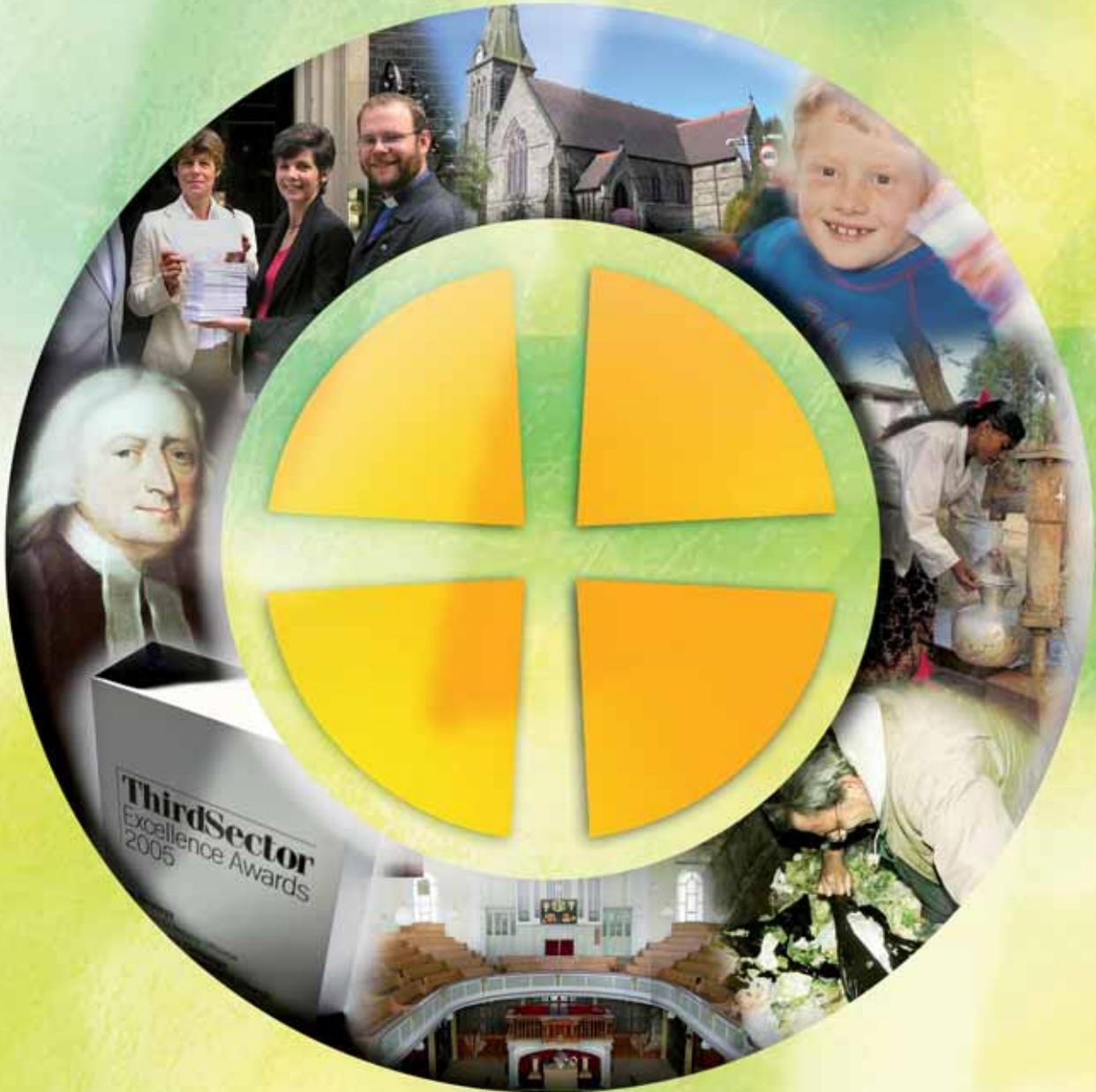


The Methodist Council

CONSOLIDATED FINANCIAL STATEMENTS



Annual Report and Financial Statements
for the year ended 31 August 2007

CONTENTS

	Page
Reference and Administrative Details	3
Highlights for the Year	4
Trustees' Report	5
Independent Auditor's Report	21
Consolidated Statement of Financial Activities - Group	22
Statement of Financial Activities – Connexional Team	23
Consolidated Balance Sheet and Connexional Balance Sheet	24
Consolidated Statement of Cash Flow	25
Notes forming part of the Consolidated Financial Statements	26

REFERENCE AND ADMINISTRATIVE DETAILS

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
General Secretary's Office
Methodist Church House
25 Marylebone Road
London NW1 5JR
Tel: 020 7486 5502

Executive Officers (as at March 2008)



Revd David G Deeks
General Secretary and
Secretary of the Conference



Revd Kenneth G Howcroft
Coordinating Secretary,
Conference and Communication



Ms Anthea Cox
Coordinating Secretary,
Public Life and Social Justice



Revd Jonathan W Kerry
Coordinating Secretary,
Worship and Learning



Revd David Gamble
Coordinating Secretary,
Legal and Constitutional Practice



Revd Peter G Sulston
Coordinating Secretary,
Unity in Mission

Custodian Trustees

Trustees for the Methodist
Connexional Funds (Registered)
9 Bonhill Street
London EC2A 4PE

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

Baker Tilly UK Audit LLP
1st Floor
46 Clarendon Road
Watford
Herts WD17 1JJ

Solicitors

Pothecary Witham Weld
70 St George's Square
London SW1V 3RD

HIGHLIGHTS FOR THE YEAR

- **Resourcing Mission at Home** – This year a total of £2.4 million Mission and Ministry grants were paid to 208 circuits. These grants enable circuits to finance the appointment of inner city workers, youth workers and chaplains to spearhead projects.

Through the Connexional Advance and Priority Fund we were also able to support replacement schemes and standard adaptations to 147 church buildings and also improve disabled access.

- **Resourcing Mission Overseas** – A total of 103 partner churches and organisations operating in 48 countries benefited from the Overseas Grants programme. These grants go towards mission, development and humanitarian needs.
- **Direct Mission and Ministry** – Conference 2007 welcomed warmly the *Fresh Expressions* report. *Changing Church for a Changing World* was also endorsed by Conference and recommended to churches, circuits and districts for study.

As a part of the Evangelical Coalition for Urban Mission partnership several events were held throughout the year with the aim of breaking down barriers and helping to create an environment where Christians from all traditions work together on various missionary initiatives. One such event was held in Glasgow to mark the 200th anniversary of the abolition of the transatlantic slave trade.

- **Direct Mission – Overseas** This year we were able to send 66 mission partners to work in 24 countries, with the majority working in Asia and Africa. Their work covers ministry, theological training and other areas such as health care, education and social work.
- **Formation in Ministry Training** – Provision of pre-ordination training took a major step forward with the adoption by Conference 2007 of the *Talking of*

God, Acting of God report. This includes two major changes: firstly the setting up of five regional training networks and secondly the funding of up to 60 full-time pre-ordination training places. It is hoped that over time these funding reforms will address the student shortages problem.

- **Advocacy and Education** – Major achievements this year are the redesign the Church's website and launch of the new online Bible study. An online donations facility is now available on the new website.
- The previous year's deficit of the **Pension and Assurance Scheme** for Lay Employees of the Methodist Church has now been cleared. The Actuarial value as at 31 August 2007 now reflects a net surplus (pensions asset) of £0.9 million.
- **Outturn** – The Methodist Council ended the year with a net increase in funds of approximately £4.1 million; of this gain £2.4m is from operations and the rest is attributed to gains on investments.
- **Total funds** under the management of Methodist Council stood at £121.6 million. This comprises of
 - £24.7 million – endowment funds
 - £50.8 million – restricted funds, and
 - £46.1 million – unrestricted/general funds.
- **Net assets** – total net assets stands at £121.6 million, this includes:
 - £19.9 million of tangible fixed assets
 - £92.2 million of investments, and
 - £9.5 million of net current assets and long term creditors.
- **The main challenge** for 2007/08 is to implement the Team Focus changes agreed at Conference 2007.

The Methodist Council as trustees present their annual report for the year ended 31 August 2007 as follows:

Structure, Governance and Management

The legal framework within which the Methodist Church is governed is given by the 1976 Methodist Church Act. This provides the authority under which the Conference as the governing body of the Methodist Church acts. The next 'tier' of authority is given by the Model Trusts in the second Schedule of the Act and the Deed of Union. These derive their authority from the Act. They can be amended, but the process is deliberately protracted, to ensure that there is consultation and time for reflection. Thirdly there are the Standing Orders and guidelines adopted by the Conference, which are far more detailed and more easily changed, provided that they are within the limits prescribed by the Act, the Model Trusts and the Deed.

The Methodist Church does not currently need to register as a charity by the combined effects of Sec. 46(4)(a) of the Charities Act 1993 and Para. 4(2)(c) of the Charities (Exception from Registration) Regulations 1996 as amended by Statutory Instrument 2002 No.1598.

Methodist Conference

The government and discipline of the Methodist Church and the management and administration of its affairs is vested in the Conference. This is a representative body of 384 members comprising ministers, deacons and laypersons from the 32 districts of the Methodist Church of Great Britain as well as other bodies of the Church. Each of the 32 districts comprises a number of circuits, each made up of a number of churches within a geographically defined area.

The Conference, under Para. 6 of the Methodist Church Act 1976 'shall be the final authority within the Methodist Church with regard to all questions concerning the interpretation of its doctrines'.

Meeting annually in three sessions (Representative, Ministerial and Diaconal), Conference each year appoints a President and Vice President of Conference to oversee its meetings the following year as well as acting as ambassadors, spokespersons and leaders for the Church.

The Conference also appoints the General Secretary of the Church and other key officers.

The Methodist Council

Conference appoints each year, the Methodist Council following nomination by Synod or other representative body of the Church, having regard to the age, sex and the ethnic origin of its members as well as the diversity of experience and opinion in the Church. The Methodist Council is authorised to act on behalf of Conference between the close of one Conference and the opening of the next, providing that such action is not contrary to the Deed of Union or to any subsisting Resolution of the Conference. Acting collectively, the members of the Methodist Council are the Trustees of the Methodist Council Consolidated Financial Statements and have the responsibility for approving these financial statements. The 58 members have been listed individually here and their names are recorded each year in the Minutes of Conference. This year, the Council went through with two key changes namely the appointment of a chair from within the Council membership in place of the President and Vice President and the exclusion from membership of Connexional Team members who are not part of the Joint Secretaries Group.

Mr David Andrews
 Revd Alan Ashton
 Revd Martyn D Atkins
 Mr Michael Bamford*
 Mrs Ruby Beech
 Mr John A Bell*
 Mrs Christine Bellamy*
 Miss Margaret Best
 Revd Barbara Bircumshaw*
 Deacon Sarah Bruce
 Mr Russell Buley
 Miss Kathleen Burrell
 Mr Ronald Calver
 Revd R Graham Carter
 Mr Dudley Coates
 Mr John Cooper
 Revd Peter J Cornick*

Ms Anthea Cox	Revd Elizabeth J Hunter	Ms Ruth Pickles
Revd Robert B Creamer	Mrs Rosalind Innes	Revd Geoffrey C Reid
Revd David G Deeks	Mrs Beverley Jones	Revd Carolyn Seaton
Revd Rachel D Deigh	Revd Roger A Jones	Dr Malcolm Stevenson*
Mrs Jennifer H Easson	Revd A Ward Jones	Revd Thomas J Stuckey*
Revd David R Emison	Revd Jonathan W Kerry	Revd Peter G Sulston
Miss Margaret Faulkner	Revd Ermal B Kirby	Mr Kenvyn Wales
Revd Andrew W Fyall	Dr Ian Lovecy*	Mrs Rosemary Watt
Revd David Gamble	Revd Loraine N Mellor	Mr Barry Wilford
Revd John C Howard-Norman*	Revd Jeffrey C Moles*	Revd Paul H Wilson*
Revd Kenneth G Howcroft	Revd William R Morrey - Chair	Mrs Thelma Wilson*
Miss Rachel Howcroft*	Miss Gail Nichol*	Ms Helen Woodall
Mr Ronald Hughes	Mrs Nwabueze Nwokolo	Revd Linda M Woollacott
Revd Christopher Humble*	Revd Paul Nzacahayo	

*indicates those who had completed their period of Trusteeship at the end of the connexional year 2006/2007.

The undernoted persons were appointed to serve as Trustees from the beginning of the 2007/2008 connexional year:

Ms Jane Allin
 Revd Ian C Bell
 Mrs Gill Dascombe
 Miss Mandy Godridge
 Revd Gareth Hill
 Mr Gary Hopkins
 Mr David Hulse
 Revd David Leese
 Revd David Perkins
 Revd Stephen J Poxon
 Revd Eileen A Sanderson
 Revd Elizabeth A Smith
 Revd Susan Sowden
 Mr David S Walton

All new Methodist Council members are invited to attend trustees' induction sessions, which normally precede Council meetings. The governance work of the Council is largely exercised through standing committees and working groups of Conference and Council, each looking at specific aspects of the work and reporting to Council and/or Conference with recommendations for consideration and decision.

The Strategy and Resources Committee

Conference also appoints annually the Strategy and Resources Committee (SRC), a sub-committee of the Methodist Council, following an open invitation and short listing by a select group of the Committee. The SRC advises the Council in relation to all its functions, having regard to advice from the Joint Secretaries Group who are non-voting members. The Committee, which met six times in the year, has specific responsibility for detailed review and reporting to the Council of the following aspects of the work.

- Annual Budgets for the work of the Connexional Team
- Annual Trustees' Report and Consolidated Financial Statements
- Identification and management of risks

The current members of the Strategy and Resources Committee and those who served in 2006/2007 are listed below:

Voting Members

Mr Kenwyn Wales (Chair)
 Mr Michael Bamford (to 31 August 2007)
 Mr John A Bell
 Revd James A Booth
 Mr Ronald Calver (Connexional Treasurer)
 Revd F John Carne
 Mr Dudley Coates
 Revd Gareth L Hill
 Mr Kenneth Jackson
 Mr Brian Mansfield (to 31 August 2007)
 Mrs Susan Millman
 Mr Andrew Moore
 Ms Helen Woodall

Non-Voting Members

Ms Anthea Cox
 Revd David G Deeks
 Revd David Gamble
 Revd Kenneth G Howcroft
 Revd Jonathan W Kerry
 Revd Peter G Sulston

Induction of new SRC members 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 and in the full-day induction programme for new Connexional Team staff.

The Audit Committee

This is a committee of Conference appointed on the nominations of the Methodist Council. To safeguard its independence, Standing Order 213 (a) of The Constitutional Practice and Discipline of the Methodist Church bars Methodist Council members and staff members of the Connexional Team from serving on the Audit Committee. The Committee nevertheless has powers to require the connexional treasurer 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 Council on the appointment of external auditors, reviewing the Consolidated Financial Statements of the Methodist Council and the related independent auditor's report as well as the effectiveness of the financial and other internal control systems with regards to monies and other assets for which the Council is responsible.

The Connexional Team

The members of the Connexional Team work collaboratively to provide a coherent and effective service on behalf of the Conference. The Connexional Team is led by the Joint Secretaries Group, consisting of the General Secretary/Secretary of the Conference and five co-ordinating secretaries (one of whom is designated Assistant Secretary of Conference and one of whom is the ecumenical officer of the Methodist Church). The overall task of the Connexional Team is to further the purposes of the Methodist Church, in particular enabling it better to fulfill its calling of responding to God's love in Christ and working out its discipleship in mission and worship.

Local Governance/Managing Trustee Committees

For each of the self-accounting entities whose accounts are incorporated into the Methodist Council Consolidated Accounts, 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 by the Council. Ultimate control in all these cases resides with the Methodist Council. Through a governance scrutiny process overseen by the SRC, the Council monitors standards of governance in all the entities, which are accountable to the Council.

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 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 trusts 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. TMCP shares offices with the Connexional Team in Manchester.
- b) The Central Finance Board of the Methodist Church (CFB) was 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 Publishing House (mph) was set up under Standing Order 242 to provide printing and publishing services to the Connexion. Operating

mainly from premises in Peterborough, mph also operates a bookshop within the connexional office in London.

- d) The Methodist Ministers' Housing Society - Set up under the Industrial and Provident Societies Act 1965 and operating from the Connexional Team offices in London, the Housing Society provides housing and associated amenities for retired Methodist ministers, deacons and their partners. The Methodist Council makes regular grants from the Auxiliary Fund to the Society in support of its work under Standing Order 364.
- e) Other Methodist bodies with which the Connexional Team has regular dealings would include the Methodist Relief and Development Fund (MRDF), the Methodist Ministers' and Lay Employees' Pension Trusts, and the Board of Management for the Methodist Independent Schools.
- f) NCH is the children's charity of the Methodist Church. It was founded in 1869 by Methodist minister Revd Thomas Bowman Stephenson in response to the poverty and danger faced by vulnerable and destitute children and young people living rough on the streets of London.

Full details of transactions with these related parties and any outstanding balances at the year-end are provided under Note 24 of the accounts.

Risk Management

The Council's risk management policy is designed to identify and analyse operational and other risks facing the Connexional Team and related entities and where at unacceptable levels, to take steps to mitigate the risks. The Council currently maintains a corporate risk register broken down under the following headings:

1. Strategic and Reputational Risks
2. Financial Risks
3. Compliance Risks
4. Operational Risks

- The Strategic and Resources Committee (SRC), working closely with senior management continue to be responsible for the regular review and update of the Connexional Team's risk register; any proposed changes to the register being agreed by Council;
- As part of their independent monitoring of the effectiveness of the process, the Audit Committee received various reports from the external auditors, the Finance Director and the Head of Personnel in the year. A delegation also held a risk review meeting with senior staff in the Manchester office.
- Similarly the governance scrutiny groups continue to review the risk management arrangements put in place by the governance body or managing trustees of each of the self-accounting entities.

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

OBJECTIVES AND ACTIVITIES

Clause 4 of the Deed of Union sets out the object of the Church as follows:

'...in the providence of God, Methodism was raised up to spread scriptural holiness through the land by the proclamation of the evangelical faith and declares its unfaltering resolve to be true to its divinely appointed mission.'

To help the Church fulfil this object, Conference 2000 adopted a process entitled 'Our Calling', which set out four interconnected themes within which all parts of the Church (Connexion) may review their life in fulfillment of its mission. In the words of 'Our Calling', the Church exists

- to help people to grow and learn as Christians through mutual support and care (learning and caring)
- to be a good neighbour to people in need and to challenge injustice (service)
- to make more followers of Jesus Christ (evangelism)

In responding to the Church's calling, the Connexional Team as the central office of the Methodist Church of Great Britain focuses its work in four distinct areas as follows:

1. Grants Programme

Here the church aims to re-distribute funds pooled centrally to areas of Britain, the Channel Islands and the Isle of Man and overseas where the needs for worship, learning and caring, service and evangelism outstrip available resources. The grants programme breaks into four distinct sub-programmes, each drawing on funds given specifically for the purpose as follows:

- **Property Programme**, under which grants are made to circuits and churches for property schemes aimed at making places for worship adaptable, accessible to everyone, and properly expressive of our heritage and ethos. The programme relies on giving to the Fund for Property, levies from the sale of property to the Connexional Advance and Priority Fund (CAPF) as well as a number of endowment funds;
- **Mission and Ministry Grants Programme**, which is mainly for grants to circuits and districts from a variety of sources including the Fund for Home Mission and the CAPF via a single-track application process, for the support of personnel and projects that advance the Church's Calling. Applications are normally dealt with on an annual basis, and can be for multi-year appointments or projects;
- **Fund for World Mission Grants Programme**, under which grants are made to partner churches and
- to increase awareness of God's presence and to celebrate God's love (worship)

ecumenical organisations overseas in aid of ministry and mission projects within their communities;

- **Personnel Support Grants Programme**, through which small grants are made to Methodist ministers, deacons, lay workers and 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 Auxiliary Fund, Trinity Hall Trust and various benevolent funds.

Grant Making Policy

Grants are made by committees of the Council based on applications or funding requests received through the connexional offices in London and Manchester. In a few limited cases where the grant making decisions are delegated to specific officers of the Connexional Team within clearly defined parameters, there is a requirement for periodic reporting to the appropriate committee of grants made. Beneficiaries of the grants are in the main, local Methodist churches, circuits and similar bodies, individual Methodist Church members training for and/or within authorised ministries according to need, training institutions as well as World Church partners and their nominees. All grants are made in furtherance of the Church's calling.

2. Formation in Ministry Training Programme

Working in conjunction with districts, circuits, training institutions, all other responsible bodies and other parts of the Connexional Team, the Formation in Ministry Office under this programme aims to maintain and develop ministry (lay, diaconal and presbyteral) which will assist the whole Connexion in fulfilling all its calling, by:

- Providing appropriate pathways and procedures for the discernment and testing of vocation to ministry;
- Developing and maintaining pathways of initial training that are ecumenical, integrated, flexible

and authentically Methodist, and which lead to the appropriate recognition or accreditation and/or provide relevant training opportunities for that form of ministry;

- Advising on, maintaining and supporting continuing development among those in ordained and lay ministries and;
- Co-ordinating the stationing process under which ministers and deacons are assigned for ministry at the local church, circuit and district levels.

Much of this work is undertaken through the maintenance, management and staffing of Methodist theological colleges such as Wesley College Bristol, Wesley Study Centre Durham, Cliff College and Hartley Victoria College; and contributions towards the costs of joint theological colleges and courses as well as the provision of maintenance grants for persons undergoing such training and their dependants.

3. Direct Mission and Ministry Programmes

Under the Direct Mission and Ministry Programme, specific units within the Connexional Team work collaboratively to:

- Develop resource materials for all areas of the Church's work and calling;
- Work alongside ministers, lay workers and other office holders, mainly volunteers at district, circuit and local churches in outreach, worship and various community projects;
- Work with women's groups, children and young people within the church, helping them formulate their own responses to Our Calling as well as the development of policies for the protection of the vulnerable individuals within these groupings;
- Organise or support various worship celebrations and training events for the wider Methodist and

ecumenical communities;

- Provide a network of regional training and development officers to advise on and to facilitate training provision of all kinds to meet the needs of churches and circuits and their communities;
- Offer a bureau service to districts, circuits and local churches in areas such as payroll, gift aid and Criminal Records Bureau checks;
- Provide subsidised hostel accommodation with pastoral care for students, particularly from overseas in London.

4. Advocacy and Educational Programme

Working closely with colleagues in Methodist Publishing House, a sister organisation, and various officers within the wider church, our Mission Education, Communication and the Public Issues offices:

- seek to encourage the members of the Methodist Church to develop an awareness of the various aspects of mission and of the various approaches to exercising that mission today – by informing, motivating and challenging people to think about and participate in mission and evangelism;
- foster partnerships and closer working with others in pursuing the purposes of the Methodist Church;
- advise on emerging developments in politics, social and economic life both within the UK and abroad.

The chief means by which we carry out this aspect of Our Calling are:

- Developing, updating and maintaining the Church's official website at www.methodist.org.uk as well as other linked sites;
- Promoting advocacy through the publication of

educational and informative material on the work of the Methodist Church including specific information on the Methodist Church Fund and the Funds for Home Mission, World Mission and Property;

- The organisation of fringe meetings and various campaigning events to discuss and raise awareness on key issues;
- Lobbying politicians and other public figures on issues on which the Church has particular views;
- Developing and distributing various magazines and other publications on our work often in partnership with other Methodist or ecumenical bodies. These include regular ones like the Link Mailing, Mission Matters, Magnet, Momentum and Rethinking Mission.

Fundraising

Whilst the bulk of our work continues to be funded from a levy on the wider Methodist Church, we are increasingly looking for other ways of providing funding for our work, in the face of falling membership at local church level. To this end, we now:

- Actively promote giving to the Methodist Church Fund as well as the main restricted funds such as the Fund for Home Mission, the Fund for World Mission and the Fund for Property;
- Charge for our work wherever possible;
- Encourage our colleges to explore alternative ways of utilising any spare facilities during term time or vacations and to channel the resulting income back to their core work;
- Make sensible investment of all surplus funds through the Central Finance Board of the Methodist Church.

ACHIEVEMENTS AND PERFORMANCE

The challenge in Britain

The Church seeks to engage with a diverse and rapidly changing society. This presents many challenges, as well as many opportunities.

As a Church, we face the continuing challenge of losing Sunday worshippers at a rate of about 8 per cent a year; this decline is particularly apparent in our work with children, young people and younger adults. The Church faces difficult strategic decisions in many places including issues related to the style and location of church buildings. Methodist churches are down from 14,000 in 1932 to just under 6,000 and closing at the rate of 100 a year, according to a recent survey. The *Mapping a Way Forward: Regrouping for Mission* process asks that circuit reviews include strategic consideration of the availability and use of personnel, finance and buildings.

The recent consultation on church priorities also revealed a church membership that is largely lacking in confidence, unsure of its beliefs and ill-equipped to share its faith even when it wishes to do so. Many of our churches sense the need to review their mission strategy and look for support in going about that. The current year on year decline in the number of ministers and deacons in the active work has meant that there are many circuits working with fewer ordained personnel than they have in the past. The nature and style of pre-ordination training is changing to meet the expectations of the Church, the needs of the students and to make the best use of the resources available (in terms of training institutions, personnel and funding).

Climate change and the threat to the world's glaciers, the Amazon and the way of life of millions in the Third World, human trafficking at a time when the world is reflecting on the bicentenary anniversary of the abolition of the slave trade, gambling and licensing of more casinos in the UK, definitions of poverty and living in a multi-faith Britain continued to make headline news during the year.

The challenge overseas

In many parts of the developing world, in Africa, Latin America and the Far East, the Church appears in vibrant health and growing amidst the problems of poverty, HIV/Aids and the stigmatization that comes with it, non-existent social services, man-made and natural disasters, uneasy relationships with its former persecutors and the dominant religions of the Far East and Islam in Africa and an increasing divide between the haves and the have-nots and the urban and rural communities.

For our overseas Partner Churches, the challenges are radically different - sustaining an environment for continued growth, and supplying the resources and training to sustain the growth and to respond to evident gaps in welfare and social services. For these churches, the words of the Lord could not have been truer - 'the harvest is plentiful but the labourers (resources of money, material and trained leadership) are few' (Luke 10: 2) (NRSV)

Our Response

Grants programme in Britain

The work of the organisation 'Fresh Expressions', in partnership with the Church of England, continues to shape our response to the current challenges facing the Church in Britain. This year alone, we were able to support these initiatives with Mission and Ministry Grants ranging between £1,250 and £54,340 to 208 circuits within the home districts. The total sum given under Mission and Ministry came to approximately £2.4 million. Through these grants, many of our circuits were able to finance the appointment of inner city workers, youth workers, chaplains and other outreach workers to spearhead these initiatives.

Many of our church buildings need some work in order that they be appropriate resources for the mission of the Church in the 21st century. This year most of our property grants were targeted at making a number of our churches more adaptable besides increasing access for the disabled. Through the Connexional Advance and Priority Fund we were able to support various replacement schemes to the tune of £1.3 million. Another £370,000

was spent on standard adaptations to 147 existing church buildings with a further £31,000 going towards increasing disabled access. Full details of our grants programme are given in Note 7 to the accounts.

Grants programme overseas

Our World Church Office team continues to take a long-term view of the relationship with overseas Partner Churches with a combination of general grants funding that allowed for independence and flexibility on their part as well as target funding for special projects or in response to specific requests.

In all a total of 103 Partner Churches and organisations operating in 48 different countries benefited from the General Overseas Grants Programme. A breakdown by geographical region is as follows:

Region	No. of countries benefiting	No. of Partner churches/ organisations
Africa	15	24
Asia Pacific	13	44
Europe and Middle East	7	12
Latin America & the Caribbean	13	23
TOTAL	48	103

We also continue to respond to the personnel needs of our overseas Partner Churches on a short term and long term basis. This year, we not only provided, under our Scholarship and Leadership Training (SALT) programme, scholarships for training for 38 nominees from our Partner Churches but also funded 81 positions in healthcare, work with street children and young girls in the sex trade, HIV/Aids awareness, prevention and care and Christian outreach and church planting (Nationals in Mission Appointments, NMAs). The table below gives an analysis of the two schemes by geographical regions:

Region	SALT Programme	NMA Programme
Africa	18	26
Asia Pacific	11	13
Europe and Middle East	4	15
Latin America & the Caribbean	5	27
TOTAL	38	81

The impact of these appointments has been felt in the immediate areas of operation and beyond. In Brazil, a key NMA postholder is working with 'Youth in Conflict with the Law', providing pastoral and psychological support; in Pakistan, many young girls previously in the sex trade are now gainfully employed elsewhere, thanks to the training programmes run by the coordinator – Women's Development and Services Programme and her team; in Macedonia, through the work of the Miss Stone Centre where the team leader's position is funded through the NMA programme, 90 families in the Strumica area are guaranteed at least one hot meal each weekday; and in Kenya, where NMA is funding two positions at the Maua Methodist Hospital, patient care has gone up by 7.5%. Today, the hospital's maternity wing is considered the second best in the country and the number one for palliative care nationally.

Direct Mission and Ministry

In 2004, we became a partner with the Church of England in the Fresh Expressions initiative in response to the Priorities for the Methodist Church, 'encouraging fresh ways of being church.' Through a combination of grant funding and various training events by the Fresh Expressions Team and support at connexional and district level, many are responding warmly to the vision for new ways of being church. Of the 600 fresh expressions registered with the Fresh Expressions initiative, about 136 are Methodist involving 6,800 people. Of this number, 31% have a children focus. Not surprisingly, Conference 2007 welcomed warmly the Fresh Expressions report, directing the Methodist Council to take the necessary steps to enable and

encourage fresh ways of being church in a structured and strategic way and to bring annual progress reports for the next six years. A new publication developed by the Fresh Expressions initiative, '*Changing Church for a Changing World*' was endorsed by Conference and recommended to churches, circuits and districts for study.

Since 2003, we have also worked in partnership with the Evangelical Coalition for Urban Mission to redress some of the challenges of urban ministry. As our link person, Erica Dunmow puts it, 'All across the UK from Cardiff in the west to Glasgow in the north, this partnership is bearing fruits, breaking down old suspicions and helping to create an environment where Christians from all traditions, empowered by the Spirit, are following Jesus and working together on various missionary initiatives to inner cities, town/city centres, outer estates and post industrial areas. One such event in Glasgow to mark the 200th anniversary of the abolition of transatlantic slave trade saw a group of pastors of the Africa diaspora churches sharing a platform with a Korean church choir, an Afro-Caribbean Christian rapper and a Celtic folk singer.'

In line with the Priorities of the Church, this year, we were also able to organise the Heart of Worship Conference aimed at equipping ordained and lay people to improve the range and quality of our worship. Over 300 adults attended the conference during the May Bank Holiday weekend, some bringing along their children. Feedback from delegates was very positive.

Direct Mission - Overseas

As in previous years, this year again in response to requests by our Partner Churches overseas, we were again able to send out 66 professionals working in healthcare, social work, education, administration, ministry and theological training as mission partners working in 24 countries across the world, with over 70 percent being based in Asia and Africa. From Bangladesh, our mission partner, James Pender writes, 'When I arrived... I visited villages badly affected by arsenic poisoning and was gutted to hear firsthand from wives who have lost husbands, fathers who have lost children and many who have lost dear friends... So it was a great delight to me,

a real highlight of my work when this year, we installed six deep-tubewells (320ft) that go beneath the arsenic containing groundwater layer, in five villages where we have recently tested wells and mapped the pattern of arsenic distribution.' The result – between 250 and 500 families living in these five badly affected villages now have access to bacteria free and arsenic safe drinking water.

From Zimbabwe, another partner writes, 'Times are hard and what little money is raised from school fees mainly goes on food'. This year, Jonathan, a maths and statistics teacher by profession, spent less time in the classrooms as he led the response to organise a mini feeding scheme for pupils at the nearby primary school, thanks to the generosity of donors here in the UK.

From the Solomon Islands, another mission partner writes at four in the afternoon, 'It was difficult to imagine that I have flown to Honiara and back within the same day... transferring a mother and her premature baby to the National Referral Hospital in Honiara as we do not have the facilities at our hospital to look after extremely premature babies. During my brief visit to the Special Care Baby Unit, another young woman whom we had transferred there with life-threatening complication of pregnancy greeted me warmly. She took me to see her small baby, delivered by emergency caesarean section at 33 weeks gestation. Seeing that small baby and aware of the mother's gratitude for the care she had received at my base hospital, made everything seem worthwhile.'

Through these mission partners and many others out there, we are making real difference in the lives of real people – all thanks to the generous giving of our churches and individual Methodists.

Formation in Ministry Training

This year, the provision of pre-ordination training took a major step forward with the acceptance of the report, 'Talking of God, Acting for God' by the Training Institutions Review Group, chaired by Revd Ian White, past President of the Conference. Conference also adopted the following recommendations of the report:

- The setting up of five Regional Training Networks in England and one each in Scotland and Wales. The English networks will cover the North-West, North-East and Yorkshire, the Midlands, the South and South-West and the South-East;
- The funding of up to 60 full-time pre-ordination training places at the Queen's Foundation in Birmingham, Wesley House, Cambridge and the Wesley Study Centre in Durham. A further 60 part-time places will also be funded;

The hope is that over time, these funding reforms would address the problem of too few students too thinly spread and encourage training institutions to use their resources more flexibly for the whole church.

In the year itself, we were able to fund 41 full time places for foundation training, 7 full time places for diaconal training and 61 full time places for ministerial training, bringing the total number of full time students to 109, compared to 83 the previous year. We were also able to provide financial support to up to 55 others undertaking their training on a part time basis.

Whilst the number of ministers lost through retirements, resignation, etc, continues to exceed the number of ministers and deacons coming through the system, we are confident the above changes will help bridge the gap in the medium to long term.

Advocacy and Education Programme

One of the highlights of our work here was the re-design of the Church's website making it more user friendly, accessible and easier to navigate with a much more powerful search engine. The impact has been almost instantaneous with page views between its re-launch in May and November 2007 more than doubled compared to the same period the previous year. Additionally, the new online Bible study has become an immediate hit with visitors to the site, eclipsing 'finding a local church' for the second spot after 'links and contacts'.

On the campaign front, issues to do with climate change also engaged the minds of our Public Issues team and their insert into the September 2006 Link Mailing

included a report on how many small island communities see the problem and how local churches can keep the issues of environmental concerns on their agenda.

On UK poverty, the Joint Public Issues Team, working in partnership with the Baptist Union and the United Reformed Church was able to respond to the Welfare Reform Green Paper urging the Government to ensure that people who genuinely cannot work have an adequate income. As a member of the Debt on our Doorstep campaign, facilitated by Church Action on Poverty (CAP) our Public Issues team continued to work in partnership with colleagues in the other main churches to campaign against the exorbitant interest rates charged by doorstep lenders in the UK, mostly to people whose incomes are too low for them to get bank loans or credit cards. This year, The Competition Commission finally agreed – this type of credit costs too much.

The team also produced briefings, press releases or position papers on topics such as HIV/Aids; Trade Justice; Make Poverty History; Gambling Act 2005; Abolition of the Slave Trade Act Bicentenary 2007; Ecumenical working; and Governance.

The year also saw the publication and distribution of two issues of *Mission Matters* to Methodist churches across the UK as part of the quarterly Link Mailing as well as to 22,000 individual supporters of Mission in Britain and World Mission, and two issues to mission supporters only as two editions of the Link Mailing were replaced with two further editions of *Momentum*, a newspaper published in partnership with five other Methodist charities for wider distribution within the Church and beyond.

There was continuing further development of our 'District Links with Mission Partners' scheme, which aims to link each serving Mission Partner overseas with a District in Britain. There was also further development of our 'International Partnerships for Local Churches' scheme, which helps to initiate 'twinning' links with churches/circuits and districts in Britain with churches overseas. Some match-funded grants for visits to further these links were also made.

Fundraising

Our Mission Education team continued to develop its own section of the main Methodist Church website and that of Fund for World Mission with news of resources and publications, mission stories, Mission Partner newsletters, reports on connexional visits to Partner Churches alongside calls for more giving.

Two annual reports were published in time for distribution at the annual Methodist Conference in Blackpool – *God's Mission in Britain* report and the *MMS* (Methodist Missionary Society) report showing the income and expenditure statements for 2005/6 for the Fund for Home Mission and the Fund for World Mission respectively. Both reports also included a section on 'Let's Celebrate', recognising significant Methodist anniversaries as their theme; a prayer calendar for the 2007/8 connexional year as well as a tear-off Gift Aid form with standing order details to encourage giving to any of the main Methodist Church Funds.

Two new audio/visual resources were also produced; an interactive DVD *Shared Lives* to promote the work enabled by the Fund for World Mission and a DVD *Building a Church – The Methodist Church in Colombia*, jointly produced with the United Church of Canada, showing how a partner church has grown and evangelized through its outreach work.

In last year's report we indicated that we were endeavouring to set up an online donation facility as soon as possible. This year, we are happy to report that an online donation facility is now available on the main Methodist Church website, linked to JustGiving.com, who are providing the back office support. Individuals can now donate by debit/credit card to the Methodist Church Fund, Fund for Home Mission, Fund for World Mission and Junior Mission for All.

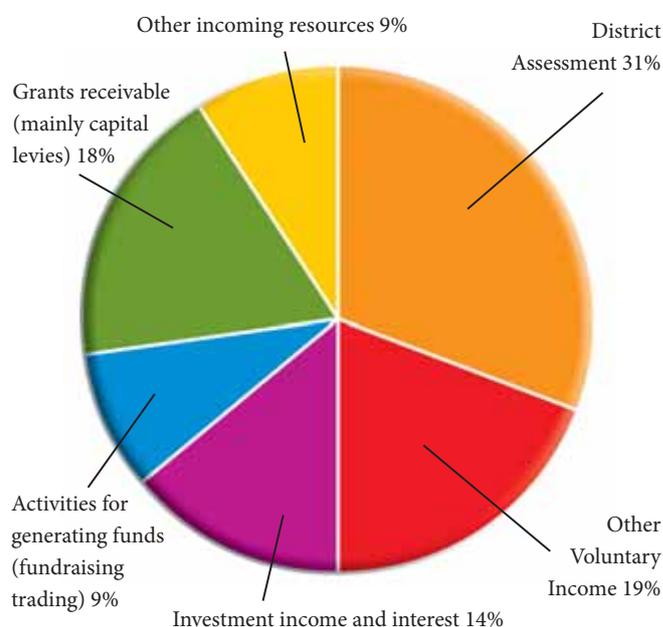
Whilst the impact of these initiatives cannot be easily quantified, the continued giving to the work of the Church and in particular to these specific funds, is a useful indicator that the message is indeed getting through. Whilst voluntary income including legacies decreased this year, voluntary giving, excluding legacies, showed a modest increase of 4% compared to last year.

FINANCIAL REVIEW

Net incoming resources before other recognised gains and losses for the Group for the year to 31 August 2007 fell by 60% to only £2.4 million compared to the figure of £5.9 million the previous year. With only a modest gain on revaluation of investments of only £1.7 million compared to £6.2 million last year, we ended the year with a net increase in reserves of only £4.1 million (2006 - £12.1 million).

On the income side, we registered a modest increase of 2.4% finishing the year with total incoming resources of approximately £36.3 million (2006 - £35.5 million). Whilst District Assessments, which continues to account for 30 – 31 per cent of incoming resources, went up by 3.6%, voluntary income, income from fundraising trading and grants income all showed decreases of between 3% and 14%. Chart 1 shows the range and proportion of funding from the various income sources.

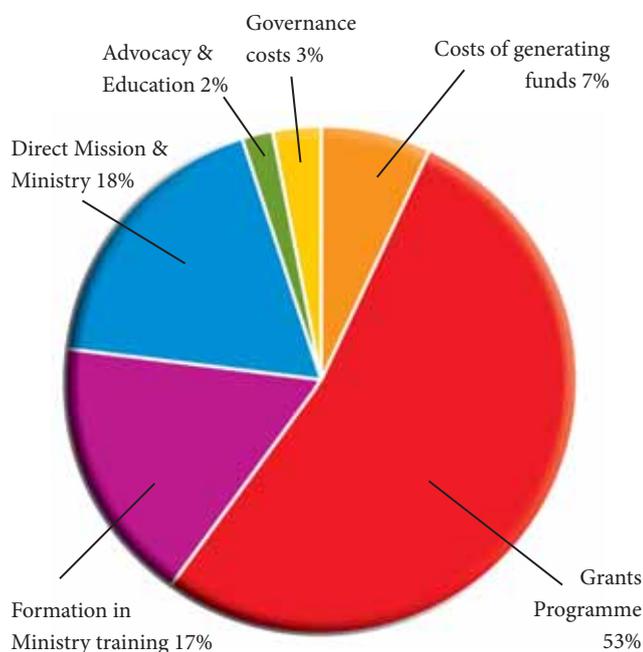
Income by source (£36.3m)



On the expenditure side, total resources expended for the Group in the year also went up from £29.5 million last year to £33.9 million – an increase of approximately 15%. This year, following a thorough review of our overseas programmes, our commitments in terms of General Grants, were increased by £3.3 million to reflect more

fully the level of constructive obligations to our overseas Partner Churches. This together with the increased grant funding to districts following the changes to the distribution rules for the Connexional Advance and Priority Fund (CAPF) accounts largely for the 30% increase in our Grants Programme. Formation in Ministry Training and Direct Mission and Ministry also benefitted from increased funding of between 11% and 21% respectively. Chart 2 below gives the distribution of resources expended by key areas of work.

Distribution of expenditure (£33.9m)



Volunteers

Whilst not quantified in these financial statements, this report would however be incomplete without an acknowledgement of the immeasurable contribution of volunteers giving their time and expertise freely to serve on the Methodist Council and on various other committees and working groups and all through the Connexion at district, circuit and local church levels.

Internal Financial Controls

The Methodist Council has overall responsibility for ensuring that there is in place an appropriate system of controls, financial and otherwise, to provide reasonable confidence and assurance that:

- the Church's administration is operating effectively and efficiently
- the assets of the Church are properly safeguarded against unauthorised loss or damage
- proper records are maintained and information produced for management control, fiscal and statutory reasons
- the Church complies with the relevant laws and guidelines.

This responsibility is delegated to the Audit Committee, who are appointed by the Conference, and the officers of the Church. The Audit Committee generally meets three times a year and examines the effectiveness of the systems of internal control by reviewing:

- the nature and scope of the external audit programme and any matters that may have been raised by the auditors for the attention of management. Any significant findings or risks identified are examined so that appropriate action can be taken.
- the Policies and Procedures manual, which describes the operational guidelines to be followed by all officers and employees of the Church.

Reserves Policy

The agreed reserves policy for Methodist Council Consolidated Financial Statements is to hold the equivalent of the half year's resources expended plus an estimate of any known likely fluctuation. This level of reserves, in the view of the Council, is adequate, allowing the Church time to adjust to changes in its financial circumstances without disrupting its programme in the short term.

General Reserves (unrestricted or free)

At the year-end, actual free reserves for the Connexional Team (meaning unrestricted funds at

year-end (£40.9m) less designated funds (£24.8m) and funds already invested in fixed assets (£2.8m)) were £13.3 million approximately, well in excess of the new target of £8.2 million (half of unrestricted resources expended less transfers between funds) using the year's reported expenditure.

The Methodist Council as Trustees are taking steps as part of the annual resource allocation process to bring actual reserves in line with policy.

Designated Funds (unrestricted)

Designated funds are parts of the unrestricted funds that have been earmarked by the trustees for particular purposes.

- Funded mainly from levies on capital money arising from the sale, letting or other disposition of land held for local, circuit or district purposes, the Connexional Advance and Priority Fund currently stands at £11.641 million as at 31 August 2007. The Fund supports the Church's mission through annual distributions to District Advance Funds and grants to the wider church, meeting the criteria set out in Standing Order 974.
- Set aside by a decision of Conference 2000 and funded from annual assessments on districts, the Training Assessment Fund meets the costs of formation, training and stationing of ministers, deacons, etc.
- The Epworth Fund was set up as a designated fund following the sale of Epworth House, City Road, London in 1987. Income from the Fund is used for grants to support and promote new mission initiatives within the Methodist Church.
- The other designated funds represent funds set aside by Council to cover specific operational programmes that are either ongoing or not completed by the year-end.

Investment Policy and Performance

The investment of surplus funds is operated via the Central Finance Board (CFB) of the Methodist Church, which is legally a separate body reporting directly to the Conference. Most of the investments are in Managed Fund Units administered by the CFB. The CFB aims to provide a high quality investment service, seeking above average returns for long term investors; to follow a discipline in which the ethical dimension is an integral part of all investment decisions; to construct investment portfolios which are consistent with the moral stance and teachings of the Christian faith; to encourage strategic thinking on the ethics of investment and to be a Christian witness in the investment community. (The ethical dimensions of investment through the CFB are debated by the Conference on recommendations from the Joint Advisory Committee for the Ethics of Investment, which is appointed by the Conference with representatives from the CFB, the Connexional Team and the wider Church).

This was another good year for our investments with the newly established Property Fund leading the way with the highest return of all the CFB funds – 20.3% in its first full year followed by the Equity Fund with a return of 11.5%, according to the CFB Annual Report 2007. Viewed against agreed benchmarks, ethical exclusions continued to have a significant performance cost for the year, with the ethically adjusted FTSE All Share lagging behind the standard All Share by 0.5%. Still the return on the UK Equity Fund was only 0.1% behind the benchmark and the Overseas Fund 0.4% behind the FTSE All World ex UK Index. Fixed Interest yields rose during the year, which limited the returns on the CFB Bond funds from breakeven by the Gilt Fund to +2.3% for the Inflation Linked Fund.

The year also saw CFB making significant changes in its stock selection process for UK equities, merging the management of the CFB Deposit Fund with the Affirmative Deposit Fund and the transfer of its US portfolio to the United Methodist Church General Board of Pensions and Health Benefits. The full impact of these changes is likely to be felt in 2007/8 and beyond.

Accounting and Reporting Responsibilities

Law applicable to charities in England and Wales requires the Methodist Council as trustees to prepare consolidated financial statements for each financial year, which give a true and fair view of the Group and Connexion's financial activities during the year and the Group's and Connexion's financial position at the end of the year. In preparing the consolidated financial statements, the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the Statement of Recommended Practice 2005, Accounting and Reporting by Charities have been followed;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that activities will continue.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Methodist Council and which will enable them to ensure that the financial statements comply with the Standing Orders of the Methodist Church and the Charities Act 1993. They are also responsible for taking reasonable steps to safeguard the assets of the Church and to prevent and detect fraud and other irregularities.

Entities included in Consolidation

As previously reported, the diverse nature of the Council's various operations and the lack of clarity over some of the internal relationships meant that there was a risk that not all entities that are controlled by Council were being consolidated or that there were inconsistencies in the approach used.

One such entity is Southlands College, the majority of whose governors are currently appointed by the Methodist Council giving it effective control. The last accounts of the College for the year ended 31 July 2007 showed net assets of £15.6 million approximately. The College, together with the Anglican and Roman Catholic colleges at the university, is currently considering a proposal from the university to gift a 99 year lease of the colleges to the university. In return the university would take full responsibility for the ongoing maintenance and development of the colleges as well as responsibility for outstanding loans. For Southlands it would also provide a payment of £30,000 per year (increasing with inflation) and other supports for Collegiate activity. The College governors are minded to support the proposal subject to agreement on a range of issues. This would need the support of Council and the approval of Conference. In the event that this proposal is carried, the net worth of the College to the Council based on a discounted value of the financial support provided by the university could fall to as little as £1 to £2 million.

Accordingly the Methodist Council has opted to defer consolidation of Southlands College to the year to 31 August 2008 when it is expected the accounts of the College would reflect a substantially reduced carrying net book value.

In accordance with Financial Reporting Standard (FRS) Number 2, Southlands College ought to be consolidated into the financial statements of the Methodist Council for the year ended 31 August 2007 and in the absence of this the Council's auditors have accordingly qualified their opinion on the year's annual report and financial statements.

PLANS FOR THE FUTURE

Conference 2007 broadly gave its green light to the Methodist Council to continue to develop the details of the Team Focus proposals so that the reconfigured Team can become operative on 1 September 2008.

Key aspects of the proposal include:

- A review of all committees, advisory groups and reference groups which relate to the work of the current team;
- A review of the formal statements of the purposes of the major restricted and designated funds;
- Replacement of the current funding arrangements for the above funds with a fixed management levy, the exact size of the levy being determined annually by the Methodist Council as part of the annual budget approval process;
- For the connexional years, 2008/9 to 2010/11, changes to the formula for determining the annual Connexional Assessment to take into account changes in the Church's overall membership.

Auditor

Having been appointed for the year to 31 August 2007, Baker Tilly UK Audit LLP has expressed its willingness to be re-appointed as auditor.

Approved and authorised for issue on behalf of the Methodist Council by:



David Deeks
General Secretary
15 April 2008

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE METHODIST COUNCIL

We have audited the financial statements on pages 22 to 51.

This report is made solely to the Council's trustees as a body, in accordance with the Charities Act 1993. Our audit work has been undertaken so that we might state to the Council'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 Council and the Council's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Accounting and Reporting Responsibilities within the trustees' report.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give

a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Annual Report is not consistent with the financial statements, if the Council 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 Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from disagreement about accounting treatment

The Council's accounting policy 1(b) states that certain entities are consolidated into their financial statements based on the view of the Council of the degree of control exercised by the Council. In our opinion this is not in accordance with Financial Reporting Standard (FRS) Number 2 which requires consolidation of all legally-controlled entities, where a majority of voting rights are held. The Council has chosen not to consolidate Southlands College, despite being legally able to appoint a majority of the voting board members, which in our opinion is an omission which materially misstates the consolidated net assets of the Council by £15,573,000.

Except for the failure to consolidate Southlands College in accordance with FRS 2, in our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Council's and its subsidiaries' affairs as at 31 August 2007 and of the Group's, and Connexion's, incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
1st Floor, 46 Clarendon Road
Watford, Herts WD17 1JJ

15 APRIL 2008

Consolidated Statement of Financial Activities for the year ended 31 August 2007 - GROUP

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2007 Total £000	2006 Total £000 (as restated)
INCOMING RESOURCES						
Incoming resources from generated funds						
District Assessment		10,916	94	-	11,010	10,626
Voluntary Income	2	791	6,104	-	6,895	7,385
Investment income and interest	3	1,679	3,041	326	5,046	4,763
Activities for generating funds						
Fundraising trading	4	127	3,240	-	3,367	3,900
Incoming resources from charitable activities						
Grants receivable	5	6,349	246	-	6,595	6,812
Other income		787	1,719	-	2,506	1,739
Other incoming resources						
Net gain on disposal of tangible fixed assets		-	897	-	897	237
TOTAL INCOMING RESOURCES		20,649	15,341	326	36,316	35,462
RESOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income		306	70	-	376	280
Fundraising trading		171	1,732	-	1,903	3,561
Investment management		21	18	6	45	35
Charitable activities						
Grants programme		7,088	10,968	-	18,056	13,804
Formation in Ministry training		2,653	3,235	-	5,888	5,321
Direct Mission and Ministry		3,830	2,181	-	6,011	4,971
Advocacy and Education		415	208	-	623	584
Governance costs		915	58	-	973	969
TOTAL RESOURCES EXPENDED	6 (a and b)	15,399	18,470	6	33,875	29,525
NET INCOMING/(OUTGOING) RESOURCES						
BEFORE TRANSFERS						
Gross transfers between funds	8	5,250	(3,129)	320	2,441	5,937
		1,182	(1,443)	261	-	-
NET INCOMING/(OUTGOING) RESOURCES AFTER						
TRANSFERS AND BEFORE OTHER RECOGNISED GAINS						
Gains on revaluations and disposals of investment assets		6,432	(4,572)	581	2,441	5,937
		219	1,206	273	1,698	6,196
		6,651	(3,366)	854	4,139	12,133
NET MOVEMENT IN FUNDS						
Total funds brought forward as previously stated		39,443	54,142	23,880	117,465	104,464
Prior year adjustment		-	-	-	-	1,138
Total funds brought forward as restated		39,443	54,142	23,880	117,465	105,602
Changes to entities consolidated	20 (a)	-	-	-	-	(270)
TOTAL FUNDS CARRIED FORWARD AT 31 AUGUST		46,094	50,776	24,734	121,604	117,465

All activities are classified as continuing. The notes on pages 26 to 51 form an integral part of these consolidated financial statements.

Statement of Financial Activities for the year ended 31 August 2007 – CONNEXIONAL TEAM

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2007 Total £000	2006 Total £000 (as restated)
INCOMING RESOURCES						
Incoming resources from generated funds						
District Assessment		10,916	94	-	11,010	10,634
Voluntary Income		791	5,804	-	6,595	7,213
Investment income and interest		1,438	2,856	326	4,620	4,422
Activities for generating funds						
Fundraising trading		127	102	-	229	440
Incoming resources from charitable activities						
Grants receivable		6,349	211	-	6,560	6,900
Other income		520	658	-	1,178	469
Other incoming resources						
Net gain on disposal of tangible fixed assets		-	897	-	897	237
TOTAL INCOMING RESOURCES		20,141	10,622	326	31,089	30,315
RESOURCES EXPENDED						
Costs of generating funds						
Costs of generating voluntary income		306	62	-	368	273
Fundraising trading		171	-	-	171	280
Investment Management		21	18	7	46	35
Charitable activities						
Grants programme		7,094	10,828	-	17,922	13,728
Formation in Ministry training		3,568	86	-	3,654	3,825
Direct Mission and Ministry		3,741	1,648	-	5,389	5,045
Advocacy and Education		415	208	-	623	584
Governance costs		914	30	-	944	937
TOTAL RESOURCES EXPENDED		16,230	12,880	7	29,117	24,707
NET INCOMING/(OUTGOING) RESOURCES						
BEFORE TRANSFERS						
Gross transfers between funds		3,911 (209)	(2,258) 287	319 (78)	1,972 -	5,608 -
NET INCOMING/(OUTGOING) RESOURCES AFTER TRANSFERS AND BEFORE OTHER RECOGNISED GAINS						
Gains on revaluations and disposals of investment assets		3,702 219	(1,971) 840	241 273	1,972 1,332	5,608 5,592
		3,921	(1,131)	514	3,304	11,200
NET MOVEMENT IN FUNDS						
Total funds brought forward as previously stated		36,938	45,705	23,542	106,185	94,117
Prior year adjustment		-	-	-	-	1,138
Total funds brought forward as restated		36,938	45,705	23,542	106,185	95,255
Changes to entities consolidated	20(a)	-	-	-	-	(270)
TOTAL FUNDS CARRIED FORWARD AT 31 AUGUST		40,859	44,574	24,056	109,489	106,185

All activities are classified as continuing. The notes on pages 26 to 51 form an integral part of these consolidated financial statements.

Consolidated Balance Sheet and Connexional Balance Sheet as at 31 August 2007

	Notes	The Methodist Council (Group)		The Connexional Team	
		2007 £000	2006 £000 (as restated)	2007 £000	2006 £000 (as restated)
Fixed assets					
Tangible assets	11	19,869	19,760	11,528	11,456
Investments	12	92,169	92,292	86,945	87,236
		112,038	112,052	98,473	98,692
Current assets					
Stocks		45	47	2	2
Debtors	13	6,034	6,676	3,862	4,018
Short term deposits		28,304	21,354	26,240	21,050
Cash at bank and in hand		1,243	1,179	703	909
		35,626	29,256	30,807	25,979
Creditors					
Amounts falling due within 1 year	14	(13,786)	(11,751)	(10,094)	(9,391)
Net current assets					
		21,840	17,505	20,713	16,588
Total assets less current liabilities					
		133,878	129,557	119,186	115,280
Creditors					
Amounts falling due after more than 1 year	15	(12,274)	(12,092)	(9,697)	(9,095)
Net assets					
		121,604	117,465	109,489	106,185
The funds of the Council					
Endowment funds	18	24,734	23,880	24,056	23,542
Restricted income funds	17	50,776	54,142	44,574	45,705
Unrestricted income funds excluding pension asset / (liability)		46,094	39,443	40,859	36,938
Total Council funds					
		121,604	117,465	109,489	106,185

Approved and authorised for issue by the Methodist Council on 15 April 2008 and signed on its behalf by



Revd David G Deeks – General Secretary
and Secretary of the Conference



Mr Ronald Calver
Connexional Treasurer

Consolidated Statement of Cash Flow for the year ended 31 August 2007

	Notes	2007		2006	
		£000	£000	£000	£000
Net cash outflow from operating activities	(a) below		(318)		(6,604)
Returns on investments and servicing of finance					
Deposit interest received and Investment income			5,046		4,763
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(1,074)		(1,122)	
Receipts from sales of tangible fixed assets		1,667		338	
Purchase of fixed asset investments		(4,976)		-	
Disposal of fixed asset investments		6,797		4,509	
			2,414		3,725
Net cash inflow in the period			7,142		1,884
Net cash resources at 1 September 2006			22,405		20,521
Net cash resources at 31 August 2007	(b) below		29,547		22,405

Notes to consolidated cash flow statement
(a) Reconciliation of net incoming resources to net cash inflow from operating activities

	2007	2006
	£000	£000
Net incoming resources for the year	2,441	5,937
Prior Year adjustment	-	(6,403)
Gain on disposal of tangible fixed assets	(897)	(237)
Investment income	(5,046)	(4,763)
Depreciation	195	128
Decrease in stocks	2	17
Increase/(decrease) in debtors	642	(2,450)
Increase/(decrease) in creditors	2,345	1,439
Other non-cash movements	-	(272)
Net cash outflow from operating activities	(318)	(6,604)

(b) Analysis of net cash resources

	Cash Flow		
	At 31.8.06	2007	At 31.8.07
	£000	£000	£000
Cash in hand, at bank	1,179	64	1,243
Overdrafts	(128)	128	-
Short term deposits	21,354	6,950	28,304
Total	22,405	7,142	29,547

1. ACCOUNTING POLICIES

a) Basis of accounting

The consolidated accounts of the Methodist Council have been prepared under the historical cost convention, except for investments which are stated at market value, and are in accordance with applicable accounting standards and the Statement of Recommended Practice 2005 (SORP), Accounting and Reporting by Charities issued in March 2005 and the Charities Act 1993.

b) Basis of preparation

The following self-accounting entities, for which the Methodist Council is responsible to the Methodist Conference, have been consolidated, based on the view of the Council of the degree of control which it exercises over the entities concerned which is constantly under review.

Cliff College (a separately registered charity)
 Guy Chester Centre
 Hartley Victoria College
 Methodist International Centre
 Stipends Administration
 Tax Recovery Section
 Wesley College Bristol
 Wesley Study Centre Durham

c) Basis of consolidation

Methodist International Centre Limited, Cliff College Outreach Limited and Cliff (Methodist) Developments Limited, which are separately registered trading companies, have been consolidated as subsidiaries on a line by line basis in accordance with FRS2 and the SORP.

All the other self-accounting entities, [as listed in b) above], have been accounted for as 'branches' in accordance with the SORP.

d) Incoming resources

District assessment

The District Assessment is accounted for on a receivable basis.

Voluntary income

Donations, contributions and legacies are accounted for when entitlement has been confirmed, the amount can be measured accurately and receipt is certain. In accordance with this policy, legacies are included when advice has been received from the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified with reasonable certainty.

Capital levies

Capital levies are due on the disposal of property under Standing Order 970 of the Constitutional Practice and Discipline of the Methodist Church and are accounted for on a net receipts basis.

Grants receivable

Grants receivable are included when the relevant conditions for the grant have been met.

All other incoming resources

All other incoming resources are accounted for on an accruals basis.

e) Resources expended

All resources expended are accounted for on an accruals basis. Any ensuing liabilities are recognised as soon as a legal or constructive obligation arises.

Costs of generating funds

Costs of generating funds include the direct costs of fundraising trading, investment management, custody fees and a proportion of shared and indirect support costs.

Charitable activities

These include the direct costs of the activities. Where

such costs relate to more than one functional cost category, they have been apportioned based on the relative size of the direct costs of the relevant service units.

Governance costs

These are the costs associated with constitutional and statutory requirements and include external audit, legal advice on governance issues, trustees' expenses and a proportion of shared and indirect support costs.

Support costs

Support costs include the central functions and have been allocated to fundraising, charitable activities and governance on a basis of directly attributable costs of these activities.

Grants payable

Grants payable have been accounted for in full to the extent that past events have created a valid expectation in other parties that the Church will honour commitments, both legal and implied and any attaching conditions are outside our control. All grants are denominated in sterling.

f) Funds

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Council and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Council for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of the major

restricted funds is set out in the notes to the financial statements.

Endowment funds represent monies received from donors where there is some restriction on the use of the initial capital.

Investment income and gains are allocated to the appropriate fund in the case of restricted funds and to separate revenue funds in the case of endowment funds.

g) Gains/(losses) on investments

Realised and unrealised capital gains and losses on investments are dealt with in the Consolidated Statement of Financial Activities in the year in which they arise, based on the brought forward valuations or cost of subsequent additions.

h) Pension costs

For defined benefit schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost.

Defined benefit schemes are funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency.

This year, the Methodist Council have, with the advice of its auditors chosen to treat its defined benefit pension scheme for its lay employees as though it is a defined contribution scheme on the

grounds that it is a multi employer scheme and that the Council is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis. This constitutes a departure from its earlier policy of recognising the full pension scheme asset or liability to the extent that it increases transparency in terms of the Council's pension obligations and the comparative figures have been restated accordingly.

The effect of this policy change is to reduce unrestricted reserves at 31 August 2007 by £0.97 million (2006 - increase unrestricted reserves by £1.26 million)

For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the contributions payable in the year.

i) Tangible fixed assets

Properties are stated at cost. It is the Methodist Council's policy to maintain properties in a state of sound repair. The Methodist Council therefore considers that the lives of the properties are so long and their residual values so high based on prices prevailing at the time of acquisition that the annual depreciation charge and accumulated depreciation is not material. Accordingly, no depreciation is provided on freehold or long leasehold properties used for charitable activities. Any material impairment in the value of such properties, following an annual review would be chargeable to the Consolidated Statement of Financial Activities.

In line with FRS 15 requirements, the managing trustees of the various entities have reassessed the market value of their existing land and buildings and are of the opinion that it significantly exceeds the book value of the assets.

Assets having an initial cost of £1,000 or less are written off on acquisition. Furniture and fittings,

computer equipment and motor vehicles having an initial cost greater than £1,000 are stated at cost less depreciation. Furniture and fittings and motor vehicles depreciation is provided at the rate of 20% per annum on a straight line basis, whilst computer equipment similarly is depreciated at the rate of 33 $\frac{1}{3}$ % per annum.

j) Investments

Investment properties are revalued triennially by Cluttons, a firm of Chartered Surveyors and in between by the trustees. The last professional valuation was as at 31 August 2005. The market value of quoted securities is based on the middle 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. 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 2007, updated by the value of any share acquisitions up to 31 August 2007.

k) Stocks

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

2. VOLUNTARY INCOME

	Unrestricted £000	Restricted £000	Endowment £000	2007 Total £000	2006 Total £000
Donations and contributions	596	5,266	-	5,862	5,648
Legacies	195	838	-	1,033	1,737
Total	791	6,104	-	6,895	7,385

3. INVESTMENT INCOME AND INTEREST

	Unrestricted £000	Restricted £000	Endowment £000	2007 Total £000	2006 Total £000
Investment properties	-	152	-	152	130
Central Finance Board investments	469	1,379	102	1,950	2,252
William Leech (Investments) Ltd	-	577	192	769	633
Deposit interest and other investment income	1,210	933	32	2,175	1,748
Total	1,679	3,041	326	5,046	4,763

4. FUNDRAISING TRADING

	Unrestricted £000	Restricted £000	Endowment £000	2007 Total £000	2006 Total £000
Sales	104	593	-	697	1,201
Rental income	6	169	-	175	517
Other operational activities	12	2,478	-	2,490	2,174
Advertising income	5	-	-	5	8
Total	127	3,240	-	3,367	3,900

5. GRANTS RECEIVABLE

	Unrestricted £000	Restricted £000	Endowment £000	2007 Total £000	2006 Total £000
Capital levies	5,797	-	-	5,797	6,368
Other incoming grants	552	246	-	798	444
Total	6,349	246	-	6,595	6,812

6A. TOTAL RESOURCES EXPENDED

	Direct Costs £000	Support Costs £000	2007 Total £000	2006 Total £000
Costs of generating funds				
Costs of generating voluntary income	315	61	376	280
Fundraising trading: costs of goods sold & other costs	1,874	29	1,903	3,561
Investment management costs	45	-	45	35
Charitable activities				
Grants Programme	16,716	1,340	18,056	13,804
Formation in Ministry Training	5,526	362	5,888	5,321
Direct Mission & Ministry	5,115	896	6,011	4,971
Advocacy & Education	519	104	623	584
Governance costs	846	127	973	969
Total	30,956	2,919	33,875	29,525

6b. Total resources expended

	Voluntary		Investment		Formation		Direct		2007		2006	
	Income	Fundraising	Management	Grants	in Ministry	Mission	Advocacy	Governance	Support	Total	Resources	Total
Generation	£000	£000	£000	£000	training & Ministry & Education	£000	£000	£000	Costs	£000	Expended	£000
Costs of production												
including bought in services	-	841	-	-	-	-	-	-	-	-	841	1,713
Other operating costs	-	946	-	-	-	-	-	-	-	-	946	781
Grants payable (Note 7)	-	-	-	14,102	2,084	-	-	-	-	-	16,186	12,299
Stipend & salary costs	312	-	-	1,525	1,944	4,591	154	1,499	10,509	11,235		
Other staff costs	5	-	-	417	387	391	36	379	1,619	1,320		
Office accommodation	-	-	-	390	474	45	-	350	1,259	926		
Meetings, committees & conferences	6	9	-	64	39	170	480	29	831	845		
Travel	4	2	-	117	47	220	51	63	525	565		
Advertising, display exhibitions	111	17	-	-	-	-	-	-	128	55		
Education & publicity	6	-	-	2	4	48	1	238	301	224		
Office costs	20	59	-	78	241	213	20	422	1,057	777		
Professional fees	53	-	45	48	27	94	164	69	516	380		
Interest payable	-	-	-	1	192	-	-	1	194	154		
Miscellaneous expenses	2	-	-	42	87	144	66	58	403	369		
	519	1,874	451	16,786	5,526	5,916	972	3,108	35,315	31,643		
Adjustment for shared costs(204)	-	-	-	(70)	-	(801)	(126)	(189)	(1,440)	(2,118)		
	315	1,874	45	16,716	5,526	5,115	846	2,919	33,875	29,525		
Re-allocation of support costs	61	29	-	1,340	362	896	127	(2,919)	-	-		
Total resources expended	376	1,903	45	18,056	5,888	6,011	973	-	33,875	29,525		

7. GRANTS PAYABLE – GRANTS PROGRAMME

	TOTAL £000	Individual £000	Institutions £000	Geographical distribution	
				UK £000	Overseas £000
<i>Resourcing Mission at Home</i>					
<i>Non-Property Grants</i>					
Mission & Ministry - general grants	2,439	-	2,439	2,439	-
CAPF distributions to Districts	1,462	-	1,462	1,462	-
Ministry to Women	376	-	376	376	-
Ministerial Training support - CT	123	123	-	123	-
Ministerial Training support - SAE	140	140	-	140	-
Formal Relationships	143	143	-	143	-
Chaplaincy	85	85	-	85	-
Racial Justice Grants	82	-	82	82	-
Movement in grant commitments	(192)	-	(192)	(192)	-
	<u>4,658</u>	<u>491</u>	<u>4,167</u>	<u>4,658</u>	<u>-</u>
<i>Property Grants</i>					
Property Replacement Schemes	1,215	-	1,215	1,215	-
Other CAPF Property Grants	370	-	370	370	-
Standard Property Grants	339	-	339	339	-
Disability Property Grants	22	-	22	22	-
Other Property grants	24	-	24	24	-
Movement in grant commitments	(531)	-	(531)	(531)	-
	<u>1,439</u>	<u>-</u>	<u>1,439</u>	<u>1,439</u>	<u>-</u>
<i>Resourcing Mission Overseas</i>					
General Grants	2,024	-	2,024	-	2,024
Nationals in Mission Appointments	370	-	370	-	370
Scholarships Programme	430	430	-	-	430
World Church in Britain	79	79	-	79	-
Training in World Mission	4	-	4	4	-
Lay Professional Programme	25	-	25	-	25
Movement in grant commitments	3,141	-	3,141	-	3,141
	<u>6,073</u>	<u>509</u>	<u>5,564</u>	<u>83</u>	<u>5,990</u>
<i>Sundry Grants</i>					
Ministerial support & benefits	692	692	-	692	-
Contingency Grants	224	224	-	224	-
Sabbatical Grants	124	124	-	124	-
Initial & Removal Grants	63	-	63	63	-
Island Travel	11	11	-	11	-
Archives and History	32	-	32	32	-
Communications Management	12	-	12	12	-
Other Miscellaneous Grants	773	602	171	773	-
	<u>1,931</u>	<u>1,653</u>	<u>278</u>	<u>1,931</u>	<u>-</u>
Total	<u>14,101</u>	<u>2,653</u>	<u>11,448</u>	<u>8,111</u>	<u>5,990</u>

The list of institutions benefiting from the Grants Programme is published separately on the Methodist Church website

8. NET INCOMING RESOURCES BEFORE TRANSFERS

This is stated after charging for the year ended 31 August as follows:

	2007	2006
	£000	£000
Audit fees - PricewaterhouseCoopers LLP	-	62
Baker Tilly UK Audit LLP	56	-
Depreciation	200	128

9. STIPEND AND SALARY COSTS

The Methodist Council appointed or employed an average of 163 (2006 – 190) people during the year, calculated on a full time equivalent basis, and a further 86 (2006 – 80) people were appointed locally, all of whose costs were chargeable to the Methodist Church Consolidated Accounts as follows:

	2007	2006
	Total	Total
	£000	£000
Stipends and salaries	8,501	7,780
Social Security costs	669	533
Pension costs (Note 10)	953	1,069
Total	10,123	9,382

One employee received emoluments in the range of £70,001 to £80,000.

10. PENSION COSTS

Methodist Council Pension Arrangements

The Methodist Council operates two defined benefit pension schemes – the Methodist Ministers' Pension Scheme for ministers and the Pensions and Assurance Scheme for Lay Employees of the Methodist Church. The assets of the two schemes are held separately from the Methodist Council Consolidated Accounts in independently administered funds.

Contributions to the schemes are charged to the Consolidated Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Methodist Council. The costs are determined by an independent actuary on the basis of triennial valuations using the Attained Age Method.

Under the rules of the two Methodist Church pension schemes for ministers and lay workers the Methodist Council has an undertaking to indemnify the trustees against any liabilities that might arise in the proper discharge of their duties as pension trustees. No provision has been made in the financial statements to 31 August 2007 in respect of this matter.

Alternative Pension Arrangements

Staff who prior to their employment by the Methodist Council were already in other pension schemes linked to their profession and able to remain in those schemes may continue to do so, the Methodist Council making the necessary employer's contributions as determined by those schemes.

The total pension costs for the year to 31 August as set out in Note 9 above reflects the costs to the employer of the two pension arrangements. There are no outstanding or prepaid contributions at the balance sheet date.

Methodist Ministers' Pension Scheme

The last full actuarial valuation of the whole scheme was carried out as at 1 September 2005 by an independent actuary. This valuation showed that the market value of the scheme's assets was £212.2m and that the value of these assets represented 101% 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 7% pa, salary increases would average 5% pa and that past and future pensions would increase at either 5% or 3% depending on whether guaranteed or linked to inflation respectively.

The contributions by the Methodist Council as employer and by scheme members were 17% and 7% of stipend respectively.

The pension charge for the year was £0.10m (2006 £0.09m).

FRS 17 disclosures:

The Methodist Council's employees account for less than 1% of the scheme and it is not possible to identify the share of the underlying assets and liabilities of the Scheme attributable to the Methodist Council. Hence, whilst the scheme is a defined benefit type, it is accounted for as a defined contribution scheme under the requirements and exemptions of Financial Reporting Standard 17, 'Retirement Benefits' (FRS 17).

10. Pension costs (continued)

Pensions and Assurance Scheme for Lay Employees of the Methodist Church

The Methodist Council is the principal employer of this multi-employer defined benefit scheme for lay employees. Its employees both past and present account for more than 80% of scheme members.

This year, the FRS 17 disclosure has been made as though it is a defined contribution scheme as the actuaries are of the opinion that it is not possible to identify on a consistent and reasonable basis, the share of the underlying assets and liabilities

of the individual schemes attributable to the Methodist Council Consolidated Accounts.

The contributions by the Methodist Council and the scheme members' contributions of the scheme were 20.6% and 7% of pensionable pay respectively for both years.

A full actuarial valuation was carried out at 1 September 2005 and updated to 31 August 2007 by a qualified independent actuary. The major assumptions used by the actuary are as follows:

	At 31/08/2007	At 31/08/2006	At 31/08/2005
Rate of increases in salaries	4.90%	4.60%	4.30%
Rate of increase in pensions in payment LPI (2.5%, RPI)	2.40%	2.30%	1.80%
Rate of increases in pensions in payment LPI (5%, RPI)	3.30%	3.10%	2.70%
Rate of increase in pensions in payment (Fixed 5%)	5.00%	5.00%	5.00%
Discount rate	5.80%	5.00%	4.90%
Inflation assumption	3.40%	3.10%	2.80%

10. Pension costs (continued)

THE ASSETS IN THE SCHEME AND THE EXPECTED RATE OF RETURN WERE:

	Long-term rate of return expected at 31/8/07	Value at 31/8/07 £000	Long-term rate of return expected at 31/8/06	Value at 31/8/06 £000	Long-term rate of return expected at 31/8/05	Value at 31/8/05 £000
Equities	8.25%	16,805	8.25%	13,505	7.25%	8,287
Bonds	5.00%	8,913	4.40%	7,252	4.40%	5,565
Other	5.75%	1,372	4.75%	3,667	4.50%	800
Property	7.25%	1,116	7.25%	1,145	0.00%	0
Total market value of assets		28,206		25,569		14,652
Present value of Scheme liabilities		(27,231)		(26,830)		(22,193)
Asset/(Deficit) in the scheme		975		(1,261)		(7,541)
Related deferred Tax liability		-		-		-
Net pension asset/(liability)		975		(1,261)		(7,541)

10. Pension costs (continued)

Analysis of the amount charged to the consolidated statement of financial activities

	2007	2006
	£000	£000
(i) Operating charge		
Current service cost	1,275	1,329
Past service cost	-	-
	<hr/>	<hr/>
Total operating charge	1,275	1,329
	<hr/>	<hr/>
(ii) Other finance costs		
Expected return on pension scheme assets	(1,709)	(906)
Interest on pension scheme liabilities	1,331	1,077
	<hr/>	<hr/>
Net return	(378)	171
	<hr/>	<hr/>
(iii) Actuarial gain/(loss)		
Actual return less expected return on pension scheme assets	250	614
Experienced gains and losses arising on the scheme liabilities	358	(634)
	<hr/>	<hr/>
Changes in assumptions underlying the present value of the scheme liabilities	1,596	(1,867)
	<hr/>	<hr/>
Actuarial gain or (loss) recognised	2,204	(1,887)
	<hr/>	<hr/>

10. Pension costs (continued)

Movement in surplus/(deficit) during the year

	2007	2006
	£000	£000
Deficit in scheme at beginning of the year	(1,261)	(7,541)
Movement in year:		
Current service costs	(1,275)	(1,329)
Contributions	929	9,667
Past service costs	-	-
Other finance income/(expense)	378	(171)
Actuarial gain/(deficit)	2,204	(1,887)
Surplus/(Deficit) in scheme at end of the year	975	(1,261)

NOTE: At this point in time, there is no intention to reduce future contributions in the light of the scheme surplus this year.

History of experience gains and losses

Year ending 31 August	2007	2006	2005	2004	2003
	£000	£000	£000	£000	£000

Difference between the actual and expected return on scheme assets

Amount (£000)	250	614	1,183	58	(24)
%age of scheme assets	1%	2%	8%	0%	(0)%

Experience gains and losses on scheme liabilities

Amount (£000)	358	(634)	(79)	212	(239)
%age of the present value of scheme liabilities	1%	(2)%	(0)%	1%	(1)%

Total amount recognised in consolidated statement of financial activities

Amount (£000)	2,204	(1,887)	(1,282)	203	(1,344)
%age of the present value of scheme liabilities	8%	(7)%	(6)%	1%	(8)%

11. TANGIBLE ASSETS**(a) The Methodist Council (Group)**

	Freehold Land & Buildings £000	Furniture & Fittings £000	Computer Equipment £000	Motor Vehicles £000	2007 Total £000
Cost:					
At 1 September	19,364	1,062	1,195	34	21,655
Additions during year	847	182	34	11	1,074
Disposals	(770)	-	(75)	-	(845)
Total	19,441	1,244	1,154	45	21,884
Depreciation:					
At 1 September	-	737	1,126	32	1,895
Charge for year	-	150	43	2	195
Disposals	-	-	(75)	-	(75)
Total	-	887	1,094	34	2,015
Net tangible assets					
At 31 August 2007	19,441	357	60	11	19,869
At 31 August 2006	19,364	325	69	2	19,760

11. Tangible assets (continued)

(B) THE CONNEXIONAL TEAM

	Freehold Land & Buildings £000	Furniture & Fittings £000	Computer Equipment £000	Motor Vehicles £000	2007 Total £000
Cost					
At 1 September	11,257	397	910	-	12,564
Additions during year	848	4	34	-	886
Disposals	(770)	-	-	-	(770)
Total	11,335	401	944	-	12,680
Depreciation:					
At 1 September	-	243	865	-	1,108
Charge for year	-	7	37	-	44
Disposals	-	-	-	-	-
Total	-	250	902	-	1,152
Net tangible assets					
At 31 August 2007	11,335	151	42	-	11,528
At 31 August 2006	11,257	154	45	-	11,456

The net book amount of £19,441m for freehold land and buildings represents the cost of properties used for:

	The Methodist Council (Group)		The Connexional Team	
	2007 £000	2006 £000	2007 £000	2006 £000
Charitable purposes				
- College training	4,440	4,257	2,256	2,073
- Guesthouse and hostels	6,828	6,834	1,373	1,373
- Manses	5,043	5,149	5,043	5,149
- Accommodation for retired missionaries	33	33	33	33
- Others	3,097	3,091	2,630	2,629
Total	19,441	19,364	11,335	11,257

12. FIXED ASSET INVESTMENTS

	The Methodist Council (Group)		The Connexional Team	
	2007 Total £000	2006 Total £000	2007 Total £000	2006 Total £000
Market value at 1 September	92,292	90,603	87,236	85,659
Additions at cost	4,976	6,844	5,039	6,406
Disposals	(6,796)	(10,451)	(6,466)	(9,522)
Revaluation during the year - William Leech	23	35	23	35
Net unrealised investment gains - CFB	1,674	5,261	1,113	4,658
Market value at 31 August	92,169	92,292	86,945	87,236
Total				

	The Methodist Council (Group)		The Connexional Team	
	Market Value 2007 £000	Market Value 2006 £000	Market Value 2007 £000	Market Value 2006 £000
The investments comprise:				
Investment properties	4,479	4,019	4,479	4,019
Central Finance Board units	65,334	67,418	60,160	62,414
Central Finance Board deposit funds	11,203	9,664	11,203	9,663
Unlisted investment - William Leech (Investments) Ltd.	8,864	8,571	8,864	8,571
Other investments	2,289	2,620	2,239	2,569
Total	92,169	92,292	86,945	87,236

12. Fixed asset investments (continued)

Some of the Central Finance Board Units held were realised and with the proceeds other fund units with the Central Finance Board purchased. These are shown below:

No of CFB Units 2006/2007	Purchase	Disposal
Managed Equity	6,877	307,993
Managed Fixed Interest Fund	1,095,958	139,315
UK Equity Fund	33,740	26,138
Short Fixed Interest Fund	109,894	-
Gilt Fund	-	4,151
Corporate Bond Fund	-	4,550
Managed Mixed Fund	-	7,385
Overseas	43,300	16,308
Property	96,396	-
	1,386,165	505,840

Within the total Central Finance Board units £1.182m (2006 - £1.004m) are specifically invested in overseas funds. In addition to this, a percentage of the Central Finance Board other managed units are invested in the CFB Overseas Fund. This amounted to £4.517m at 31 August 2007 (2006 - £4.753m).

The holdings in William Leech (Investments) Ltd. represented 20% (2006 - 20%) of the company's issued share capital. The Methodist Council has a representative on the board of the company, but cannot exert significant influence over its day-to-day management or financial policies.

13. DEBTORS

	The Methodist Council (Group)		The Connexional Team	
	2007	2006	2007	2006
	Total	Total	Total	Total
	£000	£000	£000	£000
Prepayments and accrued interest	673	751	629	738
Other debtors	5,361	5,925	3,233	3,280
Total	6,034	6,676	3,862	4,018

Included in other debtors are amounts totalling £0.866m (2006 - £0.906m) full settlement of which will not take place within one year. These amounts mainly comprise ministerial and mortgage loans.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Methodist Council (Group)		The Connexional Team	
	2007	2006	2007	2006
	Total	Total	Total	Total
	£000	£000	£000	£000
Tax and social security	217	194	217	194
Accruals	384	288	353	288
Loans and overdrafts	711	176	0	128
Grant commitments	7,158	5,487	7,158	5,487
Other creditors	5,316	5,606	2,366	3,294
Total	13,786	11,751	10,094	9,391

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Methodist Council (Group)		The Connexional Team	
	2007	2006	2007	2006
	£000	£000	£000	£000
Grant commitments	9,697	9,095	9,697	9,095
Methodist International Centre mortgage loan	2,577	2,997	-	-
Total	12,274	12,092	9,697	9,095

The Methodist International Centre loan is secured on the property Euston House, 81-103 Euston Street, London NW1 2EZ. The loan is for up to £2.93m and is for twenty years at 1.25% above base rate.

16. UNRESTRICTED FUNDS**(a) The Methodist Council (Group)**

	Balance 1.9.06 £000	Prior Year Adjustment £000	Movement in Resources		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.07 £000
			Incoming £000	Outgoing £000			
Designated	20,529	-	12,401	(4,753)	(3,784)	444	24,837
Other	17,653	1,261	8,248	(10,646)	4,966	(225)	21,257
Total	38,182	1,261	20,649	(15,399)	1,182	219	46,094

(b) The Connexional Team

	Balance 1.9.06 £000	Prior Year Adjustment £000	Movement in Resources		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.07 £000
			Incoming £000	Outgoing £000			
Designated	20,529	-	12,401	(4,753)	(3,784)	444	24,837
Other	15,148	1,261	7,740	(11,477)	3,575	(225)	16,022
Total	35,677	1,261	20,141	(16,230)	(209)	219	40,859

The total of the designated funds is made up as follows:

	Balance 1.9.06 £000	Movement in Resources		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.07 £000
		Incoming £000	Outgoing £000			
1. CAPF	9,855	6,278	(4,312)	(471)	291	11,641
2. Connect/Flame Magazine*	148	7	-	-	-	155
3. Epworth Fund	5,554	229	(63)	(131)	149	5,738
4. Annesley Fund	-	-	(365)	1,302	-	937
5. Legal Costs*	102	3	-	-	7	112
6. World Methodist Conference*	1	-	-	-	-	1
7. Connexional Travel Fund	198	11	(13)	(7)	(3)	186
8. Training assessment	4,671	5,873	-	(4,477)	-	6,067
	20,529	12,401	(4,753)	(3,784)	444	24,837

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

16. Unrestricted funds (continued)

NOTES

1. **CAPF** – Connexional Advance & Priority Fund is built from the levies charged on all capital money arising from the sale, letting or other disposition of Methodist land held for local, circuit or district purposes and any income arising therefrom and is available for grants to circuits and distribution to districts. **

3. **Epworth Fund.** This designated fund is utilised to make grants for special projects or new initiatives which do not qualify for funding from other Methodist sources. **

4. **Annesley Fund.** This was set up from the proceeds of sale of Annesley House and is available partly to support Home Mission and partly to support work with vulnerable women. The last grants will be made in 2007/08.

7. **Connexional Travel Fund.** This is a connexional fund set aside to give grants to ministers on long-term sick leave to compensate them for the loss of business mileage payments. **

8. **Training Assessment.** This fund is designated from the amounts received from District Assessments to meet expenses of training ministers, deacons etc. **

* All other designated funds: The purpose of these is now largely served and a resolution to undesignate these funds will go to the Methodist Council in the New Year.

** Unless undesignated by a decision of Council, these funds are likely to continue in the foreseeable future.

17. RESTRICTED FUNDS

(a) The Methodist Council (Group)

	Balance	Movement in Resources		Transfers	Gains/	Balance
	1.9.06	Incoming	Outgoing	Between	(losses) on	31.8.07
	£000	£000	£000	Funds	Investments	£000
				£000	£000	
1. Auxiliary	6,972	588	(533)	2	414	7,443
2. Home Mission	1,049	1,678	(337)	-	-	2,390
3. Mission Alongside the Poor (MAP)	(214)	30	33	245	-	94
4. Property	779	915	(48)	-	-	1,646
5. Training	2,389	112	(79)	-	(3)	2,419
6. World Mission	12,913	5,102	(9,299)	-	155	8,871
	<u>23,888</u>	<u>8,425</u>	<u>(10,263)</u>	<u>247</u>	<u>566</u>	<u>22,863</u>
7. Others	30,254	6,916	(8,207)	(1,690)	640	27,913
Total	<u>54,142</u>	<u>15,341</u>	<u>(18,470)</u>	<u>(1,443)</u>	<u>1,206</u>	<u>50,776</u>

(b) The Connexional Team

	Balance	Movement in Resources		Transfers	Gains/	Balance
	1.9.06	Incoming	Outgoing	Between	(losses) on	31.8.07
	£000	£000	£000	Funds	Investments	£000
				£000	£000	
1. Auxiliary	6,972	588	(533)	2	414	7,443
2. Home Mission	1,049	1,678	(337)	-	-	2,390
3. MAP	(214)	30	33	245	-	94
4. Property	779	915	(48)	-	-	1,646
5. Training	2,389	112	(79)	-	(3)	2,419
6. World Mission	12,913	5,102	(9,299)	-	155	8,871
	<u>23,888</u>	<u>8,425</u>	<u>(10,263)</u>	<u>247</u>	<u>566</u>	<u>22,863</u>
7. Others	21,817	2,197	(2,617)	40	274	21,711
Total	<u>45,705</u>	<u>10,622</u>	<u>(12,880)</u>	<u>287</u>	<u>840</u>	<u>44,574</u>

17. Restricted funds (continued)

NOTES

1. **Auxiliary Fund.** The Auxiliary Fund exists to provide additional assistance to supernumeraries; persons who have been permitted or directed to become supernumerary; ministers', deacons', and probationers' widows or widowers who are in need; 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 Auxiliary Fund also makes grants to the Methodist Ministers' Housing Society.
2. **Home Mission.** This is the restricted Fund from which grants are made to support various mission and ministry initiatives across the Methodist Connexion.
3. **Mission Alongside the Poor.** This fund is to provide grants for personnel or property schemes, primarily to local churches and circuits, in areas of relative poverty whether in an urban or a rural setting and where there is a commitment to work alongside the poor and disadvantaged.
4. **Property.** This is the ring-fenced fund from which grants are made to support various property schemes.
5. **Training.** Since training costs have been paid centrally since September 2000, this fund now represents mainly the fixed assets belonging to the restricted Fund for Training.
6. **World Mission.** This is the restricted Fund for World Mission set up to support most of our overseas work and any related work.

7. **Other Restricted Funds.** These comprise 114 funds that can only be applied for particular purposes within their objects and include the following funds in excess of £450k:

	£000
Lay Missionaries' Superannuation Fund	2,670
Kingsmead College Sale Proceeds	667
Special Extension Fund	896
North Bank Capital Fund	4,614
North Bank Maintenance Fund	450
Methodist Medical Benevolent Fund	1,039
Cliff College	2,890
Methodist International Centre	2,474
London Committee	8,799
Forces Chaplaincy	794
Long Term Renewals Fund	1,459

The transfers between funds include amounts transferred with the approval of the Methodist Council and the Charity Commission.

18. ENDOWMENT FUNDS**(a) The Methodist Council (Group)**

	Balance 1.9.06 £000	Movement in Resources		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.07 £000
		Incoming £000	Outgoing £000			
Permanent	23,796	326	(6)	261	273	24,650
Expendable	84	-	-	-	-	84
Total	23,880	326	(6)	261	273	24,734

(b) The Connexional Team

	Balance 1.9.06 £000	Movement in Resources		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.07 £000
		Incoming £000	Outgoing £000			
Permanent	23,458	326	(7)	(78)	273	23,972
Expendable	84	-	-	-	-	84
Total	23,542	326	(7)	(78)	273	24,056

The transfers between funds include amounts transferred with the approval of the Methodist Council and the Charity Commission. There is some uncertainty over the terms under which endowment funds are held and the Council is seeking clarification on this matter.

19. ANALYSIS OF NET ASSETS BETWEEN FUNDS**(a) The Methodist Council (Group)**

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2007 £000	Total Funds 2006 £000
Tangible fixed assets	3,231	16,638	-	19,869	19,760
Investments	25,247	42,286	24,636	92,169	92,292
Current assets less liabilities	18,591	(8,148)	98	10,541	4,152
Total	47,069	50,776	24,734	122,579	116,204

(b) The Connexional Team

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2007 £000	Total Funds 2006 £000
Tangible fixed assets	3,231	8,297	-	11,528	11,456
Investments	25,247	37,740	23,958	86,945	87,236
Current assets less liabilities	13,356	(1,463)	98	11,991	6,232
Total	41,834	44,574	24,056	110,464	104,924

20. CHANGES TO ENTITIES FUNDS CONSOLIDATED

(a) The Methodist Council (Group)	2007	2006
	£000	£000
Other self accounting entity adjustments	-	(270)

21. CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

Under the rules governing the operation of the Connexional Advance and Priority Fund (CAPF), levies previously received following the sale, letting or other disposition of land held for local, circuit or district purposes, qualify for refund in whole or part if a replacement scheme is implemented within five years. The financial statements do not reflect any amounts, which may have to be refunded after 31 August 2007 under these rules as the potential amount of such refunds cannot be established with any degree of certainty. Actual refunds have ranged in the last four years between £0.3m and £1.5m.

22. EXPENSES REIMBURSED TO MEMBERS OF THE METHODIST COUNCIL**The Methodist Council (Group)/The Connexional Team**

	2007	2006
Travel and Other Expenses Reimbursed £000's	24.2	19.7
Number of Members Reimbursed	70	70

23. CENTRAL STIPENDS ADMINISTRATION

Stipends and allowances paid to ministers, deacons and lay workers totalling £42.334m (2006 - £42.201m) 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 (Note 9).

The administration costs amounting to £0.088 (2006 - £0.098m) and interest receivable amounting to £0.130m (2006 - £0.106m) relating to the central payment of stipends are included in the Statement of Financial Activities.

24. TRUSTEES AND CONNECTED PERSONS

There were 13 trustees (2006 - 15) who were appointed or employed by the Methodist Council as listed below. Their aggregate total emoluments including pension contributions as employees and not in their role as trustees amounted to £0.396m (2006 - £0.486m). Their appointments as trustees are in accordance with Standing Order No. 210 of the Methodist Church.

With the exception of Anthea Cox who is not a presbyter of the church, all the other trustees listed above are also provided by the Council or districts with residential accommodation. The Council is additionally responsible for the council tax and water rates for the properties it owns.

Trustees	£
Revd Barbara Bircumshaw	25,919
Deacon Sarah Bruce	26,584
Revd R Graham Carter	27,581
Ms Anthea Cox	54,438
Revd David G Deeks	36,288
Revd David R Emison	27,581
Revd David Gamble	30,655
Revd Kenneth G Howcroft	28,588
Revd A Ward Jones	27,581
Revd Jonathan W Kerry	28,643
Revd Ermal B Kirby	27,581
Revd William R Morrey	28,421
Revd Peter G Sulston	26,175

In the list below are those bodies considered to be related parties, which together with the Methodist Council report separately to the Methodist Conference, the ultimate controlling body, each year. Details of transactions occurring during the year and amounts owing by or to related parties at 31 August 2007 are given for each one as appropriate.

	Income from related party	Purchases from related party	Amount owed by (to) related party
	£000	£000	£000
Trustees for Methodist Church Purposes	97	-	63
Central Finance Board	-	-	568
Methodist Publishing House	15	211	111
Methodist Ministers' Housing Society	62	-	16
Methodist Relief & Development Fund	105	-	0
National Children's Home	-	-	-
Methodist Ministers' Pension Scheme	74	-	8
Methodist Schools	29	-	29

In addition to this, there are the related party transactions included in the management of the Church's investment portfolio by the Central Finance Board. Also numerous transactions and balances occur between Methodist Council, the districts, circuits and churches.

For a fuller understanding of the nature of the relationship with these related parties, please refer to page 8 of the Trustees' Report.