

**LEICESTER DIOCESAN BOARD
OF FINANCE**

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006

**Company Registered No. 227087
Registered Charity No. 249100**

LEICESTER DIOCESAN BOARD OF FINANCE

FINANCIAL STATEMENTS

For the year ended 31 December 2006

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LEICESTER DIOCESAN BOARD OF FINANCE

(A company limited by guarantee not having a share capital)

CHAIRMAN'S REPORT 2006

During 2006, the mission agenda for the diocese continued to encourage collaboration and partnership between parishes in order to deliver the nine marks of a healthy, mission-shaped church, as part of the Shaped By God strategy.

The economic background against which these mission developments are taking place remains challenging. The cost of providing stipendiary clergy continues to rise annually, with increases in stipend, housing and insurance costs, and there has been a steep increase in clergy pension contributions as a result of government regulations and actuarial considerations.

The collection of parish share during 2006 showed an improvement on 2005, with a collection rate of 93.5%. My sincere thanks are due to the majority of parishes which paid in full and on time. The parish share makes up two-thirds of diocesan income, and future resourcing of ministry and mission will thus depend much on the continuing generosity and sacrificial giving of Christians throughout the diocese.

The financial statements that follow are a record of the Board of Finance's performance during 2006. The summary of income and expenditure can be found in the Statement of Financial Activities (SOFA) on page 15.

The cost of ministry was considerably lower than budgetted owing to a higher level of stipendiary vacancies than expected. On the income side investment income and income from the national church for stipend support were substantially higher than anticipated.

The trustees will need to consider how best to deploy this surplus in containing the annual increases in the assessment of Parish Share over the next few years.

I should like to extend thanks to my fellow board members for their support: my deputy, Sarah Longhill; David Beeson, chair of the Glebe committee; and the Archdeacon of Loughborough, chair of the Property committee. On their behalf I record my thanks to deanery and parish treasurers for the vital role they fulfil in supporting the mission and ministry of the church in this diocese.

In addition I would thank all the staff of the Board of Finance for their various contributions to its work over the last year. Such contributions are vital to the ongoing work, life and ministry of the Board and of the Diocese.

W M MOSS

19 April 2007

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

The trustees, who are also directors for the purposes of company law, present their combined trustees' report and directors' report, together with the audited financial statements, for the year ended 31 December 2006.

Except for Section 2 this report refers to the Leicester Diocesan Board of Finance.

1. Reference and administrative details of the Leicester Diocesan Board of Finance

These are set out on pages 11 & 12.

2. Summary information about the structure of the Church of England

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses of which there are 43 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called an incumbent, vicar or rector). From ancient times through to today, they and their bishop are responsible for the 'cure of souls' in their parish.

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and 24 senior bishops sit in the House of Lords.

The Church of England is episcopally-led (there are 112 bishops (including Diocesan, Area and Suffragan Bishops). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

The three National Church Institutions

The Archbishops' Council, the Church Commissioners and the Church of England Pensions Board are sometimes referred to as the three National Church Institutions.

The Archbishops' Council was established in 1999 *'to co-ordinate, promote, aid and further the mission of the Church of England'*. Its task is to give a clear sense of direction to the Church nationally and support the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England, spending most of their income on pensions for the clergy. The costs of episcopal administration through the diocesan, area and suffragan bishops are met by the Church Commissioners.

The Church of England Pensions Board was established by the Church Assembly in 1926 as the Church of England's pensions authority and to administer the pension scheme for the clergy. Subsequently it has been given wider powers, in respect of discretionary benefits and accommodation both for those retired from stipendiary ministry and for widow(er)s of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations.

The Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

Leicester Cathedral

The cathedral is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from the Cathedral Centre, 21 St Martin's, Leicester, LE1 5DE.

The information about General Synod, the Church Commissioners, the Archbishops' Council and Leicester Cathedral is included as background only. The financial transactions of these bodies do not form part of these financial statements.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

The Diocese:

Diocesan Synod

The statutory governing body of the diocese is the diocesan synod which is elected with representation across the diocese with broadly equal numbers of clergy and lay people meeting together in Diocesan Synod with the diocesan bishop and archdeacons. Its role is to:

- consider matters affecting the Church of England in the diocese;
- act as a forum for debate of Christian opinion on matters of religious or public interest;
- advise the bishop where requested;
- deal with matters referred by General Synod;
- provide for the financing of the diocese.

Deanery Synod

Each Deanery Synod has two houses, laity and clergy, and its role is to:

- respond to requests from General Synod;
- give effect to the decisions made by the Diocesan Synod;
- consider matters affecting the Church of England by drawing together the views of the parishes within the deanery;
- act as a channel of communication to express the views of parishes to Diocesan Synod and thence to General Synod;
- raise with Diocesan Synod such matters as it considers appropriate; and
- elect members of the deanery to the Diocesan Synod and of the diocese to General Synod.

The Bishop's Council

Under the constitution of the Diocesan Synod, Bishop's Council has the following functions:

- to plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;
- to initiate proposals for action by the Synod and to advise it on matters of policy;
- to advise the President on any matter;
- subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees;
- to carry out such functions as the Synod may delegate to it.

Parochial Church Council (PCC)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a charity, and all are currently excepted from registration with the Charity Commission, subject to the Charities Act 2006 under which those above £100,000 gross income for the year will be required to register once the relevant sections of the Act are enacted. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parishes

A benefice is a parish or group of parishes served by an incumbent who typically receives a stipend and the benefit of free occupation and use of a parsonage house from the diocese for carrying out spiritual duties.

A deanery is a group of parishes over which a rural dean has oversight and an archdeaconry is a group of deaneries for which an archdeacon is responsible.

The diocese is then the principal pastoral and in turn financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

3. Structure, governance and management of the Diocese of Leicester

The Diocese of Leicester was restored in 1926, and consists of the City of Leicester and the County of Leicestershire, with the exception of a few parishes on its borders. It covers an area of 835 square miles and has a population of approximately 1 million. Whilst much of the diocese is rural, there are significant market towns and suburban centres. The City of Leicester has a population of approximately 300,000.

The diocese is arranged as two archdeaconries, with Loughborough broadly covering the western part, with 6 deaneries, and Leicester covering the city and eastern part with 6 deaneries. In total there are 238 parishes and 150 stipendiary clergy.

Diocesan governance

The Diocese is governed by the Synodical Government Measure 1969. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. The Diocesan Synod works according to Standing Orders which were approved by Synod in 2002. Members of the Synod hold office for a term of three years. Membership consists of ex officio members, namely the Bishops, the Dean of the Cathedral, the Archdeacons, the Chancellor of the Diocese, the Diocesan General Synod members and the chairs of the Board of Finance and the Diocesan Advisory Committee. Clergy members are elected by the houses of clergy in Deanery Synods, laypersons are elected by the houses of laity in Deanery Synods. Up to five persons may be co-opted by the house of clergy and five persons may be co-opted by the house of laity. A maximum of ten members (five clergy, five lay) may be nominated by the Diocesan Bishop. The Diocesan Synod normally meets three times a year. Many of Diocesan Synod's responsibilities have been delegated to its Standing Committee, the Bishop's Council.

Company status

The company, Leicester Diocesan Board of Finance (LDBF), was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 4th January 1928 as a charitable company limited by membership guarantees (No. 227087) and its governing documents are the Memorandum and Articles of Association. LDBF is registered with the Charity Commission (No. 249100).

Every member of Diocesan Synod is a member of LDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The members of the Diocesan Finance Committee comprise the Board of Directors and the Trustees of LDBF.

Decision-making structure

Diocesan Synod has delegated the following functions to the Bishop's Council (Standing Committee of the Synod):

- Planning the business of Synod including the preparation of agendas and papers
- Initiation of proposals for action by the Diocesan Synod and provision of policy advice
- Transacting the business of the Diocesan Synod when not in session.

Diocesan Synod has delegated the following functions to the Board of Trustees (Finance Committee and Board of Directors):

- Management of the funds and property of the Diocese
- Preparation of annual estimates of expenditure
- Advising on action needed to raise the income necessary to finance expenditure
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it
- Appointing members of committees or nominating members for election to committees, subject to the directions of Diocesan Synod
- Carrying out any other functions delegated by Diocesan Synod.

The Board of Trustees has delegated responsibility for the day-to-day management of the company to the Diocesan Secretary who is supported by a number of heads of departments and their staff.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

Committee structure

There are a number of Diocesan Synod committees that, though not sub-committees of LDBF, can influence the operations of LDBF.

Those following are statutory committees:

Houses Committee, which is responsible for managing and maintaining the parsonage houses in each benefice, including buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by LDBF.

Glebe Committee, which is responsible for implementing policy and making major decisions concerning the management of glebe property and investments for the benefit of the Diocesan Stipends Fund of the Diocese.

Diocesan Mission and Pastoral Committee, which is responsible for the task of approving pastoral reorganisation, taking account of available clergy numbers and making use of new patterns of ministry.

Diocesan Advisory Committee, which advises on matters affecting churches and places of worship such as the granting of faculties, architecture, archaeology, art and the history of places of worship, the use and care of places of worship and their contents and the care of churchyards.

Leicester Diocesan Board of Patronage, which is constituted under the provisions of the Patronage (Benefices) Measure 1986, is sole patron or joint patron of a number of benefices.

Redundant Churches Uses Committee, which is responsible for finding appropriate alternative uses for churches that have been declared redundant.

Bishop's Council

The Bishop's Council is the Standing Committee of Synod. Bishop's Council consists of 8 ex-officio members, including the Diocesan and one Assistant Bishop and the two Archdeacons, 3 clergy elected by the house of clergy from among their number and 5 lay persons elected by the members of the house of laity and a maximum of 2 members nominated by the Diocesan Bishop.

The *Finance Committee*, whose members are the Directors of the company and Trustees of the charity, is responsible for considering the financial affairs of the Diocese. Amongst other things, it draws up draft budgets for approval by the trustees prior to submission to Diocesan Synod and monitors expenditure and income.

The *Investment Committee (a sub-committee of the Finance Committee)* is responsible for determining and overseeing the investment policy of the LDBF.

The *Audit Committee (a sub-committee of the Finance Committee)*, which was formed in early 2007, and is responsible for assisting the trustees in the discharge of their responsibilities for accounting policies, risk management, internal control and financial reporting, including liaison with the auditors.

Appointment of trustees

The Trustees are the members of the Finance Committee and are appointed as shown on page 11. Some senior staff have job titles incorporating the title 'Director' but they are not directors of the company for the purposes of company law.

Trustees are given induction training when first appointed and receive ongoing training as appropriate.

Trustees' responsibilities

Company law requires the trustees (in their capacity as directors) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that year.

The Trustees' Responsibilities are set out on page 13.

Related parties

General Synod, Church Commissioners and Archbishops' Council

LDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are reflected in the financial statements as costs funded by grants received from the Church Commissioners.

Parochial Church Councils (PCCs)

LDBF is required by Measure to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are independent charities. The accounts of PCCs and deaneries do not form part of these financial statements.

LEICESTER DIOCESAN BOARD OF FINANCE

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PCCs are able to influence the decision-making within LDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

Connected charities

Leicester Diocesan Board of Education and Higher & Further Education Chaplaincies

Through grant assistance the LDBF provides support to the work of the Leicester Diocesan Board of Education (charity no 527812) and higher and further education chaplaincies in the Diocese.

Leicester Cathedral Chapter

By means of support in kind the LDBF provides accounting services to Leicester Cathedral Chapter and support for their Youth Chaplain.

Coventry Diocesan Board of Finance

The trustees have a joint working arrangement with the Coventry Diocesan Board of Finance (company no 319482; charity no 247828) under which a number of staff are jointly employed.

Pension Schemes

All stipendiary clergy in the diocese and some licensed lay workers are members of the Church of England clergy pension scheme. The contribution rate for this scheme in the year was 33.8% of the previous year's national minimum stipend, which equates to £6,105 per clergy person. From 1 January 2007 this increased to 39.8% or £7,188 per head. There is ongoing debate in the General Synod of the Church of England about future levels of benefits and costs of the scheme. The lay staff of the diocese are members of either a defined benefit or a defined contribution section of the Church Worker's Pension Schemes.

Risk management

The trustees confirm that the major risks, to which LDBF is exposed, as identified by the trustees and staff, have been reviewed and that systems and procedures have been established to manage those risks. The trustees have delegated to the Audit Committee the task of ensuring that risks are reviewed and managed as part of the risk management strategy.

The Audit Committee reviews the risk register periodically and reports to trustees whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years. The trustees review the risk register at least annually as part of the corporate risk management strategy. The last review was done in April 2006.

4. Objectives and activities

Aims and objectives

LDBF aims to promote, facilitate and assist with the work and purposes of the Church of England for the advancement of the Christian faith in the Diocese of Leicester.

LDBF's strategy for achieving its objectives is to maintain the sound financial structure needed to enable it to continue supporting the clergy through the payment of stipends, managing parsonages and other ministerial housing and also by providing other facilities and resources in support of the ministry of both clergy and lay people in parishes across the Diocese.

The key activities may be summarised as:

- support for Mission and Ministry in the Parishes (includes all clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry) ;
- support for the national church institutions through an annual grant, including a contribution to the cost of training ordinands, and for providing retirement housing for clergy;
- support for the Diocesan Board of Education by way of a grant towards staffing costs and the provision of office accommodation and equipment.

Statutory functions

LDBF has responsibility for the management of glebe property and investments to generate income to support the cost of stipends.

It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board.

The trustees act as custodian trustees in relation to PCC property and investments as necessary.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

Grant-making (beneficiary-selection) policy

Grants are made to the National Church to cover proportions of its central costs, the cost of training for ministry and retired clergy housing (See note 5(b)(i) to the financial statements on page 23).

In addition grants are made as set out in note 7 to the Financial Statements on page 24 to a number of bodies, both Diocesan and non-Diocesan, and to individuals.

Grants are made on the basis of either statutory or budget obligation, individual need or towards the fulfilment of the objectives of LDBF.

5. Achievements and performance

Plans and achievements in 2006

During 2006 LDBF planned to:

- Achieve at least a financial break-even, while increasing clergy stipends in line with inflation
- Implement an average parish share increase of 4.75%
- Begin to review the parish share system through diocesan-wide consultation.

During the year LDBF has:

- Increased clergy stipends and pensions in line with national guidelines
- Achieved an increase in parish share collection of 1% over 2005
- Made a surplus on operating activities of £473,000

Operational performance

LDBF received 93.5% of Parish Share due for the year and has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the ministry, provision of well-maintained houses for the clergy, national church responsibilities and enriching and facilitating many other aspects of church life throughout Leicester and Leicestershire.

External factors affecting performance

Every effort is made by the Diocese to hold down increases in the Parish Share, which is contributed by the PCCs towards the ministry and other costs of the Diocese. A large part of these other costs are staff salaries and building maintenance costs, which both tend to increase at a rate in excess of the Retail Price Index. In addition, the Diocese is having to manage increased contributions to the clergy pension scheme.

6. Financial review

Overall financial performance

The overall financial performance of the LDBF for the year may be summarised as follows:

	2006	2005
	£,000's	£000's
Incoming Resources from operating activities	7,566	7,125
Resources expended on operating activities	7,093	7,057
Surplus arising from operating activities	473	68
Movements in capital funds:		
Surplus on sales of tangible fixed assets	1,307	565
Net Incoming Resources per Statement of Financial Activities	1,780	633
Surplus on sales of investments	358	238
Gains & Losses on revaluation	1,218	3,318
Net movement in funds during the year as shown on the SOFA	3,356	4,189

Principal Funding Sources

Around 63.4% of the incoming resources of the DBF, excluding surpluses on the sales of tangible fixed assets, comes from the Parish Share, 14% from National Church Selective Allocations and 14.6% from Investment Income.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

Principal Areas of Expenditure

Of the resources expended of £7,093 million, 83.4% is spent on resourcing and supporting parochial ministry and 11.7% on grants and similar items including the Board's contributions to the National Church, the Leicester Diocesan Board of Education and chaplaincies.

Review of the financial position

The balance sheet has strengthened during the year due to our achieving a surplus of incoming resources over resources expended of £473,000 excluding surpluses on the sales of tangible fixed assets, £1,307,00 of such surpluses and revaluation gains of £1,576,000 from the continuing improvement in the property and equity investment markets.

Net cash resources have also improved due to sales of tangible fixed assets.

Going concern

The Trustees are satisfied that LDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

Investment policies and objectives

LDBF's investment policies are based on two key principles:

Ethical investment - this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders. In order to achieve this the Board adheres to the Ethical Investment policy of the Church of England.

Long-term responsibilities - the trustees are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions which seeks to maintain income while continuing capital growth.

Investment policy for long-term funds is aimed primarily at generating a sustainable income with due regard to the need for the preservation of capital value and the possible need to realise investments to meet operational needs. The Glebe investments are held by law for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. Unrestricted and restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

Investment Financial Risk Management

The Board uses financial instruments, other than derivatives, as shown in the following section of this report on Investment Policy and Returns.

As stated in that section the trustees' primary investment objective is to provide an adequate income return, whilst, as far as possible, maintaining the long-term value of the funds in real terms.

The main risks are those arising from the fluctuations in the stock market, interest and dividend rates, and liquidity. The trustees' investment policies are such as to mitigate such risks and are reviewed regularly. They are summarised below and have not changed from the previous year.

Stock market fluctuations and interest and dividend rates: The trustees seek to ensure that the non-property investments of the Board are split between fixed interest and equity investments and comprise a substantial number of holdings in different bonds and equities.

Liquidity: Other than the property holdings all the Board's investments are able to be turned into liquid funds at short notice. It is the trustees' policy to ensure that under normal circumstances there are enough liquid resources available in short-term deposits to enable the day-to-day business of the Board to be carried out without a requirement to sell investments.

Investment performance

The investments of the Board are represented by:

- Glebe investments in Land and Property
- Investments in CBF Church of England Investment, UK Equity and Property Funds managed by CCLA Investment Management Ltd.
- Equity and Fixed Interest investments managed by the trustees. These investments are held by Gerrard Investment Management Limited, the Board's stockbrokers, as nominee.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

Glebe investments

The net income return on the Glebe investments was 3.35% (2005 3.30%).

Other investments

At the end of the year the ratio between equity and fixed interest investments was 87% to 13% compared to 84% to 16% in 2005. The income return achieved on the listed investments was 4.66% (2005 4.23%), compared to that of the FTSE all-share index at 2.86% (2005 2.95%). The income return achieved on the unlisted investments was 3.43% (2005 3.96%).

The changes in the value of the board's investments are shown at note 12 to the financial statements.

In the light of the market conditions prevalent during the year the Trustees consider the performance of its investments to be satisfactory.

Reserves policy

LDBF has considerable responsibilities including the remuneration of over 150 parochial stipendiary clergy, the upkeep of approximately 180 houses and the employment of some 50 full or part time staff. For this reason the Trustees believe it to be prudent to maintain adequate reserves to provide working capital resources.

The target figure for these resources is currently set at an amount equivalent to four months' budgetted parish share income for the ensuing year. At 31 December 2006 this figure was £1.826m. At 31 December 2006, LDBF's free reserves (i.e. excluding fixed assets and investments) were £2.428m as shown in note 18 to the financial statements.

The trustees intend to continue to maintain their current policy on general reserves so as to ensure adequate ongoing working capital resources.

7. Plans for future periods

The trustees will continue to set annual budgets, including a long-term sustainable use of reserves where required, and seek to manage Parish Share increases in order to allow funds to be spent on mission activity. The ongoing objective is to be able to adequately resource diocesan needs, as determined by Synod and informed by local and national Church institutions.

To work towards these objectives the trustees in 2007 plan to:

- implement an increase in the Parish Share of 3.75%
- review the system of Parish Share assessment
- limit use of reserves to the budgetted amount of £263,000

8. Funds held as Custodian Trustee

The Board acts as Custodian Trustee for a large number of parochial trusts which have either the Parochial Church Council or Vicar and Churchwardens of the particular parish as managing trustees.

The assets of these funds consist of either cash deposits, investments in the CBF Common Investment Funds or equity and other fixed interest investments. The Board also acts as custodian trustee for real property owned by Parochial Church Councils. All such property and investments are held separately from those of the Board.

The total value of the assets, excluding real property, held as Custodian Trustee at 31 December 2006 was approximately £2,763,000 (2005 £2,717,000).

9. Charitable Donations

Charitable donations have been made as part of normal expenditure in the exercise of the Board's objects. Further details of the donations can be found in Note 7 to the Financial Statements.

No political contributions were made in the year.

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

10. Board members interests in shares

The Board, which has no share capital, is a company limited by guarantee. The Board members may derive no benefit or income from or have any capital interest in the Board's financial affairs other than reimbursement of out-of-pocket expenses.

11. Appointment of auditors

A resolution to reappoint Grant Thornton UK LLP as auditors to the company and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

.....

J Easton Diocesan Secretary

19 April 2007

.....

W M Moss Chairman

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

For the year ended 31 December 2006

Reference and administrative details of the Leicester Diocesan Board of Finance

In accordance with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities issued in March 2005 (SORP 2005), the trustees (for the purposes of charity law) and directors (for the purposes of company law) during the year and as at the date of signing are as follows:

President (ex officio)	The Rt Revd TJ Stevens (Lord Bishop of Leicester)
Chair (nominated by the Bishop)	Mr WM Moss
Vice-Chairman	Mrs SA Longhill
Archdeacons (ex officio)	The Ven RWB Atkinson (Archdeacon of Leicester) The Ven PC Hackwood (Archdeacon of Loughborough)
Elected by Diocesan Synod	Revd JF Ambrose Mr BD Beeson (from 1 st January 2007) Revd C Hebden Mrs L Hilton (to 31 December 2006) Mr C McKee Mrs SA Newbury Revd E Sewell (to 31 December 2006) Mr HE Tegg Revd J Whittaker
Nominated by the Bishop	Mr BD Beeson (to 31 December 2006) Mr EA Bestwick (from 7 th February 2007) Mr JCF Roberson (from 7 th February 2007)
Nominated by the Forum for Ethnic Minority Anglicans Co-opted by the Board	Mr GMBO Sawyerr None
Secretary	Mrs CJ Easton
Registered Office	Church House, St Martin's East, Leicester , LE1 5FX
Telephone	0116 248 7400
Facsimile	0116 253 2889
Company registration number	227087 (England & Wales)
Charity registration number	249100
Auditors	Grant Thornton UK LLP Registered Auditors Chartered Accountants 8 West Walk Leicester LE1 7NH
Bankers	Barclays Bank plc Town Hall Square Leicester LE1 9AA Lloyds Bank plc 7 High Street Leicester LE1 9FS

LEICESTER DIOCESAN BOARD OF FINANCE

DIRECTORS' AND TRUSTEES' REPORT

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Reference and administrative details of the Leicester Diocesan Board of Finance (continued)

Solicitors

Latham & Co.
Charnwood House
2 & 4 Forest Road
Loughborough
Leicestershire
LE11 3NP

Investment managers:

Glebe Agents

Andrew Granger & Co. LLP
2 High Street
Loughborough
Leicestershire
LE11 2PY

Other Investments

Gerrard Investment Management Limited
Norwich Union House
South Parade
Nottingham
NG1 2LN

CCLA Investment Managers Limited
80 Cheapside
London
EC2V 6DZ

Diocesan Surveyors

Martyn Jones and Associates
The Reading Room
33, Main Street
Medbourne
Market Harborough
Leicestershire LE16 8DT

Insurance Brokers

Towergate Risk Solutions
(Towergate Underwriting Group Limited)
Riverside Business Park
Leeds Road
Ilkley
West Yorkshire
LS29 8JZ

LEICESTER DIOCESAN BOARD OF FINANCE

STATEMENT OF DIRECTORS' AND TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Leicester Diocesan Board of Finance for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The trustees' are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LEICESTER DIOCESAN BOARD OF FINANCE

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE LEICESTER DIOCESAN BOARD OF FINANCE

We have audited the financial statements of Leicester Diocesan Board of Finance for the year ended 31 December 2006 which comprise the principal accounting policies, the statement of financial activities, the balance sheet, the cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of Leicester Diocesan Board of Finance for the purposes of company law) for preparing the Chairman's Report and Directors' and Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' and Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Directors' and Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 December 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year ended 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' and Trustees' Report is consistent with the financial statements for the year ended 31 December 2006

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

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

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
8 West Walk
LEICESTER
LE1 7NH

19 April 2007

LEICESTER DIOCESAN BOARD OF FINANCE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 December 2006

	Note	Unrestricted funds	Designated Funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
		£000's	£000's	£000's	£000's	£000's	£000's
Income and Expenditure							
Incoming Resources:							
Incoming Resources from Generated Funds:							
Parish Share	4a	4,794	-	-	-	4,794	4,560
Archbishops' Council	4b	-	-	1,063	-	1,063	975
Donations, Legacies and similar income	4c	76	-	4	-	80	132
Activities for Generating Funds	4d	67	-	-	-	67	62
Investment Income	4e	268	30	129	681	1,108	985
Income from Operating Activities	4f	447	-	-	-	447	406
Other Incoming Resources	4g	7	-	-	-	7	5
Surplus on Sales of Assets		293	-	-	1,014	1,307	565
TOTAL INCOMING RESOURCES		5,952	30	1,196	1,695	8,873	7,690
Resources Expended:							
Cost of Generating Funds	5a	99	-	-	83	182	188
Charitable Expenditure:							
Archbishops' Council	5b(i)	321	-	-	-	321	307
Other Grants and similar items	5b(ii)	428	17	62	-	507	470
Resourcing of Ministry in Parishes	5b(iii)	5,131	-	23	-	5,154	5,117
Support of Ministry in Parishes	5b(iv)	716	4	44	-	764	808
Governance Costs	5c	165	-	-	-	165	167
TOTAL RESOURCES EXPENDED		6,860	21	129	83	7,093	7,057
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS		(908)	9	1,067	1,612	1,780	633
TRANSFERS BETWEEN FUNDS	17	1,890	21	356	(2,267)	-	-
NET INCOMING/(OUTGOING) RESOURCES AFTER TRANSFERS		982	30	1,423	(655)	1,780	633
Realised Gains and Losses on Investments		111	-	228	19	358	238
SURPLUS OF INCOME OVER EXPENDITURE		1,093	30	1,651	(636)	2,138	871
Unrealised Gains on Tangible Fixed Assets		39	-	-	-	39	200
Unrealised Gains and Losses on Investments		374	22	-	783	1,179	3,118
NET MOVEMENT IN FUNDS		1,506	52	1,651	147	3,356	4,189
FUND BALANCES BROUGHT FORWARD AT 1 JANUARY 2006		11,365	686	653	38,100	50,804	46,615
FUND BALANCES CARRIED FORWARD AT 31 DECEMBER 2006		12,871	738	2,304	38,247	54,160	50,804

All of the activities of the charitable company are classified as continuing.
All recognised gains and losses are included in the above Statement of Financial Activities.
The accompanying Accounting Policies and Notes form part of these Financial Statements.

LEICESTER DIOCESAN BOARD OF FINANCE
BALANCE SHEET
at 31 December 2006

	Note	2006		2005	
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	11		25,275		25,529
Investment assets	12		22,498		21,063
			47,773		46,592
Current assets					
Debtors	13	1,058		1,020	
Short Term Deposits		5,605		3,523	
Cash at bank and in hand		220		157	
		6,883		4,700	
Creditors: amounts falling due within one year	15	(460)		(452)	
			6,423		4,248
Total assets less current liabilities					
			54,196		50,840
Creditors: amounts falling due after more than one year	16	(36)		(36)	
			54,160		50,804
Funds					
Unrestricted funds:					
Designated funds	18	738		686	
General Funds	18	12,871		11,365	
			13,609		12,051
Restricted funds	18		2,304		653
Endowment funds	18		38,247		38,100
			54,160		50,804

The financial statements were approved by the Board of Directors on 19 April 2007.

WM MOSS
Chairman

The accompanying Accounting Policies and Notes form part of these Financial Statements.

LEICESTER DIOCESAN BOARD OF FINANCE

CASH FLOW STATEMENT

31 December 2006

CASH FLOW STATEMENT

	Note	2006 £000's	2005 £000's
Net cash inflow from operating activities	20	481	105
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(711)	(2,352)
Payments to acquire fixed asset investments		(1,523)	(845)
Receipts from sales of tangible fixed assets		2,273	1,128
Receipts from sales of fixed asset investments		1,625	919
		<u>1,664</u>	<u>(1,150)</u>
Net increase/(decrease) in short term deposits and cash at bank		<u>2,145</u>	<u>(1,045)</u>

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985, the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005), the Church of England Diocesan Annual Reports and Financial Statements Guide 3rd edition 2006 and under the historical cost accounting rules except that investment assets and certain other properties are included at valuation.

The principal accounting policies of Leicester Diocesan Board of Finance have remained unchanged from the previous year except for changes made following the implementation of the revised SORP 2005. Implementation of SORP 2005 has resulted in the reallocation of certain categories of income and expenditure to more appropriate headings for disclosure purposes. There has been no material impact on results reported by the charitable company.

Tangible Fixed assets

Parsonage houses owned prior to 1 January 1996 are included at the lowest point of the council tax valuation this being taken as original cost in the absence of other data. Subsequent additions are included at cost.

Houses and properties owned by the Board of Finance are included at cost except in the case of any former parsonage houses transferred to the Board which are included at the book value at the time of transfer.

No depreciation is charged against properties held as tangible fixed assets but any expenditure on maintenance and improvements is written off as incurred. The market value of the properties is considerably in excess of their book value.

Fixed assets are capitalised where there is an individual item value of £500 or greater. Office equipment, furniture and fittings are depreciated at a rate of 20% per annum of original cost and Computer and other electronic equipment at 50% per annum of original cost.

Fixed asset investments

Land and buildings held under the Endowments and Glebe Measure 1976 are included at market value at 31 December 2006 as valued by Messrs Andrew Granger & Company.

Listed investments are included at market value. Investments held by the Board as custodian trustee are not included in these financial statements.

Parish share and Parochial fee income

Parish share and Parochial fee income includes amounts received up to 31 January 2007 (2005: 31 January 2006) together with any arrears received from previous years.

Grants receivable and payable

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants payable are accounted for when authorised.

Rental Income

Rental income is recognised on a receivable basis.

Investment gains and losses

Realised gains or losses are recognised when investments are sold. Unrealised gains or losses are accounted for on revaluation of investments at 31 December.

Deferred Income

Income is recognised as deferred where the event or rental period to which the income relates occurs beyond the end of the financial period being reported on.

Resources expended

Expenditure is accounted for on an accruals basis and is allocated between:

- expenditure incurred in the cost of generating funds, including Parish Share
- expenditure incurred directly in the fulfilment of the charity's objectives
- expenditure incurred in the governance of the charity and its assets
- expenditure on support costs including central functions. These costs are subsequently allocated to the other categories of expenditure as described in the following note.

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

1 Principal accounting policies (continued)

Support Costs

These costs have been allocated to the other categories of expenditure described in the above note on the basis of the proportion of staff time spent on each area of expenditure as follows:

- Cost of generating funds – 19.25%
- Charitable expenditure – 65.00%
- Governance – 15.75%

Operating leases

Payments under operating leases are charged against income as incurred.

Staff pension schemes

Contributions to the Board's pension schemes are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the Board, contributions being accounted for in the year in which they are payable.

Fund accounting

The funds of the charity are analysed between Unrestricted (including Designated) Funds, Restricted Funds and Endowment Funds. Details of all funds together the basis for identification under each category may be found in note 18 of these financial statements.

2 Staff pensions schemes

The Board participates in two sections of the Church Workers Pension Fund, administered by the Church of England Pensions Board. The assets of the funds are held separately from those of the Board of Finance.

Defined contributions scheme

The Board participates in the Church of England Defined Contributions Scheme, part of the Church Workers Pension Fund.

This scheme provides benefits based on the contributions paid into the fund.

The pension costs for the year of £3,690 (2005 £1,121) are equal to the contributions paid by the Board.

Defined benefits scheme

The Board participates in the Church of England Defined Benefits Scheme, part of the Church Workers Pension Fund.

The Board is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of many other entities participating in the scheme. A valuation of the fund was carried out as at 31 December 2004, and the Board's contribution rate was reviewed as from 1 January 2006. The contribution rate rose from 16.32% to 20.23%.

This scheme provides benefits based on final pensionable salaries. At 31 December 2006 the Board had 33 active members in the Scheme and 16 deferred pensioner members.

The pension costs for the year of £91,370 (2005 £76,600) are equal to the contributions paid by the Board.

Membership of this scheme was closed to new employees from 1st January 2006.

Clergy Pension Scheme

With effect from 1 January 1998, diocesan clergy became members of the new Church of England Funded Pensions Scheme, which provides benefits based on final pensionable salaries. This Scheme provides for that part of their pension that relates to pensionable service after 1 January 1998. The Scheme's assets are held independently of the employer or other responsible bodies. Pensions in respect of pensionable service before 1 January 1998 will be paid by the Church Commissioners of England under the previous arrangements.

The Board participates in the Church of England Funded Pensions Scheme and employs 148 members of the Scheme out of a total membership of approximately 10,000 active members.

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

2 Staff pensions schemes (continued)

Clergy Pension Scheme (continued)

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities – each employer in the scheme pays a common contribution rate. The latest valuation of the scheme was carried out as at 31 December 2003. This revealed a shortfall of £91million with assets of £196 million and a funding target of £287 million, assessed using the following assumptions:

- Investment return of 6.8% per annum
- Increase in pensionable stipends 3.8% per annum
- Pension increases 3.8% per annum

Following the results of the valuation, the Board contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005.

Following a subsequent informal review of the Scheme's funding position, the Board's contribution rate increased again to 39.8% of pensionable stipends with effect from 1st January 2007 as an interim measure, pending results of the next formal valuation of the Scheme as at 31 December 2006.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires the Board to account for pension costs on the basis of contributions actually payable to the Scheme in the year. (see note 9)

3 Net incoming/(outgoing) resources

Net incoming/(outgoing) resources is stated after charging/crediting:

	2006 £'000s	2005 £'000s
Charged: Auditors' remuneration:		
- Audit	12	10
- Other services	6	5
Hire of office equipment	8	9
Depreciation of other fixed assets	38	53
	<hr/>	<hr/>
Credited: Surplus on disposal of tangible fixed assets	1,307	565

4 Analysis of Incoming Resources

a Parish Share

	Unrestricted funds £000's	Designated funds £000's	Restricted funds £000's	Endowment funds £000's	TOTAL 2006 £000's	TOTAL 2005 (restated) £000's
Parish Share assessed for year	5,279	-	-	-	5,279	5,039
Less: Shortfall in contributions	(433)	-	-	-	(433)	(410)
	<hr/>				<hr/>	
	4,846	-	-	-	4,846	4,629
Add: Arrears received from prior years	93	-	-	-	93	67
	<hr/>				<hr/>	
	4,939	-	-	-	4,939	4,696
Less: Rebates granted and other adjustments	(145)	-	-	-	(145)	(136)
	<hr/>				<hr/>	
	4,794	-	-	-	4,794	4,560

At 31 December 2006 the total arrears outstanding which had not been written off amounted to £1,716,187 (2005 £1,404,655) of which £432,535 relates to 2006. Full provision has been made against these arrears.

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

4 Analysis of Incoming Resources (continued)

b Archbishops' Council

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Selective Allocations	-	-	942	-	942	776
Special Payments	-	-	7	-	7	85
Parish Mission Fund	-	-	95	-	95	95
Legal Costs Contribution	-	-	19	-	19	19
	-	-	1,063	-	1,063	975

c Donations, Legacies and Similar Income

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Grants received	76	-	4	-	80	132
	76	-	4	-	80	132

d Income from Activities for Generating Funds

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Rental Income from non-investment properties	62	-	-	-	62	62
Other income	5	-	-	-	5	-
	67	-	-	-	67	62

e Investment Income

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Glebe Rents	-	-	-	397	397	363
Listed Securities	174	-	9	131	314	255
Unlisted Securities	14	7	43	127	191	192
Bank and Deposit Interest	80	23	77	26	206	175
	268	30	129	681	1,108	985

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

4 Analysis of Incoming Resources (continued)

f Income from Operating Activities

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Parochial Fees	310	-	-	-	310	308
Parish Funding Contributions	26	-	-	-	26	22
Contributions to Stipends	71	-	-	-	71	35
Other Income	40	-	-	-	40	41
	447	-	-	-	447	406

g Other Incoming Resources

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Other Income	7	-	-	-	7	5
	7	-	-	-	7	5

5 Analysis of Resources Expended

a Cost of Generating Funds

	Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's	£000's
Glebe Management Costs	-	-	-	83	83	84
Support Costs	99	-	-	-	99	104
	99	-	-	83	182	188

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

5 Analysis of Resources Expended (continued)

b Charitable Expenditure

	Note	Unrestricted funds	Designated Funds	Restricted Funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
		£000's	£000's	£000's	£000's	£000's	£000's
<u>(i) Archbishops' Council:</u>							
National Church		172	-	-	-	172	166
Training for Ministry		105	-	-	-	105	96
Retired Clergy Housing		44	-	-	-	44	45
		321	-	-	-	321	307
<u>(ii) Other Grants and similar items:</u>							
Grants to Parishes & Other Diocesan bodies	7	290	-	48	-	338	323
Grants to Ordinands		79	-	-	-	79	63
Other Grants		59	17	14	-	90	84
		428	17	62	-	507	470
<u>(iii) Resourcing of Ministry in Parishes:</u>							
Clergy Costs	9	3,903	-	-	-	3,903	3,826
Clergy Housing		1,039	-	23	-	1,062	1,097
Other Costs		49	-	-	-	49	50
Support Costs		140	-	-	-	140	144
		5,131	-	23	-	5,154	5,117
<u>(iv) Support of Ministry in Parishes:</u>							
Ministry, Social Responsibility & Partnerships		403	-	-	-	403	368
Parish Funding		109	-	-	-	109	82
Other Parish Support		7	-	44	-	51	156
Support Costs		197	4	-	-	201	202
		716	4	44	-	764	808
c Governance Costs							
		Unrestricted funds	Designated funds	Restricted funds	Endowment funds	TOTAL 2006	TOTAL 2005 (restated)
		£000's	£000's	£000's	£000's	£000's	£000's
Synodical Costs		15	-	-	-	15	20
Statutory Costs & similar		68	-	-	-	68	63
Support Costs		82	-	-	-	82	84
		165	-	-	-	165	167

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

6 Support Costs

i) Analysis of Resources Expended showing allocation of Support Costs

	Activities undertaken directly	Grant funding of activities	Support Costs	TOTAL 2006	TOTAL 2005 (restated)
	£000's	£000's	£000's	£000's	£000's
Cost of Generating Funds	83	-	99	182	188
Charitable Expenditure:					
Archbishops' Council	-	321	-	321	307
Other grants & similar items	-	507	-	507	470
Resourcing of Ministry in Parishes	5,014	-	140	5,154	5,117
Support of Ministry in Parishes	567	-	197	764	808
Governance Costs	83	-	82	165	167
	5,747	828	518	7,093	7,057

ii) Analysis of Support Costs

	2006 £000's	2005 £000's
Staff Costs	273	266
Depreciation	38	53
Property Costs	70	70
Other Costs	137	144
	518	533

7 Analysis of Grants Paid

	2006		2005	
	£000's	£000's	£000's	£000's
To Other Diocesan and Related Bodies				
Diocesan Board of Education	83		87	
University Chaplaincies	130		95	
Centre for Deaf	55		53	
Launde Abbey	5		5	
CUF Projects	1		11	
Grants from Commissioners Ministry Fund	48		13	
Grants for Ministry Support & Development	-		18	
Grants to Parishes for Church Repairs	5	327	48	330
To Individuals for Ministry				
CME Grants	17		13	
Grants to Ordinands	79	96	61	74
Other Grants:				
Faith Regeneration Project	5		5	
St Philip's Centre	38		24	
Ecumenical Support & EMMTC	6		11	
Grants to Retired Clergy and Widows	10		13	
Other Grants	25	84	13	66
TOTAL GRANTS MADE		507		470

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

8 Board members' emoluments and expenses

None of the Board members has received any emoluments from the Board of Finance for services performed as directors (2005: £Nil).

The parochial clerical members of the Board and the Archdeacons are in receipt of a stipend, housing and other payments made to clergy paid by the Board by virtue of their office.

1 member received a total of £234 (2005: 1 & £366) in the year for travel expenses related to the activity of the Board.

1 clerical member received a total of £83 (2005: 1 & £328) in the year for travel and other expenses in connection with their membership of the General Synod of the Church of England, membership of which is not connected with their membership of the Board.

9 Clergy costs

The average number of stipendiary clergy and licenced lay workers holding parochial or archidiaconal posts in the Diocese was 149 (2005: 151).

	2006	2005
	£000's	£000's
At a cost of:		
Stipends	3,078	2,978
Social security costs	188	183
Pension contributions	916	860
	<hr/>	<hr/>
	4,182	4,021
Less: Stipends accounted for in grant expenditure	(279)	(195)
	<hr/>	<hr/>
Per note 5b(iii)	3,903	3,826
	<hr/> <hr/>	<hr/> <hr/>

10 Average staff numbers and total remuneration

The average number of administrative and support staff employed during the year was:

	2006	2005
	21.8	20.8
Costs of staff under contract during the year amounted to:		
	2006	2005
	£000's	£000's
Salaries	492	481
Social security costs	38	37
Pension contributions	95	77
	<hr/>	<hr/>
TOTAL	625	595
	<hr/> <hr/>	<hr/> <hr/>

No employee received remuneration in excess of £60,000 (2005: None)

The Board has entered into joint working arrangements with the Diocese of Coventry. During 2006 an average of 12 staff (2005: 12 staff) came under these arrangements all of whom were employed by Leicester DBF. The Diocese of Coventry contributed 50% of employment costs for which it receives 50% of the relevant employees' time. During the year these costs amounted to £203,426 (2005: £201,467) all of which are accounted for in these financial statements and deducted in the above figures.

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

11 Tangible Fixed Assets

	Parsonage Houses £000's	Church House £000's	DBF properties £000's	Office equipment £000's	TOTAL £000's
Cost or valuation					
At 1 January 2006	20,355	700	4,411	349	25,815
Additions	241	11	443	16	711
Transfers	(295)	-	295	-	-
Disposals	(599)	-	(367)	-	(966)
Revaluation Adjustment	-	39	-	-	39
At 31 December 2006	19,702	750	4,782	365	25,599
Depreciation					
At 1 January 2006	-	-	-	286	286
Charge for the year	-	-	-	38	38
At 31 December 2006	-	-	-	324	324
Net book value					
At 31 December 2006	19,702	750	4,782	41	25,275
At 31 December 2005	20,355	700	4,411	63	25,529

Cost or valuation at 31 December 2006 represents fixed assets used for direct charitable purposes.

The valuation of Church House was carried out by Messrs Snow & Astill, Leicester as at 31 December 2006. The basis of the valuation was on an open market value based on existing use. If Church House had not been revalued it would have been included on the historical cost basis at £764,000.

FRS 15

Under the requirements of FRS15 'Tangible Fixed Assets' entities are required to depreciate all tangible fixed assets including buildings, unless it can justify not so doing.

The trustees consider that it is not appropriate to charge depreciation on freehold property. The reason for this is that they consider that the residual value of the property will not be materially different from the carrying value.

In order to assist with maintaining this value the Board has the policy and practice of regular and ongoing maintenance to a high standard, the cost of which is written off in the year it is incurred, unless it is considered to enhance the capital value of the relevant property.

In 2006 such expenditure on the properties charged to revenue amounted to £426,037 (2005 £451,724).

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

12 Fixed Asset Investments	Glebe properties £000's	Listed 000's	Unlisted £000's	Other £000's	Total £000's
Market Value at 1 st January 2006	9,347	6,350	5,256	110	21,063
Additions at cost	-	1,523	-	-	1,523
Disposals at opening book value	(34)	(1,233)	-	-	(1,267)
Net gain on revaluation	75	474	630	-	1,179
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Market value at 31 December 2006	9,388	7,114	5,886	110	22,498
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Historical cost at 31 December 2006	Not available	4,895	3,953	13	8,861
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unlisted investments consist of holdings in CBF Church of England common investment funds managed by CCLA Investment Management Ltd and 1,000 shares in Cafedirect plc.

The valuation of investments at 31 December 2006 was carried out, in respect of the listed investments, by the Board's stockbrokers, Messrs Gerrard Investment Management Limited, Nottingham and in respect of the unlisted investments, other than the holding in Cafedirect plc. by CCLA Investment Management Limited, London. The holding in Cafedirect plc. was valued by reference to information obtained from the company.

The Glebe properties are valued by the Glebe Agents at open market value.

The following investments represent more than 5% of the market value of the Board's Fixed Asset Investments, excluding Glebe properties and other investments, at 31 December 2006:

Investment	As at 31 December 2006		
	Cost £000's	Market Value £000's	%
CBF Investment Fund Income Shares	2,606	3,857	29.67
CBF Property Fund Income Shares	1,072	1,675	12.88

13 Debtors	2006 £000's	2005 £000's
Amounts falling due within one year		
Parish Share and other trade debtors	360	435
Loans	173	177
Other debtors	226	262
Prepayments and accrued income	113	56
	<hr/>	<hr/>
	872	930
Amounts falling due after more than one year		
Loans	186	90
	<hr/>	<hr/>
	1,058	1,020
	<hr/> <hr/>	<hr/> <hr/>

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

13 Debtors (continued)

The Loans shown above are represented by:-

	Due within 1 year £000's	Due after 1 year £000's	TOTAL £000's
Unsecured Loans:			
Loans to Parishes	30	41	71
Other Loans	132	7	139
	<u>162</u>	<u>48</u>	<u>210</u>
Secured Loans:			
Countesthorpe PCC	8	26	34
Oadby PCC	3	107	110
Value linked loan on retired clergy housing	-	5	5
	<u>11</u>	<u>138</u>	<u>149</u>
TOTAL LOANS OUTSTANDING	<u>173</u>	<u>186</u>	<u>359</u>

The Secured Loans are all secured on freehold properties where the loans represent no more than 75% of the market value of the property at the time the loan was granted.

14. Related Party Transactions

As noted in the Trustees' Report the Board is related to the Leicester Diocesan Board of Education and the University Chaplaincies at the three universities in the Diocese of Leicester. Details of grants made to these bodies are given in notes 5 and 7 of the financial statements. In addition in the year the Board charged £19,800 (2005 £19,200) to the Leicester Diocesan Board of Education for accounting and related services.

At the end of the year the following amounts, all of which are included in debtors as appropriate, were receivable by the Board in respect of related parties:

	2006 £000's	2005 £000's
Amounts receivable by the Board:		
Leicester Diocesan Board of Education	<u>49</u>	<u>130</u>

All the amounts receivable were paid after the year-end.

15 Creditors: amounts falling due within one year

	2006 £000's	2005 £000's
Trade creditors	181	102
Taxation and social security	43	39
Other creditors	120	166
Accruals	65	54
Deferred Income	51	91
	<u>460</u>	<u>452</u>

LEICESTER DIOCESAN BOARD OF FINANCE
NOTES TO THE FINANCIAL STATEMENTS
31 December 2006

16 Creditors: amounts falling due after more than one year

Loans		
Value-linked (see note below) – 51, Laurel Road, Blaby, Leicester	36	36
	<u> </u>	<u> </u>

The value-linked loan is secured by guarantee against the property. The loan is repayable when the property is sold, in proportion of the sale value to the original % of the cost of the house originally loaned. The proportion of the loan in the case of this property is 94.77% and at 31 December 2006 the estimated value of the property and amount repayable if the property were sold were £168,000 and £159,000 respectively.

17 Analysis of Transfers between funds

	Unrestricted funds £000's	Designated funds £000's	Restricted funds £000's	Endowment funds £000's	TOTAL 2006 £000's
CCs Restricted Fund Income used to fund payment of stipends	968	-	(968)	-	-
Cost of Parsonage House additions from Pastoral Fund	-	-	(240)	240	-
Parsonage House Sale proceeds to Pastoral Fund	-	-	1,613	(1,613)	-
Parsonage House to DBF Houses	295	-	-	(295)	-
Glebe Income used to fund payment of stipends	316	-	-	(316)	-
DSCF Income used to fund payment of stipends	283	-	-	(283)	-
Endowment Income used to fund payment of stipends	41	-	(41)	-	-
Other transfers	(13)	21	(8)	-	-
	1,890	21	356	(2,267)	-

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

18 Statement of funds

	Balance 31/12/05	Income	Expenditure	Transfers	Revaluation Gains/(losses)	Balance 31/12/06
	£000's	£000's	£000's	£000's	£000's	£000's
UNRESTRICTED FUNDS						
General fund						
General Fund Capital	9,626	293	-	-	524	10,443
General Fund Income	1,739	5,659	(6,860)	1,890	-	2,428
Total Unrestricted funds	11,365	5,952	(6,860)	1,890	524	12,871
DESIGNATED FUNDS						
Retired Clergy Fund	108	5	(14)	8	12	119
Church Extension Fund	500	20	(4)	-	-	516
Archdeacons' Discretionary	71	5	(2)	-	10	84
Eyres Monsell Church Fund	1	-	-	-	-	1
Diocesan CUF Fund	6	-	(1)	13	-	18
Total Designated funds	686	30	(21)	21	22	738
Total All Unrestricted Funds	12,051	5,982	(6,881)	1,911	546	13,609
RESTRICTED FUNDS						
Pastoral Account	311	58	(67)	1,372	228	1,902
CCs Restricted Income	-	968	-	(968)	-	-
Endowment Income	70	62	(14)	(48)	-	70
CCs Mission Funding	270	108	(48)	-	-	330
Bishop Jeune Ordinands	2	-	-	-	-	2
Total Restricted funds	653	1,196	(129)	356	228	2,304
ENDOWMENT FUNDS						
<i>Expendable:</i>						
Parsonage Houses	20,355	1,014	-	(1,667)	-	19,702
<i>Permanent:</i>						
Stipends Glebe	16,192	681	(83)	(600)	700	16,890
Other Endowment Capital	1,553	-	-	-	102	1,655
Total Endowment funds	38,100	1,695	(83)	(2,267)	802	38,247
TOTAL FUNDS	50,804	8,873	(7,093)	-	1,576	54,160

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

18 Statement of funds (continued)

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Directors in furtherance of the general objectives of the charity and which have not been designated for other purposes.

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

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The aim and use of each restricted fund is set out in the notes below.

Endowment funds are funds held on trust to be retained for the charity as capital funds. Where the whole of the fund must be permanently maintained it is known as permanent endowment. Where there is a power of discretion to convert endowed funds into income, the fund is classed as expendable endowment.

Designated Funds

The Retired Clergy Fund represents funds set aside to be used for the benefit of retired clergy and their spouses, including those widowed, divorced or separated.

The Church Extension Fund represents funds put aside over a number of years by the Board to give loans to Parochial and District Church Councils to help with extensions, improvements and repairs to church buildings.

The Archdeacon's Discretionary Fund is used by the Archdeacons to pay grants to needy clergy and their families within the Diocese.

The Eyres Monsell Church Fund arose from the proceeds of the sale of land owned by the Board of Finance in that parish, the proceeds of which the Board designated to be used for renovation and improvement of the Church buildings in the parish.

The Diocesan CUF Fund was established in 2005 to set aside funds on a 3 year rolling basis to give grants towards projects supported by the Church Urban Fund (CUF).

Restricted Funds

The Pastoral Fund is a capital and income fund where both may be expended. It may be used for a variety of purposes except for employment costs. It is the Board's policy to use these funds primarily for the purchase of and improvement to parsonage houses.

The balance includes £281,989 (2005 £269,716) held by the Church Commissioners from the sale of Parsonage Houses which cannot be released for other uses until such time as new Pastoral Schemes for the parishes involved become operative and the appropriate PCC consents to the funds being released.

The Restricted Income from the Church Commissioners is funds received from them to support Stipends and Clergy Pension Costs and is transferred to the General Fund to be applied against payment of such costs.

The Endowment Income Funds represent accumulated income and income arising from Endowment Funds that has not yet been expended.

The Church Commissioners' Mission Fund represents additional funds given to the Board by the Church Commissioners that have arisen as a result of better returns on their investment assets.

The Bishop Jeune Ordinands' Fund arose from accumulated income received from the Diocese of Peterborough arising from a fund set up by the late Bishop Jeune in 1868. It is available to be used for the benefit of ordinands.

LEICESTER DIOCESAN BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

18 Statement of funds (continued)

Endowment Funds

Parsonage Houses

This represents the deemed value of the Parsonage Houses calculated as set out in note 1 to these financial statements.

Glebe Properties and Diocesan Stipends Capital Fund

These funds represent the value of property and investments held under the Endowments and Glebe Measure 1976 invested to produce income to be applied for the augmentation of stipends.

Endowment Capital Funds

The majority of the Endowment Funds are for the augmentation of stipends.

19 Analysis of net assets between funds

	General fund £000's	Designated funds £000's	Restricted funds £000's	Endowment funds £000's	Total 2006 £000's	Total 2005 £000's
Fund balances at 31 December 2006 are represented by:						
Tangible fixed assets	5,573	-	-	19,702	25,275	25,529
Investments	4,413	194	-	17,891	22,498	21,063
Net current assets	2,921	544	2,304	654	6,423	4,248
Long term liabilities	(36)	-	-	-	(36)	(36)
Total Net Assets	12,871	738	2,304	38,247	54,160	50,804

20 Cash flow statement

	2006 £000's	2005 £000's
Reconciliation of changes in resources to net cash outflow from operating activities		
Net Incoming Resources before realised and unrealised gains & losses	1,780	633
Depreciation	38	53
Profit on disposal of tangible fixed assets	(1,307)	(565)
Increase in debtors	(38)	(56)
Increase in creditors due within 1 year	8	40
Net cash inflow from operating activities	481	105

LEICESTER DIOCESAN BOARD OF FINANCE
MANAGEMENT FINANCIAL STATEMENTS
31 December 2006

RECONCILIATION OF SURPLUS ON MANAGEMENT FINANCIAL STATEMENTS TO NET MOVEMENT IN FUNDS

	2006		2005	
	£000's	£000's	£000's	£000's
Surplus per Income and Expenditure Account		395		55
Add				
Realised profits on sales of Tangible Fixed Assets		1,307		565
		<hr/> 1,702		<hr/> 620
Net incoming resources from other funds		78		13
		<hr/> 1,780		<hr/> 633
Net Incoming resources		1,780		633
Gain on Revaluation of Fixed Assets		39		200
Gains on Investment Assets:				
Realised	358		238	
Unrealised	1,179	1,537	3,118	3,356
Net movement in funds per Statement of Financial Activities (see page 15 of the Financial Statements)		<hr/> 3,356		<hr/> 4,189

This page does not form part of the statutory financial statements which are the subject of the independent auditor's report on page 14 of the financial statements.

LEICESTER DIOCESAN BOARD OF FINANCE
MANAGEMENT FINANCIAL STATEMENTS
31 December 2006

INCOME AND EXPENDITURE ACCOUNT for the year ended 31 December 2006

	2006 £000's	2005 £000's
INCOME		
From the Central Church	968	814
From the Parishes – Parish Share	4,794	4,560
From the parishes – Fees and other income	310	308
Parish Funding contributions	26	22
Other Stipend Support Income	71	35
Glebe Income	397	363
Investment Income and Deposit Interest	592	511
Rents & other property income	59	61
Grants	76	115
Board of Ministry	10	19
Board of Mission and Social Responsibility	4	3
Retired Clergy, Widows & Dependants Committee	4	5
Church Extension Fund	21	18
Income from publications	18	24
Other Income	24	14
TOTAL INCOME	7,374	6,872
EXPENDITURE		
Central Church Costs	325	314
Parochial Stipends inc. NI and Pensions	3,761	3,711
Other clergy costs	258	264
Grants to Diocesan and other associated bodies	326	292
Glebe Costs	81	85
Housing and Property Costs	841	880
Board of Ministry	370	311
Board of Mission and Social Responsibility	118	120
Retired Clergy, Widows and Dependants Committee	14	15
Church Extension Fund	5	41
Communications including publications	74	89
Partnerships	76	83
Parish Funding costs	109	82
Central Administration including Synodical costs	405	386
Legal and other professional fees	87	81
Depreciation	38	53
TOTAL EXPENDITURE	6,888	6,807
Surplus before exceptional items and transfers	486	65
Less: Exceptional items		
– Celebrate 80	(41)	(19)
– Shaped by God (Mission Partnerships)	(32)	(11)
Surplus after exceptional items	413	35
Add: Transfers from other board funds	(27)	32
Less: Transfers to other board funds	9	(12)
GENERAL FUND SURPLUS FOR THE YEAR	395	55

This page does not form part of the statutory financial statements which are the subject of the independent auditor's report on page 14 of the financial statements.