

**Report of the Board  
For the Year Ended 31 August 2002**

**Membership of the Board**

Rev Dr Nigel T Collinson  
Rev David G Deeks  
Rev Christine A Hawke  
Rev Ian D Johnson  
Rev G Michael Sparrow  
Rev Kenneth Street  
Rev Alison F Tomlin  
Rev David F Willie

Mr Duncan Booth  
Mr K Peter Bounds  
Mr David Bradshaw  
Mr J Robert Gillingwater  
Mrs Susan Howdle  
Mr Malcolm Pearson  
Mr G Alan Pimlott  
Mrs Eunice Shepherd

The Revd Peter W Sutcliffe and Mr Gerald Pownall resigned at the end of the May 2002 Board.

The Trustees for Methodist Church Purposes is a corporate body which acts as custodian or full trustee of Methodist property, and was incorporated by the Methodist Church Act 1939.

**Review for the Year and Future Plans**

The financial effects of the Board's activities are set out in the accounts on pages 5 to 13.

The Board met on 20 September 2001, 14 February 2002 and 16 May 2002.

**Custodian Trustee**

The principal function of the Board, incorporated by the Methodist Church Act 1939, is to act as the Custodian Trustee of all property held on the Model Trusts of the Methodist Church Act 1976. This includes nearly all the property held by the 6200 or so local churches, 621 circuits and 33 districts together with a number of properties used for connexional purposes.

The Board is also custodian of all Model Trust monies held in approximately 10,000 separate trusts as Circuit Advance Funds, Proceeds of Sale and Bequests on behalf of the Managing Trustees in the local Churches, Circuits and Districts. The value of the holdings is £185 million (2001 : £186 million).

**Review of Management and Governance Functions**

The Board continues to grasp the opportunities afforded following the transfer of undertaking effected in 1999 by which the Board became the Employer of the staff which service its activities. With the advice of its Internal Auditors, the Board has continued to review the level of staff required to service its activities and has made a new appointment to concentrate principally on trust conveyancing.

The Conference of 2001 agreed with the Board's policy of allowing its membership to reduce to 16 members (being equal numbers of Ministers and Lay person in accordance with the Act of 1939); and given the resignations reported above, that figure has now been reached.

The Board's Executive meets approximately six times a year with the Officers and, when appropriate, with all staff members. One meeting of the Board is devoted principally to investment matters relating to its Administration Fund and the full trusts.

The Audit Committee continues to function separately and its Chair reports direct to the Board.

**Report of the Board (Continued)  
For the Year Ended 31 August 2002**

**Reserves Policy**

At its meeting in May 2002, the Board adopted a Policy on the use of the reserve in its Administration Fund which was subsequently adopted by the Conference of 2002. The Board's policy is to use the income from the Administration Fund together with an annually decided allocation of capital, to subsidise the cost to Managing Trustees of the operation of the Board's responsibilities. The Board also reviews the level of capital in the administration fund annually and makes a judgement as to the level below which it should not fall in case the Board is called upon to meet unforeseen obligations as part of its Custodian Trusteeship responsibilities.

**Investment Policy**

The Board has agreed investment objectives for each of the trusts for which it is full Trustee and has reviewed the criteria for the investment of the Trustees Interest Fund in collaboration with the Central Finance Board.

The investment policy for trusts of which it is solely custodian, is in the hands of managing trustees.

**Risk Assessment Management**

The Board, through the Executive regularly reviews the risks to which its operation is subject and is putting in hand policies to mitigate those risks. The primary risks are loss of premises, loss of data, loss of key staff and fraud. A full statement of the Risk Management policy is available on request.

**Work for and by Methodist Council**

Some work carried out by the Board's staff relates strictly to duties of the Council and largely relate to the preparation of Sharing Agreements. The cost of that work is met by the Council. The Council's Personnel Office and Wages section continue to provide appropriate services and the cost is met by the Board under an agency agreement.

**Accommodation**

The Board occupies offices at Central Buildings Manchester which is a Model Trust property used also by the Connexional Team, the Manchester Circuit and the Methodist Centre (a local church in the circuit). The property is managed under a Joint Management Agreement to which the Methodist Council is party. Connexional Managing Trustees appointed by the Council are responsible for the area occupied by the Team and the Board. A member of the Board is appointed as one of the Connexional Trustees.

**Relations with Methodist Property Office**

Close links continued on a day to day basis with the staff of the Methodist Council who serve the Methodist Property Office and who are housed in the same building. Such liaison is essential because the consent of the Committee is required for nearly all steps Managing Trustees wish to take and without that consent Board, as custodian, cannot give effect to the decisions of the Managing Trustees.

**Relations with the Central Finance Board**

Regular meetings are held with officers of the Central Finance Board to discuss matters of mutual interest and a full meeting of the Board is held to receive advice on the investment management of the Full Trusts at which Central Finance Board Officers are present.

**Report of the Board (Continued)  
For the Year Ended 31 August 2002**

**Management Charges**

A new annual charge came into effect on 1 September 2001 whereby all trusts are charged a percentage of the trust balance. All other charges have been abolished, except for CHAPS charge of £25 per transaction, where applicable.

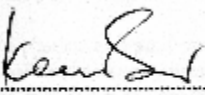
This charge meets only part of the cost of the Board's operation and the Conference of 2002 adopted a Report from the Board on the use of its Administration Fund which confirmed the practice of using all income from the Fund, together with a proportion of the Capital to meet the Board's annual expenses.

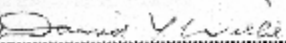
The Board will continue to exercise prudence in the use of the reserve capital in its Administration Fund and review the drawing annually.

**Full Trusts**

The Board is full Trustee of a small number of trusts where it has discretion over the use of income and, in some cases the capital, and is responsible for the investment of the funds. The purposes for which grants may be made are specified in the trust documents, for example for recuperative holidays, and in others the Board is able to make grants for any Methodist charitable purpose.

Approved by the Board on: 13. 2. 03 and signed on its behalf by:

  
..... Board Member

  
..... Board Member

*The maintenance and integrity of the TMCP web site is the responsibility of the Board; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.*

**Independent Auditors' Report to the Board**

We have audited the financial statements of the Trustees for Methodist Church Purposes for the year ended 31 August 2002, which comprise the Statement of Financial Activities, the Balance Sheet and notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of the Board and Auditors**

The Board is required by law to keep accounts of the assets and liabilities of each Trust fund and of its income and expenditure; and to prepare Annual Financial Statements and cause them to be audited.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with applicable law. We also report to you if, in our opinion, the Board's report is not consistent with the financial statements, if the Board has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the Trustees' affairs as at 31 August 2002 and of its incoming resources and resources expended in the year then ended and have been properly prepared.

**Custodian Trustees**

In our opinion the investments referred to in note 1, detailed in certificates as at 31 August 2002 and circulated to the Managing Trustees were in existence at that date and the income received has been accounted for to the respective Managing Trustees and listed on these statements.

St George's House  
215/219 Chester Road  
Manchester  
M15 4JE  
Dated: 13. 2. 03

*Beever and Struthers*

**BEEVER AND STRUTHERS**  
Chartered Accountants  
Registered Auditors

**Statement of Financial Activities  
For the Year Ended 31 August 2002**

	Note	2002 £	2001 £
<b>Incoming Resources</b>			
Income from investments		90,239	106,528
Charge to Connexional Advance and Priority Fund		<u>4,215</u>	<u>4,112</u>
		<u>94,454</u>	<u>110,640</u>
<b>Resources Expended</b>			
Management and administration	3	375,474	340,434
<b>Less:</b> Amounts recharged to Managing Trustees		<u>(248,385)</u>	<u>(113,243)</u>
Total resources expended		<u>127,089</u>	<u>227,191</u>
Net resources expended		(32,635)	(116,551)
Net losses on investments	6	<u>(402,880)</u>	<u>(348,069)</u>
<b>Net movement in funds</b>	9	(435,515)	(464,620)
Fund balances brought forward at 1 September		<u>2,613,421</u>	<u>3,078,041</u>
Fund balances carried forward 31 August		<u>2,177,906</u>	<u>2,613,421</u>
<b>Statement of Total Gains and Losses</b>			
Net movement in funds for the year (464,620)	14	(435,515)	
Prior Period Adjustment (33,706)	14	<u>-</u>	
<b>Total recognised losses since the last annual report</b>		<u>(435,515)</u>	<u>(498,326)</u>

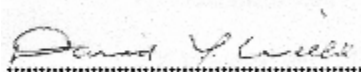
The above results all derive from continuing operations.

The notes on pages 7 to 13 form an integral part of these accounts.

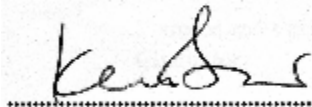
Balance Sheet as at  
31 August 2002

	Note	2002 £	2001 £
<b>Fixed Assets</b>			
Tangible fixed assets	5	17,304	32,824
Investments	6	<u>2,048,261</u>	<u>2,575,452</u>
		2,065,565	2,608,276
<b>Current Assets</b>			
Debtors and prepayments	7	9,591	6,422
Cash in hand and at bank		<u>126,984</u>	<u>27,663</u>
		136,575	34,085
<b>Current Liabilities</b>			
Creditors and accruals	8	<u>24,234</u>	<u>28,940</u>
<b>Net Current Assets</b>		<u>112,341</u>	<u>5,145</u>
		<u>2,177,906</u>	<u>2,613,421</u>
<b>Funds</b>			
Unrestricted - Administration Fund	9	<u>2,177,906</u>	<u>2,613,421</u>

Approved by the Board on: 13.2.03 and signed on its behalf by:

  
.....

Board Member

  
.....

Board Member

The notes on pages 7 to 13 form an integral part of these accounts.

**Notes to the Accounts  
For the Year Ended 31 August 2002**

**1. Trustees for Methodist Church Purposes (The Board)**

These accounts reflect only the state of affairs and income and expenditure of the Board in relation to its own direct affairs. The Board also acts as either trustees or custodian trustees of a substantial number of trusts.

Income from investments is recognised in the Statement of Financial Activities on an accruals basis.

These accounts do not include investments of some £185 million (2001: £186 million) at market value held by the Board in its capacity as trustees or custodian trustees. Of the £185 million, approximately £3 million is in the form of trusts over which the Board has full discretion in accordance with the objects of the Trust.

**2. Statement of Accounting Policies**

**(a) Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments described in 2 (e). Although the Board is not legally bound to comply with charity legislation, it chooses to accept the Charities SORP issued in 2000 in recognition of good practice.

**(b) Cash flow statement**

The Board is similar to a small company, and has elected to take advantage under FRS1 not to prepare a cash flow statement.

**(c) Fixed assets**

Fixed assets purchased in the year have been capitalised.

Depreciation on assets in use has been provided at rates calculated to write down their cost or valuation to their residual values over the period of their estimated useful economic lives.

The principal rates of depreciation used during the year are as follows:

Fixtures and Fittings	20% on straight line basis
Computer	20% on straight line basis

**(d) Taxation**

The Trustees for Methodist Church Purposes is exempt from Income and Corporation Tax because of its charitable status.

**(e) Investments**

Investments are stated at the market value, provided by the Central Finance Board of the Methodist Church.

**Notes to the Accounts  
For the Year Ended 31 August 2002**

**2. Statement of Accounting Policies (Continued)**

**(f) Retirement Benefits**

The Board is a participating employer of the Pension and Assurance Scheme for Lay Employees of the Methodist Church, which is a defined benefit scheme. Contributions payable to this scheme are charged to the statement of financial activities in the period to which they relate.

**3. Management and Administration**

	2002		2001	
	£	£	£	£
Wages and Salaries	221,373		210,364	
Social Security Costs	19,501		18,307	
Pension Costs	<u>29,926</u>		<u>22,445</u>	
	270,800		251,116	
<b>Less:</b> Amount recharged to Methodist Council	<u>(34,479)</u>		<u>(32,819)</u>	
		236,321		218,297
General expenses (Note 11)		57,488		52,097
Insurances		6,114		5,915
Audit fee and Accountancy		12,626		11,068
Depreciation		27,969		34,658
Computer Expenses		28,981		17,639
Legal and Professional				<u>760</u>
		<u>5,975</u>		
		<u>375,474</u>		<u>340,434</u>
Average number of employees (all administration)		<u>11</u>		<u>11</u>

There are no employees with emoluments above £50,000.

Notes to the Accounts  
For the Year Ended 31 August 2002

<b>4. Net resources expended for the year</b>	<b>2002</b>	<b>2001</b>
Net resources expended for the year is stated after charging:-	<b>£</b>	<b>£</b>
<b>Depreciation</b>	<b><u>27,969</u></b>	<b><u>34,658</u></b>
<b>Auditors Remuneration</b>		
In their capacity as external auditors	<b>4,450</b>	4,400
Charges for other services:		
Internal Audit	<b>7,276</b>	6,668
Other Services	<b><u>900</u></b>	<u>-</u>
	<b><u>12,626</u></b>	<b><u>11,068</u></b>

**5. Tangible Fixed Assets**

	<b>Fixtures &amp; Fittings £</b>	<b>Computer £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 September 2001	63,573	126,277	189,850
Additions	956	12,911	13,867
Disposals	<u>-</u>	<u>(18,194)</u>	<u>(18,194)</u>
<b>At 31 August 2002</b>	<b><u>64,529</u></b>	<b><u>120,994</u></b>	<b><u>185,523</u></b>
<b>Depreciation</b>			
At 1 September 2001	54,118	102,908	157,026
Charge for year	7,855	20,114	27,969
Disposals	<u>-</u>	<u>(16,776)</u>	<u>(16,776)</u>
<b>At 31 August 2002</b>	<b><u>61,973</u></b>	<b><u>106,246</u></b>	<b><u>168,219</u></b>
<b>Net Book Values</b>			
<b>At 31 August 2002</b>	<b><u>2,556</u></b>	<b><u>14,748</u></b>	<b><u>17,304</u></b>
At 31 August 2001	<u>9,455</u>	<u>23,369</u>	<u>32,824</u>

Notes to the Accounts  
For the Year Ended 31 August 2002

**6. Investments**

<b>(a) Movement on Investments</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Market value 1 September	2,575,452	2,983,166
Additions	150,027	98,853
Disposals	(274,338)	(158,498)
Net investment losses	<u>(402,880)</u>	<u>(348,069)</u>
Market value at 31 August	<u><b>2,048,261</b></u>	<u><b>2,575,452</b></u>

**(b) Analysis of Investments**

Market value is that provided by the Central Finance Board of the Methodist Church.

	<b>2002</b>	<b>2001</b>
	<b>Market</b>	<b>Market</b>
	<b>Value</b>	<b>Value</b>
	<b>£</b>	<b>£</b>
<b>Central Finance Board</b>		
Trustees Interest Fund	189,221	363,553
Overseas Investment Fund	168,053	218,625
UK Equity Fund	1,302,590	1,508,961
Short Fixed Interest Fund	356,226	352,437
Long Fixed Interest Fund	32,160	131,866
Retail Corp'n 4.55% cum pref	<u>11</u>	<u>10</u>
<b>Value at 31 August</b>	<u><b>2,048,261</b></u>	<u><b>2,575,452</b></u>

	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
<b>7. Debtors</b>		
Prepayments and trade debtors	7,342	6,422
VAT Debtor	<u>2,249</u>	<u>-</u>
	<u><b>9,591</b></u>	<u><b>6,422</b></u>

Notes to the Accounts  
For the Year Ended 31 August 2002

**8. Creditors**

	2002 £	2001 £
Sundry Creditor	1,451	1,451
VAT Creditor	-	136
Accruals	<u>22,783</u>	<u>27,353</u>
	<u>24,234</u>	<u>28,940</u>

**9. Unrestricted - Administration Fund**

	2002 £	2001 £
Accumulated fund at 1 September	2,613,421	3,078,041
Net resources expended	<u>(435,515)</u>	<u>(464,620)</u>
At 31 August	<u>2,177,906</u>	<u>2,613,421</u>

**10. Unrestricted Funds**

All funds are unrestricted, that is, they are expendable at the discretion of the Board in furtherance of the objects of the Trust.

**11. General Expenses**

	2002 £	2001 £
Bank charges	4,361	4,428
Recruitment	-	3,610
Postage and Stationery	15,684	13,030
Accommodation expenses	19,486	14,115
Telephone	2,597	2,121
Payroll and personnel services	7,691	7,326
Board and Committee meeting expenses	2,183	3,169
Staff Training, Welfare & Travel	2,964	-
Sundry Expenses	<u>2,522</u>	<u>4,298</u>
	<u>57,488</u>	<u>52,097</u>

**Notes to the Accounts  
For the Year Ended 31 August 2002**

**12. Pension Costs**

The Board is a participating employer of the Pension and Assurance Scheme for Lay Employees of the Methodist Church, a defined benefit scheme.

**SSAP24 Disclosures**

Contributions to the scheme are charged to the Statement of Financial Activities (SOFA) account so as to spread the cost of pensions over employees' working lives with the Methodist Church. The costs are determined by an independent actuary on the basis of triennial valuations using the Attained Age Method. The last full actuarial valuation of the whole scheme was carried out as at 1 September 1999. The assumptions which have the most significant effect on the results of the valuation are those referring to the rates of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 7.0% pa, salary increases would average 4.5% pa and that past and future pensions would increase at either 5% or 3% depending on whether guaranteed or linked to inflation respectively.

This valuation showed that the market value of the scheme's assets were £7.836m and that the actual value of these assets represented 91% of the benefits that had accrued to members after allowing for expected increases in earnings. The contributions by the Board and members of the scheme are now 16.7% and 6% respectively, which was intended to remove the deficit over the estimated average remaining service lives of employees.

Trustees for Methodist Church Purposes contributions to the scheme for the year were £29,926 (2001 £22,445).

**FRS17 Disclosures**

A valuation for the purposes of this disclosure was carried out at 31 August 2002 by an independent actuary. The major assumptions used by the actuary were:-

	<b>2002</b>	2001
	%	%
Rate of increase in salaries	<b>3.9</b>	4
Rate of increase in pension payments	<b>2.4 – 5.0</b>	2.5 – 5.0
Discount rate	<b>5.6</b>	5.8
Inflation rate assumed	<b>2.4</b>	2.5

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

	<b>Long term rate of return expected at 31 August 2002</b>	<b>Value at 31 August 2002</b>
	%	£ million
Equities	<b>7.5</b>	4.8
Bonds	<b>4.6</b>	3.4
Others	<b><u>3.5</u></b>	<u>0.6</u>
<b>Total</b>	<b><u>6.1</u></b>	<u>8.8</u>

**Notes to the Accounts  
For the Year Ended 31 August 2002**

**12. Pension Costs (continued)**

The following amounts at 31 August 2002 were measured in accordance with the requirements of FRS17.

	<b>£ million</b>
Total market value of assets	8.8
Present value of scheme liabilities	<u>(13.1)</u>
Net Pension (Liability)	<u>(4.3)</u>

The Lay Employees' Pension Scheme operated by the Methodist Church is a defined benefit scheme. However, the Board is not the only participating employer in the scheme and it is unable to determine its share of the underlying assets and liabilities. 5% of the membership of the scheme are employees of the Board.

The total employer contributions paid to the scheme during the year were £0.696m (2001, £0.452m), of which the Board's contributions totalled £29,926 (2001, £22,445). A full actuarial valuation of the scheme was carried out at 1 September 1999 by an independent actuary. The valuations disclosed a past service deficit of £0.648m. The actuary accordingly recommended a contribution rate of 16.7% of pensionable salaries, which was intended to remove the deficit over the estimated working life of existing employees.

**13. Transactions with Members of the Board and Connected Persons**

Under the requirements of Accounting by Charities - Statement of Recommended Practice, it is necessary to disclose details of certain transactions with members and connected persons.

<b>Nature of transaction</b>	<b>2002</b>	2001	<b>2002</b>	2001
	<b>£</b>	£	<b>No</b>	No
Professional services	<b>1,200</b>	1,200	<b>1</b>	1
Travel expenses re-imbursed	<b>904</b>	1,061	<b>14</b>	17

**14. Prior Period Adjustment in 2001**

In the year ended 31 August 2001, as part of the process of reconciling the global bank account, which includes amount held by TMCP on behalf of other trusts, it was identified that the sum of £33,706 incurred by TMCP's own expenditure had not been deducted from TMCP's cash balances, resulting in those cash balances being overstated by £33,706. To correct this a prior period adjustment was made in 2001 to bank and reserves on the balance sheet.

**15. Landfill Grants**

During the year, as part of the Board's custodian responsibilities, the following transactions took place with regard to landfill grants:

	<b>£</b>
Grants received	<b>318,139</b>
Grants paid	<b>258,480</b>

These amounts are not included in these financial statements.

**RESOLUTION**

*The Conference adopts the Report on the Accounts of the Administration Fund of The Trustees for Methodist Church Purposes.*

#### **4. John Sunderland Deceased – Trust 68 – Blackley Methodist Chapel**

The late John Sunderland gave the sum of £50.00 to the Trustees for Wesleyan Chapel Purposes (now the Board) with the income to go to the Superintendent minister of the Manchester Circuit, formerly the Manchester North & Middleton Circuit) to pay the income to the Blackley Methodist Chapel for the benefit of the Day and Sunday School Committee connected with the church.

The late John Sunderland stated in his bequest that should the Chapel premises be sold and the Day and Sunday School discontinue then the bequest should be held or disposed of by the Board as the Conference shall direct. The Blackley Chapel has now closed and the successor church is Chain Bar.

The Managing Trustees of Chain Bar asked the Board to request the Methodist Conference to agree the fund should be held for Chain Bar. The Board at its meeting on 25<sup>th</sup> February 2003 agreed and Conference is asked to confirm the John Sunderland Bequest may be held as to capital and income for the benefit of Chain Bar Methodist Church General Fund.

#### ***Resolution:***

***Conference resolves that the John Sunderland Bequest be held by The Trustees for Methodist Church Purposes for the benefit of the Chain Bar Church General Fund.***