

Annual Report &

Statement of Financial Activities

THE METHODIST CHURCH FUND

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Conference Office:

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
Conference Office
Methodist Church House
25 Marylebone Road
London NW1 5JR
Tel: 020 7486 5502

Custodian Trustees:

Trustees for the Methodist
Connexional Funds (Registered)
4th Floor, Friendly House
52/58 Tabernacle Street
London EC2A 4PL

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

Bankers:

HSBC plc
Westminster Branch
22 Victoria Street
London SW1H 0NJ

Auditors:

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6NN

Solicitors:

Pothecary & Barratt
Talbot House
Talbot Court
Gracechurch Street
London EC3V OBS

Governance

The governing body of the Methodist Church is the Conference. The authority under which the Conference acts is given by the Methodist Church Act 1976.

The Methodist Church does not 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.

Each year the Conference appoints a Methodist Council which is authorised to act on behalf of the Conference between the close of any Conference and the opening of the next succeeding Conference, providing that such action is not contrary to the Deed of Union or to any subsisting Resolution of the Conference. Conference also appoints annually the Strategy and Resources Committee of the Methodist Council to advise the Council in relation to all its functions. There is a Connexional Team working collaboratively so as to provide a coherent and effective service on behalf of the Conference. Six Co-ordinating Secretaries working closely with the General Secretary share collective responsibility for the work of the Team, ensuring that it is carried out in accordance with Standing Orders and the directions of the Conference and the Methodist Council.

The Strategy and Resources Committee (formerly the Executive Committee of the Methodist Council) is responsible for the detailed examination of the financial statements and for recommending their adoption to Council. The Methodist Council is responsible for approving the financial statements.

The current members of the Strategy and Resources Committee and those who served in 2002/2003 are listed below:

Voting Members

Mr Roger Dawe (Chairman)
Mr Michael Bamford
Mr John Bell
Mr Ronald Calver
Revd Graham Carter
Mr Peter G Cotgrove
Mr David J Hardwick (up to 31 August 2003)
Revd Richard D C Jones
Dr Joy Leitch
Deacon Myrtle Poxon
Revd Martin H Turner
Revd Rachel D Walton
Mr G Peter White
Ms Helen Woodall (from 1 September 2003)

Non-voting members

Ms Ruby Beech
Revd Dr Nigel T Collinson (up to 31 August 2003)
Ms Anthea Cox (from 1 September 2003)
Revd David G Deeks
Revd David Gamble (from 1 September 2003)
Revd Jonathan W Kerry
Revd Keith A Reed
Revd Peter Sulston

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The members of the Methodist Council are the Trustees of the Methodist Church Fund. There are 67 members who have been listed individually here and their names are recorded each year in the Minutes of Conference. They are all appointed annually by Conference and represent a wide spectrum of the membership of the Church.

Mr Harvey Allen
 Ms Jane Allin
 Revd Desmond Bain
 Mr Michael Bamford
 Mr Peter Barley
 Ms Ruby Beech
 Mr John Bell
 Mrs Christine Bellamy
 Revd John Best
 Revd Barbara Bircumshaw *
 Revd Christopher Blake
 Revd Peter Brown
 Mr Stuart Brown
 Mr Ronald Calver
 Revd Graham Carter
 Revd Dr Nigel T Collinson *
 Mr Peter G Cotgrove
 Revd Jeremy Dare *
 Mr Roger Dawe
 Mr Brian Dawson
 Revd David G Deeks
 Revd David R Emison
 Deacon Jacqueline Fowler
 Miss Katherine Fox
 Mr Greg Griffiths *
 Mr Brian Ham
 Mr David J Hardwick *
 Revd Andrew J L Hollins
 Professor Peter Howdle
 Dr Glyn Tegai Hughes
 Mrs Judy Jarvis
 Revd Richard D C Jones
 Revd Jonathan Kerry
 Revd Christina Le Moignan *
 Mrs Ann Leck *
 Dr Joy Leitch
 Mr Brian D F Mansfield
 Dr Judith May-Parker
 Miss Dawn Meeson *
 Mr Naboth Muchopa
 Revd Rosamy Murphy
 Mr Barry Natton
 Ms Chris Nunn *
 Revd Lionel E Osborn *
 Mrs Marilyn Pack *
 Mr David Payne *
 Mr Geoffrey Pickford
 Mr G Alan Pimlott
 Deacon Myrtle Poxon
 Revd Stephen J Poxon

Mr Richard Ratcliffe *
 Revd Keith A Reed
 Revd Neil Richardson
 Revd Jeremy R Robinson
 Revd Stephen Robinson
 Dr Malcolm Stevenson
 Revd Peter G Sulston
 Revd Ian Suttie *
 Mr David Taylor
 Revd Graham Thompson *
 Revd Martin H Turner
 Mr John Unsworth
 Dr Richard M Vautrey
 Revd Rachel D Walton
 Revd Martin Wellings
 Mr G Peter White
 Revd Ian T White

*indicates those who had completed their period of Trusteeship at the end of the Connexional year 2002/2003.

The undernoted persons were appointed to serve as Trustees from the beginning of the 2003/2004 Connexional year:

Revd Ian Anderson
 Revd Alan Ashton
 Mr Stephen Cooper
 Revd Peter Cornick
 Ms Anthea Cox
 Mrs Jenny Easson
 Revd David Gamble
 Revd Christine Gillespie
 Mrs Anna Hillman
 Dr Ian Lovecy
 Revd William Morrey
 Miss Gail Nichol
 Revd Harvey Richardson
 Mrs Lys Vaughan
 Ms Helen Woodall

Statement of Trustees' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and the Statement of Recommended Practice 2000, Accounting and Reporting by Charities have been followed;
- prepare the 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 Church Fund 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 charity and to prevent and detect fraud and other irregularities.

The following items give a flavour of the work carried out by the Council during the year:

1. The Council met four times during the course of the year to fulfil its brief in standing orders 211 and 212.
2. The Council continued its work on governance, risk analysis, trustee liability insurance, fixed term contracts and discharged specific trustee functions.
3. The Council continued to monitor the work of the Investment Management Committee. The endowment and restricted funds released during the year, with the approval of the Charity Commission where appropriate, are shown below

	£000
Transfers to the Fund for World Mission	515
Transfers to the Fund for Training	69
Transfers to the Methodist Church Fund	17
Others	11
	612

4. The work of "Breakout" was monitored and a "Breakout Strategy Group" was appointed. It was agreed that "Breakout" 2004 should be held at the Winter Gardens, Blackpool over the weekend of 9-11 July.
5. The remit of the Connexional Manse Trustees was widened to include the purchase, maintenance and sale of manses for ministers and deacons who are not strictly members of the Connexional Team but who:
 - for at least 50% of their time do work of Connexional significance (as agreed by the relevant officer in the Connexional Team and the District Policy Committee of the District in which they serve) and
 - relate directly to an officer in the Connexional Team (who participates in their appraisal or appoints a deputy to do so) and
 - are unable to access a manse locally or from the resources of the District in which they are stationed.
6. The Methodist Church has used fixed term contracts regularly for the employment of 'lay' employees. Changes in the regulations for fixed term contracts came into effect from 1 October 2002. The changes required employers to review their use of fixed term contracts. The Council decided that, for best practice, its employment practice would include the following:
 - Fixed term contracts will be used only when there is an 'objective justification' for doing so
 - Fixed term contracts will not normally be set up for periods of more than four years
 - Fixed term contracts set up after 1 October 2002 will not be renewed beyond the original term unless there are exceptional circumstances.
7. The Methodist Council nominated Revd David G Deeks to be appointed as General Secretary of the Methodist Church/Secretary of the Conference with effect from 1 September 2003. The Council approved recommendations relating to the close working together, in the service of the whole Church, of the two Assistant Secretaries of the Conference and the four Co-ordinating Secretaries, with the General Secretary. In essence these recommendations were:

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The integration of the work done by the Conference Office and the work done by the Connexional Team, building on the ever closer working together of the Conference Office and the Connexional Team since restructuring in 1996.

The realignment of roles of the two Assistant Secretaries of the Conference and the four Co-ordinating Secretaries, to create a group of six Co-ordinating Secretaries (one of whom will be the Assistant Secretary of the Conference) who, working collaboratively under the leadership of the General Secretary, will aim to provide a 'seamless service' to the whole Church, and together will advocate a holistic vision of the Church's mission.

The formal titles of the six Co-ordinating Secretaries to be:

- The Co-ordinating Secretary for Unity in Mission
- The Co-ordinating Secretary for Public Life and Social Justice
- The Co-ordinating Secretary for Worship and Learning
- The Co-ordinating Secretary for Conference and Communication (*who will be the Assistant Secretary of the Conference and must therefore be a presbyter*)
- The Co-ordinating Secretary for Human and Financial Resources
- The Co-ordinating Secretary for Legal and Constitutional Practice (*this is the additional 'Assistant Secretary of the Conference' referred to in the Conference resolutions*)

The existing Co-ordinating Secretaries will take up responsibilities in the revised leadership pattern of the Connexional Team which resemble as closely as possible their current responsibilities:

- The Co-ordinating Secretary for Unity in Mission: The Revd Peter Sulston
- The Co-ordinating Secretary for Worship and Learning: The Revd Jonathan Kerry
- The Co-ordinating Secretary for Human and Financial Resources: Mrs Ruby Beech

The Methodist Council nominated Revd David Gamble to be appointed as Co-ordinating Secretary for Legal and Constitutional Practice with effect from 1 September 2003.

The Methodist Council nominated Revd Kenneth Howcroft to be appointed as Co-ordinating Secretary for Conference and Communication/Assistant Secretary of the Conference with effect from 1 September 2004.

The Methodist Council nominated Ms Anthea Cox to be appointed as Co-ordinating Secretary for Public Life and Social Justice with effect from 1 September 2004.

8. The Council approved a new name for its principal committee – what in standing orders is the Executive and what in the 2002 resolutions became the General Purposes and Finance Committee. In order to recruit suitably qualified people and better encapsulate its responsibilities, the Conference accepted the recommendation to call it the Strategy and Resources Committee of the Council.
9. The Council noted work in hand, largely led by the joint business committees of the Conference together with the Conference Secretariat, which is considering evolutionary changes in the way the Conference will function when it is a residential conference at Loughborough in 2004.
10. A paper to stimulate a process throughout the Church that would lead to the identification of key *priorities for the work and mission of the Methodist Church* as a whole over the next few years was presented to the Methodist Council by the General Secretary designate and published in the *Methodist Recorder*. This exploration of key priorities for the Church takes place within the Our Calling process. The Conference was invited to try to discern some provisional themes about the direction in which God is calling the Church as a whole as we take stock of the society we are in and the Methodism we currently have. This process of exploration is being done under the title "Where are we heading" and continues into the next Connexional year. Initial reflections from early contributions to this process included:

We need to encourage a new culture in the Church

We need to re-build confidence - in what we believe, in our worship, in a spirituality for our times, in our vocation to maximise our skills and experience

We need to recover the dynamic power of connexionalism and at the same time face and manage radical institutional change.

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 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 of the Church.

In addition to the Audit Committee, the General Purposes and Finance Committee of the Methodist Council (Strategy and Resources Committee of the Council), which meets 6 times a year, also makes recommendations to the Methodist Council as necessary. These include:-

- a three year rolling Strategic and Development Plan;
- the Annual Budgets;
- regular consideration of actual results, compared with Budget and the reasons for variances;
- segregation of duties and levels of authority;
- identification and management of financial risks.

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RESERVES POLICY

The definition of 'Reserves' is:-

'Income which becomes available to the Charity and is to be expended at the Trustees' discretion in furtherance of the Charity's objects, but which is not yet spent, committed or designated'.

This definition therefore excludes restricted funds, designated funds, and funds already invested in fixed assets.

The reserves policy for Methodist Church Fund agreed by the Methodist Council is to hold the equivalent of the relevant annual expenditure plus an estimate of any known likely fluctuations. These reserves might be held either in a specific related fund or within Methodist Church Fund. Of the main restricted funds only the Auxiliary Fund and the Fund for World Mission currently hold reserves above those the policy suggests. These are kept under review. The other funds have either an amount reflecting the policy or less funds than it suggests.

GRANT MAKING POLICY

Grants are made from appropriate funds to local Methodist churches, circuits and similar bodies, to individuals training for and within authorised ministries according to need, to training institutions, for benevolent purposes, to World Church partners and to other bodies and individuals. All grants are made to further the aim of the Church to fulfil our calling through worship, learning and caring, service and evangelism.

INVESTMENT POLICY

The investment of surplus funds is operated via the Central Finance Board of the Methodist Church, which is a separate body reporting directly to Conference. The Policies and Procedures adopted by the Central Finance Board (CFB) are agreed by Conference. Most of the investments are in Managed Fund Units administered by the Central Finance Board. CFB aims to provide a high quality investment service, seeking above average returns for long term investors, whilst ensuring that the securities held by all its funds are in line with the ethical policy of the Methodist Church. The CFB Annual Report 2003 states that over a five year period its long term performance has been consistently above market averages. Their statement is based on externally verified figures produced by Russell Mellon/Combined Actuarial Performance Services (CAPS).

Investments in properties are made in the main to accommodate ministers, deacons and their families during their services to the Church. In addition, the London Mission have also invested in the past in some properties with a view to generating income by letting these premises. Currently, however, any surplus funds are channelled through the Central Finance Board.

RISK MANAGEMENT

The Church's risk management policy is designed to identify and analyse operational and other risk and ensure that it is controlled, monitored and steps taken to mitigate the risks. The Methodist Council have examined the main risks and are satisfied that proper controls are in place for monitoring and mitigating these risks. The main risks the Church faces can be categorised as:-

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

The Methodist Council Strategy and Resources Committee reviews and monitors these risks and reports regularly to the Council.

FINANCIAL STATEMENTS

It is pleasing to note that for the fourth year in succession, the income has exceeded expenditure. The excess of income over expenditure was £0.7m before taking into account gains in the revaluation of investment assets. This can be attributed to the diligence of everyone in the controlling and monitoring of income and expenditure.

The total of incoming resources of £26.5m was £0.9m less than that achieved the previous year. This drop can be attributed to the fall in legacy income which this year was £1.6m compared with £2.3m in the previous year. Net gains from the sale of tangible fixed assets also show a fall of £0.2m compared with previous year. Three properties were sold which accounted for the £0.3m gain. Although assessments increased by £0.6m, as anticipated direct donations fell by £0.4m.

Charitable expenditure increased by £1.2m. Most of this was due to grant payments. The Fund for World Mission accounted for £0.7m of this increase. Grants made for ecumenical purposes also showed an increase of £0.3m. This was due to grants not paid or provided for in the previous year having to be paid along with this year's grants. The number of grants made show a fall of about 6% from 4,166 to 3,908.

The various types of expenditure as a percentage of the total expenditure were as follows:-

	2003 %	2004 %
Grants payable	37.9	36.3
Operational activities	12.0	11.8
Support costs	46.2	48.0
Management and administration	3.4	3.4
Fund raising	<u>0.5</u>	<u>0.5</u>
	<u>100.0</u>	<u>100.0</u>

The Lay Employees Pension and Assurance scheme showed a deficit of £3.3m for past services in the actuarial valuation as at 31 August 2002. The Methodist Council therefore increased the employer's contribution from 16.7% to 20.6%. At the same time the employee contribution went up from 6% to 7%. These changes came into effect from 1 September 2003. Although the Methodist Church Fund is the main employer in the Fund (with approximately 60% of the employees), it is not the only employer in the scheme. The exact extent of the exposure to the Fund cannot therefore be easily identified.

The investment market has shown signs of promise. After two successive years of heavy unrealised losses on investments, this year there was a welcome gain of approximately £0.8m. The market conditions are however very volatile and it is too early to state whether the positive trend will prevail in the short to medium term.

The value of stocks in the balance sheet shows a decrease of £0.05m. This is due to the transfer of the book shop stock to Methodist Publishing House as at 31 December 2002.

The total value of the funds carried forward is £101.3m compared with £100.6m at the end of the previous year. The Unrestricted Fund of £21.6m represents 21.3% of the funds. Out of this £8.9m is designated, thus leaving a balance of £12.6m truly unrestricted. The main designated funds are the Epworth Fund £7.2m and the Training Assessment £1.2m.

In the context of these accounts Unrestricted Funds are funds which we can spend on any of the church's activities. Restricted Funds can only be used for specific purposes according to the terms on which these were first received. Permanent Endowment Funds are where the capital cannot be spent, although the income may be added to a Restricted or Unrestricted Fund, depending on the terms of the original endowment. Expendable Endowment Funds may be applied in total for the purposes for which they were given.

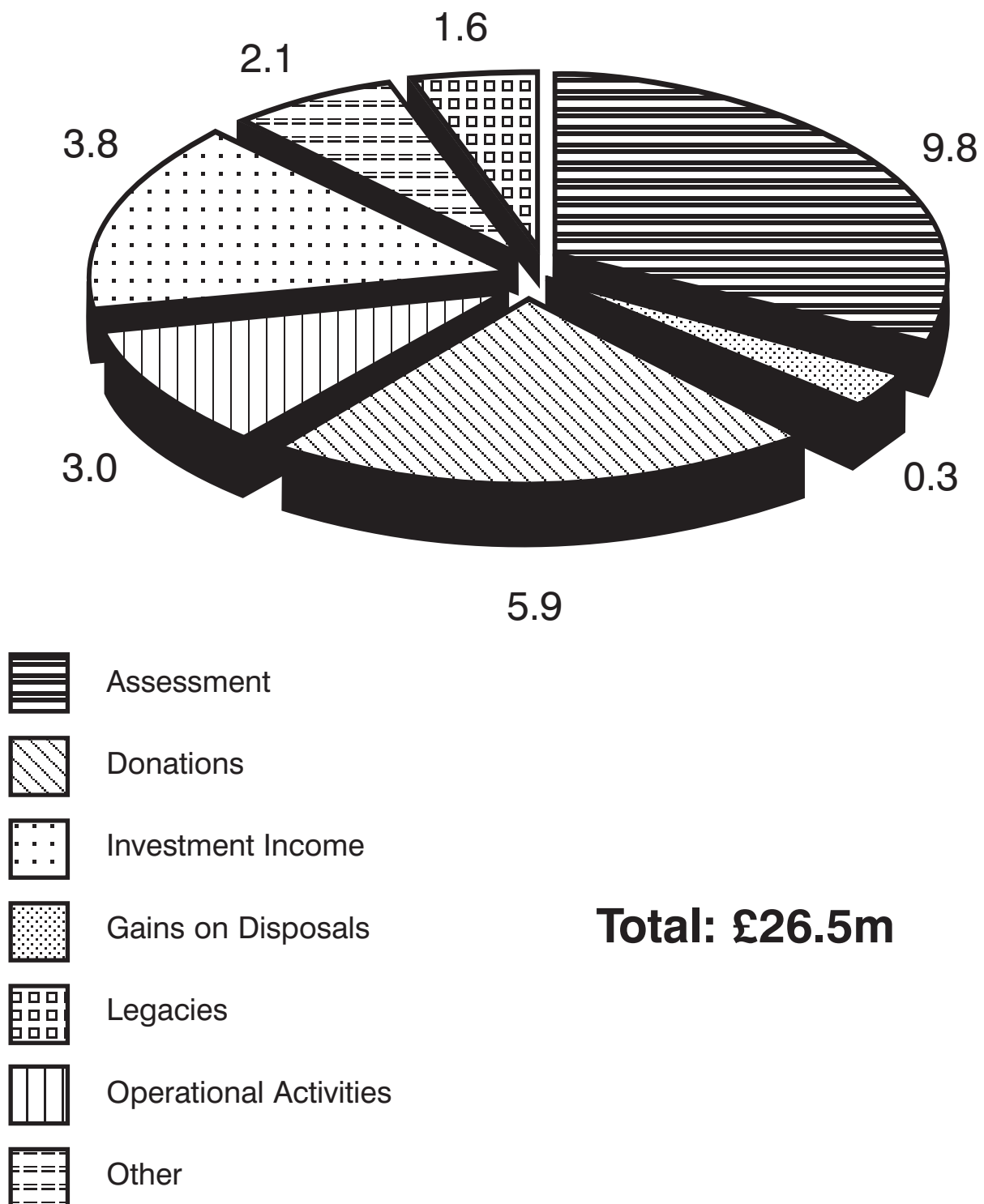
Ruby Beech

Co-ordinating Secretary
16 January 2004

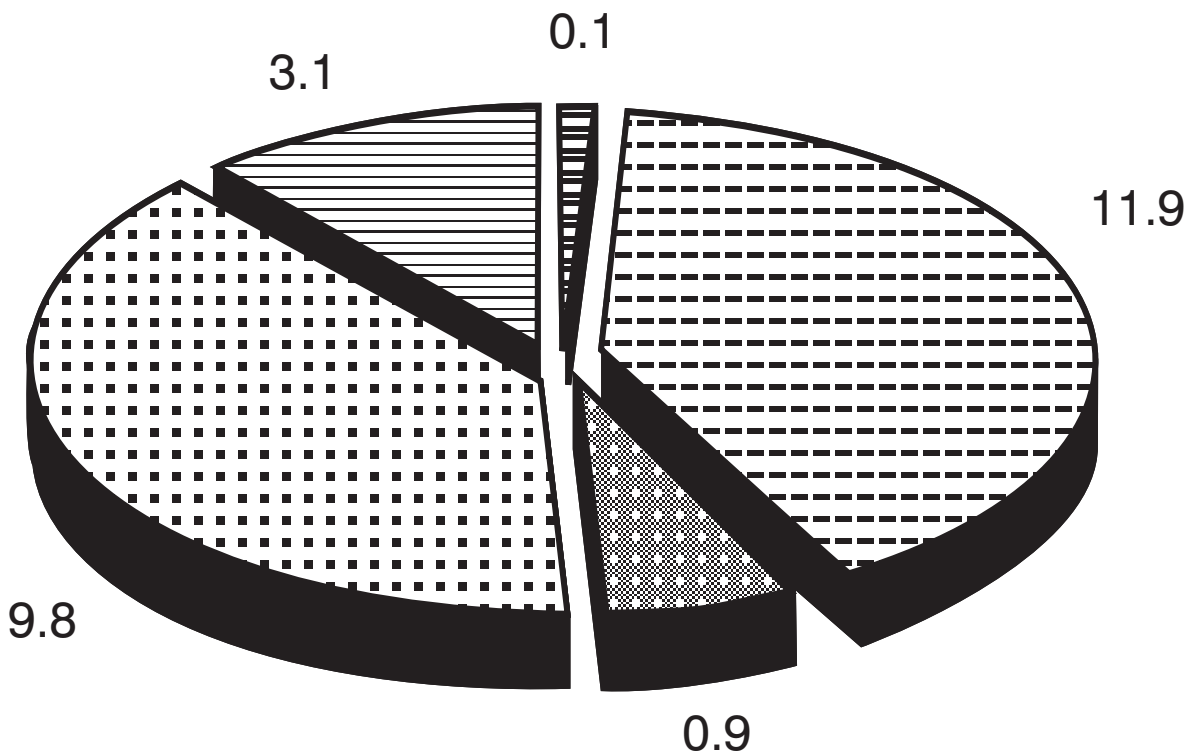
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Incoming Resources (£m) Year ending 31 August 2003



Expenditure (£m)
Year ending 31 August 2003



Fund Raising



Grants



Support Costs



Operational Activities



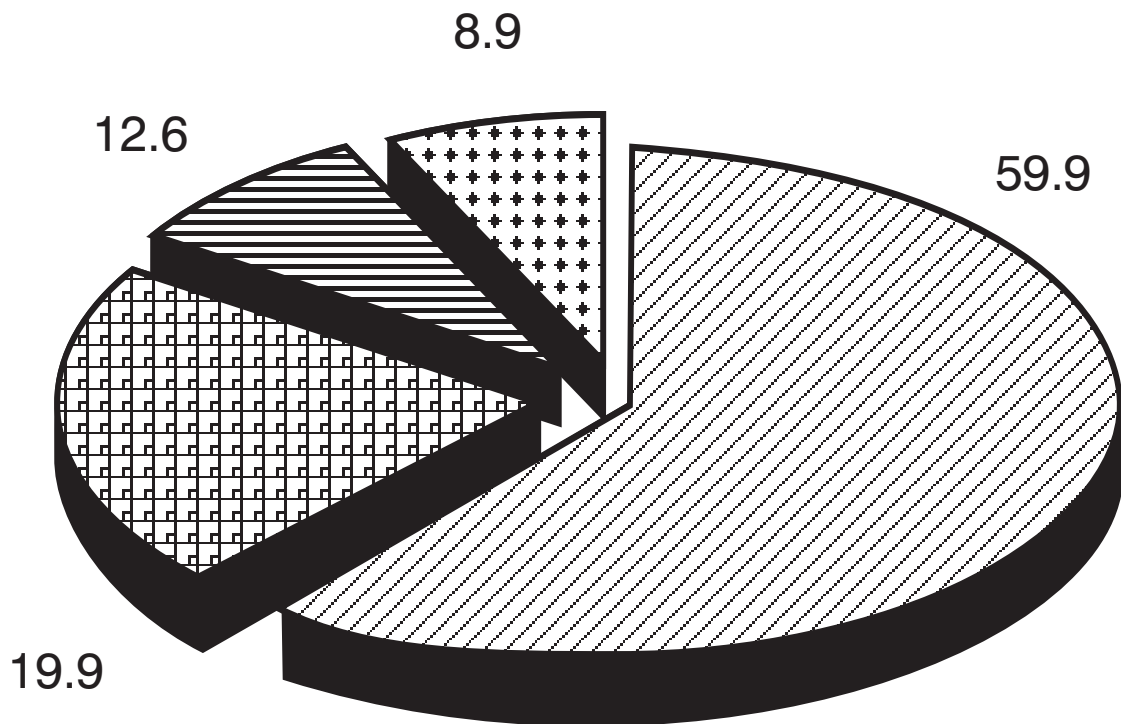
Management/Admin

Total: £25.8m

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Funds (£m) as at 31 August 2002



Restricted



Endowment



Unrestricted



Designated

Total: £101.3m

Independent auditors' report to the Methodist Council

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of the trustees and auditors

The Council's responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of trustees' responsibilities.

We have been appointed 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the trustees in accordance with paragraph 6(2) of the 1995 Regulations (as amended by the 2000 Regulations) made under Part VI, Charities Act 1993 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the trustees' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Methodist Church Fund'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Methodist Church Fund's affairs at 31 August 2003 and of its net incoming resources and cash flows for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6NN

13 February 2004

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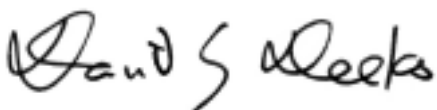
Consolidated Statement of Financial Activities for the year ended 31 August 2003

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2003 Total £000	2002 Total £000
Incoming resources						
Donations, legacies and similar incoming resources	2	10,316	6,981	-	17,297	17,858
Activities in furtherance of the charity's objects:						
Grants receivable		374	60	-	434	506
Operational activities	3	255	2,804	-	3,059	2,934
Rental income		-	527	-	527	528
Training income		83	601	-	684	615
Investment income and interest	4	738	2,764	267	3,769	4,069
Other incoming resources:						
Net gain on disposal of tangible fixed assets		63	222	-	285	534
Other income	5	271	155	-	426	345
Total incoming resources		12,100	14,114	267	26,481	27,389
Less: Cost of generating funds						
Fund raising costs	6	37	94	-	131	145
Net incoming resources available for charitable application		12,063	14,020	267	26,350	27,244
Charitable expenditure						
Costs of activities in furtherance of the objects of the charity:						
Grants payable	7,8	3,254	6,496	14	9,764	8,897
Operational activities	3	238	2,856	-	3,094	2,882
Support costs	9	2,663	9,247	-	11,910	11,784
Management and administration	10	446	414	-	860	838
Total charitable expenditure		6,601	19,013	14	25,628	24,401
Total resources expended	11	6,638	19,107	14	25,759	24,546
Net incoming resources before transfers	12	5,462	(4,993)	253	722	2,843
Transfers between funds	20-22	(3,087)	3,512	(425)	-	-
Net increase in resources before revaluations and investment asset disposals		2,375	(1,481)	(172)	722	2,843
Gains and losses on revaluations and disposals of investment assets		137	356	315	808	(11,291)
Net movement in funds		2,512	(1,125)	143	1,530	(8,448)
Total funds brought forward at 1 September		19,052	61,812	19,746	100,610	109,583
Changes to entities consolidated	24	-	(800)	(4)	(804)	(525)
Total funds carried forward at 31 August		21,564	59,887	19,885	101,336	100,610

Consolidated Balance Sheet as at 31 August 2003

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	15	17,291	16,928
Investments	16	72,167	71,841
		89,458	88,769
Current assets			
Stocks		97	148
Debtors	17	3,350	3,048
Short term deposits		13,478	12,221
Cash at bank and in hand		883	804
		17,808	16,221
Less: Liabilities			
Amounts falling due within 1 year	18	(4,769)	(3,269)
Bank overdrafts		(171)	(47)
		(4,940)	(3,316)
Net current assets		12,868	12,905
Total assets less current liabilities		102,326	101,674
Creditors			
Amounts falling due after more than 1 year	19	(990)	(1,064)
Total net assets	23	101,336	100,610
Funds:			
Income Funds			
Unrestricted	20	21,564	19,052
Restricted	21	59,887	61,812
Capital funds			
Endowments	22	19,885	19,746
		101,336	100,610

Approved by the Methodist Council on 13 February 2004



Revd David G Deeks, General Secretary & Secretary of Conference



Peter G Cotgrove, Connexional Treasurer

The notes on pages 17 to 33 form an integral part of these financial statements.

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Consolidated Statement of Cash Flow for the year ended 31 August 2003

	Notes	2003		2002	
		£000	£000	£000	£000
Net cash (outflow) from operating activities	(a) below		(2776)		(2,299)
Returns on investments and servicing of finance					
Deposit interest received		727		737	
Investment income		<u>3,042</u>		<u>3,332</u>	
			3,769		4,069
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(933)		(1,706)	
Receipts from sales of tangible fixed assets		670		970	
Purchase of fixed asset investments		<u>(11,734)</u>		<u>(20,479)</u>	
Disposal of fixed asset investments		<u>12,216</u>		<u>21,615</u>	
			219		400
Net cash inflow in the period			1,212		2,170
Net cash resources at 1 September 2002			<u>12,978</u>		<u>10,808</u>
Net cash resources at 31 August 2003	(b) below		<u>14,190</u>		<u>12,978</u>

Notes to consolidated cash flow statement

(a) Reconciliation of surplus income to net cash inflow from operating activities

	2003	2002
	£000	£000
Net incoming resources for the year	722	2,843
Gain on disposal of tangible fixed assets	(285)	(534)
Investment income	(3,769)	(4,069)
Depreciation	185	153
Decrease in stocks	51	3
(Increase)/Decrease in debtors	(302)	143
Increase (Decrease) in creditors	1,426	(313)
Transferred to entities unconsolidated	(804)	(525)
Net cash (outflow) from operating activities	<u>(2,776)</u>	<u>(2,299)</u>

	Cash Flow		
	At 31.8.02	2003	At 31.8.03
	£000	£000	£000
(b) Analysis of net cash resources			
Cash in hand, at bank	804	79	883
Overdrafts	(47)	(124)	(171)
Short term deposits	12,221	1,257	13,478
Total	<u>12,978</u>	<u>1,212</u>	<u>14,190</u>

Notes to the accounts for the year ended 31 August 2003

1. Accounting policies

a) Basis of accounting

The accounts of the Methodist Church Fund 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 2000 (SORP), Accounting and Reporting by Charities 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 brought in based on the view of the Council.

This area is constantly under review due to the number of bodies reporting to both the Methodist Council and Methodist Conference.

These accounts include the following self accounting entities:

Asbury Overseas House (formerly Methodist Overseas Guest House)
 Chester House
 Cliff College (a separately registered charity)
 Hartley Victoria College
 Methodist International Centre
 Stipends Administration
 Tax Recovery Section
 Wesley College Bristol
 Wesley Study Centre Durham

c) Basis of consolidation

The self-accounting entities have been accounted for as 'branches' in accordance with the SORP.

Methodist International Centre Limited, which is a separately registered trading company, has been consolidated as a subsidiary in accordance with FRS2 and the SORP. See note 29 for details of Methodist International Centre Limited's accounts.

d) District assessment

The District Assessment is accounted on a receivable basis.

e) Donations, contributions and legacies

Donations, contributions and legacies are accounted on a receivable basis. 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.

f) Grants

Incoming grants are accounted on a receivable basis. Expended grants are accounted on a payable basis. Grants payable are included in the Statement of Financial Activities when approved. The value of such grants unpaid at the end of the year is accrued, unless there are unfulfilled conditions attached to them. In such cases these grants are treated as contingent liabilities.

g) Investment income and interest, operational activities income and other income

Investment income and interest, operational activities income and other income are accounted on an accruals basis.

h) Funds

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Church 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 Church for particular purposes. The costs 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.

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Notes to the accounts for the year ended 31 August 2003 (Continued)

- Investment income and gains are allocated to the appropriate fund.
- i) **Basis of apportionment of expenditure**
- All expenditure incurred in connection with the Units for Church Life, Church & Society and Inter Church & Other Relationships has been treated as Support Costs. Expenditure incurred by Central Services and Conference Office have been allocated to either Support Costs or Management and Administration Costs as applicable.
- j) **Gains/(losses) on investments**
- Realised and unrealised capital gains and losses on investments are dealt with in the Statement of Financial Activities in the year in which they arise, based on the brought forward valuations or cost of subsequent additions.
- k) **Tangible fixed assets**
- Properties are stated at cost. It is the Methodist Church'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. If there were to be any impairment in the value of such properties it would be charged to the Statement of Financial Activities when appropriate.
- In line with FRS 15 requirement the managing trustees of the various entities have examined their land and buildings and have certified that the market value exceeds the book value of the assets.
- Assets having an initial cost of £1,000 or less are written off on acquisition. Furniture & fittings, computer equipment and motor vehicles having an initial cost greater than £1,000 are stated at cost less depreciation. Furniture & 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.
- l) **Investments**
- Investment properties are stated at professional valuation as at 31 August 2002 by Cluttons, Chartered Surveyors. These properties are revalued triennially. 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 investments based on the company's audited Balance Sheet at 31 March 2003, updated by the value of any share acquisitions up to 31 August 2003.
- m) **Stocks**
- Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

Notes to the accounts for the year ended 31 August 2003 (Continued)

2. Donations, legacies and similar incoming resources

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
District assessment	9,813	-	-	9,813	9,248
Donations and contributions	361	5,543	-	5,904	6,291
Legacies	142	1,438	-	1,580	2,319
Total	10,316	6,981	-	17,297	17,858

3. Operational activities income and expenditure

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
Sales	90	-	-	90	131
Other operational activities	154	2,803	-	2,957	2,789
Advertising	11	1	-	12	14
Total operational activities income	255	2,804	-	3,059	2,934
Goods purchased for resale	93	360	-	453	376
Printing and publishing	69	2	-	71	30
Other production costs	2	154	-	156	235
Salary costs	14	719	-	733	662
Depreciation	1	74	-	75	47
Other costs	59	1,547	-	1,606	1,532
	238	2,856	-	3,094	2,882
Net (expenditure)/income from operational activities	17	(52)	-	(35)	52

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Notes to the accounts for the year ended 31 August 2003 (Continued)

4. Investment income and interest

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
Investment properties	-	151	-	151	190
Central Finance Board investments	302	1,794	98	2,194	2,388
William Leech (Investments) Ltd.	-	470	160	630	645
Deposit interest and other investment income	436	349	9	794	846
Total	738	2,764	267	3,769	4,069

5. Other income

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
Contributions from districts towards costs of regional staff	13	-	-	13	21
Miscellaneous	258	155	-	413	324
Total	271	155	-	426	345

6. Fund-raising costs

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
Advertising costs	1	48	-	49	62
Display, exhibitions and conferences	24	30	-	54	40
Other advocacy expenses	12	16	-	28	43
Total	37	94	-	131	145

Notes to the accounts for the year ended 31 August 2003 (Continued)

7. Grants payable

	No. of grants made	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
From main funds						
Auxiliary Fund	1,671	-	389	-	389	365
Home Mission	104	-	699	-	699	718
Mission Alongside the Poor	24	-	152	-	152	148
Property	395	-	1,085	-	1,085	1,084
Training	206	2,151	57	-	2,208	2,170
World Mission	383	-	3,450	-	3,450	2,698
Sub Total	2,783	2,151	5,832	-	7,983	7,183
From other funds						
Archives & History	3	27	-	-	27	27
Auxiliary (Special Purposes)	6	-	11	-	11	39
Business & Economic Affairs	10	48	-	-	48	49
Contingency grants	29	145	-	-	145	121
Diaconal Order Ben & Hol Funds	241	2	48	-	50	37
Ecumenical	17	310	-	-	310	13
Epworth Fund	11	229	-	-	229	316
Evangelism grants	15	26	-	-	26	23
Higher Education Chaplaincies	15	22	-	-	22	18
Initial grants	46	62	-	-	62	45
Invalid Ministers' Rest Fund	73	-	18	3	21	25
London Committee	110	-	264	-	264	351
Ministerial sabbaticals	188	-	80	-	80	99
Ministers' Children's Education	36	-	15	-	15	11
Racial Justice	32	85	-	-	85	92
Supernumeraries' Removals	3	1	-	-	1	57
World Methodist Committee	4	44	-	-	44	6
Others	286	102	228	11	341	385
Total	3,908	3,254	6,496	14	9,764	8,897

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8. The top 50 grant beneficiaries of the Methodist Church Fund for the year ended 31 August 2003 were:

Grants to overseas churches and institutions £000

Methodist Church in the Caribbean and the Americas	(14 grants)	330.5
Church of South India	(3 grants)	127.5
Methodist Church Kenya	(7 grants)	104.8
Methodist Church Nigeria	(4 grants)	67.5
Church of North India	(6 grants)	63.5
Methodist Church Sierra Leone	(2 grants)	61.0
United Church of Zambia	(5 grants)	56.9
The Methodist Church, Upper Myanmar	(3 grants)	54.0
Methodist Church in Zimbabwe		48.0
Methodist Church Ghana		48.0
Methodist Church The Gambia	(3 grants)	45.0
Methodist Church of Mozambique	(4 grants)	42.3
Methodist Church in Benin		40.0
Methodist Church Argentina	(2 grants)	34.0
Maua Hospital Kenya	(3 grants)	31.2
The Methodist Church, Sri Lanka	(3 grants)	31.0
Methodist Church of Togo		24.0
Theological College Porto Novo, Benin		23.0

For Ministerial Training

The Queen's Foundation, Birmingham		246.7
Wesley House, Cambridge		162.9
Southern Theological Education Training Scheme		103.5
South West Ministerial Training Course		78.6
Northern Ordination Course		59.0
East Anglia Ministerial Training Course		58.2
Urban Theology Unit, Sheffield		56.1
St Michael's Llandaff		45.8
Westminster College, Oxford		44.4
North Thames Ministerial Training Course		43.7
York Institute for Community Theology		43.6
South East Institute for Theological Education		42.8
East Midlands Ministry Training Course		36.6

Grants to Churches, Circuits and Districts

Lerwick and Walls Circuit		45.0
Scotland District		42.2
West Yorkshire District, Touchstone Centre		34.0
Liverpool (South) Circuit	(3 grants)	32.1
Pontprennau Church, Cardiff	(2 grants)	32.0
Mid-Glamorgan Mission Circuit		31.3
London Mission (Plumstead) Circuit		28.2
Bradford Trinity Circuit	(2 grants)	26.9
South Wales District	(2 grants)	26.0
Birmingham (Elmdon) Circuit	(2 grants)	24.5
Sheffield Inner City Mission Circuit	(3 grants)	23.0

Other Grants

Churches Together in Britain & Ireland	(2 grants)	92.8
Churches Together in England	(2 grants)	76.0
World Council of Churches	(2 grants)	73.2
Christians Abroad	(9 grants)	54.9
Epworth Old Rectory		36.7
Fund for Mission in Europe		35.0
Conference of European Churches	(2 grants)	26.4
Church Life Survey		25.0

Notes to the accounts for the year ended 31 August 2003 (Continued)

9. Support costs

	Unrestricted £000	Restricted £000	Endowment £000	2003 Total £000	2002 Total £000
Stipend and salary costs	1,724	5,979	-	7,703	7,477
Other staff costs	209	986	-	1,195	1,038
Office accommodation	64	882	-	946	1,070
Meetings, committees & conferences	317	148	-	465	473
Travel	44	451	-	495	445
Education and publicity	63	110	-	173	247
Printing, stationery, post, telephone	159	267	-	426	480
Equipment repairs & renewals	56	147	-	203	221
Depreciation	17	88	-	105	102
Miscellaneous expenses	10	189	-	199	231
Total	2,663	9,247	-	11,910	11,784

10. Management and administration

	Unrestricted £000	Restricted £000	Endowmt £000	2003 Total £000	2002 Total £000
Stipend & salary costs	138	238	-	376	365
Other staff costs	59	2	-	61	32
Office accommodation	1	-	-	1	1
Meetings, committees & conferences	29	1	-	30	24
Travel	4	2	-	6	5
Printing, stationery, post, telephone	28	4	-	32	33
Equipment, repairs & renewals	16	2	-	18	26
Depreciation	7	1	-	8	4
Professional fees	138	90	-	228	199
Miscellaneous expenses	26	20	-	46	71
Interest payable	-	54	-	54	78
Total	446	414	-	860	838

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Notes to the accounts for the year ended 31 August 2002 (Continued)

11. Total resources expended

Charitable Expenditure

	Grants Payable £000	Operational Activities £000	Support Costs £000	Management and Administration £000	Fund Raising and Publicity £000	2003 Total £000	2002 Total £000
Grants	9,764	-	-	-	-	9,764	8,897
Stipend & salary costs (Note 13)	-	733	7,703	376	-	8,812	8,504
Other staff costs	-	-	1,195	61	-	1,256	1,070
Goods purchased for resale	-	453	-	-	-	453	376
Printing and publishing	-	71	-	-	-	71	30
Other production costs	-	156	-	-	-	156	235
Office accommodation	-	-	946	1	-	947	1,071
Meetings, committees and conferences	-	-	465	30	-	495	497
Travel	-	-	495	6	-	501	450
Fund raising costs	-	-	-	-	131	131	145
Education and publicity	-	-	173	-	-	173	247
Printing, stationery, post, telephone	-	-	426	32	-	458	513
Equipment repairs and renewals	-	-	203	18	-	221	247
Depreciation	-	75	105	8	-	188	106
Professional fees	-	-	-	228	-	228	199
Miscellaneous expenses	-	1,606	199	46	-	1,851	1,881
Interest payable	-	-	-	54	-	54	78
Total	9,764	3,094	11,910	860	131	25,759	24,546

12. Net incoming resources

	2003 £000	2002 £000
This is stated after charging auditors' remuneration in respect of services for the year ended 31 August as follows:		
Audit fees	56	50
Taxation and other advice	44	14
Total	100	64

Notes to the accounts for the year ended 31 August 2003 (Continued)

13. Stipend & salary costs

The Methodist Council appointed or employed an average of 192 (2002 – 200) people during the year, calculated on a full time equivalent basis, and a further 71 (2002 – 67) people were appointed locally, all of whose costs were chargeable to the Methodist Church Fund as follows:

	Operational Activities £000	Other Activities £000	2003 Total £000	2002 Total £000
Stipends and salaries	643	6,795	7,438	7,292
Social Security costs	61	549	610	553
Pension costs (Note 14)	29	735	764	659
Total	733	8,079	8,812	8,504

There were no employees whose emoluments, excluding pension contributions, exceeded £50,000 in the year 2002/2003 or 2001/2002.

14. Pension costs

The annual accounts for the Methodist Church Fund continue to be prepared in accordance with Accounting Standard SSAP 24 'Accounting for Pension Costs'. Additional disclosure is given in this note in accordance with the new accounting standard FRS 17 'Retirement Benefits'. SSAP 24 and FRS 17 utilise different accounting and actuarial principles.

The assets of the two pension schemes are held separately from the Methodist Church Fund, in independently administered funds.

Methodist Ministers' Pension Scheme

The Methodist Church Fund makes a pension contribution, equal to 10% of the basic stipend of its Ministers, to the defined benefit scheme operated for Methodist Church Ministers as a whole.

SSAP 24 disclosures:

Contributions to the scheme are charged so as to spread the cost of pensions over employees' working lives with the Methodist Church Fund. The costs are determined by an independent actuary on the basis of triennial valuations using the Attained Age Method. The last full actuarial valuation of the whole scheme was carried out as at 1 September 2002 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 Church Fund and members of the scheme from 1 September 2003 will be 13.5% and 6% respectively.

Cash costs for the next three years are expected to be 13.5% of stipend

The pension charge for the year was £0.04m (2002 £0.04m). There was no provision/prepayment at 31 August 2003.

FRS 17 disclosures:

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

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Notes to the accounts for the year ended 31 August 2002 (Continued)

14. Pension costs (Continued)

Pensions and Assurance Scheme for Lay Employees of the Methodist Church

The Methodist Church Fund is the principal employer, but not the only employer, contributing to this defined benefit scheme for Lay Employees.

The Methodist Church Fund makes a pension contribution, equal to 16.7% of the basic salary of its staff, to the defined benefit scheme operated for Lay Employees of the Methodist Church as a whole.

SSAP 24 disclosures:

Contributions to the scheme are charged so as to spread the cost of pensions over employees' working lives with the Methodist Church Fund. The costs are determined by an independent actuary on the basis of triennial valuations using the Attained Age Method. The last full actuarial valuation of the whole scheme was carried out as at 1 September 2002, by an independent actuary. This valuation showed that the market value of the scheme's assets was £8.8m and that the value of these assets represented 73% of the benefits that had accrued to members after allowing for expected increases in earnings. The assumptions which have the most significant effect on the results of the valuation are those referring to the rates of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 6.1% pa, salary increases would average 3.9% pa and that past and future pensions would increase at either 5% or 2.4% depending on whether guaranteed or linked to inflation respectively.

The contributions by the Methodist Church Fund and members of the scheme from 1 September 2003 will be 20.6% and 7% respectively, which is intended to remove the deficit over the estimated average remaining service lives of employees.

Cash costs for the next three years are expected to be 20.6% of salary.

The pension charge for the year was £0.49m (2002 £0.48m). There was no provision/prepayment at 31 August 2003.

FRS 17 disclosures:

It is not possible to identify the share of the underlying assets and liabilities of the scheme attributable to the Methodist Church Fund, hence it is accounted for as a defined contribution scheme under FRS17. Accordingly, the FRS 17 pension disclosures are limited to the information set out above. The deficit in the whole pension scheme at 1 September 2003, calculated using an FRS17 basis was £5.88m (2002 £4.25m). The key assumptions used to calculate the FRS17 liability are a discount rate of 5.4% (2002 5.6%), a rate of increase in salaries of 4.2% (2002 3.9%) and an inflation rate of 2.7% (2002 2.4%).

Notes to the accounts for the year ended 31 August 2003 (Continued)

15. Tangible assets

	Freehold Land & Buildings £000	Furniture & Fittings £000	Computer Equipment £000	Motor Vehicles £000	2003 Total £000	2002 Total £000
Cost:						
At 1 September	16,416	812	949	29	18,206	16,936
Additions during year	786	79	68	-	933	1,706
Disposals	(341)	(44)	-	-	(385)	(436)
Total	16,861	847	1,017	29	18,754	18,206
Depreciation:						
At 1 September	-	438	814	26	1,278	1,125
Charge for year	-	94	93	1	188	155
Disposals	-	(3)	-	-	(3)	(2)
Total	-	529	907	27	1,463	1,278
Net tangible assets	16,861	318	110	2	17,291	16,928

The net book amount of £16,861m for freehold land and buildings represents the cost of properties used for:

		2003 £000	2002 £000
Charitable purposes	- College training	3,717	3,661
	- Guesthouse & hostels	5,489	5,468
	- Manses	4,260	3,887
	- Accommodation for retired missionaries	122	127
	- Others	3,273	3,273
	Total	16,861	16,416

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Notes to the accounts for the year ended 31 August 2003 (Continued)

16. Fixed asset investments

	2003 Total £000	2002 Total £000
Market value at 1 September	71,841	84,268
Additions at cost	11,734	20,479
Disposals	(12,332)	(21,720)
Net unrealised investment gains/(losses)	924	(11,186)
Market value at 31 August	72,167	71,841
	Market Value 2003 £000	Market Value 2002 £000
The investments comprise:		
Investment properties	2,861	2,889
Central Finance Board units	58,678	59,193
Central Finance Board deposit funds	1,960	1,353
William Leech (Investments) Ltd.	6,349	5,983
Other investments	2,319	2,423
Total	72,167	71,841

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 2002/2003

	Purchase	Disposal
Managed Equity	151,168	157,661
Managed Mixed	-	84,248
Managed Fixed Interest	521,010	1,790,691
UK Equity	27,031	54,353
Overseas Fund	-	24,212
Long Fixed Interest Fund	336,495	189,130
Short Fixed Interest Fund	1,617,485	527,322
Gilt Fund	579,593	558,308
Corporate Bond Fund	836,564	478,952

All investments in CFB Units are in UK listed Companies other than Units held in the Overseas Fund. Investment properties are valued every three years, the last valuation being 31 August 2002. The holdings in William Leech (Investments) Ltd. represented 20% (2002 - 20%) of the company's issued share capital

17. Debtors

	2003 £000	2002 £000
Prepayments & accrued interest	890	1,007
Other debtors	2,460	2,041
Total	3,350	3,048

Included in other debtors are amounts totalling £0.904m (2001 - £0.947m) full settlement of which will not take place within one year. These amounts mainly comprise ministerial loans and mortgage loans.

Notes to the accounts for the year ended 31 August 2003 (Continued)

18. Liabilities: amounts falling due within one year

	2003 £000	2002 £000
Tax and social security	149	135
Accruals	834	591
Loans	120	43
Other creditors	3,666	2,500
Total	4,769	3,269

19. Creditors: amounts falling due after more than one year

	2003	2002
Methodist International Centre Mortgage loans	990	1,064

The Methodist International Centre loans are secured on the property Euston House, 81-103 Euston Street, London, NW1 2EZ. The original loan of £1m is for ten years at 1.25% above base rate. A second loan of up to £200k is for five years at 1.5% above base rate.

20. Unrestricted funds

	Balance 1.9.02 £000	Movement in Resources Incoming £000	Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.03 £000
Designated	8,201	5,556	(239)	(4,698)	104	8,924
Other	10,851	6,544	(6,399)	1,611	33	12,640
Total	19,052	12,100	(6,638)	(3,087)	137	21,564

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

	Balance 1.9.02 £000	Movement in Resources Incoming £000	Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.03 £000
Connect/Flame Magazine	167	11	(3)	-	-	175
Epworth Fund	7,096	268	(230)	-	109	7,243
Legal costs	68	2	-	-	1	71
World Methodist Conferences	1	-	-	-	-	1
Connexional Travel Fund	556	21	(6)	(361)	(6)	204
Training Assessment	313	5,254	-	(4,337)	-	1,230
Total	8,201	5,556	(239)	(4,698)	104	8,924

Notes.

Epworth Fund. This designated fund is utilised to make grants for special projects.

Connexional Travel Fund. This fund is used to pay grants to ministers on long term sick leave to compensate them for the lack of business mileage payments.

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

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Notes to the accounts for the year ended 31 August 2002 (Continued)

21. Restricted funds

	Balance 1.9.02 £000	Transferred out £000	Movement in Incoming £000	Resources Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.03
Auxiliary	4,302	-	714	(375)	(36)	57	4,662
Home Mission	4,421	-	887	(2,442)	215	100	3,181
Mission Alongside the Poor	2	-	51	-	(52)	-	1
Property	2,394	-	823	(1,316)	195	(34)	2,062
Training	2,213	-	418	(4,864)	4,458	1	2,226
World Mission	20,289	-	4,926	(6,550)	541	227	19,433
Other restricted funds	28,191	(800)	6,295	(3,560)	(1,809)	5	28,322
Total	61,812	(800)	14,114	(19,107)	3,512	356	59,887

Notes.

Auxiliary Fund. This fund is to provide assistance to ministerial supernumeraries and to the widows or widowers of ministers and ministerial probationers who are in need. In addition, the Auxiliary Fund makes grants to the Methodist Ministers' Housing Society.

Home Mission. This is the ring fenced Fund for Home Mission.

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.

Property. This is the ring fenced fund to enable grants to be made to Property schemes.

Training. Since training costs have been paid centrally since September 2000, this fund now represents mainly the fixed Assets belonging to the ring fenced Fund for Training.

World Mission. This is the ring fenced Fund for World Mission.

Other Restricted Funds. These comprise 156 funds that can only be applied for particular purposes within their objects and include the following funds in excess of £500k:

	£000
Lay Missionaries' Superannuation Fund	2,737
Kingsmead College Sale Proceeds	1,199
Special Extension Fund	826
North Bank Capital Fund	3,073
North Bank Maintenance Fund	1,125
Invalid Ministers Rest Fund	807
Cliff College	2,666
Methodist International Centre	2,689
London Committee	7,197
Forces Chaplaincy	560
Long Term Renewals Fund	672

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

Notes to the accounts for the year ended 31 August 2003 (Continued)

22. Endowment funds

	Balance 1.9.02 £000	Transferred out £000	Movement in Incoming £000	Resources Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31.8.03 £000
Permanent	19,566	(4)	264	(14)	(320)	313	19,805
Expendable	180	-	3	-	(105)	2	80
Total	19,746	(4)	267	(14)	(425)	315	19,885

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

23. Analysis of net assets between funds

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2003 £000	Total 2002 £000
Tangible fixed assets	2,914	14,377	-	17,291	16,928
Investments	8,614	43,743	19,810	72,167	71,841
Net current assets	10,036	1,767	75	11,878	11,841
Total	21,564	59,887	19,885	101,336	100,610

24. Changes to entities funds consolidated

Restricted Funds transferred to creditors	£000
Self-accounting entities funds adjustments	(868)
	64
	(804)

The Restricted Funds transferred to creditors represent funds held for other churches and organisations, previously held as Restricted Funds, transferred to creditors at 31 August 2003 as approved by the Investment Management Committee.

25. Contingent liabilities and contractual commitments

Grants promised, subject to certain conditions, but not paid at 31 August 2003 totalled £2.308m (2002 - £2.152m). Negotiations are taking place with the Inland Revenue regarding a liability pertaining to the old covenant based tax recoveries. The exact amount of this liability is not known. There were no other contingent liabilities or material contractual commitments.

26. Expenses reimbursed to members of the Methodist Council

	2003	2002
Travel and Other Expenses Reimbursed £000's	28.4	25.3
Number of Members Reimbursed	67	67

Annual Report &

Statement of Financial Activities

Notes to the accounts for the year ended 31 August 2002 (Continued)

27. Central stipends administration

Stipends and allowances paid to Ministers, Deacons and Lay Workers totalling £35.696m (2002 - £35.772m) 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 13).

The administration costs amounting to £0.124m (2002 - £0.130m) and interest receivable amounting to £0.065m (2002 - £0.077m) relating to the central payment of stipends are included in the Statement of Financial Activities.

28. Trustees and connected persons

There were 17 trustees (2002 - 18) and no connected persons (2002 - 0) who were appointed or employed by the Methodist Council as listed below. Their aggregate total emoluments including pension contributions amounted to £0.453m (2002 - £0.448m). Their appointments as trustees are in accordance with Standing Order No. 210 of the Methodist Church.

Trustees:	Ms Ruby Beech
	Revd Barbara Bircumshaw
	Revd Christopher Blake
	Revd Graham Carter
	Revd Dr Nigel T Collinson
	Revd David G Deeks
	Revd David Emison
	Mrs Judy M Jarvis
	Revd Jonathan Kerry
	Revd Christina Le Moignan
	Mr Naboth Muchopa
	Revd Lionel Osborn
	Mr Alan Pimlott
	Revd Stephen J Poxon
	Revd Keith A Reed
	Revd Peter G Sulston
	Revd Ian White

There are many bodies which report to the Methodist Council and Methodist Conference. It is difficult to ascertain with which of these bodies common control exists.

The principal related party transactions include the management of the Church's investment portfolio by the Central Finance Board which is a separate body reporting directly to Conference.

Notes to the accounts for the year ended 31 August 2002 (Continued)

29. Methodist International Centre Limited

The principal activity of the company is providing conference and hotel facilities at the Methodist International Centre premises at Euston Street, London. The Methodist Council is the majority shareholder of the company.

Profit and Loss Account

	2003 £	2002 £
Turnover	1,370,904	1,124,458
Cost of Sales	(468,475)	(373,114)
Gross Profit	902,429	751,344
Administrative expenses	(478,435)	(381,871)
Profit for the year before gift aid donation to MIC	423,994	369,473
Gift aid donation to MIC	(423,994)	(369,473)
Loss on ordinary activities before taxation	-	-
Tax on loss on ordinary activities	-	-
Loss on ordinary activities after taxation	-	-

Balance Sheet

	2003 £	2002 £
Current assets		
Debtors	250,193	39,278
Cash at bank and in hand	27,755	342,411
	277,948	381,689
Creditors: amounts falling due within one year	(277,923)	(381,664)
Total assets less current liabilities	25	25
Capital and reserves		
Called up share capital	25	25