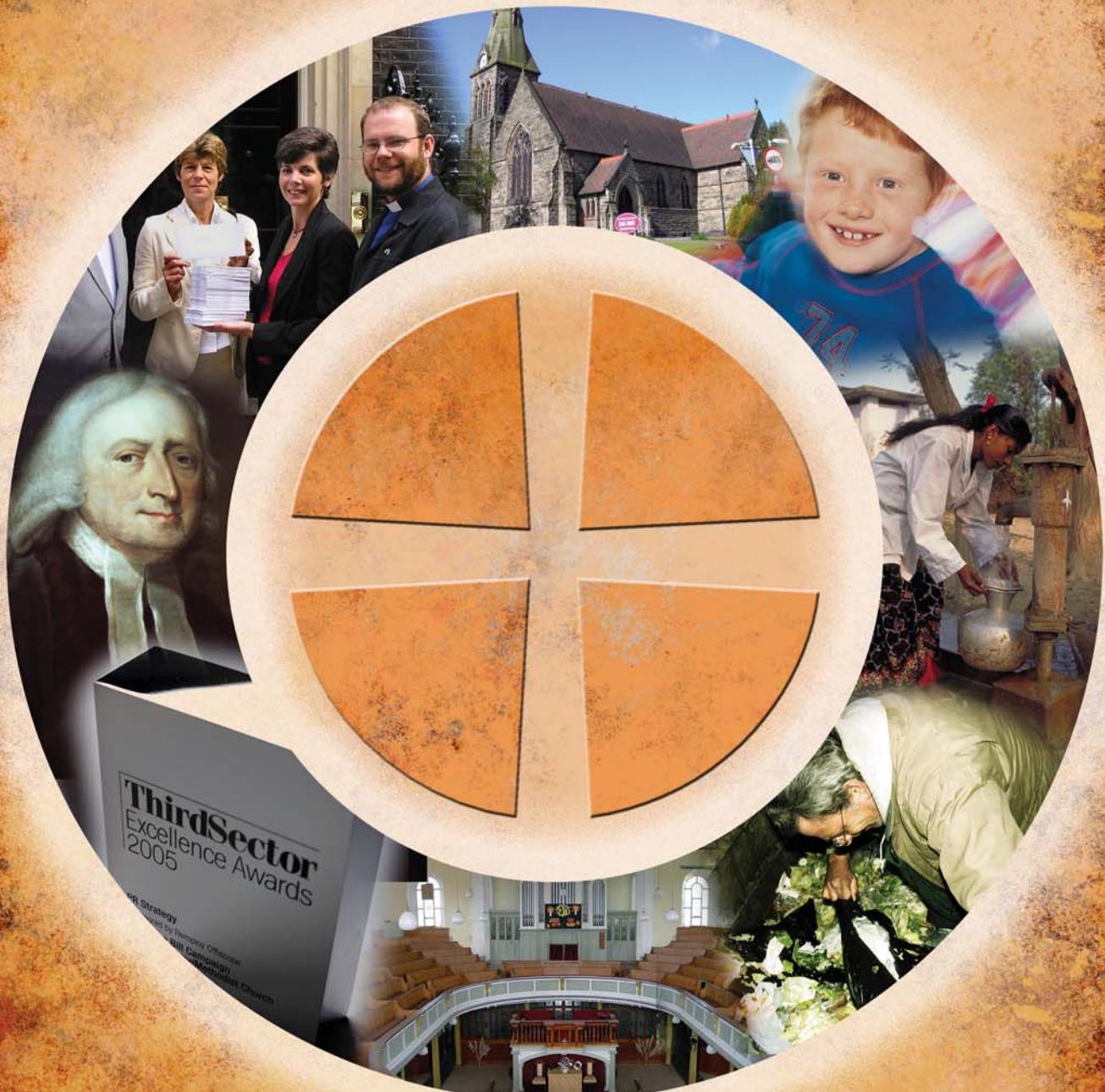


**THE METHODIST COUNCIL  
ANNUAL REPORT & FINANCIAL STATEMENTS**



The **Methodist Church** 

**THE METHODIST COUNCIL CONSOLIDATED ACCOUNTS FOR YEAR ENDED 31 AUGUST 2005**

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## THE METHODIST COUNCIL CONSOLIDATED ACCOUNTS



Annual Report and Statement of  
Financial Activities for  
Year Ended 31 August 2005

# NAMES AND ADDRESSES

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

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

## Executive Officers

(as at 16 February 2006)



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



**Ms Anthea Cox**  
Co-ordinating Secretary,  
Public Life & Social Justice



**Revd David Gamble**  
Co-ordinating Secretary,  
Legal & Constitutional Practice



**Revd Kenneth G Howcroft**  
Co-ordinating Secretary,  
Conference & Communication



**Revd Jonathan W Kerr**  
Co-ordinating Secretary,  
Worship & Learning



**Revd Peter G Sulston**  
Co-ordinating 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

## Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London WC2N 6NN

## Solicitors

Pothecary & Barratt  
Talbot House, Talbot Court  
Gracechurch Street  
London EC3V 0BS

# THE METHODIST COUNCIL

## CONSOLIDATED ACCOUNTS -

### TRUSTEES' REPORT

The Methodist Council as trustees draw attention to three major changes to the annual report and audited consolidated financial statements for the year ended 31 August 2005 as follows:

- a) The adoption of the new Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005). The new SORP not only gives specific guidance on the structure and content of the trustees' report but also alters significantly the way items are reported in the Statement of Financial Activities (the charities equivalent of an income and expenditure statement);
- b) The full implementation of Financial Reporting Standard (FRS) 17 – Retirement Benefits. The effect in terms of this year's financial statements is to recognize the deficit on the Pensions & Assurance Scheme for Lay Employees of the Methodist Church on the balance sheet;
- c) The inclusion for the first time of the accounts of the Connexional Advance and Priority Fund (CAPF) following a decision of the Methodist Conference.



# 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 33 districts of the Methodist Church of Great Britain as well as other bodies of the Church. Each of the 33 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 from a wide spectrum of the membership of the Church and seeks to draw in a variety of skills, expertise and experience. 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 Accounts and have the responsibility for approving these financial statements. The 66 members have been listed individually here and their names are recorded each year in the Minutes of Conference.

The undenoted persons were appointed to serve as Trustees from the beginning of the 2005/2006 connexional year:

Mr Harvey Allen*	Deacon Jacqueline Fowler	Deacon Myrtle Poxon	Miss Margaret Best
Revd Ian Anderson*	Revd David Gamble	Revd Stephen J Poxon	Revd J W Wesley Blakey
Mr David Andrews	Revd Christine Gillespie	Dr Jane Rajan	Mr Russell Buley
Revd Desmond Bain*	Mr Brian Ham*	Revd Harvey S Richardson*	Mr John Cooper
Mr Michael Bamford	Revd Kenneth G Howcroft	Revd Dr Neil G Richardson*	Revd Roger Cresswell
Ms Ruby Beech*	Ms Rachel Howcroft	Revd Stephen E Robinson*	Miss Margaret Faulkner
Mr John A Bell	Mr Ronald Hughes	Mrs Alethea Siow	Revd Christopher Humble
Mrs Christine Bellamy	Mrs Rosalind Innes	Dr Malcolm Stevenson	Mr Ken Jackson
Revd John C Best*	Mrs Judy M Jarvis*	Revd Thomas J Stuckey	Revd Loraine N Mellor
Revd Christopher Blake*	Revd Roger A Jones	Revd Peter G Sulston	Revd Jeffrey C Moles
Revd Peter A Brown*	Ms Lucy Kallender*	Mr David Taylor*	Revd Stephen G Normanton
Mr Ronald Calver	Revd Jonathan W Kerry	Revd Graham Thompson	Mrs Nwabueze Nwokolo
Revd R Graham Carter	Dr Ian Lovecy	Mr Michael Tolson*	Revd Paul Nzachayo
Mr Dudley Coates	Mr Brian D F Mansfield	Revd Michael J Townsend	Revd Geoffrey C Reid
Mr Steven Cooper	Dr Judith May-Parker*	Revd Martin H Turner	Revd Carolyn Seaton
Revd David F Coote	Mrs Susan Millman	Mr John Unsworth*	Mrs Rosemary Watt
Revd Peter J Cornick	Mr Andrew Moore	Mrs Lys Vaughan*	Mr Barry Wilford
Ms Anthea Cox	Revd William R Morrey	Revd Rachel D Walton	Mrs Thelma Wilson
Mr Peter Davis	Mr Naboth Muchopa	Mr Kenvyn Wales	All new Methodist Council
Mr Roger Dawe	Mr Barry Natton*	Revd Martin Wellings*	members are to attend trustees' induction sessions, which normally precede council meetings.
Revd David G Deeks	Miss Gail Nichol	Revd Paul H Wilson	
Mrs Jennifer H Easson	Mr G Alan Pimlott	Ms Helen Woodall	

\*indicates those who had completed their period of Trusteeship at the end of the connexional year 2004/2005.

## **The Strategy and Resources Committee**

Conference also appoints annually the Strategy and Resources Committee (SRC), a sub-committee of the Methodist Council, to advise the Council in relation to all its functions. 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 2004/2005 are listed below:

### **Voting Members**

Mr Roger Dawe (Chairman)  
Mr Michael Bamford  
Mr John A Bell  
Mr Ronald Calver (Connexional Treasurer)  
Revd R Graham Carter  
Mr Dudley Coates  
Mrs Susan Millman  
Mr Andrew Moore  
Deacon Myrtle Poxon (to 31 August 2005)  
Dr Jane Rajan  
Revd Martin H Turner  
Revd Rachel D Walton  
Ms Helen Woodall

### **Non-voting members**

Ms Ruby Beech (to 31 August 2005)  
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 included: 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 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.

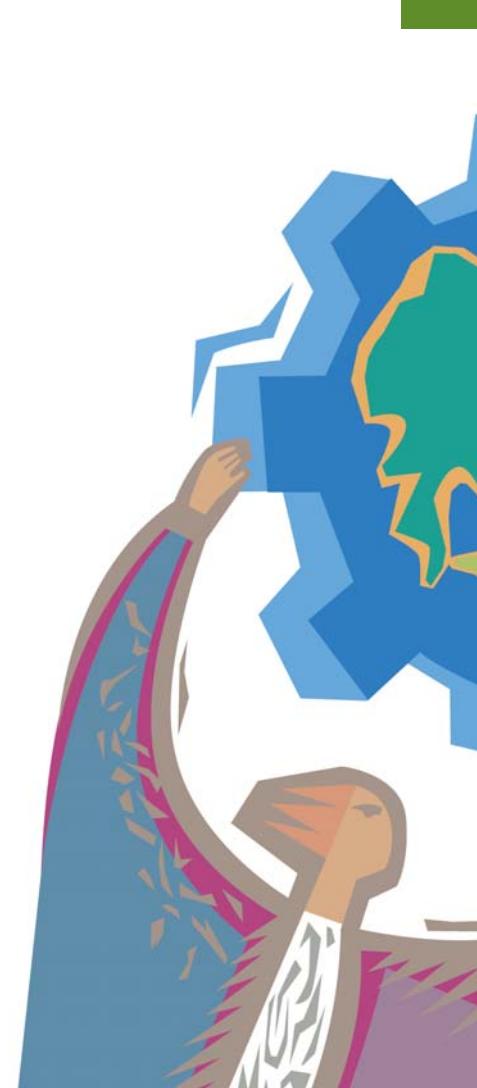
Meeting three times in the year and reporting annually to the Methodist Council, the audit committee has responsibility for advising Council on the appointment of external auditors, reviewing the consolidated accounts of the Methodist Council and the related auditor's report as well as the effectiveness of the financial and other internal control systems with regards to monies and other assets for which the Council is responsible.

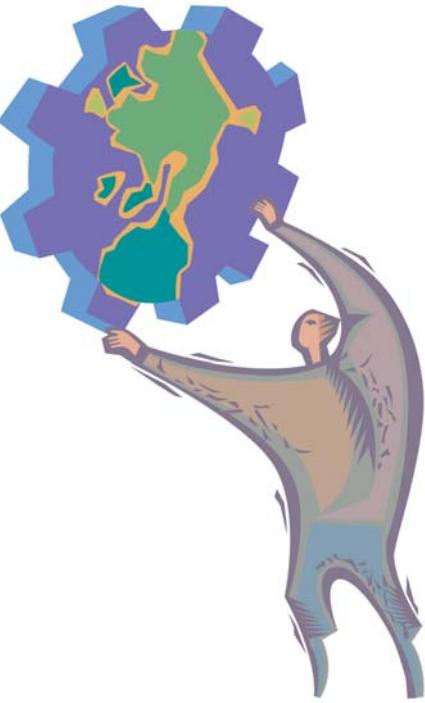
## **The Connexional Team**

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 6 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) 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) 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 with 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.

Full details of transactions with these related parties and any outstanding balances at the year-end are provided under Note 26 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 main risks can be categorised as:-

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

The Connexional Team's risk register is currently under review. This year, responsibility for risk management within the Methodist Council was clarified as follows:

- The Strategic and Resources Committee (SRC), working closely with Senior Management, would continue to be responsible for the regular review and update of the Connexional Team's risk register;
- Any proposed changes to the register would have to be agreed by Council;
- The Audit Committee would independently monitor the effectiveness of the process with a right both to challenge the contents of the register and to call officers to account;
- The governance scrutiny process has responsibility for reviewing the risk management arrangements put in place by the governance body or managing trustees of each of the self-accounting entities.

## **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:

## **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 increase awareness of God's presence and to celebrate God's love (worship)
- 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:

■ **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 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 Connexional Advance & Priority Fund 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 ecumenical organisations overseas in aid of ministry and outreach efforts 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.

## **Formation in Ministry 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.

## **Direct Ministry and Mission Programmes**

Under the Direct Ministry and Mission 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, layworkers 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 overseas students in London.

## **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, Communications and the Public Affairs 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](http://www.methodist.org.uk);
- Promoting advocacy through the publication of educational and informative material on the work of the Connexional Team 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;
- Publishing and distributing Mission Matters, our quarterly mission journal;
- Jointly publishing, together with USPG and the United College of the Ascension, Rethinking Mission, a quarterly journal for mission studies with articles contributed by those actively involved with world 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 ring fenced 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.

## **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.

# ACHIEVEMENTS AND PERFORMANCE

This year's achievements and performance are summarised as follows:



## Grants Programme

This year, we were able to make new grant commitments totalling £15.1 million under our Grants Programme. Actual grants paid out in the year however came to £11.7 million. Of this total, 64% went towards various projects in Britain with 36% going overseas. The majority of grants for churches, circuits and districts in Britain were approved by the Resourcing Mission Grants Committee (RMGC), which reports directly to the Conference. Under the oversight of the RMGC, grant-making from Council resources is developed in partnership with grant-making from the Connexional Advance & Priority Fund (CAPF) - a fund for which the RMGC is directly responsible. The outcomes were:

- 216 mission and ministry grants benefiting 31 of our 33 districts. Areas of the Church's mission benefiting from these grants are children and youth work, family and community support work, chaplaincy. A significant proportion also went towards the continuing work of the church in key towns and city centres including the appointment of a number of evangelism enablers.
- 395 grants towards various property projects. Besides 255 standard property project grants, 83 of these grants went towards making our places of worship more accessible to disabled members of our communities with a small number going towards repair work necessitated by acts of vandalism.

■ Distributions ranging from £1,740 to £41,790 to all 33 District Advance Funds of the Church. In all, £860,000 was distributed this way for use by the districts to various mission and ministry projects at local church, circuit and district levels.

Under the overseas grants programme, thanks to the generous giving to the Fund for World Mission from our churches across the United Kingdom and gifts from the Irish Conference, we continued to support the work of Partner Churches and ecumenical organisations in over 60 countries.

■ In Africa, we made over 38 grants to partners in 21 countries, supporting their general work as well as special projects in healthcare, literacy, theological and leadership training, youth work and inter-faith relations. Through our Nationals in Mission Appointment programme, we also enabled our Partner Churches to engage the services of 23 local professionals providing frontline services in church schools and mission hospitals as well as work with women groups. We were also able to offer scholarships to 13 nominees of our Partner Churches in Africa as part of our capacity building programme.

■ In Asia, we made 59 grants to Partner Churches, ecumenical and other organisations working in 20 countries. Besides general support for partner churches, most of the other grants went

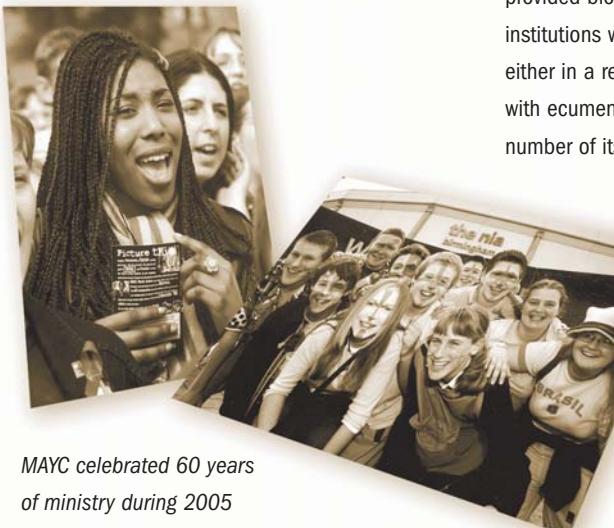
towards the support of theological colleges in the region. Alongside support for development projects of Partner Churches affected by the Tsunami, we were also able to provide funding this year for the Asia Pacific Consultation Conference for churches within the region. Our Nationals in Mission Appointment programme, allowed our Partner Churches in the region to recruit and/or retain the services of 17 individuals working in areas of strategic mission significance in 10 countries. 10 nominees of partners in the region are currently undergoing various post graduate studies in theology, business administration and ICT, all fully funded by our scholarship scheme.

■ In the Americas and the Caribbean, we made 36 general grants as well as a number of special grants to partners in 17 countries within the region. Projects funded here include the development of a new hymnbook for the Methodist Church in the Caribbean and Americas (MCCA), work among street children in Brazil as well as reconstruction and humanitarian work following Hurricane Ivan. Through the Nationals in Mission Appointment programme, Churches in the region are making a real difference in the ordinary lives of thousands through their outreach programmes and their work among children and teenagers. Six individuals are currently on scholarships funded by the World Church Office.

In Europe, we supported the mission work of partners in Germany, Italy, Portugal, Russia, Spain, Poland, the Balkans, Latvia and Estonia as well as the work of Methodist bodies e.g. the European Methodist Council, European Commission on Mission and the European Methodist Youth Council; and umbrella organisations such as the Conference of European Churches and the Community of Protestant Churches. Our Nationals in Mission Appointments programme continued to give the Churches a visible presence in, for example, Macedonia, Serbia Montenegro, Ukraine and Bulgaria as well as among the immigrant populations of Western Europe.

Besides these core grant programmes, we also operate a number of benevolent funds from which discretionary grants are made regularly to families of Methodist ministers, supernumeraries and deacons and, in exceptional circumstances, lay staff during periods of financial difficulties and/or ill-health, as well as assistance with relocation costs, island travel, the education of their wards, loss of earnings and other unforeseen circumstances. Following the sale this year of Seafield House, a property of the Auxiliary Fund for the housing of retired ministers and their families, and a grant from the Timperley Trust, we were able to make three further grants totaling £740,000 to the Methodist Ministers' Housing Society. This aspect of the work is overseen by the Connexional Allowances Committee (CAC).

Notes 7 and 8 to the accounts provide a fuller breakdown of grants by area of work and lists the 50 largest grant beneficiaries.



MAYC celebrated 60 years of ministry during 2005

## Formation in Ministry Programme

The level of investment in formation in ministry continued to pay dividends with 61 new ministers being received into full Connexion and 62 candidates being accepted for training for presbyteral and diaconal ministries of the Church. A record number of students also underwent Foundation Training in the year, 190 compared to 130 the previous year - an increase of 46%. Numbers going into ministerial and diaconal training, however, went down slightly from 105 last year to 97.

As a church, we remain committed to a programme of continuing training for presbyters and deacons. This year, we were able to support 32 ordained and 37 probationer ministers pursuing further training. We also offered 5 Continuing Development in Ministry (CDIM) courses in the year. Attendance at these courses though remains a problem with only 199 attending in total this year. A new pattern of CDIM is being developed.

Formation in ministry training is, however, not just about student numbers, fluctuating from one year to the next. Additionally it requires funding to secure longer-term course development and planning, the recruitment and retention of world-class scholars, the support of distinctively Methodist dimensions of theology and mission, access and maintenance of important library and archival resources and many more. Accordingly, during the year, we not only supported the work of Methodist institutions such as Wesley College Bristol, Wesley Study Centre Durham, Hartley Victoria College, Cliff College and Guy Chester Centre, whose accounts are incorporated here, but also provided block grant funding to eleven other institutions with which the Methodist Church is either in a relationship of ownership or oversight with ecumenical partners or sends significant number of its students.

## Direct Ministry and Mission Programmes

There are two dimensions of our Direct Ministry and Mission programme – the Home Districts and Overseas.

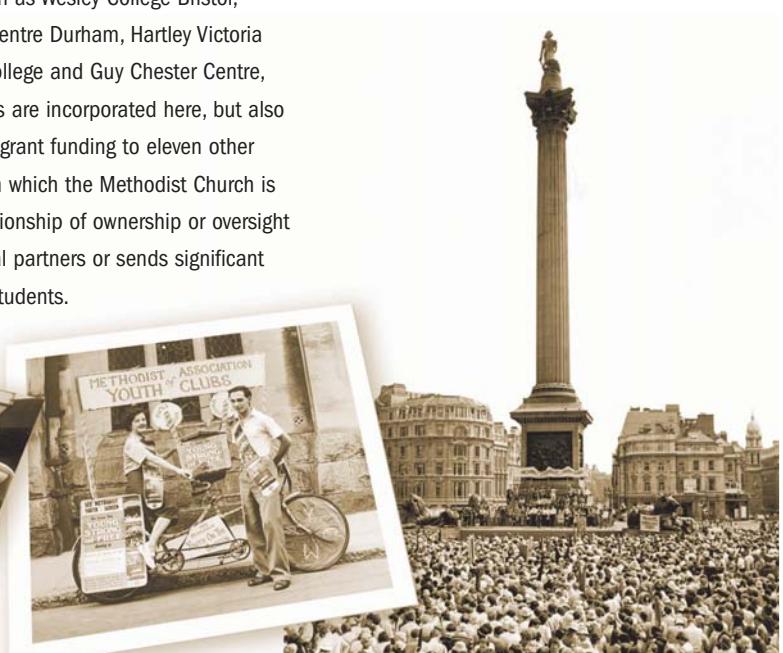
On the home front, 2005 was a very important milestone in the church's work among the youth with MAYC achieving 60 years of ministry among young people. Three major national events were organised as part of the celebrations:

**INVEST** - a service of celebration followed by a concert by the MAYC Orchestra and Singers at the Guy Chester Centre had about 250 people attending, both young and old from across the connexion.

**INTENSE** - a weekend of celebration at Cliff College which drew together about 700 young people. The programme included interactive Bible study, a village fete, sports and a party in the park style event.

**INSPIRE** - weekend of workshops and outdoor pursuit activities with a concert to crown it all at Truro Cathedral. In all about 200 young people attended this final event.

A special 60th anniversary souvenir brochure, which tells the journey of MAYC over the decades through first-hand accounts, was also published to mark the occasion. Copies are available from the MAYC Office.



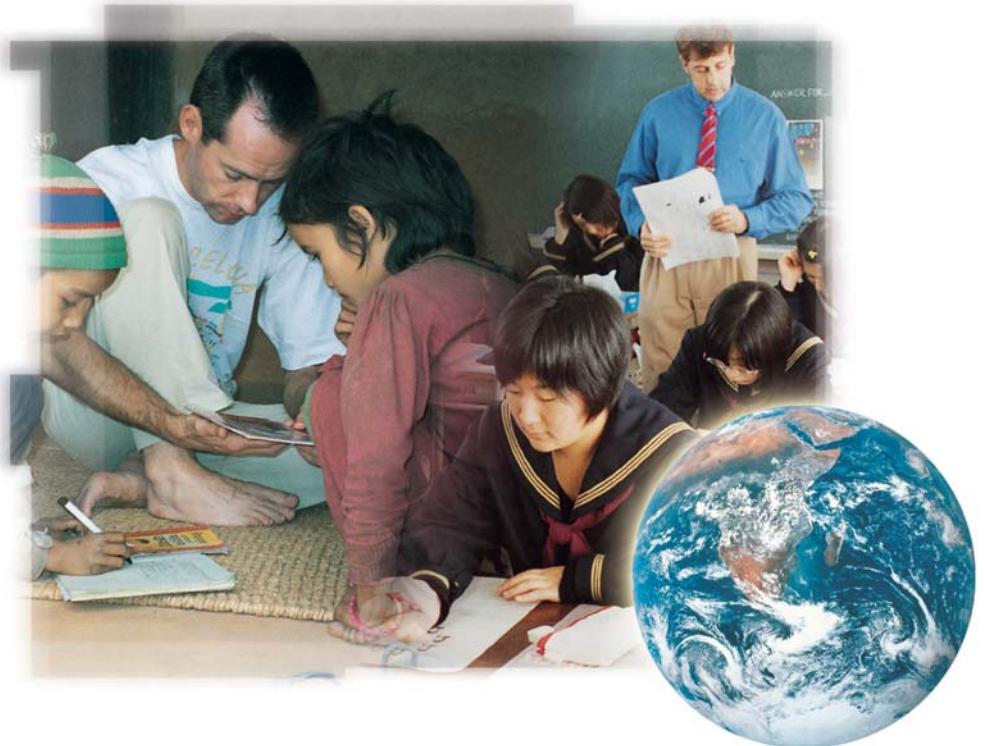
The year also saw the launch of a new DVD aimed at inspiring local congregations to create attractive spaces to welcome the communities they serve. 'Beyond the Wood and Stone', a joint initiative of Creative Arts in Methodism and the Manchester-based Property Office, encompasses a variety of issues including listed buildings, performance in worship, and outside spaces. Copies can be ordered from Methodist Publishing House, 4 John Wesley Road, Werrington, Peterborough PE4 6ZP (Tel: 01733 325002, Fax: 01733 384180, E-mail: sales@mph.org.uk) at a price of £9.99.

Women in ministry remain a priority and as in the previous year, the Women's Network team put together again a weekend residential event for 200 participants under the theme, 'A walk along the shore'. The purpose of this event was:

- To introduce participants to the value of personal reflection and spiritual conversation in groups;
- To offer a model of engagement which Women's Network could adopt to nurture our spiritual life;
- To suggest a way of being together which would be transferable back into the local situation;
- To inform the wider development of the conversational approach within Methodism;
- To actively engage and affirm the *Priorities* of the Methodist Church.

The average age of participants was younger than in 2004. More women in the 20-50 category attended, and there was a more even spread in the older age ranges. Only 89 of the evaluation forms distributed at the end of the event were subsequently returned. The feedback, based on the returned evaluation sheets, nevertheless suggested that the majority felt their objectives for coming were met and are likely to come again next year.

As a church, we continue to take very seriously our duty to ensure that vulnerable people in our care at local church, circuit, district or connexional levels would have the security of



knowing that the adults they work with have been properly cleared by the Criminal Records Bureau (CRB). Thus in the year to 31 August 2005, our Safeguarding Office worked to obtain over 9,250 CRB disclosures for Methodist applicants. This figure will include ministers, deacons and layworkers such as Sunday school volunteers and holiday club helpers.

The year also saw the relocation of the Tax Recovery Unit to Methodist Church House, London. Nevertheless, service levels remained high with over £1 million being returned, to be utilised for worship and mission, to the local churches which used the service.

Our hostels remain extremely popular with demand for places exceeding available spaces. At the Methodist International Centre (MIC), out of a total of over 200 students who applied for places, we were able to accommodate only 83. Sadly the rest had to be turned away. The picture from the Guy Chester Centre was not any different.

On the international front, we had 63 mission partners (counting active spouses) working at the invitation of overseas Partner Churches in 24 countries.

In Africa, we had 23 mission partners worked as teachers, welfare officers, occupational therapists, nursing tutors, doctors and ministers in Nigeria, Ghana, Kenya, The Gambia, Zimbabwe, Zambia and South Africa. Also, Special Partners were funded to work short-term in Sierra Leone, Tanzania and Benin.

In the Americas, 11 mission partners worked alongside locals in Chile, Peru, Honduras, Argentina, the Bahamas, St. Vincent and Jamaica. Areas of work here include ministry and pastoral care, law, teaching and financial management.

In the Asia Pacific region, we had 19 mission partners in all. These include 7 teachers working in Malaysia, Japan, Solomon Islands, Nepal and Tonga, 2 ministers working in Sri Lanka and Fiji, two medical professionals working in the Solomon Islands and Bangladesh and 7 others working in various management roles in Nepal, Bangladesh and Sri Lanka. Ministers from UK and Ireland were also funded to work for short periods to help the Church in Sri Lanka after the Tsunami.

Nearer home in Europe, we had 9 mission partners working from bases in Germany, Italy, Bulgaria and Russia. They include 3 ministers, 2 teachers, one children's/youth worker and one community nurse.

## Advocacy and Education Programmes

Thanks to the work of our Public Affairs team and their counterparts in the Salvation Army, the government was forced to make major changes to the Gambling Bill, including notably the reduction of the number of super-casinos from an unlimited number to just one and the removal of fruit machines from 6,000 premises frequented by children. In recognition of this work, we shared the 2005 Third Sector Excellence Award for PR Strategy with the Salvationists.



World Action continues to champion the cause of Trade Justice through its campaign work. However, the range of events during 2005 has seen an increased impetus to effect change. In June, the UK took over the EU Presidency and hosted the G8 Summit in Gleneagles, Scotland and in September the UN General Assembly Special Summit on the Millennium Development Goals took place to review the aforementioned targets. All of which have continued to focus attention on the powerful governments of the world fulfilling the agreements made at the Summits so that the decisions taken will indeed have a veritable impact upon the lives of generations of people by lifting them out of poverty and improving sustainability.

Other elements of work have included the World Action - Trade Justice Campaign - which linked heavily into the Make Poverty History movement and saw many young people march at Edinburgh in July.

What is of particular significance is that the mass lobby for Trade Justice is part of an unparalleled mobilisation of hundreds of millions of ordinary people around the world who are demanding that PM Blair and the other world leaders make radical changes to the way world trade is currently managed so it benefits poor people and the environment and not just the rich and powerful.

Mission Matters, our quarterly newsletter, which is sent to 22,000 supporters of World or Home Mission over and above the Link mailing, continues to keep supporters informed about the activities of these funds, and importantly keeps up regular contact with them.

## Fundraising

Over the last year we have particularly focused on engaging people's ongoing support. To this end we have formulated a reply form, which we are using in different versions on a wide range of publications. This reply form invites people to ask for further information, including information about leaving a legacy, and also includes options to give by one-off donation or standing order. Standing orders have been particularly pushed as potentially providing a regular mid- to long-term income for the mission work.

A small campaign to raise awareness of the work of the funds and encourage support was put into effect in the year. The primary channel we used was the Methodist Recorder. Six adverts, two for each of the Funds for World Mission, Home Mission and Property were placed. We also had a leaflet insert promoting all four funds placed in March and September. This was a special leaflet designed particularly for this task, adapting fund-raising theories about inserts to our specific situation. These included a reply form. In addition to this, adverts were placed in the

Minutes of Conference and the Methodist Diary. We also tried leaflet inserts in The Third Way to test response from non-Methodist specific publications.

The insert leaflets have so far generated 44 donations to the funds from The Methodist Recorder, 18 of which were regular standing orders. They have also generated about a dozen enquiries about the work of the Funds for World or Home Mission, over and above the returns accompanied by donations. In addition to this, two people have requested details about leaving a gift in their will.

These leaflets have also helped to generate awareness of the activities of the funds. Several ministers phoned us as a result of the inserts to ask for more details about the funds. Many commented that they had little or no idea of what the funds did, or whether they were still active, and that the inserts helped to educate them in this regard.

A leaflet that gives details about the areas of work, which are supported by each of the funds, has been available from September 2005. This also carries a reply form on the back. We expect that this leaflet will facilitate both awareness of the particular work of the funds and encourage support, including financial support, for their work over the lifetime of this leaflet, which is estimated to be roughly two years.



## FINANCIAL REVIEW

Both in terms of presentation and the magnitude of the figures reported, the year's financial statements have been affected by three major changes worth noting as follows:

- a) The adoption of the new Charities SORP - Accounting and Reporting by Charities (Revised 2005). Besides providing guidance on the content of the trustees' report, the new SORP radically alters the way information is presented on the face of the Statement of Financial Activity (SOFA) and gives enhanced guidance on the recognition of future grant commitments. Following careful consideration of this guidance certain grant commitments, which were disclosed as contingent liabilities in the accounts for the year ended 31 August 2004, have been reclassified as liabilities in this year's accounts.
- b) The full implementation of Financial Reporting Standard No. 17 Retirement Benefits under which, as the principal employer within the Methodist Lay Employees' Pension & Assurance Scheme, the Methodist Council now has to show within its accounts the actuarial deficit on the pension scheme.
- c) The decision of the Methodist Council to include within its consolidated accounts the Connexional Advance and Priority Fund beginning 1 September 2004.

Further information on the effect of these changes, including the need to restate the figures for the year to 31 August 2004, is provided in the main financial statements and accompanying notes.

The Methodist Council ended the year to 31 August 2005 with net incoming resources before transfers and revaluations of £0.731 million (net deficit of £10.559 million the previous year as restated).

This year, the inclusion of capital levies from the Connexional Advance and Priority Fund increased grant funding by £3.8 million altering the pattern of total incoming resources when compared with prior years. Thus district assessment and voluntary income accounted for only 50% of total incoming resources as against 57% last year. Activities for generating funds and investment income brought in another 23% (30% the previous year) with grant receipts, net gains on property sales and other income making up the rest.

Total resources expended went down 12% to £34.6 million compared to £39.6 million as restated for 2004. The change in policy with respect to recognising future grant commitments described above, means that the 2004 Statement of Financial Activities and the Balance Sheet have been restated as described in note 1 (e) to the accounts. The effect is to reduce total funds brought forward, and increase charitable expenditure in the prior year, by £10.9 million, the level of grant commitments at 31 August 2004. The 2005 total resources expended figure, on the other hand, includes only new grant commitments made in the year and this explains the fall in charitable expenditure.

The share of total resources expended by activity is summarised as follows:-

	2005 %	2004 %
Costs of generating funds	12.5	11.6
<b>Charitable Activities</b>		
Grants Programme	54.1	57.0
Formation in Ministry Training	14.7	14.7
Direct Ministry and Mission	14.2	12.6
Advocacy and Education	1.8	1.5
	84.8	85.8
Governance	2.7	2.6
	100.0	100.0

Accordingly, 85 pence out of every £1 goes into frontline services, directly advancing the mission of the Church.

The recovery in the investment market also continued with net gains on revaluation and disposals of investment assets of £10.4 million, compared to only £2.9 million last year.

In line with FRS 17 – Retirement Benefits, the actuarial deficit as at 31 August 2004 on the Lay Employees' Pension Scheme was this year shown as a charge against reserves, a charge of £6 million with the increase in the deficit this year of £1.6 million falling to be shown as a charge against net incoming resources in the year.

Changes to entities consolidated, on the other hand, introduced £7.2 million new funds to reserves, mainly from the CAPF.

The Council thus ended the year with net funds of approximately £104.8 million.

## 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.

## Reserves Policy

The agreed reserves policy for Methodist Council Consolidated Accounts is to hold the equivalent of the relevant annual expenditure 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. The Strategy and Resources Committee reviews both the policy and the actual level of reserves as part of its risk management strategy.

## General Reserves (unrestricted or free)

At the year-end and disregarding the pensions deficit brought into the accounts this year under FRS 17, actual free reserves after allowing for property investments were £8.2 million, well short of the target of £24.8 million using the year's reported expenditure. The main reason for this shortfall is the inclusion, for the first time, this year of grant commitments of £14.8 million, not previously reported. The effect is two-fold, increasing artificially the year's resources expended and consequently the reserves target whilst reducing at the same time the actual level of free reserves. The Methodist Council accepts the exceptional nature of this year and is thus happy to operate with a lower than planned reserves level for the coming year.

## 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 £6.75 million as at 31 August 2005. 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).

The CFB Annual Report 2005 states that the year under review was a good one in absolute terms with positive returns from all funds. Relative returns were once again mixed. The Gilts (+6.8%), Short Fixed Interest (+5.5%) and Inflation Linked portfolios (+8.4%) were all in line with their respective benchmarks. The Corporate Bond Fund (+7.6%) stood out, outperforming by 1.0%. Unfortunately the UK Equity (+11.8%) and Overseas (+7.4%) portfolios both lagged behind their benchmark due in the main to our ethical policy and an unfavourable tax position in many overseas countries.

The London Mission Fund also continues to hold on to a number of investment properties acquired many years ago on account of their investment potential. Revaluation undertaken this year by independent professional agents showed an unrealised gain of approximately £1.2 million on these properties.

## **Accounting and Reporting Responsibilities**

Law applicable to charities in England and Wales requires the Methodist Council as trustees to prepare financial statements for each financial year, which give a true and fair view of the Church's financial activities during the year and of its financial position at the end of the year. In preparing the 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 accounting standards and the Statement of Recommended Practice 2005, 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 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.

## PLANS FOR FUTURE PERIODS

After extensive consultations within the church under the title, "Where are we heading?", the Methodist Conference 2004 adopted the following *Priorities for the Methodist Church* to guide the work of the Church at connexional, district, circuit and local church levels in the coming years.

"In partnership with others wherever possible, the Methodist Church will concentrate its prayers, resources, imagination and commitments on this priority:

- to proclaim and affirm its conviction of God's love in Christ, for us and for all the world, and renew confidence in God's presence and action in the world and in the Church.

As ways towards realising this priority, the Methodist Church will give particular attention to the following:

- Underpinning everything we do with God-centred worship and prayer;
- Supporting community development and action for justice especially among the most deprived and poor – in Britain and worldwide;
- Developing confidence in evangelism and in the capacity to speak of God and faith in ways that make sense to all involved;
- Encouraging fresh ways of being Church (without restricting ourselves to a Church building), and
- Nurturing a culture in the Church, which is people-centred and flexible."

The *Priorities* are a vision for change and for hope in the Church and the expectation is that all sections of the Church will pull together in moving forward these *Priorities* with imagination and courage. To that end, the Connexional Team proposed and the Conference adopted Team Focus 2005 – 2008 which sets out some broad outcomes for the Team by the year 2008. As a first step, a new unit, the Policy Support and Research Unit was commissioned in September 2005 to support and contribute to the management of project work in 12 distinct areas as follows:

- Evangelism and speaking of God and faith in ways that make sense to all involved
- Revisiting team support for local church, circuit and district ministries

- Re-visioning work with children and young people
- Review the work of public issues staff, MRDF, World Action and Mission Education with a view to improve advocacy and communication
- Improving communication between the whole team and the whole church
- A re-configuration of World Church partnerships
- The relationship between Methodist Publishing House and the team
- The working arrangements between Trustees for Methodist Church Purposes and the Team
- Conversations with ecumenical partners
- Developing a 21st century approach to Educational issues
- Improving the budget-making process, including a fresh look at accountability
- Putting all grant-making in one 'place'

The changes necessitated by the outcome of these projects are likely to be implemented over the next three years.

As already noted, continuing training and development of our ministers remains a challenge and this year, the Methodist Conference agreed new funding arrangements for development and training for ministers, commencing September 2005. Under this new arrangement, all ministers will be entitled to 5 days a year for training and a sum of money, funded from the connexion, district and possibly circuits, to spend on training that has been approved by the district. Existing Continuing Development In Ministry courses are also being revamped and these will be brought more in line with what ministers have said they want.

Revd David G Deeks  
General Secretary & Secretary of the Conference  
16 February 2006

# METHODIST COUNCIL CONSOLIDATED ACCOUNTS

## AUDITORS' REPORT TO THE METHODIST COUNCIL

### Independent auditors' report to the Methodist Council

We have audited the financial statements which comprise the consolidated statement of financial activities, the consolidated and connexional balance sheets, the consolidated statement of cash flow 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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Methodist 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.

### Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of the Methodist Council's affairs at 31 August 2005 and of its net consolidated incoming resources and consolidated cash flows for the year then ended and have been properly prepared in accordance with the Charities Act 1993.

PricewaterhouseCoopers LLP

10 April 2006

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

# CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES for the year ended 31 August 2005

	<b>Unrestricted Funds £000</b>	<b>Restricted Funds £000</b>	<b>Endowment Funds £000</b>	<b>2005 Total £000</b>	<b>2004 Total £000</b>
	Notes				(as restated)
<b>INCOMING RESOURCES</b>					
Incoming resources from generated funds					
District Assessment	10,376	99	-	<b>10,475</b>	10,044
Voluntary Income	2 528	6,684	25	<b>7,237</b>	6,548
Investment income and interest	3 1,317	2,791	313	<b>4,421</b>	3,897
Activities for generating funds					
Fundraising trading	4 185	3,626		<b>3,811</b>	4,772
Incoming resources from charitable activities					
Grants receivable	5 4,184	819	-	<b>5,003</b>	1,265
Other income	634	1,014	-	<b>1,648</b>	1,677
Other incoming resources:					
Net gain on disposal of tangible fixed assets	-	2,718	-	<b>2,718</b>	862
<b>TOTAL INCOMING RESOURCES</b>	<b>17,224</b>	<b>17,751</b>	<b>338</b>	<b>35,313</b>	29,065
<b>RESOURCES EXPENDED</b>					
Costs of generating funds					
Costs of generating voluntary income	383	12	-	<b>395</b>	313
Fundraising trading	208	3,749	-	<b>3,957</b>	4,265
Charitable Activities					
Grants programme	15,103	3,528	53	<b>18,684</b>	22,652
Formation in Ministry training	3,001	2,093	-	<b>5,094</b>	5,803
Direct Mission & Ministry	4,882	30	-	<b>4,912</b>	4,984
Advocacy & Education	614	-	-	<b>614</b>	575
Governance costs	876	50	-	<b>926</b>	1,032
<b>TOTAL RESOURCES EXPENDED</b>	<b>6 (a &amp; b)</b>	<b>25,067</b>	<b>9,462</b>	<b>53</b>	<b>34,582</b>
<b>NET INCOMING RESOURCES BEFORE TRANSFERS</b>	<b>9</b>	<b>(7,843)</b>	<b>8,289</b>	<b>285</b>	<b>731</b>
Gross transfers between funds		11,375	(10,176)	(1,199)	-
<b>NET INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>					
Gains and losses on revaluations and disposals of investment assets		3,532	(1,887)	(914)	<b>731</b>
Pension scheme actuarial loss (FRS 17)		2,388	5,831	1,997	<b>10,216</b>
		(1,559)	-	-	<b>(1,559)</b>
<b>NET MOVEMENT IN FUNDS</b>		<b>4,361</b>	<b>3,944</b>	<b>1,083</b>	<b>9,388</b>
Total funds brought forward as previously stated		25,841	57,828	21,180	<b>104,849</b>
Prior year adjustment	12	(5,982)	(10,958)	-	<b>(16,940)</b>
Total funds brought forward as restated		<b>19,859</b>	<b>46,870</b>	<b>21,180</b>	<b>87,909</b>
Changes to entities consolidated	22	7,470	(274)	(29)	<b>7,167</b>
<b>TOTAL FUNDS CARRIED FORWARD AT 31 AUGUST</b>		<b>31,690</b>	<b>50,540</b>	<b>22,234</b>	<b>104,464</b>
					87,909

# CONSOLIDATED BALANCE SHEET AS AT 31 AUGUST 2005

	The Methodist Council <b>(Group)</b> <b>2005</b> <b>£000</b>	The Methodist Council <b>(Group)</b> <b>2004</b> <b>£000</b>	The Connexional Team <b>2005</b> <b>£000</b>	The Connexional Team <b>2004</b> <b>£000</b>
	Notes		(restated)	
<b>FIXED ASSETS</b>				
Tangible assets	13	<b>18,867</b>	18,116	<b>11,035</b>
Investments	14	<b>90,603</b>	74,703	<b>85,515</b>
		<b>109,470</b>	92,819	<b>96,550</b>
				81,485
<b>CURRENT ASSETS</b>				
Stocks		<b>64</b>	90	<b>2</b>
Debtors	15	<b>4,226</b>	3,659	<b>2,751</b>
Short term deposits		<b>19,697</b>	13,335	<b>19,434</b>
Cash at bank and in hand		<b>1,045</b>	2,042	<b>772</b>
		<b>25,032</b>	19,126	<b>22,959</b>
				16,576
<b>CREDITORS</b>				
Amounts falling due within 1 year	16	<b>(11,152)</b>	(8,978)	<b>(8,695)</b>
		<b>13,880</b>	10,148	<b>14,264</b>
<b>NET CURRENT ASSETS</b>				9,006
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>123,350</b>	102,967	<b>110,814</b>
<b>CREDITORS</b>				
Amounts falling due after more than 1 year	17	<b>(11,345)</b>	(9,076)	<b>(9,300)</b>
		<b>112,005</b>	93,891	<b>101,514</b>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>				83,486
Defined benefit pension scheme liability	11	<b>(7,541)</b>	(5,982)	<b>(7,541)</b>
		<b>104,464</b>	87,909	<b>93,973</b>
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>				77,504
<b>THE FUNDS OF THE COUNCIL</b>				
Endowment funds	20	<b>22,234</b>	21,180	<b>22,234</b>
Restricted income funds	19	<b>50,540</b>	46,867	<b>41,263</b>
		<b>39,231</b>	25,844	<b>38,017</b>
Unrestricted income funds excluding pension liability		<b>(7,541)</b>	(5,982)	<b>(7,541)</b>
Pension reserve				(5,982)
Total unrestricted funds after pension reserve	18	<b>31,690</b>	19,862	<b>30,476</b>
		<b>104,464</b>	87,909	<b>93,973</b>
<b>TOTAL COUNCIL FUNDS</b>				77,504

The notes on pages 21 to 38 form an integral part of these financial statements.

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Approved by the Methodist Council on 16 February 2006

Revd David G Deeks  
General Secretary & Secretary of the Conference

Mr Ronald Calver  
Connexional Treasurer

## CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 AUGUST 2005

	2005 £000	2005 £000	2004 (as restated) £000	2004 (as restated) £000
<b>NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES</b> Note (a) below	<b>4,855</b>			(3,317)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Deposit interest received & Investment income	4,421			3,873
<b>CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT</b>				
Payments to acquire tangible fixed assets	(1,050)		(1,489)	
Receipts from sales of tangible fixed assets	2,889		1,333	
Purchase of fixed asset investments	(21,652)		(10,386)	
Disposal of fixed asset investments	15,969		10,885	
	(3,844)			343
<b>NET CASH INFLOW IN THE PERIOD</b>	<b>5,432</b>			899
<b>NET CASH RESOURCES AT 1 SEPTEMBER 2004</b>	<b>15,089</b>			14,190
<b>NET CASH RESOURCES AT 31 AUGUST 2005</b> Note (b) below	<b>20,521</b>			15,089

### Notes to consolidated cash flow statement

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

	2005 £000	2004 £000
Net incoming resources for the year	731	(10,559)
Prior year adjustments	–	(5,809)
Pension scheme actuarial loss	(1,559)	–
Gain on disposal of tangible fixed assets	(2,718)	(862)
Investment income	(4,421)	(3,873)
Depreciation	127	193
Decrease in stocks	26	7
(Increase)/Decrease in debtors	(567)	(309)
Increase/(Decrease) in creditors	6,069	1,049
Increase/(Decrease) due to change of entities consolidated	7,167	(94)
Due to change in accounting policy	–	16,940
Net cash (outflow) from operating activities	<b>4,855</b>	(3,317)

(b) Analysis of net cash resources

	Cash Flow		
	At 31·8·04 £000	2005 £000	At 31·8·05 £000
Cash in hand, at bank	2,042	(997)	1,045
Overdrafts	(288)	67	(221)
Short term deposits	13,335	6,362	19,697
<b>TOTAL</b>	<b>15,089</b>	<b>5,432</b>	<b>20,521</b>

# METHODIST COUNCIL CONSOLIDATED ACCOUNTS

Notes to the accounts for the year ended 31 August 2005

## 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 February 2005 and the Charities Act 1993. The comparatives for 2004 have been restated to comply with the new SORP.

### 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.

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

As part of the annual review to ensure that the Consolidated Accounts incorporate any new governance changes in the number of bodies, which are accountable to the Council, the Connexional Advance and Priority Fund was added to the funds managed by the Methodist Council this year. The effect of this was to increase the total funds under the Methodist Council by £7.4 million.

### c) Basis of consolidation

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

Methodist International Centre Limited, Cliff College Outreach Limited and Cliff (Methodist) Developments Limited, which are separately registered trading companies, have been consolidated as subsidiaries in accordance with FRS2 and the SORP. See note 27 for details of the accounts of these companies.

### d) Incoming resources

#### District Assessment

The District Assessment is accounted for on a receivable basis, any unpaid sums at the year-end are carried forward to the extent that receipt can be confirmed with the defaulting districts.

#### Voluntary income

Donations, contributions and legacies are accounted for 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 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 receipt 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 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 across 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 costs.

## Support costs

Support costs include the central functions and have been allocated to fundraising, charitable activities and Governance on a basis consistent with the use of the resources.

## Grants payable

This year, grants payable have been accounted for in full to the extent that past events have created a valid expectation in other parties that the charity will honour commitments, both legal and implied and any attaching conditions are outside our control. This constitutes a change of accounting policy requiring a re-statement of prior year's figures. The effect of this policy change is to increase resources expended and creditors at the year-end by £11.5 million (2004 - £9.8m) and to reduce total funds by the same amounts.

## 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

The Methodist Council's contributions to its defined benefit pension schemes are charged to the Statement of Financial Activities (SOFA) so as to spread the cost of pensions over employees' expected working lives. Actuarial gains and losses arising under FRS 17 have this year been recognised within the "gains and losses" categories of the SOFA under the heading "Pension scheme actuarial loss (FRS 17)".

This is a policy change and has the effect of reducing unrestricted reserves at 31 August 2005 by £7.4 million (2004 - £5.8 million)

## 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. 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 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 & 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.

## j) Investments

Investment properties are stated at professional valuation as at 31 August 2005 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 2005, updated by the value of any share acquisitions up to 31 August 2005.

## 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	2005 Total £000	2004 Total £000
Donations and contributions	536	5,265	-	<b>5,801</b>	5,672
Legacies	(8)	1,419	25	<b>1,436</b>	876
<b>TOTAL</b>	<b>528</b>	<b>6,684</b>	<b>25</b>	<b>7,237</b>	6,548

## 3 INVESTMENT INCOME AND INTEREST

	Unrestricted £000	Restricted £000	Endowment £000	2005 Total £000	2004 Total £000
Investment properties	-	137	-	<b>137</b>	147
Central Finance Board investments	535	1,545	120	<b>2,200</b>	2,219
William Leech (Investments) Ltd	-	469	171	<b>640</b>	643
Deposit interest and other investment income	782	640	22	<b>1,444</b>	888
<b>TOTAL</b>	<b>1,317</b>	<b>2,791</b>	<b>313</b>	<b>4,421</b>	3,897

## 4 FUNDRAISING TRADING

	Unrestricted £000	Restricted £000	Endowment £000	2005 Total £000	2004 Total £000
Sales	66	942	-	<b>1,008</b>	1,252
Rental income	3	470	-	<b>473</b>	529
Other operational activities	106	2,214	-	<b>2,320</b>	2,983
Advertising income	10	-	-	<b>10</b>	8
<b>TOTAL</b>	<b>185</b>	<b>3,626</b>	-	<b>3,811</b>	4,772

## 5 GRANTS RECEIVABLE

	Unrestricted £000	Restricted £000	Endowment £000	2005 Total £000	2004 Total £000
Capital levies	3,816	-	-	<b>3,816</b>	-
Other incoming grants	368	819	-	<b>1,187</b>	1,265
<b>TOTAL</b>	<b>4,184</b>	<b>819</b>	-	<b>5,003</b>	1,265

6a **TOTAL RESOURCES EXPENDED**

	Direct Costs £000	Support costs £000	2005 Total £000	2004 Total £000
<b>COSTS OF GENERATING FUNDS</b>				
Costs of generating voluntary income	365	30	<b>395</b>	313
Fundraising trading: costs of goods sold & other costs	3,745	212	<b>3,957</b>	4,265
<b>CHARITABLE ACTIVITIES</b>				
Grants Programme	17,190	1,494	<b>18,684</b>	22,652
Formation & Ministerial Training	4,703	391	<b>5,094</b>	5,803
Direct Mission & Ministry	4,527	385	<b>4,912</b>	4,984
Advocacy and Education	566	48	<b>614</b>	575
<b>GOVERNANCE COSTS</b>				
	856	70	<b>926</b>	1,032
<b>TOTAL</b>	31,952	2,630	<b>34,582</b>	39,624

## 6b TOTAL RESOURCES EXPENDED (Continued)

	Voluntary Income Generation £'000	Fundraising Trading £'000	Grants Programme £'000	Formation In Ministry Training £'000	Direct Mission & Ministry £'000	Advocacy & Education £'000	Governance Costs £'000	Support costs £'000	Total Resources Expended £'000	2004 Total Resources Expended £'000
Costs of Production including bought in services										
Other Operating costs (Notes 7 & 8)	1,761	956	14,958	2,138	4,088	495	501	1,850	17,096	1,277
Grants payable	291	842	1,468	1,455	291	394	10	27	315	956
Stipend & Salary costs	10	-	240	291	339	36	-	3	244	1,411
Other staff costs	-	-	418	48	116	61	243	24	607	22,342
Office accommodation	27	8	80	48	69	226	24	44	26	10,771
Meetings, Committees & Conferences	9	1	83	-	-	-	-	-	482	983
Travel	95	83	-	16	8	101	55	6	42	1,157
Advertising, Display Exhibitions	55	-	148	118	201	21	74	303	992	645
Education & Publicity	33	94	-	104	12	168	3	145	60	604
Office costs	112	-	-	15	167	-	-	-	15	181
Professional Fees	-	-	76	58	38	7	18	99	197	134
Interest Payable	2	-	-	-	-	-	-	-	-	508
Miscellaneous Expenses										508
	634	3,745	17,606	4,703	5,368	676	1,061	2,978	36,771	41,556
Adjustment for shared costs	(269)	-	(416)	-	(841)	(110)	(205)	(348)	(2,189)	(1,932)
	365	3,745	17,190	4,703	4,527	566	856	2,630	34,582	39,624
Re-allocation of support costs	30	212	1,494	391	385	48	70	(2,630)		
<b>TOTAL RESOURCES EXPENDED</b>	<b>395</b>	<b>3,957</b>	<b>18,684</b>	<b>5,094</b>	<b>4,912</b>	<b>614</b>	<b>926</b>	<b>-</b>	<b>34,582</b>	<b>39,624</b>

7 GRANTS PAYABLE

	No. of grants made	Unrestricted £000	Restricted £000	Endowment £000	2005 Total £000	2004 Total £000
<b>FROM MAIN FUNDS</b>						(as restated)
Auxiliary Fund	180		1,126		<b>1,126</b>	919
Home Mission	115		984		<b>984</b>	1,914
Mission Alongside the Poor	4		5		<b>5</b>	387
Property	351		457		<b>457</b>	3,141
CAPF	125	5,405	-		<b>5,405</b>	-
Training	97	1,975	163		<b>2,138</b>	2,915
World Mission	309		4,868		<b>4,868</b>	11,347
<b>SUB TOTAL</b>	1,181	7,380	7,603	-	<b>14,983</b>	20,623
<b>FROM OTHER FUNDS</b>						
Archives & History	4	29			<b>29</b>	28
Auxiliary (Special Purposes)	4		28		<b>28</b>	19
Business & Economic Affairs	5	55			<b>55</b>	42
Contingency grants	42	111			<b>111</b>	151
Diaconal Order Ben & Hol Funds	49		31		<b>31</b>	27
Ecumenical	21	191			<b>191</b>	281
Epworth Fund	30	234			<b>234</b>	(1)
Evangelism grants	4	11			<b>11</b>	16
Higher Education Chaplaincies	3	55			<b>55</b>	27
Initial grants	40	52			<b>52</b>	64
Invalid Ministers' Rest Fund	35		22		<b>22</b>	24
London Committee	100		306		<b>306</b>	468
Ministerial sabbaticals	125		74		<b>74</b>	80
Ministers' Children's Education	62		27		<b>27</b>	21
Racial Justice	121	119			<b>119</b>	99
Supernumeraries' Removals	7	20			<b>20</b>	15
World Methodist Committee	2	27			<b>27</b>	22
Others	401	583	85	53	<b>721</b>	336
<b>TOTAL</b>	<b>2,236</b>	<b>8,867</b>	<b>8,176</b>	<b>53</b>	<b>17,096</b>	22,342

The above grants paid or committed during the year are analysed as follows:

	2005 £000	2004 £000
Grants payable to institutions	<b>15,946</b>	21,561
Grants payable to individuals	<b>1,150</b>	781
<b>TOTAL</b>	<b>17,096</b>	22,342

**8 THE TOP 50 GRANT BENEFICIARIES OF THE METHODIST CHURCH CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 AUGUST 2005 WERE:**

**Grants to overseas churches and institutions**

	£
Methodist Church in the Caribbean and the Americas	234,411
Methodist Church Sierra Leone	135,725
Methodist Church Kenya	131,585
Methodist Church in Zimbabwe	113,500
Church of South India	100,000
Methodist Church Argentina	95,196
Theological College Porto Novo, Benin	76,500
Methodist Church Ghana	74,565
Methodist Church Nigeria	67,000
Methodist Church Portugal	50,500
Methodist Church The Gambia	50,000
Methodist Church Upper Myanmar	49,000
United Church of Zambia	44,000
Church of North India	43,000
Methodist Church of Togo	40,800
Faculté de Théologie Protestante de Yaounde, Cameroon	39,000
Methodist Church of Chile	36,898
Methodist Church Germany	33,000
Methodist Church of Mozambique	33,000
Methodist Church South Africa	30,000

**For Ministerial Training**

	£
Wesley House, Cambridge	262,378
The Queen's Foundation, Birmingham	257,870
Southern Theological Education Training Scheme	97,081
York Institute for Community Theology	83,226
South West Ministerial Training Course	71,653
East Midlands Ministry Training Course	68,017
South East Institute for Theological Education	60,863
Urban Theology Unit, Sheffield	59,218
East Anglia Ministerial Training Course	39,119
West of England Ministerial Training Course	32,377
North Thames Ministerial Training Course	30,672
Westminster College, Oxford	27,824
St Michael's Llandaff	23,762

**Grants to Churches, Circuits and Districts**

	£
La Rocque	109,450
Berkeley Street	90,000
Tunbridge Wells	74,508
Tottington	55,160
Stourport	50,000
Illingworth	48,000
Malton	43,049
Newcastle	41,125
Castleview, Telford	30,687

**Other Grants**

	£
Methodist Ministers' Housing Society	740,269
Methodist Ministers' Pension Scheme	247,770
USPG - for United College of the Ascension (UCA)	183,776
Churches Together in Britain & Ireland	96,092
Wesley Workshop	72,315
World Council of Churches	71,961
Amity - for work in China	60,850
Methodist Fund for Mission in Europe	55,000

**9 NET INCOMING RESOURCES BEFORE TRANSFERS**

This is stated after charging auditors' remuneration in respect of services for the year ended 31 August as follows:

	2005	2004
	£000	£000
Audit fees	<b>56</b>	53
Taxation and other advice	<b>21</b>	28
<b>TOTAL</b>	<b>77</b>	81

**10 STIPEND & SALARY COSTS**

The Methodist Council appointed or employed an average of 181 (2004 - 190) people during the year, calculated on a full time equivalent basis, and a further 79 (2004 - 71) people were appointed locally, all of whose costs were chargeable to the Methodist Church Consolidated Accounts as follows:

	2005	2004
	Total £000	Total £000
Stipends and salaries	<b>7,664</b>	7,834
Social Security costs	<b>510</b>	644
Pension costs (Note 11)	<b>897</b>	943
<b>TOTAL</b>	<b>9,071</b>	9,421

The number of higher paid employees was:

	2005	2004
	No	No
£60,000 - £70,000	-	1
£70,000 - £80,000	1	-

## 11 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 statement of financial activity 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.

### 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 10 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 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 Council as employer and by scheme members were 13.5% and 6% of stipend respectively.

The pension charge for the year was £0.08m (2004 £0.06m).

### 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, accounting for more than 80% of scheme members.

Accordingly, whilst in prior years FRS 17 disclosure was by way of note only, this year it has been disclosed in full as though it is a single employer scheme, with appropriate restatement of prior year comparatives even though our 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 impact is shown in the SOFA.

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 2002 and updated to 31 August 2005 by a qualified independent actuary. The major assumptions used by the actuary are as follows:

	At 31-8-05	At 31-8-04	At 31-8-03
Rate of increases in salaries	4.30%	4.40%	4.20%
Rate of increase in pensions in payment LPI (2.5%, RPI)	1.80%	-	-
Rate of increases in pensions in payment LPI (5%, RPI)	2.70%	2.80%	2.60%
Rate of increase in pensions in payment (Fixed 5%)	5.00%	5.00%	5.00%
Discount rate	4.90%	5.50%	5.40%
Inflation assumption	2.80%	2.90%	2.70%

## 11 PENSION COSTS (Continued)

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

	Long-term rate of return expected at 31-8-05	Value at 31-8-05 £000	Long-term rate of return expected at 31-8-04	Value at 31-8-04 £000	Long-term rate of return expected at 31-8-03	Value at 31-8-03 £000
Equities	7.25%	8,287	7.75%	6,795	7.50%	5,974
Bonds	4.40%	5,565	4.90%	4,415	4.80%	3,505
Other	4.50%	800	4.50%	588	3.50%	690
Total market value of assets		14,652		11,798		10,169
Present value of Scheme liabilities		(22,193)		(17,780)		(16,052)
Deficit in the scheme		(7,541)		(5,982)		(5,883)
Related deferred Tax liability		-		-		-
Net pension asset/(liability)		(7,541)		(5,982)		(5,883)

ANALYSIS OF THE AMOUNT CHARGED TO THE STATEMENT OF FINANCIAL ACTIVITIES

	2005 £000	2004 £000
<b>(i) OPERATING CHARGE</b>		
Current service cost	1,132	1,096
Past service cost	-	-
Total operating charge	1,132	1,096
<b>(ii) OTHER FINANCE COSTS</b>		
Expected return on pension scheme assets	(795)	(673)
Interest on pension scheme liabilities	967	862
Net return	172	189
<b>(iii) ACTUARIAL GAIN/(LOSS)</b>		
Actual return less expected return on pension scheme assets	1,183	58
Experienced gains and losses arising on the scheme Liabilities	(79)	212
Changes in assumptions underlying the present value of the scheme liabilities	(2,386)	(67)
Actuarial (loss) or gain recognised	(1,282)	203

## 11 PENSION COSTS (Continued)

### MOVEMENT IN SURPLUS/(DEFICIT) DURING THE YEAR

	2005 £000	2004 £000
Deficit in scheme at beginning of the year	(5,982)	(5,883)
Movement in year:		
Current service costs	(1,132)	(1,096)
Contributions	1,027	983
Past service costs	-	-
Other finance income	(172)	(189)
Actuarial (deficit)/gain	(1,282)	203
Deficit in scheme at end of the year	(7,541)	(5,982)

### HISTORY OF EXPERIENCE GAINS AND LOSSES Year ending 31 August

### DIFFERENCE BETWEEN THE ACTUAL AND EXPECTED RETURN ON SCHEME ASSETS

	2005 £000	2004 £000	2003 £000	2002 £000
Amount	1,183	58	(24)	(1,401)
%age of scheme assets	8%	0%	(0)%	(16)%

### EXPERIENCE GAINS AND LOSSES ON SCHEME LIABILITIES

	2005 £000	2004 £000	2003 £000	2002 £000
Amount	(79)	212	(239)	282
%age of the present value of scheme liabilities	(0)%	1%	(1)%	2%

### TOTAL AMOUNT RECOGNISED IN STATEMENT OF FINANCIAL ACTIVITIES

	2005 £000	2004 £000	2003 £000	2002 £000
Amount	(1,282)	203	(1,344)	(2,243)
%age of the present value of scheme liabilities	(6)%	1%	(8)%	(17)%

## 12 PRIOR YEAR ADJUSTMENT

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	2005 Total £000	2004 Total £000
Transfer of North Bank Estate to Guy Chester Centre	-	-	-	-	333
Lay Employees' Pension Scheme deficit	(5,982)	-	-	(5,982)	(5,883)
Grant commitments	-	(10,958)	-	(10,958)	-
<b>TOTAL</b>	<b>(5,982)</b>	<b>(10,958)</b>	-	<b>(16,940)</b>	<b>(5,550)</b>

## 13 TANGIBLE ASSETS

	Freehold Land & Buildings £000	Furniture & Fittings £000	Computer Equipment £000	Motor Vehicles £000	2005 Total £000	2004 Total £000
<b>Cost:</b>						
At 1 September	17,722	928	1,087	34	<b>19,771</b>	18,754
Additions during year	904	66	80	-	<b>1,050</b>	1,489
Disposals	(130)	(24)	(33)	-	(187)	(471)
<b>TOTAL</b>	<b>18,496</b>	<b>970</b>	<b>1,134</b>	<b>34</b>	<b>20,634</b>	19,772
<b>DEPRECIATION:</b>						
At 1 September	-	607	1,020	29	<b>1,656</b>	1,463
Charge for year	-	56	69	2	<b>127</b>	193
Disposals	-	(5)	(11)	-	(16)	-
<b>TOTAL</b>	-	658	1,078	31	<b>1,767</b>	1,656
<b>NET TANGIBLE ASSETS</b>	<b>18,496</b>	<b>312</b>	<b>56</b>	<b>3</b>	<b>18,867</b>	18,116

The net book amount of £18,496m for freehold land and buildings represents the cost of properties used for:

			2005 £000	2004 £000
Charitable purposes	-	College training	4,547	4,366
	-	Guesthouse & hostels	6,116	5,571
	-	Manses	4,627	4,391
	-	Accommodation for retired missionaries	48	122
	-	Others	3,158	3,272
<b>TOTAL</b>			<b>18,496</b>	17,722

## 14 FIXED ASSET INVESTMENTS

	2005 Total £000	2004 Total £000
Market value at 1 September	<b>74,703</b>	72,167
Additions at cost	<b>21,652</b>	10,386
Disposals	(15,397)	(10,502)
Revaluation during the year	<b>1,190</b>	-
Net unrealised investment gains (losses)	<b>8,455</b>	2,652
Market value at 31 August		
<b>TOTAL</b>	<b>90,603</b>	74,703

## 15 DEBTORS

	2005 £000	2004 £000
Prepayments & accrued interest	<b>802</b>	945
Other debtors	<b>3,424</b>	2,714
<b>TOTAL</b>	<b>4,226</b>	3,659

Included in other debtors are amounts totalling £0.897m (2004 - £0.771m) full settlement of which will not take place within one year. These amounts mainly comprise ministerial and mortgage loans.

## 16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The investments comprise:	Market Value	Market Value
	2005 £000	2004 £000
Investment properties	<b>4,019</b>	2,829
Central Finance Board units	<b>69,506</b>	60,879
Central Finance Board deposit funds	<b>6,658</b>	1,786
William Leech (Investments) Ltd.	<b>7,531</b>	7,040
Other investments	<b>2,889</b>	2,169
<b>TOTAL</b>	<b>90,603</b>	74,703

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 2004/2005	Purchase	Disposal
Managed Equity	46,052	494,147
Managed Fixed Interest Fund	2,669,685	281,355
UK Equity Fund	8,530	71,648
Short Fixed Interest Fund	57,251	1,119,658
Gilt Fund	6,344	528,472
Corporate Bond Fund	18,412	582,369
Managed Mixed Fund	-	3,785
Overseas	2,670	50,791

Within the total Central Finance Board units £0.887m (2004 - £0.240m) 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 £8.218m at 31 August 2005 (2004 - £7.323m).

Investment properties are valued every three years, the last valuation being 31 August 2005.

The holdings in William Leech (Investments) Ltd. represented 20% (2004 - 20%) of the company's issued share capital.

## 17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2005 £000	2004 £000
Grant commitments	<b>9,300</b>	7,005
Methodist International Centre mortgage loan	<b>2,045</b>	2,071
<b>TOTAL</b>	<b>11,345</b>	9,076

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.

## 18 UNRESTRICTED FUNDS

	Prior Year							
	Balance 1-9-04 £000	Adjustment & Transfer in (out) £000	Movement in Resources Incoming £000	Movement in Resources Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31-8-05 £000	
Designated	10,381	7,470	10,032	(10,082)	(38)	1,808	19,571	
Other	15,460	(5,982)	7,192	(14,985)	11,413	(979)	12,119	
<b>TOTAL</b>	<b>25,841</b>	<b>1,488</b>	<b>17,224</b>	<b>(25,067)</b>	<b>11,375</b>	<b>829</b>	<b>31,690</b>	

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

	Balance 1-9-04 £000	Movement		Movement		Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31-8-05 £000
		In Resources	Incoming £000	In Resources	Outgoing £000			
		Transfer In £000						
CAPF	-	7,470		4,164	(5,486)	(21)	623	<b>6,750</b>
Connect/Flame Magazine	156	-		7	(22)	-	-	<b>141</b>
Epworth Fund	7,941	-		299	(240)	(10)	1,167	<b>9,157</b>
Legal Costs	76	-		2	-	-	12	<b>90</b>
World Methodist Conference	1	-		-	-	-	-	<b>1</b>
Connexional Travel Fund	192	-		19	(6)	(7)	6	<b>204</b>
Training Assessment	2,015	-		5,541	(4,328)	-	-	<b>3,228</b>
	<b>10,381</b>	<b>7,470</b>		<b>10,032</b>	<b>(10,082)</b>	<b>(38)</b>	<b>1,808</b>	<b>19,571</b>

### 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.

## 19 RESTRICTED FUNDS

	Prior Year								Balance 31-8-05 £000
	Adjustment		Movement		Movement		Transfers	Gains/ (losses) on Investments	
	Balance 1-9-04 £000	& Transfer out £000	Adjusted Balance £000	in Resources Incoming £000	in Resources Outgoing £000	Between Funds £000	£000	£000	
Auxiliary	4,555		4,555	1,233	(1,190)	(8)	1,759		<b>6,349</b>
Home Mission	1,805	(915)	890	1,015	(1,359)	127	1		<b>674</b>
Mission Alongside the Poor	1	(230)	(229)	44	(48)	-	-		<b>(233)</b>
Property	1,797	(2,289)	(492)	803	(591)	119	-		<b>(161)</b>
Training	2,241	-	2,241	111	(245)	239	7		<b>2,353</b>
World Mission	18,410	(7,373)	11,037	5,088	(8,305)	1,095	2,722		<b>11,637</b>
	28,809	(10,807)	18,002	8,294	(11,738)	1,572	4,489		<b>20,619</b>
Others	29,019	(425)	28,594	9,457	2,276	(11,748)	1,342		<b>29,921</b>
<b>TOTAL</b>	<b>57,828</b>	<b>(11,232)</b>	<b>46,596</b>	<b>17,751</b>	<b>(9,462)</b>	<b>(10,176)</b>	<b>5,831</b>		<b>50,540</b>

### NOTES

**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; and probationers who are in need as a result of illness or impairment for the purpose of enabling them to continue on or resume probation, or to complete probation and enter the active work. 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 114 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	2,790
Kingsmead College Sale Proceeds	1,199
Special Extension Fund	798
North Bank Capital Fund	3,073
North Bank Maintenance Fund	1,125
Invalid Ministers Rest Fund	929
Cliff College	2,890
Methodist International Centre	2,474
London Committee	7,329
Forces Chaplaincy	606
Long Term Renewals Fund	1,088

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

## 20 ENDOWMENT FUNDS

	Balance 1-9-04 £000	Transferred out £000	Movement in Resources Incoming £000	Movement in Resources Outgoing £000	Transfers Between Funds £000	Gains/ (losses) on Investments £000	Balance 31-8-05 £000
Permanent Expendable	21,096 84	(29)	338	(53)	(1,199)	1,997	<b>22,150</b> <b>84</b>
<b>TOTAL</b>	<b>21,180</b>	<b>(29)</b>	<b>338</b>	<b>(53)</b>	<b>(1,199)</b>	<b>1,997</b>	<b>22,234</b>

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

## 21 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2005 £000	Total Funds 2004 £000
Tangible fixed assets	3,655	15,212	-	<b>18,867</b>	18,116
Investments	22,592	45,812	22,199	<b>90,603</b>	74,703
Current assets less liabilities	5,443	(10,484)	35	<b>(5,006)</b>	(4,910)
<b>TOTAL</b>	<b>31,690</b>	<b>50,540</b>	<b>22,234</b>	<b>104,464</b>	87,909

## 22 CHANGES TO ENTITIES FUNDS CONSOLIDATED

	2005 £000	2004 £000
CAPF (designated) received	<b>7,470</b>	-
Endowment Funds received	-	25
Endowment Funds released	<b>(29)</b>	(5)
Restricted Funds released	<b>(274)</b>	(31)
Asbury Overseas House deconsolidated	-	(35)
Other self accounting entity adjustments	-	(48)
	<b>7,167</b>	(94)

## 23 CONTINGENT LIABILITIES AND CONTRACTUAL COMMITMENTS

The financial statements do not reflect any amounts which may have to be refunded after 31 August 2005 under the provisions of Standing Order 973(4), which provides that where replacement schemes are not implemented forthwith, the levy is initially calculated and paid as if there were no such scheme, but is refundable if a scheme is implemented within five years. The potential amount of such funds cannot be established with any certainty but has ranged in the last three years between £1.5m in 2003 to £0.3m in 2005.

## 24 EXPENSES REIMBURSED TO MEMBERS OF THE METHODIST COUNCIL

	2005	2004
Travel and Other Expenses Reimbursed £000's	<b>19.4</b>	25.8
Number of Members Reimbursed	<b>67</b>	67

## 25 CENTRAL STIPENDS ADMINISTRATION

Stipends and allowances paid to Ministers, Deacons and Lay Workers totalling £41.279m (2004 - £40.656m) 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 10).

The administration costs amounting to £0.079m (2004 - £0.088m) and interest receivable amounting to £0.111m (2004 - £0.086m) relating to the central payment of stipends are included in the Statement of Financial Activities.

## 26 TRUSTEES AND CONNECTED PERSONS

There were 19 trustees (2004 - 17) and no connected persons (2004 - 0) 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 £0.561m (2004 - £0.549m). Their appointments as trustees are in accordance with Standing Order No. 210 of the Methodist Church.

Trustees:

Ms Ruby Beech	Revd David G Deeks	Mr Naboth Muchopa	Revd Peter G Sulston
Revd Christopher Blake	Revd David Gamble	Mr G Alan Pimlott	Revd Graham Thompson
Revd R Graham Carter	Revd Kenneth G Howcroft	Revd Stephen J Poxon	Revd Michael J Townsend
Revd David F Coote	Mrs Judy M Jarvis	Revd Harvey S Richardson	Revd Ian T White
Ms Anthea Cox	Revd Jonathan W Kerry	Revd Dr Neil G Richardson	

In the list below are those bodies which are considered to be related parties, which report separately to the Methodist Council and Methodist Conference. Details of transactions occurring during the year and amounts owing by or to related parties at 31 August 2005 are given for each one as appropriate.

	Income from related party £000	Purchases from related party £000	Amount owed by (to) related party £000
Trustees for Methodist Church Purposes	56	-	-
Central Finance Board	-	-	-
Methodist Publishing House	18	257	(5)
Methodist Ministers' Housing Society	11	-	1
Methodist Relief & Development Fund	38	-	10
NCH	2	-	-
Methodist Ministers' Pension Scheme	29	-	-
Methodist Schools	17	-	-

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 Funds, the districts, circuits and churches.

27 SUBSIDIARY COMPANIES

PROFIT AND LOSS ACCOUNT

	Methodist International Centre Ltd	Other Subsidiary Companies	2005 Total	2004 Total
	£	£	£	£
<b>TURNOVER</b>				
Cost of Sales	1,542,867	437,960	1,980,827	2,377,751
	(616,803)	(361,879)	(978,682)	(1,407,416)
<b>GROSS PROFIT</b>				
Administrative expenses	926,064	76,081	1,002,145	970,335
	(761,577)	(28,030)	(789,607)	(529,351)
<b>Profit for the year before gift aid donation</b>				
Gift aid donation	164,487	48,051	212,538	440,984
	(164,487)	(48,051)	(212,538)	(438,402)
<b>Profit on ordinary activities before taxation</b>				2,582
Tax on profit on ordinary activities	-	-	-	-
<b>Profit on ordinary activities after taxation</b>				2,582

BALANCE SHEET

	Methodist International Centre Ltd	Other Subsidiary Companies	2005 Total	2004 Total
	£	£	£	£
<b>Current assets</b>				
Debtors and stock	158,306	41,132	199,438	209,549
Cash on deposit at bank and in hand	441,627	150,616	592,243	188,672
	599,933	191,748	791,681	398,221
	(599,908)	(191,748)	791,656	(395,614)
<b>Total assets less current liabilities</b>	25	-	25	2,607
<b>Capital and reserves</b>				
Called up share capital	25	-	25	25
Restricted fund	-	-	-	2,582
	25	-	25	2,607

NOTE

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.

OTHER SUBSIDIARY COMPANIES

This column reflects the combined figures of Cliff College Outreach Ltd and Cliff College Developments Ltd. Separate figures are not provided as, in the context of these financial statements, the individual amounts are insignificant.

**THE METHODIST COUNCIL**  
**ANNUAL REPORT & FINANCIAL STATEMENTS**  
**CONSOLIDATED ACCOUNTS FOR YEAR ENDED 31 AUGUST 2005**



The **Methodist Church** 

Prepared by the Finance Office, Methodist Church House, 25 Marylebone Road, London NW1 5JR

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