

Trustees for Methodist Church Purposes

Financial Statements For the Year Ended 31st August 2004

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**Report of the Board
For the Year Ended 31st August 2004**

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.

Membership of the Board

The Revd James Booth	Mr Duncan Booth
The Revd David G Deeks	Mr K Peter Bounds
The Revd Doreen Hare	Mr David Bradshaw
The Revd Christine A Hawke	Mr J Robert Gillingwater
The Revd Ian D Johnson	Mrs Susan Howdle
The Revd G Michael Sparrow	Mr Malcolm Pearson
The Revd Kenneth E Street - (Secretary)	Mr G Alan Pimlott
The Revd David F Willie - (Chairman)	Mrs Eunice Shepherd

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 persons in accordance with the Methodist Church Act of 1939); and that figure is being maintained.

Review for the Year and Future Plans

The financial effects of the Board's activities are set out in the accounts on pages 6 to 14.

The Board met on 16th October 2003, 12th February 2004 and 19th May 2004.

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 6,200 or so local churches, 601 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 £204 million (2003 : £193 million).

Review of Management and Governance Functions

The appointment of a General Manager was made with effect from 5th January 2004 and following this appointment, the Board is reviewing the administrative responsibilities of its employees and the delegations to the Executive Committee, the Audit Committee and its appointed officers.

The Executive met five times during the year. 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 31st August 2004**

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 and confirmed by the Conference of 2003. The Board's policy is to use the income from the Administration Fund together with an annual allocation of capital (which this year amounted to £17,153) 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 Board adopted an ethical investing policy on 19th May 2004 which applies to the Full Trusts for which it has managing trustee responsibility.

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

**Report of the Board (Continued)
For the Year Ended 31st August 2004**

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.

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: 10th February 2005 and signed on its behalf by:


.....

Board Member


.....

Board Member

Independent Auditors' Report to the Board

We have audited the financial statements of the Trustees for Methodist Church Purposes for the year ended 31st August 2004 on pages 6 to 14, which comprise the Statement of Financial Activities, the Balance Sheet and notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board, as a body. Our audit work has been undertaken so that we might state to the Board 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 Board as a body, for our audit work, for this report or for the opinions we have formed.

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 judgements 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 irregularities or error. In forming an opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the Board (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Board's affairs as at 31 August 2004 and of its incoming resources and resources expended for 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 2004 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.

Beever and Struthers

**St George's House
215/219 Chester Road
Manchester
M15 4JE**

**BEEVER & STRUTHERS
Chartered Accountants
Registered Auditors**

Dated: 10th February 2005

**Statement of Financial Activities
For the Year Ended 31 August 2004**

	Note	2004 £	2003 £
Incoming Resources			
Income from investments		76,264	79,971
Amounts charged to Managing Trustees		258,844	248,131
Charge to: Connexional Advance and Priority Fund		-	4,321
Methodist Ministers Annuitant Society		<u>4,681</u>	<u>-</u>
		<u>339,789</u>	<u>332,423</u>
Resources Expended			
Management and administration	3	<u>356,942</u>	<u>341,887</u>
Net resources expended		(17,153)	(9,464)
Net gains on investments	6	<u>91,426</u>	<u>12,152</u>
Net movement in funds	9	74,273	2,688
Fund balances brought forward at 1 September		<u>2,180,594</u>	<u>2,177,906</u>
Fund balances carried forward 31 August		<u>2,254,867</u>	<u>2,180,594</u>

The above results all derive from continuing operations.

All recognised gains and losses are included in this statement.

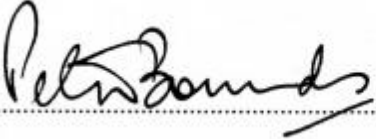
The above surpluses are the historical cost surpluses.


The notes on pages 8 to 14 form an integral part of these accounts.

**Balance Sheet as at
31 August 2004**

	Note	2004 £	2003 £
Fixed Assets			
Tangible fixed assets	5	12,793	18,567
Investments	6	<u>2,051,699</u>	<u>2,060,547</u>
		<u>2,064,492</u>	<u>2,079,114</u>
Current Assets			
Debtors and prepayments	7	6,354	10,971
Cash in hand and at bank		<u>194,936</u>	<u>114,206</u>
		201,290	125,177
Current Liabilities			
Creditors and accruals	8	<u>10,915</u>	<u>23,697</u>
Net Current Assets		<u>190,375</u>	<u>101,480</u>
Total Assets		<u>2,254,867</u>	<u>2,180,594</u>
Funds			
Unrestricted - Administration Fund	9	<u>2,254,867</u>	<u>2,180,594</u>

Approved by the Board on: 10th February 2005 and signed on its behalf by:


 Board Member


 Board Member

The notes on pages 8 to 14 form an integral part of these accounts.

**Notes to the Accounts
For the Year Ended 31 August 2004**

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.

These accounts do not include investments of some £204 million (2003: £193 million) at market value held by the Board in its capacity as trustees or custodian trustees. Of the £204 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 in accordance with FRS1 has not prepared 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.

(f). Incoming Resources

Dividends received from the Central Finance Board are recorded on a cash basis.

Interest from investments is recognised on an accruals basis.

**Notes to the Accounts
For the Year Ended 31 August 2004**

2. Statement of Accounting Policies (Continued)

(g). 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.

The Board has complied with the transitional arrangements permitted by FRS 17 "Retirement Benefits".

3. Management and Administration

	2004		2003	
	£	£	£	£
Wages and Salaries	224,085		215,310	
Social Security Costs	21,583		19,001	
Pension Costs	<u>35,233</u>		<u>28,138</u>	
	280,901		262,449	
Less: Amount recharged to Methodist Council	<u>(37,920)</u>		<u>(36,798)</u>	
		242,981		225,651
General expenses (Note 11)		63,563		53,550
Insurances		6,126		7,359
Audit fee and Accountancy		14,700		14,672
Depreciation		5,774		7,443
Computer Expenses		22,435		25,371
Legal and Professional		<u>1,363</u>		<u>7,841</u>
		<u>356,942</u>		<u>341,887</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 2004

4. Net resources expended for the year	2004	2003	
Net resources expended for the year is stated after charging:-	£	£	
Depreciation	<u>5,774</u>	<u>7,443</u>	
Auditors Remuneration			
In their capacity as external auditors	4,900	4,667	
Charges for other services:			
Internal Audit	9,100	9,385	
Other Services	<u>700</u>	<u>620</u>	
	<u>14,700</u>	<u>14,672</u>	
5. Tangible Fixed Assets			
	Fixtures & Fittings	Computer	Total
	£	£	£
Cost			
At 1 September 2003 & 31 August 2004	<u>73,235</u>	<u>120,994</u>	<u>194,229</u>
Depreciation			
At 1 September 2003	63,532	112,130	175,662
Charge for year	<u>2,522</u>	<u>3,252</u>	<u>5,774</u>
At 31 August 2004	<u>66,054</u>	<u>115,382</u>	<u>181,436</u>
Net Book Values			
At 31 August 2004	<u>7,181</u>	<u>5,612</u>	<u>12,793</u>
At 31 August 2003	<u>9,703</u>	<u>8,864</u>	<u>18,567</u>

**Notes to the Accounts
For the Year Ended 31 August 2004**

6. Investments

(a). Movement on Investments	2004	2003
	£	£
Market value 1 September	2,060,547	2,048,261
Additions	61,941	116,732
Disposals	(162,215)	(116,598)
Net investment gains	<u>91,426</u>	<u>12,152</u>
Market value at 31 August	<u>2,051,699</u>	<u>2,060,547</u>

(b). Analysis of Investments

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

	2004	2003
	Market	Market
	Value	Value
	£	£
Central Finance Board		
Trustees Interest Fund	163,258	296,108
Overseas Investment Fund	179,400	179,596
Managed Fixed Interest	3,029	-
UK Equity Fund	1,385,784	1,304,197
Short Fixed Interest Fund	<u>320,228</u>	<u>280,646</u>
Value at 31 August	<u>2,051,699</u>	<u>2,060,547</u>

	2004	2003
	£	£
7. Debtors		
Prepayments and other debtors	3,766	7,186
VAT Debtor	<u>2,588</u>	<u>3,785</u>
	<u>6,354</u>	<u>10,971</u>

**Notes to the Accounts
For the Year Ended 31 August 2004**

8. Creditors

	2004 £	2003 £
Creditors and accruals	<u>10,915</u>	<u>23,697</u>
	<u>10,915</u>	<u>23,697</u>

9. Unrestricted - Administration Fund

	2004 £	2003 £
Accumulated fund at 1 September	2,180,594	2,177,906
Net incoming resources	<u>74,273</u>	<u>2,688</u>
At 31 August	<u>2,254,867</u>	<u>2,180,594</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

	2004 £	2003 £
Bank charges	5,066	4,154
Recruitment	6,205	-
Postage and Stationery	14,045	12,364
Accommodation expenses	14,902	14,468
Telephone	1,484	2,013
Payroll, personnel and other services	14,561	11,825
Board and Committee meeting expenses	1,069	2,514
Staff Training, Welfare & Travel	1,757	5,084
Sundry Expenses	1,524	1,128
Payment to Pickles Trust	<u>2,950</u>	-
	<u>63,563</u>	<u>53,550</u>

12. Pension Costs

The annual accounts of the Trustees for Methodist Church Purposes continue to be prepared in accordance with Statement of Standard Accounting Practice (SSAP) 24 "Accounting for Pension Costs". Additional disclosure is given in this note in accordance with Financial Reporting Standard (FRS) 17 "Retirement Benefits". SSAP 24 and FRS 17 utilise different accounting and actuarial principles.

The Board is a participating employer, but not the only employer, of the Pension and Assurance Scheme for Lay Employees of the Methodist Church, a defined benefit scheme. The Board makes a pension contribution equal to 20.6% of the basic salary of its staff to the scheme.

**Notes to the Accounts
For the Year Ended 31 August 2004**

12. Pension Costs (continued)

The assets of the pension scheme are held separately from those of the Trustees for Methodist Church Purposes in independently administered funds.

Statement of Standard Accounting Practice (SSAP) 24 Disclosures

Contributions to the scheme are charged to the Statement of Financial Activities (SOFA) so as to spread the cost of pensions over employees' working lives with the Trustees for Methodist Church Purposes. The contributions 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 2002 by an independent actuary.

This valuation showed that the market value of the scheme's assets was £8.8 m and that the actual value of these assets represented 73% of the benefits that had accrued to members after allowing for expected increases in earnings.

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 6.1% pa, salary increases would average 3.9% pa and that past and future pensions would increase at either 5% or 2.4% depending on whether guaranteed or linked to inflation respectively.

The contributions by the Board and members of the scheme from 1 September 2004 continue to be 20.6% and 7% respectively, which is intended to remove the deficit over the estimated average remaining service lives of employees.

The Trustees for Methodist Church Purposes contributions to the scheme for the year were £35,233 (2003: £28,138). There was no provision/prepayment at 31 August 2004.

The next full actuarial valuation will be performed as at 1 September 2005.

Financial Reporting Standard (FRS) 17 Disclosures

It is not possible to identify the share of the underlying assets and liabilities of the scheme attributable to the Trustees for Methodist Church Purposes, hence it is accounted for as a defined contribution scheme under FRS17. Accordingly, the FRS 17 pension disclosures are limited to the information set out above.

Due to the nature of the Scheme, the charge to the Statement of Financial Activities for the year under both SSAP 24 and FRS 17 represents the employer contribution payable.

The deficit in the whole pension scheme at 1 September 2004 calculated using an FRS 17 basis was £6m (2003: £5.88m). The key assumptions used to calculate the FRS 17 liability were:

	2004	2003
	%	%
Rate of increase in salaries	4.4	4.2
Rate of increase in pension payments	2.8-5.0	2.6-5.0
Discount rate	5.5	5.4
Inflation rate assumed	2.9	2.7

**Notes to the Accounts
For the Year Ended 31 August 2004**

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.

	2004	2003	2004	2003
Nature of transaction	£	£	No	No
Travel expenses re-imbursed	1,069	1,247	12	12

14. Landfill Grants

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

	2004	2003	2004	2003
Nature of transaction	£	£	No	No
Grants received	532,274	326,998	56	30
Grants paid	561,889	326,546	72	29

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.