spend on charitable purposes. Expenditure on charitable activities includes all costs incurred by the Church in undertaking activities that further its charitable aims for the benefit of its beneficiaries. This expenditure is further analysed into direct and support costs. Direct costs are those specifically related to producing the delivery of an activity or service, for example the costs incurred in training ministers; mission partners working overseas or the payment of grants to beneficiaries. Support costs are those which provide indirect support to front-line services – for example financial services, facilities management, development and personnel, governance costs and management information services. Support costs not attributable to a single activity have been allocated on a basis consistent with identified cost drivers for that cost category such as staff head count and floor space.

Grant commitments

Grants awarded are provided for in the SOFA in the year in which they are approved by the Trustees and the offer is communicated to the recipient. Grants awarded but not paid are recorded as a liability within the balance sheet. Grants awarded subject to explicit conditions being met by the recipient before payments are made are not accrued until such conditions have been met. Such commitments are disclosed in the financial statements as contingent liabilities.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

i) Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general charitable objectives. Designated funds are a portion of the unrestricted funds that have been set aside for a particular purpose by the trustees. Restricted funds are donated for a particular purpose, the use of which is restricted to that purpose. The purposes of the main restricted and designated funds are set out in the notes to the financial statements on pages 81-88 (Notes 20-21). Endowment funds are either permanent or expendable. Permanent funds are normally held indefinitely, while trustees have the power to convert expendable funds into income. The endowment funds held by the Church are shown on page 87 (Note 22). The return on endowment investments is made up of income earned.

The costs of raising and administering the restricted funds are charged against the specific fund. Any investment income or gain is allocated to the appropriate fund in the case of restricted funds and in accordance with the terms of the endowment in the case of endowment funds.

j) Pension costs

Defined benefit pension schemes

The Methodist Council participates in three main pension schemes: the Methodist Ministers' Pension Scheme (MMPS); the Pensions and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC); and the Superannuation Scheme for Lay Mission Partners of the Methodist Church (SSMP).

The PASLEMC scheme is treated as a group plan for accounting purposes, with the Methodist Council as the sponsoring employer with legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore the Council has recognised the entire net defined benefit cost and the relevant net defined benefit liability in its financial statements. Participation in a group pension plan is a related party transaction. The Council's policy is to recognise the contributions paid to the Scheme by other group employers as a credit in the Statement of Financial Activities.

The MMPS is also a group scheme as all of the participating entities, mainly the circuits and the Council, are under the common control of the Conference. However the Council has adopted a different accounting policy for this Scheme set out in detail in Note 30 on pages 97-101.

The pension assets and liabilities in respect of the PASLEMC and SSMP schemes are recorded in line with FRS 102, with scheme valuations undertaken by independent actuaries. FRS 102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities. Current service costs, together with the net interest cost for the year, are allocated to relevant expenditure headings within the SOFA. The MMPS scheme assets and liabilities are excluded for reasons set out in Note 30 – Accounting estimates and judgements (pages 97-101). For the MMPS, costs equal to the contributions paid are recognised in the financial statements as they fall due. Pension costs are allocated to activities and between funds according to an employee's normal job function.

Scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent term to the scheme liabilities. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the consolidated statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting defined benefit asset or liability is presented separately on the face of the balance sheet.

Defined contribution pension schemes

Pension costs in respect of defined contribution schemes are charged to the SOFA for the period in which they are payable. Such costs are allocated to activities and between funds according to an employee's normal job function.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

k) Stocks

Stock consists of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

l) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the SOFA.

m) Tangible fixed assets

All tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition and irrecoverable VAT. Subsequently, charitable (functional) buildings are held at valuation. The Church undertakes to perform the valuations every five years to ensure that the carrying amount does not differ materially from the fair value of the asset at the end of the reporting period. Work to existing properties which is capable of extending the useful life or otherwise adding to the value of the property is capitalised. All other expenditure incurred in respect of general repairs to functional assets is charged to the SOFA in the year it is incurred. Assets under construction are stated at cost and transferred to completed properties when ready for use.

n) Depreciation

The depreciation expense is charged or apportioned to the relevant SOFA heading reflecting the asset's use on a straight line basis as follows:

Freehold land	nil
Freehold buildings	over 75 years
Computer equipment	over 3 years
Motor vehicles	over 5 years
Furniture and fittings	over 5 years

o) impairment

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Church estimates the recoverable amount of the asset or, for goodwill, the recoverable amount of the cash-generating unit to which the goodwill belongs. Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in the Statement of Financial Activities. Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in the Statement of Financial Activities or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

p) Intangible fixed assets and amortisation

Intangible assets are held on the balance sheet at cost less accumulated amortisation and impairment losses.

Computer software, including development costs, is capitalised as an intangible asset and amortised on a straight line basis over the expected useful life of five years. Impairment reviews are conducted when events and changes in circumstances indicate that an impairment may have occurred. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.

q) Heritage assets

There are four Methodist Heritage sites in Great Britain which fit into this definition. These are: The Old Rectory, Epworth, Lincolnshire - the childhood home of John and Charles Wesley; the New Room (John Wesley's Chapel), Bristol - the first ever Methodist building in the world; Wesley's Chapel and House and the Museum of Methodism, London - John Wesley's London base (from which he travelled 250,000 miles to preach, and the place of his death and burial) and Englesea Brook Chapel & Museum of Primitive Methodism, near Crewe - exhibitions and activities focusing on one strand of 19th Century Methodism. These assets have not been consolidated in the financial statements because they belong to entities which are not under the control of the Methodist Council.

r) Investments

Investments are stated at fair value at the balance sheet date and the statement of financial activities shows net investment gains and losses arising from revaluation of the investment portfolio and disposals during the year. Investment properties are initially recognised at cost, which includes purchase cost and any directly attributable expenditure. Subsequently, investment properties are measured at fair value. The surplus or deficit on revaluation is recognised in net income for the year. Investment properties are revalued triennially by independent professionals who hold recognised and relevant professional qualifications and have recent experience in the location and class of the investment property being valued. In the intervening periods the valuations are carried out by the trustees.

The fair value of quoted securities is based on the bid market quotation on the relevant Stock Exchange. Investments, which are held in units in the Central Finance Board, are stated at the Board's published valuations. The value of the unlisted investments in William Leech (Investments) Ltd are stated at the underlying value of the net assets based on the company's audited balance sheet at 31 March 2016, updated by the value of any share acquisitions (at cost) up to 31 August 2016, as the assets are held at fair value.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Accounting policies (continued)

s) Irrecoverable VAT

Irrecoverable VAT has been charged to the expenditure to which it relates within the statement of financial activities.

t) Cash and cash equivalents

Cash and cash equivalents includes cash and cash held on deposit with the Central Finance Board of the Methodist Church and the Trustees Investment Fund of the Trustees for Methodist Church Purposes and which has a maturity of less than three months from the date of acquisition and are used for working capital purposes. Cash and cash on deposit are cash and cash equivalents for the purposes of the cash flow statement.

u) Financial Instruments

The Church has basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value. Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Creditors are recognised where the Church has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

v) Concessionary loans made

Methodist ministers or probationers appointed for the first time to a station within the control of the Church are eligible to receive financial assistance from the Methodist Church Fund. This assistance may be given by way of grant or interest free loan or a combination of both according to criteria set by the Methodist Council. The maximum amount for a loan is £6,000 repayable over six years. Ministers aged 55 and over (taking age as at 31 August next following acceptance as candidate) are not eligible to apply for the loan. Additionally, loans may be advanced to other Methodist bodies from trusts under the control of the Methodist Council in line with the trust's individual objectives. Initial recognition and measurement of the loans is based on the actual value of the loan advanced. In subsequent years, the carrying amount is adjusted to reflect repayments. If a loan that has been made is found to be irrecoverable an adjustment will be made for impairment.

w) Termination benefits and payments

The Council may be committed, by legislation, contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments to employees when it terminates their employment.

Termination benefits that arise as a result of either the Council's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy during an organisational restructure are recognised as an expense and charged to the Statement of Financial Activities when the Council is demonstrably committed to terminating the employment of an employee or group of employees before the normal retirement date; or to providing termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits that arise as part of a settlement agreement are recognised once the period of consultation between the employee and their representative is completed and terms are agreed upon.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain

2a. Donations and legacies	Unrestricted	Restricted	2016 Total £000	Unrestricted	Restricted	2015 Total £000
	£000	£000		£000	£000	
Donations	576	4,733	5,309	633	5,046	5,679
Legacies	209	1,230	1,439	9	2,628	2,637
Total	785	5,963	6,748	642	7,674	8,316

The Connexional Funds

2b. Donations and legacies	Unrestricted	Restricted	2016 Total £000	Unrestricted	Restricted	2015 Total £000
	£000	£000		£000	£000	
Donations	576	3,281	3,857	633	3,409	4,042
Legacies	209	728	937	9	1,542	1,551
Total	785	4,009	4,794	642	4,951	5,593

The Methodist Church in Great Britain

2c. Miscellaneous income	Unrestricted	Restricted	2016 Total £000	Unrestricted	Restricted	2015 Total £000
	£000	£000		£000	£000	
Student fees	-	546	546	-	713	713
Seminars and events	125	72	197	114	-	114
Conference income	27	-	27	12	-	12
Bureau and accountancy services	251	-	251	283	-	283
Others	12	126	138	137	211	348
Total	415	744	1,159	546	924	1,470

The Connexional Funds

2d. Miscellaneous income	Unrestricted	Restricted	2016 Total £000	Unrestricted	Restricted	2015 Total £000
	£000	£000		£000	£000	
Seminars and events	125	72	197	144	-	144
Conference income	27	-	27	12	-	12
Administration & IT services	34	-	34	64	-	64
Bureau and accountancy services	251	-	251	283	-	283
Others	26	38	64	91	82	173
Total	463	110	573	594	82	676

The Methodist Church in Great Britain

3a. Investment income	Unrestricted	Restricted	2016 Total £000	Unrestricted	Restricted	2015 Total £000
	£000	£000		£000	£000	
Central Finance Board	1,239	3,269	4,508	1,203	2,718	3,921
Interest and other investment income	57	129	186	48	117	165
William Leech (Investments) Ltd	-	762	762	-	794	794
Total	1,296	4,160	5,456	1,251	3,629	4,880

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Connexional Funds

3b. Investment income	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£000	£000	Total	£000	£000	Total
			£000			£000
Central Finance Board	1239	2,812	4,051	1,203	2,655	3,858
Interest and other investment income	57	76	133	48	67	115
Gift aid received from the Methodist International Centre (MIC) Ltd	-	1,334	1,334	-	1,386	1,386
William Leech (Investments) Ltd	-	762	762	-	794	794
Total	1,296	4,984	6,280	1,251	4,902	6,153

The Methodist Church in Great Britain

4a Other trading activities	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£000	£000	Total	£000	£000	Total
			£000			£000
Publishing	670	-	670	524	61	585
Rental	205	352	557	130	867	997
Room and conference hire	-	7,634	7,634	-	7,365	7,365
Advertising and fees	12	1	13	9	-	9
Total	887	7,987	8,874	663	8,293	8,956

The Connexional Funds

4b Other trading activities	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£000	£000	Total	£000	£000	Total
			£000			£000
Publishing	670	-	670	524	8	532
Rental	225	356	581	130	507	637
Room and conference hire	-	1,093	1,093	-	1,116	1,116
Advertising and fees	12	3	15	9	-	9
Total	907	1,452	2,359	663	1,631	2,294

5a Capital levies

Standing Order 973 permits capital levies to be refunded for qualifying projects. Some of these levies may be refunded at any time. Therefore, a contingent liability exists in respect of income already recognised in the Connexional Priority Fund.

The Methodist Church in Great Britain

5b Grant income	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£000	£000	Total	£000	£000	Total
			£000			£000
Tavola Valdese	-	427	427	-	149	149
The Aldershot Military Trust	-	150	150	-	150	150
Department for International Development	-	-	-	-	144	144
Other	-	180	180	23	163	186
Total	-	757	757	23	606	629

The Connexional Funds

5c Grant income	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£000	£000	Total	£000	£000	Total
			£000			£000
The Aldershot Military Trust	-	150	150	-	150	150
Other	-	46	46	23	31	54
Total	-	196	196	23	181	204

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain	Grant Costs £000	Direct Costs £000	Support Costs £000	2016 Total £000	Grant Costs £000	Direct Costs £000	Support Costs £000	2015 Total £000
6a. Expenditure								
Raising funds	-	7,907	255	8,162	-	7,331	290	7,621
Total	-	7,907	255	8,162	-	7,331	290	7,621
Charitable activities								
Equipping the church to engage with society	8,811	7,318	949	17,078	4,992	6,210	924	12,126
Formation, training, development and resourcing	3,340	6,053	1,467	10,860	2,477	6,441	1,437	10,355
Empowering the ministry of overseas partners	4,459	2,805	411	7,675	2,992	3,537	364	6,893
Advocacy and education	-	1,490	1,004	2,494	-	1,406	703	2,109
Net loss on the disposal of tangible fixed assets	-	10	-	10	-	-	-	-
	16,610	17,676	3,831	38,117	10,461	17,594	3,428	31,483
Total	16,610	25,583	4,086	46,279	10,461	24,925	3,718	39,104

The basis of allocation of support costs is described in Note 7. Grant expenditure is further analysed in Note 9.

The Connexional Funds	Grant Costs £000	Direct Costs £000	Support Costs £000	2016 Total £000	Grant Costs £000	Direct Costs £000	Support Costs £000	2015 Total £000
6b. Expenditure								
Raising funds	-	2,556	255	2,811	-	2,065	290	2,355
Total	-	2,556	255	2,811	-	2,065	290	2,355
Charitable activities								
Equipping the church to engage with society	9,336	5,874	949	16,159	5,224	6,105	924	12,253
Formation, training, development and resourcing	3,233	4,285	1,467	8,985	3,374	5,315	1,437	10,126
Empowering the ministry of overseas partners	3,323	2,898	411	6,632	1,644	2,405	364	4,413
Advocacy and education	-	1,464	1,004	2,468	-	1,406	703	2,109
Net loss on the disposal of tangible fixed assets	-	10	-	10	-	-	-	-
	15,892	14,531	3,831	34,254	10,242	15,231	3,428	28,901
Total	15,892	17,087	4,086	37,065	10,242	17,296	3,718	31,256

The basis of allocation of support costs is described in Note 7. Grant expenditure is further analysed in Note 9.

7. Support costs by activity		Equipping the church to engage society £000	Formation, training, development and resourcing £000	Empowering the ministry of overseas partners £000	Advocacy & education £000	Raising funds £000	2016 Total £000	2015 Total £000
Facilities	Floor space	19	162	61	238	-	480	729
Development & personnel	Per capita	191	472	111	104	98	976	827
Information technology	Per capita	115	285	67	63	59	589	461
Financial services	Per capita	190	468	110	103	98	969	865
Governance	Direct	434	80	62	496	-	1,072	836
Total		949	1,467	411	1,004	255	4,086	3,718



The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

8. Subsidiaries

The results of the Council's self accounting entities (before consolidation adjustments) are included within the Statement of Financial Activities as follows:

	Cliff College	Cliff College	Southlands Methodist Trust	Southlands Methodist Trust
	2016 £000	2015 £000	2016 £000	2015 £000
Income from:				
Donations and legacies	90	131	1	-
Investments	19	23	40	37
Other trading activities	497	600	401	400
Other:				
Grants	573	1,455	-	-
Miscellaneous income	593	814	-	-
Net gains on the disposal of tangible fixed assets	322	1	-	-
Total income	2,094	3,024	442	437
Expenditure on:				
Raising funds	160	147	-	-
Charitable activities				
Equipping the church to engage society	-	-	-	-
Formation, training, development and resourcing	1,590	1,590	423	341
Empowering the ministry of overseas partners	-	-	-	-
Advocacy and education	-	-	-	-
Total expenditure on charitable activities	1,590	1,590	423	341
Total expenditure	1,750	1,737	423	341
Net gains/(losses) on investments	48	7	4,846	(21)
Net income/(expenditure)	392	1,294	4,865	75
Net assets				
Fixed assets	7,170	7,115	-	-
Investments	599	1,391	9,123	5,153
Current assets	1,618	450	1,528	816
Creditors	(287)	(248)	(321)	(504)
Total	9,100	8,708	10,330	5,465

All We Can	All We Can	Westminster Oxford Trust Ltd	Westminster Oxford Trust Ltd	Methodist International Centre Ltd	Methodist International Centre Ltd
2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
2,385	3,031	-	-	-	-
31	30	21	21	-	-
-	-	-	-	6,186	5,810
-	-	-	-	-	-
-	-	-	-	23	27
-	-	-	-	-	-
2,416	3,061	21	21	6,209	5,837
514	468	-	-	-	-
-	-	-	-	6,209	5,837
-	-	38	29	-	-
2,370	2,498	-	-	-	-
-	-	-	-	-	-
2,370	2,498	38	29	6,209	5,837
2,884	2,966	38	29	6,209	5,837
84	(15)	50	1,088	-	-
(384)	80	33	1,080	-	-
-	-	-	-	-	-
912	827	4,732	4,681	122	122
1,006	1,550	51	62	958	819
(370)	(445)	(12)	(5)	(1,080)	(941)
1,548	1,932	4,771	4,738	-	-

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

8. Subsidiaries (continued)

Cliff College

Charity Number 529386

Cliff College Outreach Limited

Company Number 2331438

Cliff (Methodist) Developments Limited

Company Number 4934377

The College was founded in 1883 to provide training for mission and evangelism to people from diverse backgrounds. It offers degrees validated by the University of Manchester in the areas of theology and mission as well as providing a wide variety of short courses and training events.

All We Can

Charity Number 291691

All We Can works through partnerships to end the cycle of suffering caused by poverty, inequality and injustice.

Southlands Methodist Trust

Charity Number 1100660

Southlands Methodist Trust supports educational activities, including research, chaplaincy and charitable work undertaken in and through Southlands College that reflect its Methodist foundation and ethos.

Methodist International Centre (MIC) Limited

Company Number 3866984

A company set up for the Methodist Council to conduct trading in support of its charitable activities. It is an accredited ethical social enterprise hotel which also provides student accommodation.

Westminster College Oxford Trust Limited

Company Number 3714361

Westminster College Oxford Trust

Charity Number 309672

Westminster College Oxford Trust Ltd (WCOT) is the charitable company that acts as the managing trustee of the Westminster campus at Harcourt Hill, Oxford. WCOT oversees the continuing relationship between Oxford Brookes University and the Methodist Church, in relation to both the physical developments on the campus (a 60 year lease having been granted to the university at the time of the merger in 2000) and the activities taking place there in which the church has a continuing interest.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

9a. Grant expenditure: The Methodist Church in Great Britain

Activity	Individuals	Institutions	2016	2015
			Total	Total
Formation, training, development & resourcing	£000	£000	£000	£000
The Discipleship & Ministries Learning Network	1,831	1,509	3,340	2,477
Total	1,831	1,509	3,340	2,477
Empowering the ministry of overseas partners	£000	£000	£000	£000
Annual grants	-	3,205	3,205	1,694
Nationals in mission appointment	-	851	851	735
Scholarship programmes	-	379	379	511
Other	-	24	24	52
Total	-	4,459	4,459	2,992
Equipping the church to engage society	£000	£000	£000	£000
Property grants	-	2,536	2,536	860
Ministerial and personnel support grants	1,154	-	1,154	1,020
Mission & ministry grants	-	5,121	5,121	3,112
Total	1,154	7,657	8,811	4,992
Grand Total	2,985	13,625	16,610	10,461

9b. Grant expenditure: The Connexional Funds

Activity	Individuals	Institutions	2016	2015
			Total	Total
Formation, training, development & resourcing	£000	£000	£000	£000
The Discipleship & Ministries Learning Network	1,831	1,402	3,233	3,374
Total	1,831	1,402	3,233	3,374
Empowering the Ministry of overseas partners	£000	£000	£000	£000
Annual grants	-	1,850	1,850	251
Nationals in mission appointments	-	851	851	735
Scholarship programmes	-	379	379	511
Other	-	243	243	147
Total	-	3,323	3,323	1,644
Equipping the church to engage society	£000	£000	£000	£000
Property grants	-	2,536	2,536	860
Ministerial and personnel support grants	1,154	-	1,154	1,020
Mission & ministry grants	-	5,646	5,646	3,344
Total	1,154	8,182	9,336	5,224
Grand Total	2,985	12,907	15,892	10,242

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

10. Net income before transfers	The Methodist Church in Great Britain		The Connexional Funds	
	2016	2015	2016	2015
This is stated after charging for the year ended 31 August as follows:	£000	£000	£000	£000
Audit and consultancy fees				
The Connexional Funds - payable to RSM UK Audit LLP	60	60	60	60
Other self accounting entities - payable to RSM UK Audit LLP	30	21	-	-
Payable to other auditors - for audit of self accounting entities	20	10	4	-
Payable to RSM UK Tax & Accounting Ltd for financial advice	11	-	-	-
Payable to RSM UK Tax & Accounting Ltd for taxation advice	3	3	3	3
Depreciation	321	467	195	406
Amortisation	32	20	32	20
Foreign exchange differences	6	3	6	3
Loan interest payable	123	151	114	136

11. Stipends and salary costs

The Methodist Council appointed or employed on average 404 (2015 - 397) people during the year, and the costs were charged to the financial statements as follows:

	The Methodist Church in Great Britain		The Connexional Funds	
	2016	2015	2016	2015
	£000	£000	£000	£000
Stipends and salaries	12,306	12,038	8,775	8,855
Redundancy costs	266	79	266	69
Temporary staff costs	405	392	339	153
Social security costs	1,169	1,110	832	824
Pension costs - (defined contribution schemes)	1,733	1,730	1,614	1,722
Defined benefit pension costs excluding interest	1,568	1,650	1,568	1,650
Total	17,447	16,999	13,394	13,273

The Methodist Church in Great Britain

21 employees were paid £60k or more during the year (2015: 15 employees). The total aggregate pension contributions for these employees for the year were £226k (2015: 224k).

The Connexional Funds

16 employees were paid £60k or more during the year (2015: 13 employees). The total aggregate pension contributions for these employees for the year were £191k (2015: 190k).

	The Methodist Church in Great Britain		The Connexional Funds	
	2016	2015	2016	2015
	Number of employees	Number of employees	Number of employees	Number of employees
£60,001 - £70,000	12	10	11	10
£70,001 - £80,000	4	2	4	2
£80,001 - £90,000	4	3	1	1
£90,001 - £100,000	1	1	-	-

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

11. Stipends and salary costs (continued)

Actual average number of staff by activity	2016	2015
Governance	21.8	20.6
Raising funds	88.0	81.4
Administration and support	93.3	94.5
Equipping the church to engage society	52.2	57.8
Formation, training development and resourcing	79.8	72.3
Empowering the ministry of overseas partners	60.4	61.2
Advocacy and education	8.0	9.2
Total	403.5	397.0

The average number of volunteers working for the Council during the year was 158 (2015:153)

Volunteers play an important role in the Council. Their contribution is significant in terms of the time they commit to attending meetings, raising funds and delivering services to beneficiaries.

Key management personnel

The key management personnel of the Church comprise the Secretary and Assistant Secretary of the Conference, the Connexional Secretary, the Head of Support Services, the Head of Mission and Advocacy and the Head of Discipleship and ministries. Their total remuneration inclusive of benefits and 13.8% employers national insurance, but excluding pension contributions was £362k (2015: £357k). In addition, pension contributions of £57k were paid into defined benefit pension schemes on behalf of these personnel (2015: £69k).

12. Pension costs

The Methodist Council operates three main pension schemes:

- the Methodist Ministers' Pension Scheme (MMPS);
- the Pensions and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC); and the
- Superannuation Scheme for Lay Mission Partners of the Methodist Church (SSMP).

The MMPS and PASLEMC schemes are final salary defined benefit pension schemes and both schemes are funded by the payment of contributions to separately administered trust funds.

Defined Benefit Pension Scheme Actuary

The actuarial valuations for all the defined benefit schemes were performed by Diana Simon, Fellow of the Institute and Faculty of Actuaries, BWCI Consulting Ltd.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

12. Pension costs (continued)

The Pension and Assurance Scheme for Lay Employees of the Methodist Church

The PASLEMC scheme is treated as a group scheme for accounting purposes, with the Methodist Council as the sponsoring employer with legal responsibility for the plan. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual group entities and therefore the Council has recognised the entire net defined benefit cost and the relevant net defined benefit liability in its individual financial statements.

The calculations for the FRS 102 disclosures have been carried out by running interim actuarial calculations as at 31 August 2016 by the Scheme's actuary. The most recent actuarial valuation for the Scheme, carried out as at 1 September 2014, indicated that the Scheme had a deficit. The Church agreed to eliminate this deficit by paying a lump sum of £0.4 million during the year ended 31 August 2015.

The Methodist Ministers' Pension Scheme

The MMPS is also treated as a group scheme for accounting purposes as all of the entities participating in the scheme, mainly the circuits and the Council, are under the common control of the Conference. There is no contractual arrangement or stated policy for charging the net defined benefit cost of the plan as a whole to individual circuits and the Council. A detailed explanation of the accounting treatment is provided in Note 30 on pages 97-101.

The Methodist Church in Great Britain is the sole statutory employer for purposes of pension law, that is the Church as defined in the Methodist Church Act 1976 and the Deed of Union 1939 of which the Conference is the supreme governing body. There are approximately 1,600 ministers who are active members of MMPS of whom the Council (the 'reporting entity') is responsible for the pension contributions of around 70, the majority of 'employer' pension contributions coming from the circuits to which they are stationed annually by the Conference, that also pay their stipends and employer national insurance contributions.

For the MMPS, costs equal to the contributions paid by the Council for ministers in posts under the control of the Council are recognised in these financial statements as they fall due; likewise, pension contributions for ministers stationed at circuit level are paid by the individual circuit.

FRS 102 requires that if the net defined benefit pension cost is not reflected in the individual financial statements of the participating entities, it should be reflected in the individual financial statements of the group entity which is legally responsible for the plan. However, the Council is not legally responsible for the plan and so the liability has not been included in these financial statements.

The Church is the sole employer for the purposes of pension law of which the Conference is the supreme governing body. The agreement with the Trustees of MMPS for the making good of the technical deficit is with the Conference and not the Council.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

12. Pension costs (continued)

The Superannuation Scheme for Lay Mission Partners (SSMP)

The Superannuation Scheme for Lay Mission Partners of the Methodist Church operated by the Methodist Church is a defined benefit arrangement which provides retirement benefits calculated as fixed pension amounts for each year of service. The Scheme closed to the future accrual of benefits in 2007, when all remaining active members became deferred pensioners. The most recent actuarial valuation of the Scheme, carried out as at 1 January 2014, indicated that the Scheme had a deficit. The Church agreed to eliminate this deficit by paying a lump sum of £0.1 million during the year ended 31 August 2015.

There are 45 members in total, 5 of whom are deferred pensioners. The scheme is unfunded and has been accounted for as a defined benefit scheme in accordance with FRS 102. The Scheme is now closed to new entrants.

The scheme provides a pension of £151.99 per year of qualifying service to a single retired mission partner or widow/widower, £202.70 per year of qualifying service to a married mission partner. The rates are increased annually in line with the retail price index. There are also retirement grants of £101 (single) / £135 (married) per year of qualifying service for those mission partners who withdraw before completing 10 years qualifying service. Mission partners who retire after completing 10 but less than 15 years qualifying service are given the option of receiving a withdrawal grant or a retirement pension at the appropriate retirement age. Mission partners who withdraw or retire after completing 15 years qualifying service receive a retirement grant and a pension at the appropriate retirement age.

The calculations for the FRS 102 disclosures have been carried out by running interim actuarial calculations as at 31 August 2016 by the Scheme's actuary.

Other pension schemes

The Methodist Council also participates in a number of smaller pension schemes. The members are mission partners currently working overseas. The schemes are: The Pensions Trust, The Scottish Public Pensions Agency (SPPA) and The Retirement Benefit Scheme (Ireland).

The Pensions Trust

There are 27 members in the scheme participating in the Trust's two defined contribution schemes: the Ethical Fund and the Flexible Retirement Plan. The pension charge for the year was £0.2m (2015: £0.2m). Further disclosures are deemed unnecessary on the grounds of immateriality.

The Scottish Public Pensions Agency (SPPA)

The Scheme is an unfunded multi employer defined benefit scheme. The scheme has not been accounted for as a defined benefit scheme but as a defined contribution scheme in accordance with FRS 102. There is currently one member in this scheme. The pension charge for the year was £3k (2015: 3k). Further disclosures are deemed unnecessary on the grounds of immateriality.

The Retirement Benefit Scheme (Ireland)

There is currently one member in this scheme. The pension charge for the year was £13k (2015: 17k). Further disclosures are deemed unnecessary on the grounds of immateriality.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

13. Defined benefit pension scheme commitments

The FRS 102 calculations have been carried out by Diana Simon, Fellow of the Institute and Faculty of Actuaries, BWCI Consulting Ltd. The scheme assets are stated at their fair values at the respective balance sheet dates.

The assets and liabilities of the schemes for both the group and The Connexional Funds at 31 August are:

	(Unrestricted) PASLEMC £000	(Restricted) SSMP £000	2016 Total £000	2015 Restated total £000
Scheme assets at fair value				
Fair value of scheme assets	67,525	2,406	69,931	59,971
Present value of scheme liabilities	83,860	2,273	86,133	63,698
Net defined benefit (liability)/asset	(16,335)	133	(16,202)	(3,727)

As explained above, the assets and liabilities of the MMPS (£46m) have not been included in these financial statements.

The amounts charged to the Statement of Financial Activities for the group and the Connexional Funds in respect of the two schemes are:

	(Unrestricted) PASLEMC £000	(Restricted) SSMP £000	2016 Total £000	2015 Restated total £000
Service cost (before contributions from other group employers)	1,793	-	1,793	1,840
Interest cost on scheme liabilities	2,253	68	2,321	2,304
Interest income on plan assets	(2,153)	(77)	(2,230)	(2,221)
Net finance costs	100	(9)	91	83
Total	1,893	(9)	1,884	1,923

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

13. Defined benefit pension scheme commitments (continued)

The amounts recognised in the Statement of Financial Activities for both the group and the Connexional Funds of other recognised gains and losses for the year are analysed as follows:

	(Unrestricted) PASLEMC £000	(Restricted) SSMP £000	2016 Total £000	2015 Restated total £000
Actual return on scheme assets	8,983	229	9,212	1,210
Amounts included in net interest on the net defined liability	(2,153)	(77)	(2,230)	(2,221)
Other actuarial (losses)/gains	(19,056)	(267)	(19,323)	1,122
Re-measurement (losses) and gains recognised in the SOFA	(12,226)	(115)	(12,341)	111

The changes in the present value of the defined benefit obligations for both the group and the Connexional Funds are analysed as follows:

	(Unrestricted) PASLEMC		(Restricted) SSMP		TOTAL	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
At 1 September	61,602	59,331	2,096	2,196	63,698	61,527
Service cost	1,793	1,840	-	-	1,793	1,840
Interest cost	2,253	2,230	68	74	2,321	2,304
Member contributions	579	594	-	-	579	594
Benefits paid	(1,423)	(1,277)	(158)	(167)	(1,581)	(1,444)
Actuarial (gain) / loss	19,056	(1,116)	267	(7)	19,323	(1,123)
At 31 August	83,860	61,602	2,273	2,096	86,133	63,698

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

13. Defined benefit pension scheme commitments (continued)

The changes in the fair value of the plan assets during the year for both the group and the Connexional Funds are analysed as follows:

	(Unrestricted)		(Restricted)		TOTAL	
	PASLEMC		SSMP		2016	2015
	2016	2015	2016	2015	2016	2015
	£000	£000	£000	£000	£000	£000
At 1 September	57,610	55,859	2,361	2,338	59,971	58,197
Interest income on plan assets	2,153	2,141	77	80	2,230	2,221
Employer contributions	2,018	1,650	-	108	2,018	1,758
Member contributions	579	594	-	-	579	594
Administration expenses	(242)	(333)	(25)	(11)	(267)	(344)
Benefits paid	(1,423)	(1,277)	(158)	(167)	(1,581)	(1,444)
Actual return less interest income on plan assets	6,830	(1,024)	151	13	6,981	(1,011)
At 31 August	67,525	57,610	2,406	2,361	69,931	59,971
Net defined benefit asset / (liability)	(16,335)	(3,992)	133	265	(16,202)	(3,727)

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

13. Defined benefit pension scheme commitments (continued)

The principal actuarial assumptions at the balance sheet in respect of the two schemes were:

	2016 % pa	PASLEMC 2015 % pa	2016 % pa	SSMP 2015 % pa
Discount rate at end of year	2.1	3.7	1.7	3.4
Discount rate at start of year	3.7	3.8	3.4	3.5
Inflation	3.2	3.5	2.9	2.9
Rate of increase in pensionable earnings	3.2	3.5	-	-
Rate of increase in deferred pensions pre 2009 LPI 5%	2.2	2.5	2.8	2.8
Rate of increase in deferred pensions pre 2009 LPI 2.5%	2.2	2.5	2.8	2.8
Rate of increase in pension in payments fixed 5% to 1st September 2017	5.0	5.0	2.8	2.8
Rate of increase in pension in payments LPI 2.5% 1st September 2017	2.1	2.2	-	-
Rate of increase in pension in payments LPI 5% 1st September 2018	3.1	3.3	-	-
Rate of increase in pension in payments LPI 2.5% 1st September 2018	2.1	2.2	-	-

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

13. Defined benefit pension scheme commitments (continued)

Mortality assumptions for the two schemes:

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 89 if they are male and until age 90 if female. For a member currently aged 55 the assumptions are that if they attain age 65 they will live on average until age 90 if they are male and until age 92 if female.

Analysis of scheme assets

	2016	PASLEMC 2015	SSMP 2016	2015
	%	%	%	%
Equities	54.2	54.6	19.8	19.3
Gilts	2.7	5.7	54.0	55.4
Corporate bonds	17.2	16.2	13.1	13.8
Index linked bonds	2.6	6.1	-	-
Property	4.7	5.7	5.3	6.1
Cash	4.6	3.5	7.8	5.4
Annuities	7.6	8.2	-	-

14a. Tangible fixed assets The Methodist Church in Great Britain

At cost or valuation	Asset under construction £000	Freehold land and buildings £000	Furniture and fittings £000	Computer equipment £000	Motor vehicles £000	Total Total £000
At 1 September 2015 (restated)	2,013	87,921	2,020	1,631	36	93,621
Additions during the year	1,098	2,106	283	99	-	3,586
Transfers	-	-	(2)	2	-	-
Disposals	-	(627)	-	-	-	(627)
Total	3,111	89,400	2,301	1,732	36	96,580
Depreciation						
At 1 September 2015 (restated)	-	-	1,600	1,525	33	3,158
Charge for the year	-	57	174	89	1	321
Total	-	57	1,774	1,614	34	3,479
Net book value as at 31 August 2016	3,111	89,343	527	118	2	93,101
Net book value as at 31 August 2015	2,013	87,921	420	106	3	90,463

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

14b. Tangible fixed assets the Connexional Funds

	Asset under construction £000	Freehold land and buildings £000	Furniture and fittings £000	Computer equipment £000	Motor vehicles £000	Total Total £000
At 1 September 2015 (restated)	2,013	80,940	1,687	1,391	19	86,050
Additions during the year	1,098	1,930	177	48	-	3,253
Transfers	-	-	(2)	2	-	-
Disposals	-	(475)	-	-	-	(475)
Total	3,111	82,395	1,862	1,441	19	88,828
Depreciation						
At 1 September 2015 (restated)	-	-	1,360	1,325	17	2,702
Charge for the year	-	-	134	60	1	195
Total	-	-	1,494	1,385	18	2,897
Net book value as at 31 August 2016	3,111	82,395	368	56	1	85,931
Net book value as at 31 August 2015	2,013	80,940	327	66	2	83,348

14c. Intangible fixed assets

	The Methodist Church in Great Britain £000	The Connexional Funds £000
At cost		
At 1 September 2015	85	85
Additions during the year	138	138
Total	223	223
Amortisation		
At 1 September 2015	20	20
Charge for the year	32	32
Total	52	52
Net book value as at 31 August 2016	171	171
Net book value as at 31 August 2015	65	65

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

15a. Investments

The Methodist Church in Great Britain

	Investment properties	Central Finance Board units	William Leech (Investments) Ltd	Other investments	2016	Restated 2015
	£000	£000	£000	£000	£000	£000
Fair value at 1 September 2015	33,480	105,202	9,190	2,893	150,765	145,696
Additions	1,216	1,678	185	-	3,079	7,431
Transfers	-	241	-	(1,874)	(1,633)	210
Disposals	(60)	(4,684)	-	(50)	(4,794)	(6,999)
Investment gains	5,012	11,149	672	-	16,833	4,427
Fair value as at 31 August 2016	39,648	113,586	10,047	969	164,250	150,765

15b. Investments

The Connexional Funds

	Investment properties	Central Finance Board units	William Leech (Investments) Ltd	Other investments	2016	Restated 2015
	£000	£000	£000	£000	£000	£000
Fair value at 1 September 2015	25,970	102,574	9,190	950	138,684	135,248
Additions	1,216	1,581	185	-	2,982	6,776
Transfers	-	-	-	-	-	210
Disposals	(60)	(4,597)	-	(50)	(4,707)	(6,917)
Investment gains	250	10,882	672	-	11,804	3,367
Fair value as at 31 August 2016	27,376	110,440	10,047	900	148,763	138,684

Included in the Central Finance Board units is £31.0m (2015: £24.6m) invested in the CFB Overseas Fund.

Investment additions and disposals

During the year the Investment Committee reviewed the investment portfolio in line with the current investment policy. As part of this process, the Central Finance Board created two new Methodist Church investment funds: the Long and Medium Term Funds.

William Leech (Investments) Ltd

The Methodist Church holds investments valued at £10m (2015: £9m) in William Leech (Investments) Ltd which represents 20% of the company's net assets as at 31 August 2016. The holding is based on the company's audited accounts to 31 March 2016, updated with management accounts to 31 August 2016. The Methodist Church has a representative on the company board of the company but cannot exert significant influence over it.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

c) Analysis of movement of investment properties	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	Restated 2015 £000	2016 £000	Restated 2015 £000
Fair value at the beginning of the year	33,480	28,106	25,970	21,725
Additions to investment properties at cost	1,216	803	1,216	774
Transfers in/(out)	(60)	210	(60)	210
Net gain on revaluation	5,012	4,361	250	3,261
Fair value at the end of the year	39,648	33,480	27,376	25,970

The disposal of £60k from investment properties relates to a property, 6 Comet Close, Littlesea, Weymouth Dorset D9 9RT which belongs to the Methodist Ministers' Housing Society (MMHS). It was a joint purchase with the Fund For the Support of Presbyters and Deacons and was originally recognised as an equity share investment. This has now been converted into a grant payment and the balance written off to the Statement of Financial Activities.

Included within investment properties are:

i) Southland Methodist Trust

A property at Mount Clare Estate, Minstead Gardens, Roehampton SW15 4EB.

The current market value of this property is £8,150k (2015: £3,388k). The property was revalued on 31/10/2016. The property was revalued by Giles Sutcliffe MRICS and Richard Moss MRICS from Cluttons LLP.

ii) 4 John Wesley Road

This property is located in Werrington, Peterborough PE4 6ZP. The current market value is £1,25m (2015:1m). The property was revalued by M A Hughes BSc (Hons) MRICS from Barker Storey Matthews, Chartered Surveyors, Town Planners and Property Consultants on 31 August 2016.

The Church's policy is to revalue the investment properties independently every three years. For the period under review the trustees do not consider there to have been a change in the fair value of the remaining properties.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

16. Debtors	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	2015 £000	2016 £000	2015 £000
Prepayments and accrued interest	1,331	1,457	1,135	1,260
Loans to other entities	60	70	60	70
Concessionary Loans	563	579	563	579
Other debtors	5,032	3,562	4,473	3,315
Total	6,986	5,668	6,231	5,224

17a. Creditors: amounts due within one year	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	2015 Restated £000	2016 £000	2015 £000
Accruals	754	849	412	449
Loans	1,014	1,014	800	800
Tax and social security	607	511	284	252
Grant commitments	8,066	6,452	7,771	6,098
Other creditors	5,523	2,259	5,056	1,807
Total	15,964	11,085	14,323	9,406

17b. Creditors: amounts due after more than one year	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	2015 £000	2016 £000	2015 £000
Loans	2,087	3,101	2,085	2,885
Grant commitments	4,256	3,798	4,256	3,800
Total	6,343	6,899	6,341	6,685

Grant commitment creditors

Grant commitment creditors represent grants approved that are yet to be paid. Some grants agreed in principle via All We Can - Methodist relief and development, a separately registered subsidiary charity of The Methodist Church in Great Britain, are for grants to project delivery partners for two, three or five years. These subsequent grants represent planned future commitments, but are not recognised as a liability when they are approved, as payment is conditional upon certain performance and financial milestones.

Capital commitments

The Church has outstanding capital commitments in respect of the property at 24 Somerset Road, Edgbaston, Birmingham of £3.5m for a student accommodation block. The Church expects to complete this project by Spring 2017.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Loans

Methodist International Centre

At the balance sheet date there is a bank loan of £2.9m (2015: £3.7m) secured by a mortgage over the property known as Euston House, 81-103 Euston Street, London.

Since March 2012 there are two bank loans (term and development loans) secured by a mortgage dated 19 October 2004 over the property. These loans have been consolidated into a term loan and refinanced by HSBC bank plc.

The carrying value of this property as at the balance sheet date is £21 million.

Repayment terms

15 quarterly payments over five years, with a quarterly £200k principal loan repayment. The final quarterly payment is due on 31 May 2020 (£85k only). Interest is charged on a quarterly basis on the last calendar day of August, November, February and May at a fixed annual rate of 1.84%.

17c. Loan balances for the Methodist International Centre as at 31 August

	2016	2015
	£000	£000
Development loan	-	1,930
Term loan	2,885	1,755
Total	2,885	3,685

Southlands Methodist Trust

At the balance sheet date there is a loan of £216k (2015: £430k) secured by a mortgage over freehold property known as Mount Clare House and the Temple, Minstead Gardens, Roehampton, London SW15; freehold land and buildings on the west side of Minstead Gardens, Roehampton, London SW15; freehold property known as land on the west side of Roehampton Lane adjoining Digby Stuart College, Roehampton, London SW15. The interest charged is 2% above base rate.

The current quarterly repayment of capital is £53.5k (2015:£53.5k). The carrying value of this property as at the balance sheet date is £8 million. Current annual interest is £4.5k (2015:£14.4k).

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

18. Stocks and work in progress

	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	2015 £000	2016 £000	2015 £000
Raw materials and consumables	3	12	3	10
Finished goods and goods for resale	142	177	142	168
Total	145	189	145	178

The difference between purchase price or production cost of stocks and their replacement cost is not material.

Stocks recognised as an expense in the period were £80k (2015 - £87k).

19. Financial instruments

	The Methodist Church in Great Britain		The Connexional Funds	
	2016 £000	2015 £000	2016 £000	2015 £000
Financial assets at fair value through profit or loss				
Listed investments	113,586	105,202	110,440	102,574
William Leech (Investments Ltd) and other investments	11,016	12,083	10,047	9,190
Total	124,602	117,285	120,487	111,764
Financial assets that are debt instruments measured at amortised cost				
Debtors	5,092	3,632	4,533	3,385
Total	5,092	3,632	4,533	3,385
Financial liabilities measured at amortised cost				
Loans	3,101	4,115	2,885	3,685
Accruals	754	849	412	449
Trade creditors	1,157	1,169	629	808
Other creditors	4,366	1,090	4,427	999
Total	9,378	7,223	8,353	5,941
Concessionary loans (at cost plus accrued interest less impairment)				
Loans to ministers and other related parties	563	579	563	579
Total	563	579	563	579

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain

20a. Unrestricted funds	Restated balance at 1 September 2015	Income	Expenditure	Actuarial losses on DB¹ pension schemes movements	Investment gains and revaluation reserve	Transfers	Balance as at 31 August 2016
	£000	£000	£000	£000	£000	£000	£000
Designated Note 20c	35,899	8,607	(7,968)	-	3,812	(574)	39,776
General	23,882	14,878	(15,344)	-	571	1,520	25,507
Defined Benefit Pension Scheme	(3,992)	-	(117)	(12,226)	-	-	(16,335)
Total	55,789	23,485	(23,429)	(12,226)	4,383	946	48,948

20b. Unrestricted funds

	Restated balance at 1 September 2015	Income	Expenditure	Actuarial losses on DB¹ pension schemes	Investment gains and revaluation reserve	Transfers	Balance as at 31 August 2016
	£000	£000	£000	£000	£000	£000	£000
Designated Note 20c	35,899	8,607	(7,968)	-	3,812	(574)	39,776
General	23,882	14,946	(15,632)	-	571	1,520	25,287
Defined Benefit Pension Scheme	(3,992)	-	(117)	(12,226)	-	-	(16,335)
Total	55,789	23,553	(23,717)	(12,226)	4,383	946	48,728

20c. Designated funds

	Restated balance at 1 September 2015	Income	Expenditure	Actuarial losses on DB¹ pension schemes	Investment gains and revaluation reserve	Transfers	Balance as at 31 August 2016
	£000	£000	£000	£000	£000	£000	£000
1) The Connexional Priority Fund	11,178	7,461	(5,488)	-	1,103	(3,939)	10,315
2) The Epworth Fund	6,570	371	(604)	-	608	-	6,945
3) The Connexional Travel Fund	258	8	(24)	-	19	-	261
4) The Designated Training Fund	14	-	(214)	-	-	200	-
5) The Computers in Ministry Fund	230	211	(157)	-	-	-	284
6) The Pension Reserve Fund	17,649	556	(1,481)	-	2,082	3,165	21,971
Total	35,899	8,607	(7,968)	-	3,812	(574)	39,776

Transfers between funds include amounts transferred with the approval of the Methodist Council.

Transfers of £200k from the Guy Chester Centre to the Designated Training Fund to further the work of the Discipleship and Ministries Learning Network. See notes 21a and 21b.

¹ Defined benefit pension schemes

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

1) The Connexional Priority Fund (CPF)

The main source of income into this fund is primarily the levies charged on all capital proceeds from the disposal of Methodist land and buildings held for local, circuit or district purposes and any income arising therefrom is available for the purpose of (a) making grants to circuits and distribution to districts; (b) making an allocation by way of transfer between funds, to the Pension Reserve Fund in respect of the liabilities of the Methodist Ministers' Pension Scheme and the Pension and Assurance Methodist Scheme for Lay Employees of the Methodist Church and (c) funding the work of the Discipleship and Ministries Learning Network.

2) The Epworth Fund

This fund was set up following the sale of Epworth House, City Road, London in 1987 as a designated fund. The income from the fund is used to support innovative initiatives within the Methodist Church.

3) The Connexional Travel Fund

This fund has two purposes: (a) to award grants to ministers on long term sick leave to compensate them for the absence of business reimbursements and (b) to make grants for island and long mainland journeys.

4) The Designated Training Fund

The main source of funding for the Designated Training Fund comes from the Methodist International and Guy Chester Centres respectively for the purpose of furthering the work of the Discipleship and Learning Network.

5) The Computers in Ministry Fund

This fund was set up following a decision by Conference to create a fund from which ministers and deacons would be able to purchase a computer for their work. Ministers and deacons are eligible to claim every four years.

6) The Pension Reserve Fund

This fund was set up following a 2009 Conference decision to establish a Pension Reserve Fund outside of the Pension and Assurance Scheme for Lay Employees of the Methodist Church and Methodist Ministers' Pension Schemes which would be available if required to be used to meet future funding deficits.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain

21a. Restricted funds

	Restated balance at 1 September 2015 £000	Income	Expenditure £000	Actuarial losses on DB ¹ pension schemes	Investment gains £000	Transfers £000	Balance as at 31 August 2016 £000
1) The Fund for the Support of Presbyters and Deacons	8,642	481	(549)	-	546	(22)	9,098
2) Mission in Britain Fund	7,358	999	(1,543)	-	754	(87)	7,481
3) Centenary Hall Trust	24,714	205	(152)	-	-	100	24,867
4) The Fund for Property	4,479	729	(1,352)	-	603	(46)	4,413
5) The Fund for Training	9,270	230	(1,802)	-	116	-	7,814
6) The World Mission Fund	28,176	3,872	(4,933)	-	2,327	(626)	28,816
7) The London Mission Fund	16,600	611	(450)	-	623	-	17,384
8) The Methodist International Centre	16,132	1,768	(262)	-	-	(250)	17,388
9) The Guy Chester Centre	29,125	1,326	(1,264)	-	155	(200)	29,142
10) Cliff College	8,708	2,094	(1,751)	-	48	-	9,099
11) Southlands Methodist Trust	5,465	441	(422)	-	4,846	-	10,330
12) Westminster College Oxford Trust	4,738	21	(38)	-	50	-	4,771
Total funds with balances > £2m	163,407	12,777	(14,518)	-	10,068	(1,131)	170,603
Other - 30 funds with balances < £2m	11,348	7,156	(8,317)	(115)	942	-	11,014
Total	174,755	19,933	(22,835)	(115)	11,010	(1,131)	181,617

The Connexional Funds

21b. Restricted funds

	Restated balance at 1 September 2015 £000	Income	Expenditure £000	Actuarial losses on DB ¹ pension schemes	Investment gains £000	Transfers £000	Balance as at 31 August 2016 £000
1) The Fund for the Support of Presbyters and Deacons	8,642	481	(549)	-	546	(22)	9,098
2) Mission in Britain Fund	7,358	999	(1,543)	-	754	(87)	7,481
3) Centenary Hall Trust	24,714	205	(152)	-	-	100	24,867
4) The Fund for Property	4,479	729	(1,352)	-	603	(46)	4,413
5) The Fund for Training	9,270	230	(1,802)	-	116	-	7,814
6) The World Mission Fund	28,176	3,872	(4,933)	-	2,327	(626)	28,816
7) The London Mission Fund	16,600	611	(450)	-	623	-	17,384
8) The Methodist International Centre	16,132	1,768	(262)	-	-	(250)	17,388
9) The Guy Chester Centre	29,125	1,326	(1,264)	-	155	(200)	29,142
Total funds with balances > £2m	144,496	10,221	(12,307)	-	5,124	(1,131)	146,403
Other - 28 funds with balances < £2m	9,440	530	(1,026)	(115)	857	-	9,686
Total	153,936	10,751	(13,333)	(115)	5,981	(1,131)	156,089

¹ Defined benefit pension schemes

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Transfers between funds include amounts transferred with the approval of the Methodist Council such as the fund administration charges. The major transfers are described below:

Transfers of £250k and £200k from the Methodist International Centre and the Guy Chester Centres respectively to the Designated Training Fund and Methodist Church Fund to further the work of the Learning Network.

Transfers from the World Mission Fund (£626k) are analysed as follows:

£185k to William Leech Investments as described in Note 22(b);

£441k to the Methodist Church Fund, being the fund administration charge for the year.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Notes on the purposes of the main funds

1) Fund for the Support of Presbyters and Deacons

This fund exists to provide additional assistance to supernumeraries; individuals who have been permitted or directed to become supernumerary; ministers, deacons, probationers, widows or widowers and their dependent children who are in need; and ministers and deacons who are in need as a result of illness or impairment, for the purpose of enabling them to continue in or resume the active work. The Fund for the Support of Presbyters and Deacons also makes grants to the Methodist Ministers' Housing Society.

2) Mission in Britain Fund

This fund exists to further the Church's mission by making grants to local churches and circuits and to bear witness to the global character of Christian Mission by supporting work with and among ethnically diverse communities in Britain and Ireland which have their origin in other countries.

3) Centenary Hall Trust

This trust exists to manage Church House at 25 Marylebone Road.

4) The Fund for Property

This fund exists to support various mission property development projects around the Connexion by making grants and loans for property purposes to trustees of Methodist Properties in the districts.

5) The Fund for Training

The fund has three main purposes: (a) to provide initial and further training for presbyters, deacons, lay employees and other lay persons; (b) the provision of maintenance grants for persons undergoing such training and their dependants; (c) the maintenance, management and staffing of the Discipleship and Ministries Learning Network, and the Methodist contribution to the cost of joint theological colleges.

6) The World Mission Fund

This fund has five main purposes:

- (a) to initiate, maintain and encourage Christian mission in other countries;
- (b) to encourage the establishment of churches overseas which will themselves undertake that mission within and beyond their own borders;
- (c) to engage in a continuing relationship of mutual help and enrichment with churches (including united churches) in the life of which Methodist missions have played a part;
- (d) to foster and take part in ecumenical relationships in the field of world mission, including the work of the World Council of Churches and the Churches' Commission on Mission;
- (e) in furtherance of these purposes, to engage in education, advocacy recruitment and fundraising.

7) The London Mission Fund

The London Mission Fund derives from historic funds used to support ministry and property schemes in London. Since the reconfiguration of the London Districts in 2006, the fund no longer makes individual grants, but rather allocates block grants to the qualifying districts which in turn dispense the fund for the support of ministry, mission and property projects as part of their own grant-making functions.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

8) The Methodist International Centre (“MIC”)

The purpose of the Methodist International Centre is to further the work of the Discipleship and Ministries Learning Network in accordance with the arrangements determined by the Methodist Council from time to time (or such other person or body or bodies as the Conference or the Methodist Council may determine to constitute that network).

9) The Guy Chester Centre

The Guy Chester Centre manages the buildings and grounds of the North Bank Estate. The Centre works within the ethos and values of the Methodist Church as set out in Our Calling. The Centre provides funding for the Discipleship and Ministries Learning Network.

10) Cliff College

The College was founded in 1883 to provide training for mission and evangelism to people from diverse backgrounds. The college now offers degrees validated by the University of Manchester in the areas of theology and mission as well as providing a wide variety of short courses and training events. The College is used as training centre in the Discipleship and Ministries Learning Network.

11) Southlands Methodist Trust

As part of the work carried out through the Discipleship and Ministries Learning Network, the Trust exists (a) to support in association with the College and University the development of Christian, and specifically Methodist, scholarship, research and innovation of local, national and global significance and to facilitate the public dissemination of such developments; (b) to enable the members of the Methodist Community and wider public in Britain and internationally to benefit from the academic and other expertise and experience within the College and University and the facilities available within them.

12) Westminster College Oxford Trust

This trust exists to ensure that the property and assets used by the former Westminster College Oxford, and belonging to the Methodist Church, are committed to the objectives and activities authorised by the Church. The principal objects of the Trust are the advancement of education, in particular teacher training and the advancement of further and higher education.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain

22a. Endowment funds

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Investment gains £000	Transfers £000	Balance at 31 August 2016 £000
Rank Endowment Fund	5,021	-	(10)	-	-	5,011
William Leech Charities' Fund	9,190	-	-	672	185	10,047
Other - 7 funds with balances <£2m	1,625	-	(5)	768	-	2,388
Total	15,836	-	(15)	1,440	185	17,446

The Connexional Funds

22b. Endowment funds

	Balance at 1 September 2015 £000	Income £000	Expenditure £000	Investment gains £000	Transfers £000	Balance at 31 August 2016 £000
Rank Endowment Fund	5,021	-	(10)	-	-	5,011
William Leech Charities' Fund	9,190	-	-	672	185	10,047
Other - 7 funds with balances <£2m	1,625	-	(5)	768	-	2,388
Total	15,836	-	(15)	1,440	185	17,446

Transfers between funds include amounts transferred with the approval of the Methodist Council and where appropriate, the Charity Commission.

The major transfers are described below:

£185k was transferred from the World Mission Fund into William Leech (Investments) Ltd as an investment in accordance with the expressed wishes of the donor for the beneficiary charities, of which the Methodist Church in Great Britain is one, to reinvest a proportion of their annual donation in William Leech (Investments) Ltd.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

The Methodist Church in Great Britain

23a. Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2016 Total £000	Restated 2015 Total £000
Intangible fixed assets	171	-	-	171	65
Tangible fixed assets	16,723	76,378	-	93,101	90,463
Investments	43,284	103,855	17,111	164,250	150,765
Current assets	13,440	15,223	335	28,998	26,798
Creditors due within one year	(4,302)	(11,662)	-	(15,964)	(11,085)
Creditors due after more than one year	(4,033)	(2,310)	-	(6,343)	(6,899)
Defined benefit pension scheme liability	(16,335)	133	-	(16,202)	(3,727)
Total	48,948	181,617	17,446	248,011	246,380

The Connexional Funds

23b. Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2016 Total £000	Restated 2015 Total £000
Intangible fixed assets	171	-	-	171	65
Tangible fixed assets	16,723	69,208	-	85,931	83,348
Investments	43,284	88,368	17,111	148,763	138,684
Current assets	13,452	10,477	335	24,264	23,282
Creditors due within one year	(4,534)	(9,789)	-	(14,323)	(9,406)
Creditors due after more than one year	(4,033)	(2,308)	-	(6,341)	(6,685)
Defined benefit pension scheme liability	(16,335)	133	-	(16,202)	(3,727)
Total	48,728	156,089	17,446	222,263	225,561

24. Revaluation reserves

The revaluation reserves balances included in the restricted and unrestricted reserves are analysed as follows:

The Methodist Church in Great Britain

24a. Revaluation reserve

	01-Sep-15 £000	Movement £000	31-Aug-16 £000
Unrestricted	6,489	(5)	6,484
Restricted	58,500	-	58,500
Total	64,989	(5)	64,984

The Connexional Funds

24b. Revaluation reserve

	01-Sep-15 £000	Movement £000	31-Aug-16 £000
Unrestricted	6,489	(5)	6,484
Restricted	56,564	-	56,564
Total	63,053	(5)	63,048

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

25a. Transition to the Charities' SORP (FRS 102)

	The Methodist Church in Great Britain		The Connexional Funds	
	As at 1 September 2014 £000	As at 31 August 2015 £000	As at 1 September 2014 £000	As at 31 August 2015 £000
Net Funds as previously stated	175,218	185,521	158,840	166,598
Unrestricted				
Holiday pay accrual	i (86)	(95)	(86)	(95)
Deficit recognition of the Pension and Assurance Scheme for the Lay Employees of the Methodist Church	ii (3,472)	(3,992)	(3,472)	(3,992)
Revaluation of charitable assets on transition	iii 6,489	6,489	6,489	6,489
Total unrestricted fund adjustments under the Charities SORP (FRS 102)	2,931	2,402	2,931	2,402
Restricted				
Recognition of holiday pay accrual	i (43)	(43)	(4)	(3)
Revaluation of charitable assets on transition	iii 58,500	58,500	56,564	56,564
Total restricted fund adjustments under the Charities SORP (FRS 102)	58,457	58,457	56,560	56,561
Net Funds (as restated) under the Charities SORP (FRS 102)	236,606	246,380	218,331	225,561

Note (i) FRS 102 explicitly requires accrued compensated absences to be accounted for. An accrual in respect of accrued holiday pay for staff has been recognised in the financial statements.

Note (ii) The net defined benefit pension scheme liability in respect of PASLEMC was recognised for the first time and a liability of £3.5m was recognised at the transition date of 1 September 2014. Subsequently the liability increased to £4m as at 31 August 2015. This liability is now being recognised because FRS 102 now distinguishes between group schemes and multi-employer schemes with different accounting rules for group schemes under FRS 102 compared to previous UK GAAP.

Note (iii) The Methodist Church in Great Britain has decided to take advantage of transitional provisions within FRS 102 to elect to revalue freehold and leasehold property at the transition date (1 September, 2014). The charitable properties will be revalued every five years going forward. This has increased the value of the fixed assets by £59m for The Methodist Church in Great Britain and £57m for The Connexional Funds.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Note 25b. Transition to the Charities' SORP (FRS 102) (continued)

Reconciliation of surplus	The Methodist Church in Great Britain			2015 Total £000	
	Note	Unrestricted Funds £000	Restricted Funds £000		Endowment Funds £000
Net surplus as previously stated for the year ended 31 August 2015		3,036	2,676	157	5,869
Investment gains	(iv)	68	4,285	74	4,427
Recognition of holiday pay accrual		(9)	(12)	-	(21)
Recognition of pension movements - The Pension and Assurance Scheme of the Lay Employees of the Methodist Church		(612)	-	-	(612)
Net surplus under the Charities' SORP (FRS 102) for the year ended 31 August 2015		2,483	6,949	231	9,663

Reconciliation of surplus	The Connexional Funds			2015 Total £'000	
		Unrestricted Funds £'000	Restricted Funds £'000		Endowment Funds £'000
Net surplus as previously stated for the year ended 31 August 2015		3,036	1,191	157	4,384
Investment gains	(iv)	68	3,225	74	3,367
Recognition of holiday pay accrual		(9)	(11)	-	(20)
Recognition of pension movements - The Pension and Assurance Scheme of the Lay Employees of the Methodist Church		(612)	-	-	(612)
Net surplus under the Charities' SORP (FRS 102) for the year ended 31 August 2015		2,483	4,405	231	7,119

Note (iv) Under FRS 102 investment gains are included within net income (surplus), which is a change from previous UK GAAP.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

25c. Revaluation of charitable land and buildings on transition to the new FRS 102 SORP:

The freehold land and buildings on hand at the date of transition to the FRS 102 SORP were revalued on 1 September 2014.

The manses, which are residential and have a well established market were valued by reference to residential property sales websites. The valuations were undertaken by the Council's Facilities and Property Co-ordinator, Richard Farmery, RICS membership number 1274419 and BIFM number 0028518. All valuations and appraisals were carried out in accordance with the RICS Valuation - Professional Standards, January 2014, also known as The Red Book.

The commercial properties were valued by professional independent valuers as follows:

25 Marylebone Road, London - valuation by Andrew Low, Partner, Knight Frank (Commercial Business), BA, MSc, RICS;

93 Dollis Park N3 1BT - valuation by Tony Harris LLM FRICS FCIArb of Cluttons, Portman Street, London W1H 6DU;

Kings Cross Complex London WC1 - valuation by Tony Harris LLM FRICS FCIArb of Cluttons, Portman Street, London W1H 6DU;

1-5 Lambeth Road SE1 - valuation by Tony Harris LLM FRICS FCIArb of Cluttons, Portman Street, London W1H 6DU;

The Shrubbery, 35 Frindsbury Road, Strood, Kent, ME2 4TD - valuation by Adrian Male FRICS, Adrian Male Associates, Chartered Surveyors, Midtrees, The Green, Hambridge, Langport, Somerset TA10 0AT;

Elderfield Main Road, Otterbourne, Winchester, Hampshire SO21 2EQ - valuation by Adrian Male FRICS, Adrian Male Associates, Chartered Surveyors, Midtrees, The Green, Hambridge, Langport, Somerset TA10 0AT;

Colinwood, 79 Weston Road, Rochester, Kent, ME2 3HB - valuation by Adrian Male FRICS, Adrian Male Associates, Chartered Surveyors, Midtrees, The Green, Hambridge, Langport, Somerset TA10 0AT;

Cliff College, Calver, Hope Valley, Derbyshire S32 3XG - Valuation by M J Hull Bsc (Hons) MRICS from SMC Chartered Surveyors, 54 Campo Lane, Sheffield S1 2EG;

North Bank Portfolio, Pages Lane/Meadow Drive, Muswell Hill N10 1PR - Valuation by James Gilmartin MRICS and Joe Salmon MRICS of Gilmartin Ley.

All the properties were valued at fair value in accordance with FRS 102.

The carrying value that would have been recognised had the assets been carried under the historical cost model is £24.3m (2015: £22.9) for the Methodist Church in Great Britain and £19.3m (2015: £17.9m) for The Connexional Funds.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

25d. To comply with FRS 102 the following further adjustments were made to the 2015 accounts:

Further to the reanalysis of FRS 102, which required governance costs to be included within support costs, the analysis of expenditure between direct costs and support costs has been revisited and these allocations have been amended to more fairly represent the core costs of those activities.

The Methodist Church in Great Britain	2015 Previously			Total	2015 Restated			Total
	Grant Costs	Direct Costs	Support Costs		Grant Costs	Direct Costs	Support Costs	
Total expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Raising funds	-	6,697	221	6,918	-	7,331	290	7,621
Charitable activities								
Equipping the church to engage with society	4,992	2,546	2,985	10,523	4,992	6,210	924	12,126
Formation, training, development and resourcing	2,477	6,006	728	9,211	2,477	6,441	1,437	10,355
Empowering the ministry of overseas partners	2,992	3,218	801	7,011	2,992	3,537	364	6,893
Advocacy and education	-	551	874	1,425	-	1,406	703	2,109
Governance costs	-	2,728	655	3,383	-	-	-	-
Total	10,461	21,746	6,264	38,471	10,461	24,925	3,718	39,104

The Connexional Funds	2015 Previously			Total	2015 Restated			Total
	Grant Costs	Direct Costs	Support Costs		Grant Costs	Direct Costs	Support Costs	
Total expenditure	£000	£000	£000	£000	£000	£000	£000	£000
Raising funds	-	1,431	221	1,652	-	2,065	290	2,355
Charitable activities								
Equipping the church to engage with society	5,196	2,470	2,985	10,651	5,224	6,105	924	12,253
Formation, training, development and resourcing	3,374	4,890	728	8,992	3,374	5,315	1,437	10,126
Empowering the ministry of overseas partners	1,644	2,175	801	4,620	1,644	2,405	364	4,413
Advocacy and education	-	551	874	1,425	-	1,406	703	2,109
Governance costs	28	2,601	655	3,284	-	-	-	-
Total	10,242	14,118	6,264	30,624	10,242	17,296	3,718	31,256

Note 25e. Other changes / classification of income

Donations and legacies (previously 'voluntary income') and the District Assessment were reported under "generated funds" and capital levies and grants were reported under "charitable activities". The District Assessment is now reported as income from 'charitable activities' whilst capital levies and grants are reported as "other income". The classification has been changed in order to more accurately reflect the true nature of the assessment, recognising that whilst it is not contractual, Standing Order 361 (2) states that the Methodist Church Fund shall be maintained "by an assessment levied by the Conference on each Circuit in the home church through the Districts [...]". The assessment primarily funds the decisions of the Conference.

In addition, software costs with a net book value of £65k at 31 August 2015 were reclassified from tangible fixed assets to intangible fixed assets.

An amount of £129k previously classified as a debtor is now included in investments in the comparative figures.

As stated on page 47, the classification of cash and cash equivalents has been revisited and it was determined that deposits held at the Central Finance Board of the Methodist Church were held for working capital, rather than investment purposes.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

26. Expenses reimbursed to the trustees	2016	2015
	£000	£000
Travel and other expenses reimbursed	62	82
Number of trustees reimbursed	No. 71	No. 75

27. Trustees' remuneration	Pension Contributions		Remuneration	
	Total	Total	Total	Total
	2016	2015	2016	2015
	£000	£000	£000	£000
The Revd Helen Cameron	6	-	39	-
The Revd Dr Martyn Atkins	-	6	-	39
The Revd Ruth Gee	6	6	38	37
The Revd Loraine Mellor	6	6	38	37
The Revd Lionel Osborn	-	6	-	37
The Revd Gareth Powell	6	6	39	39
Mr Doug Swanney	16	16	99	98
The Revd Dr Roger L Walton	6	6	38	37
The Revd Stephen Wigley	6	6	38	37
The Revd S Wild	6	6	38	37
The Revd Andrew Wood	6	-	38	-
The Revd Michaela A Youngson	6	6	38	37
Total	70	70	443	435

The total aggregate pension contributions for these trustees for the year were £70k (2015: 70k).

The trustees listed above (10) were in the service of The Methodist Church in Great Britain (2015: 10). Their aggregate total emoluments including pension contributions for this work and not in their role as trustees amounted to £0.5m (2015: 0.4m). Their appointment as trustees is in accordance with Standing Order No. 210 of the Methodist Church.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

28. Trustees and connected persons

Outlined below is a list of those bodies considered to be the main related parties, which together with The Methodist Church in Great Britain report separately each year to the Methodist Conference, the ultimate controlling body.

Details of the transactions occurring during the year and amounts owing by or to the related parties as at 31 August are stated for each one as appropriate.

	2016			
	Income from	Payments to	Loans to	Amount owed
	related party	related party	related party	by related party
	£000	£000	£000	£000
Related party				
Trustees for Methodist Church Purposes ^(a)	4	167	-	-
Methodist Ministers' Housing Society (MMHS) ^(b)	85	82	-	-
Methodist Ministers' Pension Scheme (MMPS) ^(c)	27	-	-	-
Lesnes Abbey Circuit ^(d)	-	-	60	60
The Queen's Foundation for Ecumenical & Theological Education ^(e)	1	1,426	-	-

(a) The payment to Trustees for Methodist Church Purposes (TMCP) is for various administration charges, including legal services rendered during the year. The income is for payroll administration charges.

(b) The income received from MMHS was for rent and service charges; the payment was a grant towards the purchase of a property.

(c) The income received from the MMPS was for rent and accountancy services.

(d) A loan advanced to the Lesnes Abbey Circuit in order to purchase the London Mission Fund's interest in a manse at 11 Eaglesfield Road, London. The loan is repayable in equal instalments over 9 years.

(e) A payment of £1.4m to The Queen's Foundation for Ecumenical Theological Education being tuition fees for the 2015-16 academic year.

	2015			
	Income from	Payments to	Loans to	Amount owed
	related party	related party	related party	by related party
	£000	£000	£000	£000
Related party				
Trustees for Methodist Church Purposes ^(a)	3	148	-	-
Methodist Ministers' Housing Society (MMHS) ^(b)	73	8	-	-
Methodist Ministers' Pension Scheme (MMPS) ^(c)	111	-	-	-
Lesnes Abbey Circuit ^(d)	10	-	70	70
The Queen's Foundation for Ecumenical & Theological Education ^(e)	-	1,024	-	-

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Trustees and connected persons (continued)

(a) The payment to Trustees for Methodist Church Purposes (TMCP) is for various administration charges, including legal services rendered during the year. The income is for payroll administration charges.

(b) The income received from MMHS was for rent and service charges;

(c) Income received from the Methodist Ministers' Pension Scheme was for rent and accountancy services;

(d) A loan advanced to the circuit in order to purchase the London Mission Fund's interest in a manse at 11 Eaglesfield Road, London. The loan is repayable in equal instalments over nine years.

(e) A payment of £1m to The Queen's Foundation for Ecumenical Theological Education, being tuition fees for the 2015/2016 academic year.

In addition to this, as set out in the Note 30, the PASLEMC has been treated as a group plan with the Methodist Council as the sponsoring employer with legal responsibility for the plan. Participation in a group pension plan is a related party transaction. In the absence of a contractual agreement or policy for charging the net defined benefit cost of the plan as a whole to individual group entities, the Council treats the contributions paid to the Scheme by other group employers as a credit in its Statement of Financial Activities.

There are also related party transactions included in the management of the Church's investment portfolio by the Central Finance Board (CFB). Further, numerous transactions and balances occur between the Methodist Council, the districts, circuits and churches.

In theory the Methodist Council could have dealings with any part of the wider Methodist Church. The main activities are:

- The annual assessment on local circuits (which are collected via the districts) to pay for the work of the Connexional Team and other Conference activities (e.g. District chairs and committee expenses);
- The awarding and distribution of grants to other Methodist entities;
- Investment charges (TMCP & CFB);
- The operation of the Gift Aid Bureau Service to claim gift aid on the behalf of local churches and circuits;
- The operation of Central Stipends Bureau for the payment of ministerial and local staff stipends and salaries;
- The maintenance of the accounting records for various Methodist entities.

29. Central stipends administration

Stipends and allowances paid to presbyters, deacons and lay employees totalling £60 million (2015: £54 million) and reimbursements from circuits and other funds totalling the same amount are not included in the Statement of Financial Activities other than in respect of the administration costs relating to the stipends and allowances of those appointed to serve the Methodist Council (see Note 11). At the end of the year there was a balance held of £3.2 million (2015: £3.4 million) for the payment of stipends on 1 September which has been excluded from these financial statements. The administration costs amounting to £93k (2015: £104k) and interest receivable amounting to £10k (2015: £8k) relating to the central payment of stipends are included in the Statement of Financial Activities.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

30. Accounting estimates and judgments

In preparing the financial statements, the trustees are required to make estimates and judgments. The areas considered below are considered to be the most important in understanding the judgments that underlie the financial statements as well as the uncertainties that could impact the figures reported in the operating results, financial position and cash flows.

The accounting policies are set out in Note 1 to the financial statements.

Grant commitments

The Church empowers and supports the mission of overseas partners by way of annual support grants over a number of years. In addition to the expenditure recognised in the financial statements, the Church has commitments in respect of these programmes at the year end. The partner churches are obliged to report back to the Connexional Grants Committee on the use of the grants before the next instalment is released. Judgment is exercised as to satisfactory progress being made against the agreed project outcomes.

Cost allocation

Costs that are not attributable to a single activity are reallocated or apportioned to activities on a basis consistent with identified cost drivers for that activity. Cost drivers utilised include the headcount and floor space and judgment is exercised in applying cost drivers to cost categories.

Actuarial assumptions in respect of defined benefit pension schemes

The application of actuarial assumptions relating to defined benefit pension schemes is incorporated in the financial statements in accordance with FRS 102. In applying FRS 102, advice is taken from independent qualified actuaries. In this context, significant judgment is exercised in a number of areas, including future changes in salaries and inflation, mortality rates and the selection of appropriate discount rates.

Useful economic lives

The annual depreciation charge for tangible fixed assets, particularly buildings, is sensitive to change in the estimated useful economic lives and residual value of the assets. As our policy is to revalue the buildings every five years and to undertake full quinquennial inspection in the intervening years, the useful economic lives will be assessed and amended where necessary to reflect current circumstances.

Revaluation of functional property assets and investment properties

The Church carries its functional property assets and investment properties at fair value, with changes in fair value being recognised in the Statement of Financial Activities. The Church engaged independent valuation specialists to determine fair value at the date of transition. Some of the key assumptions used to determine the fair value of these assets are based on the valuer's knowledge and experience of the market and values of similar properties, which could be deemed subjective.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

30. Accounting estimates and judgments (continued)

Defined benefit pension scheme commitments

The Pension and Assurance Scheme for Lay Employees of the Methodist Church (PASLEMC)

The Methodist Council is the principal employer of the Pension and Assurance Scheme for Lay Employees of the Methodist Church, with its employees both past and present accounting for more than 80% of the current scheme members. As mentioned in Note 12, there are other employing bodies, four of whom are not consolidated in these financial statements. They are: the Central Finance Board of the Methodist Church; Trustees for Methodist Church Purposes (TMCP), the Methodist Ministers Housing Association (MMHA) and Methodist Central Hall Trustees. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual group entities and therefore the Council has recognised the entire net defined benefit cost and relevant net defined benefit liability of the Pension and Assurance Scheme for Lay Employees of the Methodist Church in its financial statements. This is because the Council is the sponsoring employer of this Scheme as it has legal responsibility for the plan.

The Methodist Ministers' Pension Scheme (MMPS)

The MMPS is a defined benefit pension scheme for Methodist Ministers. It should be accounted for as a group plan as all the participating employers, namely the circuits and Council, are under the common control of the Conference. At the end of the year, the Scheme is in deficit by approximately £46 million and, whilst making full disclosure for this liability, it has not been included in these financial statements for the reasons set out below.

- a) There are approximately 1,600 ministers who are active members of MMPS of whom the Council is responsible for the pension contributions of around 70, the majority of 'employer' contributions coming from the circuits to which they are stationed annually by the Conference. The actual contributions made by the Methodist Council for the year were £1.5 million compared to £9 million paid by the circuits.
- b) The diagram on page 51 shows a simple structure of the Church - the entities that have been consolidated, and the reasons for that, as well as the entities that have been excluded. Hence, the Church as generally recognised, comprising the individual local churches and circuits and other entities reporting to the Conference, does not prepare consolidated financial statements. Each local church/circuit/district is an individual charity (those with annual income over £100k being registered as such) which shares the same governing document as The Methodist Church in Great Britain.
- c) According to the Scheme rules, the MMPS is intended to be a single-employer scheme and the Methodist Church is the sole statutory employer for the purposes of pension law. The Scheme Rules further require member contributions to be paid by the person responsible for the member's remuneration. This is effectively the circuit where the individual minister is stationed. As such the responsibility for current payments and for the deficit in the pension scheme is shared between the Council and the circuits with the bulk of the contributions coming from the circuits. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual circuits and other participating employers; such a decision would be made by the Conference.
- d) The Recovery Plan to reduce the MMPS deficit comprises 9.8% per annum of stipends paid by the employing bodies plus a fixed lump sum contribution of £1 million per annum from the Pension Reserve Fund. As stated in the reserves policy section of the Trustees' report on page 30, the Pension Reserve Fund was set up following a Conference decision to establish a fund outside of the pension schemes which could be used to meet future funding deficits. The fund was designated by the Conference (see Note 20c) and is funded by a transfer of 45% of property sales income levy into the Connexional Priority Fund. Hence, the liability is not funded solely from general funds of the Council. It is probable that, if the deficit were to be required to be settled in full, the cost would be allocated at the discretion of the Conference across the Connexion and not from funds of the Council, except to the extent of the Pension Reserve.

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

Supplementary information prepared in connection with the MMPS

The defined benefit pension scheme liabilities in respect of the MMPS that would have been charged to these financial statements had the Scheme been included are set out below. The FRS 102 calculations were carried out by Diana Simon, Fellow of the Institute and Faculty of Actuaries, BWCI Consulting Ltd.

1. The amounts that would have been charged to the Statement of Financial Activities are as follows:

	2016	2015
	£000	£000
Service cost (before contributions from other group employers)	4,743	5,188
Interest cost on scheme liabilities	15,294	15,613
Interest income on plan assets	(14,195)	(14,099)
Net finance costs	1,099	1,514

2. The amounts that would have been charged to the Statement of Financial Activities as recognised gains and losses are as follows:

	2016	2015
	£000	£000
Actual return on scheme assets	63,661	9,616
Amounts included in net interest on the net defined liability	(14,195)	(14,099)
Other actuarial (losses) / gains	(102,684)	13,469
Re-measurement (losses) and gains recognised in SOFA	(53,218)	8,986

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

30. Accounting estimates and judgments (continued)

The Methodist Ministers' Pension Scheme (continued)

3. The changes in the present value of the defined benefit obligation were:

	2016 £000	2015 £000
Opening defined benefit obligation	423,064	431,811
Service cost	4,743	5,188
Interest cost	15,294	15,613
Cost of benefit changes	(40,710)	-
Contribution by members	3,432	3,570
Benefits paid	(19,445)	(19,649)
Actuarial (gains) / losses	102,684	(13,469)
Closing defined benefit obligation	489,062	423,064

The cost of benefit changes arose due to the 2016 Conference decision to base the MMPS pension increases on the increase in the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) resulting in a reduction of the liabilities by £41 million.

4. The changes in the fair value of the plan assets during the year were:

	2016 £000	2015 £000
Opening fair value of scheme assets	386,691	384,043
Interest income on plan assets	14,195	14,099
Contributions by employer	9,916	10,086
Contributions by members	3,432	3,570
Benefits paid	(19,445)	(19,649)
Administration expenses	(775)	(975)
Actuarial gain/(loss) on plan assets	49,466	(4,483)
Closing fair value of scheme assets	443,480	386,691

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

30. Accounting estimates and judgments (continued)

The Methodist Ministers' Pension Scheme (continued)

The total assets and liabilities of the MMPS 31 August were:

	2016 £000	2015 £000
Closing defined benefit obligation	(489,062)	(423,064)
Closing fair value of scheme assets	443,480	386,691
Net defined benefit scheme obligation	(45,582)	(36,373)

The principal actuarial assumptions at the balance sheet in respect of the Scheme were:

	2016 % pa	2015 % pa
Discount rate at end of year	2.0	3.7
Discount rate at start of year	3.7	3.7
Inflation	3.0	3.1
Rate of increase in pensionable earnings	2.8	2.9
Rate of increase in deferred pensions pre 2009 LPI 5%	2.0	2.1
Rate of increase in deferred pensions pre 2009 LPI 2.5%	2.0	2.1
Rate of increase in pension in payments fixed 5% to 1st September 2017	2.9	3.0
Rate of increase in pension in payments LPI 2.5% 1st September 2017	2.1	2.1
Rate of increase in pension in payments LPI 5% 1st September 2018	2.1	3.0
Rate of increase in pension in payments LPI 2.5% 1st September 2018	1.7	2.1

The Methodist Church in Great Britain

Notes to the consolidated financial statements for the year ended 31 August 2016 (continued)

30. Accounting estimates and judgments (continued)

The Methodist Ministers' Pension Scheme (continued)

The mortality assumptions for the Methodist Ministers' Pension Scheme were:

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 89 if they are male and until age 90 if female. For a member currently aged 55 the assumptions are that if they attain age 65 they will live on average until age 90 if they are male and until age 92 if female.

The major categories of plan assets as percentage of total plan assets for the Scheme were:

	2016	2015
	%	%
Equities	58.2	59.5
Gilts	6.4	6.9
Corporate bonds	15.7	16.8
Index linked bonds	6.8	6.8
Property	5.4	6.0
Cash	3.9	4.0
Liability driven investment	3.6	-





The Methodist Church in Great Britain

Trustees and committee memberships

The memberships for 2015/16 and for 2016/17 are listed below.

Methodist Council:

2015 / 2016

New Members from 1 September 2015 are marked with one asterisk (*)

The Revd Caroline R Ainger	The Revd Graeme J Halls	The Revd Gareth J Powell
Mr Michael Anderson*	The Revd Paul Hill	The Revd Keith S Reed*
Ms Janet Baker*	The Revd Jacqueline A Horton	The Revd Peter D Sheasby*
Dr B Jill Barber	The Revd Kenneth G Howcroft	The Revd David Shirtliff*
The Revd J A Jade Bath	Professor Peter D Howdle	The Revd Dr Joseph B Suray
Mrs Carole Burgess*	The Revd Eleanor G Jackson*	Mr Douglas Swanney
The Revd Helen D Cameron*	Ms Rachel J Lampard*	The Revd Timothy A Swindell*
Deacon Andrew Carter	Mr Sandy Laurie	Dr Alan Sykes
The Revd Olufemi R W Cole-Njie	Mrs Carolyn Lawrence*	Dr Valerie Turner
Ms Gillian M Dascombe	Mr Dean Lawson*	The Revd Dr Roger L Walton
The Revd Linda Day*	The Revd Henry J Lewis*	Mr Eric Watchman
Mr Jack Delbridge	Professor David R Matthews	Mr Ian White
The Revd Graham M Edwards	Dr Daleep S Mukarji	The Revd Dr Stephen D Wigley
Dr Martyn Evans	The Revd Edwin T Myers	The Revd Steven J Wild
Mr Andrew Fairlamb	Mrs Anita Nicholson	Mr R Arfon Williams
The Revd Catherine Gale	The Revd Lionel E Osborn	The Revd Andrew D Wood*
The Revd Ruth M Gee (Chair)	Mrs Idy Osibodu	Ms Helen Woodall*
The Revd David M Goodall	The Revd Gareth P Phillips*	The Revd Michaela A Youngson

2016 / 2017

New Members from 1 September 2016 are marked with two asterisks (**)

The Revd Caroline R Ainger	Miss Ruth E Hall**	The Revd Gareth J Powell
Mr Michael Anderson	Professor Peter D Howdle	The Revd Stephen J Poxon**
The Revd Sheryl M Anderson**	The Revd Dr Jennifer A Hurd**	Mr Pete Prescott**
Mrs E Jill Baker**	The Revd Eleanor G Jackson	Mrs Anne Pryke**
Ms Janet Baker	The Revd Philip J Jackson**	The Revd Sally A Ratcliffe**
Mr Timothy J Baker**	Ms Rachel J Lampard	The Revd Helen L Roberts**
Dr B Jill Barber	Mrs Carolyn Lawrence	The Revd Mary V B Shannahan**
The Revd J A Jade Bath	Mr Dean Lawson	The Revd Peter D Sheasby
Mrs Carole Burgess	The Revd Henry J Lewis	Mrs Heather Shipman**
The Revd Helen D Cameron	Professor David R Matthews	The Revd David Shirtliff
The Revd Linda J Catlow**	Deacon Karen McBride**	Mr Douglas Swanney
The Revd Olufemi R W Cole-Njie	The Revd Loraine Mellor**	The Revd Timothy A Swindell
Ms Gillian M Dascombe	Deacon Jonathan Miller**	Dr Valerie Turner
The Revd Linda Day	Dr Daleep S Mukarji	The Revd Dr Roger L Walton
Mr Jack Delbridge	Mrs Anita Nicholson	The Revd Steven J Wild
Ms Sue Draper**	Mrs Idy Osibodu	Mrs Louise C Wilkins**
Mrs Aileen Fox**	Mr Brian Park**	The Revd Andrew D Wood
The Revd Catherine Gale	The Revd Mary M Patterson**	The Revd Michaela A Youngson
The Revd Ruth M Gee (Chair)	The Revd Gareth P Phillips	

A full list of the trustees, being the members of the Methodist Conference, is available on request from the registered office and on the Charity Commission website.

The Methodist Church in Great Britain

Trustees and committee memberships (continued)

The Strategy and Resources Committee

The membership for 2015/16 and current year are listed below:

Voting Members

Ms Janet Arthur	The Revd Loraine N Mellor
Mr Edward Awty (Connexional Treasurer)	Dr Daleep S Mukarji
Mr Adrian Burton [to 31 August 2016]	The Revd Michael D Parker [from 1 September 2016]
The Revd David M Goodall	Mrs Heather Shipman
Mr Robert J Harrison	The Revd Timothy A Swindell
Professor Peter D Howdle (Chair)	The Revd Dr Andrew D Wood
The Revd Susan Keegan Von Allmen	Ms Helen Woodall

In attendance

Mr Martin Ashford	The Revd Gareth J Powell
The Revd Helen D Cameron	Mr Douglas Swanney
Ms Jude Levermore	Mr Nick Moore

Induction of new SRC members normally includes: conversations with the chair of SRC and the senior staff of the Connexional Team; a mentoring relationship with an experienced member of SRC; and invitations to share in the induction sessions for Council members.

The Finance Sub-Committee (FSC) of the Strategy and Resources Committee (SRC)

The membership of the committee is:

Voting Members

Mr Edward Awty	Mr Malcolm Pearson
Mr Roger Davies	The Revd Stephen J Radford
Mr Iain E M Farquhar	The Revd Timothy A Swindell (Chair)

In attendance

Mr Nick Moore	Mrs Maureen Sebanakitta
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The Audit Committee

The membership of the committee is:

Voting Members

Mr Rodney Betts	Mr David Stubbs [from 1 September 2016]
Mr John Chastney (Chair) [to 31 August 2016]	Mr Andrew Whitley
Mr Peter A Mills	(plus one vacancy)

In attendance

Mr Edward Awty	Mrs Maureen Sebanakitta
Mr Nick Moore	The Revd Timothy A Swindell

The Methodist Church in Great Britain

Reference and administrative details

Names and addresses

The address of the Office of the Conference for the purposes of the Methodist Church Act 1976 and any other legislation is:

The Methodist Church
Methodist Church House
25 Marylebone Road
London NW1 5JR
Tel: 020 7486 5502
Web: www.methodist.org.uk

Executive Officers

The Revd Gareth J Powell
Mr Douglas Swanney
The Revd Helen D Cameron

Custodian Trustee

Trustees for Methodist Church Purposes
Central Buildings
Oldham Street
Manchester M1 1JQ

Methodist Missionary Trust Association
Methodist Church House
25 Marylebone Road
London NW1 5JR

Investment Managers

Central Finance Board of the Methodist Church
9 Bonhill Street
London EC2A 4PE

Bankers

HSBC plc
Westminster Branch
4-8 Victoria Street
London
SW1H 0NJ

Independent Auditor

RSM UK Audit LLP
Chartered Accountants
Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

Solicitors

Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH