

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

SATURDAY



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09/05/2015

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COMPANIES HOUSE

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

LEGAL AND ADMINISTRATIVE INFORMATION

Members of the Executive

The Members of the Executive [who are the trustees of the Charity (for the purposes of charity law) and the directors of the Company (for the purposes of company law)] who served during the year and who were members at the date of this report were as follows:

President (ex officio)

The Rt. Revd. T M Thornton

Chairman (elected by the Members)

Mr R P Caudwell (resigned 9 May 2014)
Dr M J Todd (acting Chair appointed 9 May 2014)

Ex officio

The Rt. Revd. C D Goldsmith
The Very Revd. R C Bush (The Dean)
The Ven. W R Stuart-White (Archdeacon of Cornwall)
The Ven. A A Elkington (Archdeacon of Bodmin)

Elected by the relevant Houses of Diocesan Synod

Chairman of the House of Clergy

The Revd. A G Bashforth

Chairman of the House of Laity

Mrs S J Sturgess

Elected by Houses and Archdeaconry

Archdeaconry of Cornwall

Archdeaconry of Bodmin

The Revd. C C McQuillen-Wright
The Revd. L A Walker

The Revd. R S Thewsey
The Revd. D K Barnes

Mr R Hopper
Mr R J Perry

Mr R H Foulkes

Co-Opted

The Revd. Canon C M Malkinson
Group Captain P E Terrett OBE (resigned 9 May 2014)
Dr A Stanhope

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LEGAL AND ADMINISTRATIVE INFORMATION *(continued)*

Secretary	Mrs E Pollard
Registered Office	Church House Woodlands Court Truro Business Park Threemilestone Truro TR4 9NH
Telephone	01872-274351
Email address	info@truro.anglican.org
Web site	www.trurodiocese.org.uk
Company registration number	00049825 (England and Wales)
Charity registration number	248330
Diocesan registrar	Mr M J Follett, Woodwater House, Pynes Hill, Exeter
Solicitors	Michelmores LLP, Woodwater House, Pynes Hill, Exeter Stephens Scown LLP, Osprey House, Malpas Road, Truro
Auditors	Robinson Reed Layton, Peat House, Newham Road, Truro
Bankers	National Westminster Bank PLC, St Nicholas Street, Truro
Insurers	Ecclesiastical Insurance Group PLC, Beaufort House, Brunswick Road, Gloucester
Investment advisers	CCLA Investment Management Limited, Senator House, 85, Queen Victoria Street, London
Glebe estate manager	Smiths Gore, Lemon Villas, Truro (until Jan 2015) Savills, Lemon Street, Truro (from Jan 2015)

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STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The members of the Bishop's Diocesan Council, in their capacity as directors for the purposes of company law, present their strategic report for the year ended 31 December 2014.

The year as a whole

Our overarching vision in this diocese is to Discover God's Kingdom and Grow the Church.

As Disciples of Christ we can, together, make a huge difference in enabling the life and mission of our Diocese to grow and flourish. In responding to the opportunities which God is giving us, we will discover God's love at work in our own lives as well as those around us.

God gives generously to us day by day and we can of course never respond as fully as he gives to us. But we can respond generously and hopefully.

Following indications in the reports for both 2012 and 2013, this year was the time when we had to face the fact that operating deficits had become not just a blip but, if we continued as we were, an on-going problem. It was never going to be easy to address the objective of balancing the books especially as our principal source of income – MMF contributions from parishes – only meets just half of our expenditure.

Out of just over £6 million expenditure, we were heading rapidly toward a £1 million annual deficit on our operating budget. In addition to which we were funding new initiatives – the Three Strands of the Diocesan Policy for creating change – from asset sales which also had to be used to cover the operating deficit.

Established institutions like the church do not readily take to adapting to markedly new circumstances and there are many who still bear a torch for being able to 'go back to how things used to be'. As much of the need to change comes from external factors as from an internal commitment to 'doings things better', a philosophy that ought to be the bedrock of any group that has ambitions to survive in the long term as circumstances evolve.

For a number of reasons, and we will expand on some of these below, the early part of the year brought a number of surprises that simply had not been anticipated. Not least amongst these was the sudden resignation of Roger Caudwell, Chair of the Board of Finance, on health grounds. Synod, at its meeting in May, not only paid tribute to his enormous contribution in his first term as chair but also wished him and his wife Janet well in his health recovery and also their move to Devon.

As a result, a new Vice Chair was appointed and then asked to fulfil the role of Acting Chair at least until the triennial election in 2015.

A series of issues were already emerging and several review working parties which had been working for some time, nearly two years in one case, all brought forward recommendations for change but which, in the form presented, did not lead to immediate adoption or the resolution of the underlying reason for their work. The main areas covered the future of Diocesan House at Kenwyn, changes to the way in which MMF is apportioned to parishes, increasing and improving the role of deaneries in the operation of the diocese and reviewing our governance structure to ensure that the right degree of expertise is available at the highest levels.

At the same time, the diocese as a whole continued its progress towards the level of Authorised Ministry (especially stipendiary clergy) that was the trajectory for over the past decade. Emerging from this experience was the conclusion that, saving a small number of further reductions, any substantially greater diminution would lead either to a very different approach to ministry, with the potential that we could no longer maintain the universal ministry obligation or that we would enter a rapid spiral of decline from which recovery would be very difficult.

For the past two years, the response to this trend has lain in the three strands of the Transformation Programme: Discipleship, Accompanied Ministry Development and Doing Church Differently (now morphed into a wider Mission activity).

The next part of this report will look at a number of the policy and strategic issues which we have addressed in 2014.

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Balancing the Books

The need to work as quickly as possible towards achieving a balance between our income and our on-going expenditure was first introduced at the May Synod and was followed by an extensive consultation which we called the Deanery Challenge. Following a meeting in each archdeaconry we met with most deaneries and gave a presentation covering the background to a decision to be made at the November Synod regarding the level of the 2015 Budget as well as the increase in requested MMF contributions.

The core of the presentation included setting out in very simple terms what it costs of the diocese in each deanery. 80% of our expenditure provides Authorised Ministry of which the greater amount is for stipendiary clergy, even if numerically the other forms of ministry are greater. We stated that, to balance the books as we could see it at that time, either meant losing around 22 stipendiary clergy or a 40% increase in actual MMF receipts.

The Bishop and his senior staff conducted a thorough review of stipendiary posts, taking into account data on planned re-organisations of parish clusters as well as likely retirements. This led to a 6% reduction in the budget for authorised ministry going into 2015.

The meeting of Synod in November was asked to choose between three options regarding the MMF increase and, after a very extensive debate, it agreed to adopt the full 28% for 2015, recognising that to achieve this may take further work at the local level with considerable support from senior clergy as well as the expertise of central staff.

It is pleasing to note that whilst the reaction to this decision varied considerably from parish to parish, many have responded positively.

It is important to see balancing our books not as an end in itself but part of the process of discovering a sustainable future, one in which we can confidently expect to be able to continue in mission and ministry to all parts of the diocese.

Diocesan House

One of the on-going reviews had been about the future of Diocesan House which we had occupied at Kenwyn for almost 20 years. Budget pressures over many years had led, almost inevitably, to adopting a priority for clergy houses and the fabric of Diocesan House had been allowed to deteriorate. Not only was it deemed not a good environment for our staff, but also we faced a very extensive refurbishment that was estimated in excess of £1 million. At a time when we knew that we would be expecting even more from our parishes it did not seem right to be seen to be taking this amount either from our reserves or from our current budget. Early in the year, the Diocesan Executive decided to reject the refurbishment option and to look for alternatives. In fact further urgent issues with the roof meant that we had to act quickly if we were not to undertake quite expensive temporary repairs.

We placed the building on the market and sought offices to rent. In the background were unresolved debates about the extent to which a central office was the best way of supporting the diocese or whether in the context of modern communication technology a more distributed approach with a number of smaller local offices might be better. In the end, there was no time to resolve this so we sought a leased building that would give us security for ten years but with the option to break after five if we then believed that an alternative would be better. We moved into Church House at Threemilestone on 29 September and we finally completed the sale of Diocesan House on 10 November, after having resolved a number of legal complexities over the land.

The Diocesan Executive decided to ring-fence an amount of the £782,431 net proceeds from the sale into a Church House Fund which will be used to fund the aggregate charges payable under the terms of the non-cancellable lease agreement.

Overall, despite the down side of having to cope with the rush hour traffic into and out of Truro, staff have very positively appreciated the much better working conditions. By using an open plan layout, distinct from the numerous small offices of Diocesan House, we are able to engender a more integrated awareness across the range of our activities.

The total floor space is much less and this has meant that a number of ancillary activities can no longer be accommodated. Although we have sufficient space to support the meetings of the Board of Finance, there is limited scope for hosting other organisations, most of whom have had to look elsewhere to meet.

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Diocesan House *(continued)*

The Bishop Philpott's Library is an important resource both for Continuing Ministry Education and Development but also the initial training of Readers and locally-trained clergy, especially those aiming to be self-supporting. Fortunately, it was possible to reach agreement with the cathedral for the library (which is run by its own charitable trustees, quite separate from the TDBF) to be housed in the short term in the Pearson Room of the Cathedral Offices. The cost of this transfer will be met by accumulated reserves held by the Bishop Philpott Charity.

Finance Department

A dominant factor in our capability to respond to urgent matters was the resignation in the middle of the year of all three staff who comprised the Finance Department. Michael Kent, the Director of Finance who will be familiar to many Synod members in his presentations of the accounts and budgets, had served the diocese for 20 years and tribute has been paid to the enormous debt we owe to his diligence in helping us through many a challenge in that time.

After a number of short term measures, we appointed Sophie Eddy as Director of Finance and Assets, the title signalling a fresh approach to all of our assets in a more coherent way. We were very grateful to Gloucester Diocese who loaned us an experienced member of their team for over a month whilst we recruited two further support staff, who took up their posts after the end of the year.

A review of our accounting and book keeping procedures and systems revealed the need to bring a number up to date in the light of growing complexities in the operation of our property, Glebe asset management and Education areas of activity. In a number of cases, the detailed data management involved unrelated systems which led to inconsistent reporting and delayed reconciliation. We have set the target that the appropriate governance committees (see below) should expect to receive tailored management reports at least on a monthly basis and on demand if necessary.

This is not an easy process and, as Synod members will no doubt be aware from the number of pages in the Statutory Accounts, has many complexities that reflect the historic nature of the Church of England. One immediate consequence has been that the year-end figures were supplied to the Auditors about a month later than in the past and has shortened the period in which the Bishop's Diocesan Council and Synod have had to review them. *This is not ideal and we are committed to restoring our previous deadlines next year.*

Reserves Policy

During the year the Diocesan Executive reviewed its Reserves Policy, taking into account the current level of change in housing, MMF contribution levels, projected Operating Deficits and our commitment to the strategic Three Strands and the Transformation Fund. As a result, we now seek to maintain a minimum reserve of £3 million, built up from the following possible needs:

- Working Capital – 2 times average monthly MMF receipts;
- Bridging loans for parsonages – 2.5 times average parsonage cost;
- Provision for accumulated deficit – 1 year estimated deficit and
- Transformation Fund – until absorbed into the Operating Budget.

In total, our minimum reserves level, below which there is an increased risk to the maintenance of the current objectives and commitments, is set at £3 million. If at any time the reserves fall below this level then the first call on further asset sales is to restore the reserve level to the minimum, in advance of using them for other purposes.

Asset Development Policy

In recent years the TDBF has been disposing of assets, either to generate cash to cover deficits, to modify the asset class allocation of capital funds or as part of improving the effectiveness of our housing portfolio.

On some occasions questions have been raised about the potential of land for development, often with a significant speculative component. In some cases, it has been possible to offset the mainly reputational risk (when a sold asset reappears on the market, improved but at a higher price) through the use of overage clauses or restrictive covenants. These attempts to recover future value are increasingly difficult to enforce, especially when they are activated decades after they were originally agreed. Furthermore, changing attitudes

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Asset Development Policy (*continued*)

of mortgage lenders against such clauses in the first place, has begun to show explicitly the price we pay for them in the initial transaction.

It is also clear that we do not have in-house the skills and knowledge to undertake the more speculative developments, especially where this requires extended engagement with local communities over planning matters.

On the other hand, in some instances, notably the disposal of Glebe land at Looe, we have had good results from working with a developer via option arrangements.

In the background is our Investment Policy (which has not been revised for several years) which explicitly sets a very low appetite for risk, preferring to use funds where there is a high probability that our capital will be protected but the returns are less than might be obtained with some others that include also a higher risk of eroding capital.

The Diocesan Executive, therefore, decided to adopt the policy that it will not normally engage directly in speculative development projects. In practice, this still allows us to enter into partnerships on a case-by-case basis, subject to scrutiny by the Diocesan Executive, now known as the Bishop's Diocesan Council.

Contract Reviews

At the meeting of Synod in May 2014, a question was asked regarding the review of our major contracts for services. The existing policy, dating back many years, is that each of these should be reviewed at least every five years. In most cases this will involve a re-tendering process.

We committed to look at the current position and it was later reported to the Diocesan Executive that all such arrangements that have been in place for longer than five years have not been reviewed in line with that policy. As a consequence we established a programme to rectify this, recognising that each exercise is non-trivial and that the programme should take into account our available staff resources to support them.

It is important to recognise that the policy is not only intended to ensure that the Board continues to obtain good value, but also to avoid the suggestion that a re-tender necessarily implies dissatisfaction with the existing agent or supplier. In most cases there will be every opportunity for them to re-tender.

The longest standing was that for the Glebe Agent. The existing contract was open-ended with a six months' notice to terminate. In consequence we issued formal notice to terminate with an expiry early January 2015 and commenced, through the Glebe Committee, a process of developing a request to tender which meant that we had to look closely at what we needed from any future agent.

The process turned out to be more complex than we had anticipated but just before the expiry date of the existing contract we appointed Savills to be the Glebe Agent.

Governance

For some time there has been concern that the composition of the Board of Directors of TDBF (co-terminous with the Bishop's Council and Standing Committee) which has been partly ex officio (mainly bishops, archdeacons and other senior staff) and partly elected from the archdeaconries, did not necessarily ensure that there was sufficient range of expertise to advise on emerging issues in our contemporary much more highly regulated environment.

A review group was established in 2013 but submitted its final report early in 2014. In essence it was proposed to make very significant reductions in the complexity of the governance structures, which contained several groups that had evolved outside the existing agreed provision as needs arose. It also proposed the introduction of a new group, appointed on the basis of required skills and knowledge, to oversee the implementation of the policies and strategies set by the Diocesan Executive and communicated via a formal Delegations and Authorities statement.

In the event, the extent of the proposals was not considered able to reflect and handle the complexity of the governance and the Diocesan Executive considered, over several meetings, further possibilities, that still contained the essence of the review group's recommendations. During this period the role of the former

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Governance *(continued)*

Finance Planning Group was enhanced by three new appointments and renamed the Executive Standing Committee, in order to gain greater insight into how such a relationship might evolve.

A new set of proposals has now been agreed for formal presentation to the May 2015 meeting of Synod. These changes will mainly be implemented following the triennial elections in the summer of 2015.

In essence, the former Diocesan Executive has adopted the title Bishop's Diocesan Council, underneath which there will be an Executive comprising a number of Governors who will also sit on the Bishop's Diocesan Council alongside those categories of the former Diocesan Executive. All members of the Bishop's Diocesan Council will be Directors of TDBF.

The statutory roles of the Parsonage Board, Glebe Committee and Diocesan Mission and Pastoral Committee will be undertaken by the Bishop's Diocesan Council, all sitting together.

Three Management Committees are being established, reporting to the (new) Executive covering Parsonages, Glebe and Investment.

MMF Review

The Ministry and Mission Fund (MMF) has been the subject of much criticism and a review group was established in 2013. It produced a report in early 2014 which incorporated not only a different way of approaching the allocation of MMF to each parish, but also a radical new and significantly expanded role for the deaneries.

On reflection it was felt that, initially, deaneries are not sufficiently well resourced to take on the role as described. Yet, Bishop Tim is very clear that our direction of travel should be based on building up the ability of deaneries to play a larger part in the overall development of mission and ministry across the diocese.

It was also considered that it was better to separate from the Deanery Challenge consideration of the size of the overall budget and the total amount to be requested from parishes, from any changes in the way in which the total is apportioned. In addition, the rather cumbersome process currently being used is expensive in terms of Church House staff and so it was agreed that the 2015 apportionments would remain as in 2014, subject only to the 28% uplift across all parishes. At the same time a plan was established for consultation leading up to a decision about 2016 proportions as part of the November 2015 Synod meeting. Consultations with every deanery are planned to take place in March and April 2015.

Property Management

For several years the Board has been aware that the management of our property portfolio comprising parsonages, curates house and a few others, has been compromised by the scale and breadth of expertise and considerations necessary in the current regulated environment. Our overall budget appears to be at least as generous as that of other diocese and the programme of replacement and rationalisation has reduced the relative cost of maintenance.

Nevertheless, it has been a challenge to maintain our obligations and aspirations in providing good quality housing for clergy. Alternative arrangements, including sharing back office functions with another diocese or subcontracting some of the tasks to local organisations, have been extensively explored but by the end of the year no effective conclusion had been reached and so the matter remains on the agenda for 2015.

We are acutely aware that this role is very significant in the overall ability to provide good ministry and mission in each community and that there are substantial risks should we not achieve a sustainable balance between reasonable expectations from occupiers and our ability and willingness to provide the resources. Our total expenditure, excluding capital movements, in 2014 was £875,000. In addition we made £183,000 worth of improvements to the properties not covered by the normal maintenance budget which were funded from some of the assets sales.

During 2014, 11 houses were sold and 5 purchased. A further 8 houses have been identified for release in the following four or five years.

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Property Management (*continued*)

At the end of 2014 we had 142 houses in the portfolio:

- 98 parsonages
- 12 curate's and archdeacon's houses
- 27 properties not currently occupied by clergy (rented shorthold)
- 5 houses for other purposes.

The provision of houses for curates remains a challenge. Curates are primarily located where there is an experienced training incumbent and a suitable parish. This may result in the placement (typically for four years) being different from those in previous cohorts. The costs and difficulties in buying and selling to meet this requirement are not inconsiderable. (In one case in 2014 we sold a curate's house for £54K less than we paid for it in 2010 in addition to the costs of buying and selling). Although we have a policy of exploring rental options, the implications of shorthold tenancies (which are used by the majority of landlords) mean that it is not easy to ensure continuity of housing throughout the curacy. This remains an issue where we may need to develop stronger strategies to ensure that the cost of training curates remains within our capacity to resource.

Transformation Fund – The Three Strands

The strategy of the bishops and senior staff, first agreed with the Diocesan Executive in 2013, is extensively embedded into what has become known as The Three Strands, namely Discipleship, Accompanied Ministry Development and Doing Church Differently. During 2014, the latter was morphed into a broader Mission development.

For 2013, it was agreed to fund this work outside the Operating Budget by using one third of asset sales in that year. It was estimated that this would create a fund of £0.33 million to be spent over five years.

The assets to be sold largely comprised redundant parsonages. These monies have to be held initially (once a Pastoral Scheme releases them from the benefice to which they relate) in the Pastoral Account which is a restricted fund in the Board's accounts. The rules that determine how the Pastoral Account may be used have been extended in recent years and it is now possible, in effect, to use them very broadly. However, the reason for removing amounts from the Pastoral Account need to be stated, rather than simply moving them to an unrestricted fund.

The net effect of this accounting complexity is that it is not possible to designate parts of the Pastoral Account to cover planned expenditure in future years.

Unfortunately it was realised early in 2014 that the whole of the Transformation activities lay outside our agreed Operating Budget and that there was no explicit provision for this unbudgeted expenditure. Consequently we amended our Reserves Policy (see elsewhere in this report) to cover the immediate amounts pending a consideration of how to bring these activities into the Operating Budget for 2016. The Diocesan Executive has begun to recognise that although the specific current activities are planned to have a fixed lifetime, this level of expenditure is a necessary component in enabling change and underpinning growth. Both of these are seen as essential for achieving longer term stability of the diocese, providing ministry and a presence in every community.

Clergy Changes

There were 16 new appointments during 2014, 11 of whom were new to the diocese. 2014 also saw five new deacons move into incumbent posts and there were five new Readers.

During 2014 there were ten retirements. Those we said goodbye to were:

Robert Oakes, Stephen Leach, Gordon Smyth, Mike Pascoe, Andrew Balfour, John May, Michael Adams, Tony Hodge, Hilary Spong and Len Jepp. We are very grateful for their ministry.

Education

In February, the Director of Education, Sue Green took on a new role in a Multi Academy Trust and during this period of transition, Jo Osborne accepted the role of Interim Director of Education. As the Head Teacher at The Bishops' School in Newquay, Jo combined the interim role with her headship duties. We finally appointed Simon Cade as the Director of Education and Discipleship in October who is leading on the new strategy. Its aim is to become a significant partner in raising standards in schools in Cornwall and the Isles of Scilly.

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Education (*continued*)

The annual diocesan expenditure for our school work remains fixed at about £100,000. In addition, the Board oversees spending of another £300,000 that comes from the Education Trust Funds, schools and the DfE. The Director's appointment and other changes have all been made within that overall budget. A new appointment to support governors will emphasise our work with all parishes, not just the ones with church schools.

We will be focussing on the following areas of our organisation in 2015:

- Three strands – new shape and staffing etc, focus on parish support
- Overall budget goal (sustain ministry level, balance budget)
- Impact of 28% and supporting parishes
- MMF formula approach and administration
- Property
- Pastoral schemes
- Implementation of governance changes
- Triennial elections
- Socially Proactive Investment
- Possible changes in Church Commissioners Grant and what this will mean (2017)
- Bishop Phillpotts Library and regularising the arrangements
- Ecumenical dimension.

This report was approved by the Bishop's Diocesan Council on 29 April 2015
and was signed on its behalf by:



E Pollard
Secretary

Church House
Woodlands Court
Truro Business Park
Truro
TR4 9NH

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ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

The trustees, who are also directors for the purposes of company law, present their annual report and the audited financial statements for the year ended 31 December 2014 and confirm that these comply with the requirements of the Companies Act 2006, the Memorandum and Articles of Association and the Charities Statement of Recommended Practice 2005.

This report refers to the Diocese of Truro except for Section 2 and is set out as follows:

1. Legal and administrative details
2. Summary information about the structure of the Church of England
3. Structure, governance and management
4. Objectives and activities
5. Achievements and performance
6. Financial review
7. Plans for future periods
8. Funds held on behalf of others
9. Appointment of solicitors
10. Appointment of auditors

1. LEGAL AND ADMINISTRATIVE DETAILS

These are set out on pages 1 and 2.

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 42 in England.

Each diocese in England is divided into parishes. Each parish is overseen by a parish priest (usually called a 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 110 bishops (including Diocesan Bishops and Assistant 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 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 and suffragan bishops are met by the Church Commissioners.

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The National Church Institutions *(continued)*

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 co-operation both with the Archbishops' Council and with the Church Commissioners.

The Cathedral

Truro 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 Office, 14, St Mary's Street, Truro TR1 2AF.

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

The Diocese

Diocesan Synod

The statutory governing body of the diocese is the Diocesan Synod. It consists of the House of Bishops, the House of Clergy and the House of Laity, with broadly equal numbers of clergy and lay people providing representation across the diocese. 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 when requested;
- deal with matters referred by General Synod and
- provide for the financing of the diocese.

Deanery Synods

There are 12 Deanery Synods and they each have two houses, laity and clergy, and their 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 and, conversely, to pass matters from General Synod and Diocesan Synod to the parishes;
- 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.

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The Bishop's Council

Under the constitution of the Diocesan Synod, the functions of the Bishop's Council are to:

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

Parishes and Parochial Church Councils (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, apart from those PCCs with annual gross incomes exceeding £100,000 which are required to register under the provisions of the Charities Act 2011. 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.

Benefices, Deaneries and Archdeaconries

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 two archdeaconries under the spiritual leadership of the Diocesan Bishop.

3. STRUCTURE, GOVERNANCE AND MANAGEMENT

The Diocese of Truro was created in 1877. It covers the whole of the county of Cornwall and the Isles of Scilly. The overall population is approximately 550,000 and gradually increasing - but changing demographically towards the older age groups. This reflects Cornwall's popularity as a destination for retirement and as an area for those from other parts of the UK searching for a better quality of life.

In terms of gross domestic product per head and average household incomes, Cornwall and the Isles of Scilly is one of the poorest areas in the UK – indeed in Europe. Furthermore, parts of the region, especially on the coast, have high house prices, driven up by demand from relatively wealthy retired people and second home owners. Consequently, during the period 2007-13, Cornwall was eligible for structural funding from the EU under the Convergence Programme. The purpose of this Programme was to speed up the economic development of Cornwall and the Isles of Scilly particularly through investing in: skills and helping people into work; the development of a more knowledge based economy; business productivity and innovation; and in infrastructure for a more modern economy.

The Diocese of Truro is arranged as two archdeaconries, Cornwall covering the western part with 7 deaneries and Bodmin the eastern part with 5 deaneries. In total there are 223 parishes.

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

Diocesan governance

The Diocese is governed by Act of Parliament and Order in Council made in 1876. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of 13 ex officio members, including the Bishops and Archdeacons, 53 clergy members elected by the houses of clergy in Deanery Synods, 68 lay persons elected by the houses of laity in Deanery Synods, up to five persons who may be co-opted by each of the House of Clergy and the House of Laity and up to five ordained and five lay persons who may be nominated by the Diocesan Bishop. The Diocesan Synod normally meets two or three times a year. Many of Diocesan Synod's responsibilities have been delegated to the Bishop's Council and Standing Committee.

Company status

The Company, The Truro Diocesan Board of Finance Limited, was formed to manage the financial affairs and hold the assets of the Diocese. It was incorporated on 23 October 1896 as a charitable company limited by guarantee (No. 00049825) and its governing documents are the Memorandum and Articles of Association. The Company is registered with the Charity Commission (No. 248330).

Every member of Diocesan Synod is a member of the Company for company law purposes and has a personal liability limited to £10 under their guarantee as company members in the event of its being wound up. The Bishop's Diocesan Council consists of the members of the Bishop's Council and Standing Committee who are also the directors of the Company under company law.

Decision-making structure

Diocesan Synod has delegated the following functions to the Bishop's Council and Standing Committee:

- 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;
- 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 and
- Carrying out any other functions delegated by Diocesan Synod.

The Company has responsibility for the day-to-day financial management of the Diocese.

Committee structure

Those following are statutory committees:

Parsonages Committee, which is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by the Company.

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

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

Committee structure (*continued*)

Diocesan Mission and Pastoral Committee, which is responsible for reviewing the arrangements for pastoral supervision and care in the diocese, including the deployment of clergy, and having regard for the worship, mission and community as central to the life and work of the Church of England.

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.

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.

Diocesan Board of Education, which has responsibility for 44 Church of England schools and Askel Veur The Diocese of Truro Academies Umbrella Company Limited (which was set up as a vehicle for establishing and monitoring the work of CE Academies across the Diocese), provides pastoral and professional support, and challenge, to all its schools. The Board is committed to enhancing the quality of educational provision for schools, in particular pupil achievement, leadership and management and curriculum, including a particular focus on religious education, collective worship and the spiritual, moral, social and cultural development of all pupils.

Churches Uses Committee, which is responsible for finding appropriate alternative uses for churches which have been declared closed for public worship.

In addition to the statutory committees, other committees are established to deal with issues concerning training and development of children and young people; and adults, lay and ordained (Formation Education and Discipleship Committee (FEaD) and, for proclaiming the Gospel through the action of the Church in society (Kingdom Group).

The Bishop's Diocesan Council

The Bishop's Diocesan Council acts as the Bishop's Council and Standing Committee of the Diocesan Synod (meeting under the chairmanship of the Bishop); and as the board of directors and trustees of the Company (meeting under the chairmanship of the Chairman of the Company). The Bishop's Diocesan Council includes 5 ex officio members - the Diocesan and Suffragan Bishops, the Dean and the two Archdeacons; the Chairman of the Company, the Chairman of the House of Clergy and the Chairman of the House of Laity; the Vice Chairmen of FEaD, Kingdom Group and Diocesan Board of Education (if the Diocesan Bishop is not the Chairman); and 4 clergy and 4 lay members elected by Diocesan Synod. Furthermore, up to 3 members can be co-opted by the Bishop's Diocesan Council with the approval of the Bishop.

All elected members of the Bishop's Diocesan Council may serve for a maximum of six years before standing down for at least one year, but may stand for re-election thereafter.

Appointment of members of the Bishop's Diocesan Council

The appointment process is described above.

Members are given induction training when first appointed and receive ongoing training, as appropriate. Some senior officers have job titles incorporating the title 'Director' but they are not directors of the Company for the purposes of company law.

The Bishop's Diocesan Council's responsibilities

The Bishop's Diocesan Council is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the Bishop's Diocesan Council 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.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

The Bishop's Diocesan Council's responsibilities (*continued*)

In preparing these financial statements, the Bishop's Diocesan Council is required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements 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; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company and Group will continue in operation.

The Bishop's Diocesan Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable it to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the corporate and trust assets of the Company and Group and ensuring their proper application under charity law and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Statement of disclosure to auditor

- So far as the Bishop's Diocesan Council is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Bishop's Diocesan Council has taken all the steps that it ought to have taken as directors in order to make itself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Related parties

General Synod, Church Commissioners and Archbishops' Council

The Company 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 Suffragan Bishops are borne by the Church Commissioners and are therefore not reflected in these financial statements.

Parochial Church Councils (PCCs)

The Company 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.

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

Subsidiary company

The Company has one subsidiary undertaking – Diocese of Truro Enterprises Limited (DOTE) – in which it holds the whole of the issued share capital of 100 ordinary shares of £1 each. Its principal activity is the provision of building project management services primarily, but not exclusively, to Church of England schools in the Diocese.

DOTE reported a surplus for the year of £8,017 (2013: loss £7,591) so £60,207 (2013: £0) is payable as a distribution to the Company by Gift Aid. A brief summary of the subsidiary's results and financial position is given in note 23 to the financial statements.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Connected charities

The trustees consider the following to be a connected charity:

The Cornwall Retired Clergy, Widows of the Clergy and their Dependants Fund - a registered charity which provides financial support to the spouse or the dependants of deceased clergy and to retired clergy or their dependants, and to the spouse or dependants of clergy from whom the spouse is separated or divorced, who are in particular financial need.

Pensions

Stipendiary clergy, and the Company's lay staff who joined the Company before 1 February 2010, are members of the Church of England Funded Pensions Scheme and the Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund respectively. Both schemes provide defined retirement benefits and both are non-contributory except for lay staff who have joined the Company since 1 April 2004 who contribute 6% of their pensionable salaries.

On 1 February 2010, the Company closed its Defined Benefits Scheme to new lay staff who are instead eligible to join the Pension Builder Scheme (previously known as the Defined Contributions Scheme (DCS)), part of the Church Workers Pension Fund. This scheme is contributory and provides limited pension guarantees.

Further details about these schemes are contained in note 31 to the financial statements.

Risk management

The directors confirm that the major risks to which the Company is exposed, as identified by the Bishop's Diocesan Council and staff, have been reviewed and that systems and procedures have been established to manage those risks. The risks are defined and measures are in place to manage and monitor these risks and procedures and controls designed and implemented to minimise any potential impact on the Company should any of the risks materialise. A risk register has been compiled.

The directors review the risk register at least annually as part of the corporate risk management strategy.

4. OBJECTIVES AND ACTIVITIES

Aims and objectives

The objects of the Company, which are described in its Memorandum of Association, consist of promoting and assisting the works, objects and purposes of the Church of England, the advancement of the Christian religion in the Diocese of Truro and, in particular organising and providing funds for various departments of the Church's work.

In pursuance of its objects, the Company undertakes the following activities:

- the funding of the stipends of clergy and licensed lay workers engaged in the parochial ministry;
- the provision and maintenance of appropriate housing for such clergy and lay workers;
- the employment of clergy and lay staff in diocesan-wide ministries such as education, ministry development, evangelism and social responsibility;
- the training and development of both clergy and laity in all aspects of delivering ministry;
- the provision of financial and other support to parishes;
- the management and investment of glebe and other assets held under trusts for the benefit of the Diocese and
- the employment of staff to manage the administration of the Company's affairs.

These activities are funded principally by parish contributions (Mission and Ministry Fund); income is also received from the Church Commissioners, parochial fees and investments.

The Company's strategic plans are set out in the Strategic Report.

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED (LIMITED BY GUARANTEE)

Public benefit

The directors are aware of the Charity Commission's guidance on public benefit in 'The Advancement of Religion for the Public Benefit' and have regard to that guidance in their administration of the Company.

The directors believe that, by promoting the work of the Church of England in the Diocese of Truro, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the Diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers;
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole;
- working together with partners throughout the Diocese to achieve better outcomes for all members of society and also aiming to meet the needs of both members of our Church communities and those who live in the parishes and
- working in particular with those who are on the fringes of society and trying to provide materially as well as spiritually for all the public in Cornwall and the Isles of Scilly.

Statutory functions

The Company 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 Company is the custodian trustee in relation to PCC property.

Grant-making (beneficiary-selection) policy

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see note 10 to the financial statements). Grants are paid to other charitable projects which appear to the Executive to support the furtherance of the Company's objects (see note 2 to the financial statements).

5. ACHIEVEMENTS AND PERFORMANCE

A full review of the company's activities in 2014 is given in the Strategic Report.

6. FINANCIAL REVIEW

Overall financial position

Before revaluation adjustments, group income totalled £7.1 million (2013: £6.5 million) and expenditure amounted to £7.3 million (2013: £6.7 million).

The Consolidated Statement of Financial Activities for the year shows net outgoing resources of £0.2 million (2013: £0.2 million) before unrealised gains on the revaluation of investments and the sale of investment assets.

After revaluation adjustments, the net increase in funds amounted to £4.4 million (2013: £4.0 million).

During the year, total group funds employed increased from £69.3 million to £73.4 million.

There was an overall net cash inflow of £0.2 million (2013: £1.6 million).

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
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Principal Funding Sources

Around 60% of the unrestricted income of the Group came from the Mission & Ministry Fund (Common Fund) and 15% from National Church Selective Allocations.

Review of the financial position

Unrealised revaluation gains for the year amounted to £4.5 million (2013: £2.7 million).

Review of cash flow for year

There was an increase in cash and cash equivalents of £0.2 million during the year.

Going concern

The directors are satisfied that the Company 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

Under the Memorandum and Articles of Association, the Company has the power to make any investment which the directors see fit.

The Investment Committee oversees the management of the Company's investment assets (apart from Glebe land and buildings which are the specific responsibility of the Glebe Committee). The Company's *Investment Policy and Principles Statement* sets out a practical framework of guidelines and conditions within which the Company's investments shall be administered.

The Company's investment strategy is based on two key policies:

Ethical investment – the directors deem it appropriate to consider whether or not the activities and corporate governance of the companies in which the Company is invested are compatible with the ethos of the Church. The directors require that regard shall be had to the ethical investment policy published by The Church of England's Ethical Investment Advisory Group. Ethical requirements may be achieved by investing predominantly in The CBF Church of England Funds.

Long-term responsibilities - the directors are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

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 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 maintain an adequate level of liquidity and a level of income that is at least consistent with preserving the real value of capital. The Company engages CCLA Investment Management Limited to review the Company's portfolio and to provide investment advice from time to time.

The Company holds investments across the range of The CBF Church of England Funds (representing 83% of the total value of the Company's investments of £15.1 million (excluding Glebe) at 31 December 2014 (see note 22)).

The total capital and income return for the year for each of these Funds were as follows:

	<u>Fund</u>	<u>Benchmark</u>
The CBF Church of England Investment Fund	+10.2%	+ 5.7%
The CBF Church of England Global Equity Income Fund	+ 8.1%	+11.2%
The CBF Church of England UK Equity Fund	+ 3.2%	- 0.1%
The CBF Church of England Property Fund	+20.0%	n/a

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Investment policies (*continued*)

The Bishop's Diocesan Council consider these investment returns to be satisfactory and is hopeful that the Company's current bias towards equity-based funds will continue to provide attractive returns in 2015 and beyond.

Glebe investments

Glebe investments are held in agricultural land, commercial and residential land and buildings.

Unrestricted fund investments

Funds which may be needed for short term working capital purposes are held primarily in The CBF Church of England Deposit Fund.

Reserves policy

The directors have a responsibility for ensuring that the Company has adequate funds to fulfil its continuing obligations to service the Ministry in the Diocese. Further details of the Reserves policy can be found in the Strategic Report.

The directors are naturally concerned about the current UK economic climate on the Company's future income. The Company is heavily dependent on parishes for their full and regular payment of their Mission & Ministry Fund contributions. Contributions had fallen for three successive years but in the last two financial years there have been small increases.

Mission & Ministry Fund is needed to support some two thirds of the Company's current annual budgeted expenditure. The Company will continue to help parishes through these difficult financial times.

The cost of funding pensions (both clergy and lay) is likely to continue to escalate unpredictably.

Considering these sensitive financial concerns, the directors believe that the present accumulated balance of free reserves (the General Fund) of £4.5 million (2013: £3.3 million) are considered adequate at this particular time.

The adequacy of General Fund reserves is reviewed annually as part of the Company's formal budgetary process.

7. PLANS FOR FUTURE PERIODS

A full account of the company's plans for 2015 is given in the Strategic Report.

8. FUNDS HELD ON BEHALF OF OTHERS

The Company is custodian trustee for trust investment assets with a market value of £3.22 million (2013: £3.00 million). Certain land and buildings owned by Parochial Church Councils (PCCs) is also vested in the Board as custodian trustee. Each PCC is a separate charity. The assets are held separately from those of the Company.

The Company also administers Devolved Formula Capital grants (DFC grants provide the Diocese's church schools with direct funding to invest in their buildings, grounds and ICT equipment). Consequently, for those individual schools which have appointed the Company as their agent, the Company receives their DFC grants direct from the Department for Education and defrays qualifying expenditure according to their instructions. The Company held £0.27 million (2013: £0.38 million) in designated bank accounts separate from those of the Company.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

9. APPOINTMENT OF SOLICITORS

A resolution to reappoint Michelmores LLP and Stephens Scown LLP as solicitors to the Company will be proposed at the Annual General Meeting.

10. APPOINTMENT OF AUDITORS

A resolution to reappoint Robinson Reed Layton as auditors to the Company will be proposed at the Annual General Meeting.

This report was approved by the Bishop's Diocesan Council on 29 April 2015
and was signed on its behalf by:

A handwritten signature in black ink, appearing to be 'E Pollard', with a long horizontal stroke extending to the right.

E Pollard
Secretary

Church House
Woodlands Court
Truro Business Park
Threemilestone
Truro
TR4 9NH

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

We have audited the financial statements of The Truro Diocesan Board of Finance Limited for the year ended 31 December 2014 which comprise the Group and Parent Charitable Company Statement of Financial Activities and Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheet, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities on pages 14 and 15, the directors (who are also the trustees under charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2014, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Robinson Reed Layton

Mark Williams FCA DChA (Senior Statutory Auditor)
For and on behalf of Robinson Reed Layton, Statutory Auditor

Peat House
Newham Road
TRURO
Cornwall
TR1 2DP

29/4/2015

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

**Consolidated Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 December 2014**

	Note	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
Parish contributions		3,401,785	-	-	3,401,785	3,397,512
Archbishops' Council	3	844,782	57,430	-	902,212	901,879
Other	4	105,281	81,243	-	186,524	169,962
Activities for generating funds	5	187,012	229,019	-	416,031	352,734
Investment income	6	819,759	148,458	-	968,217	944,763
Incoming resources from charitable activities:						
Statutory fees etc		308,262	-	-	308,262	341,557
Other	7	7,741	-	-	7,741	14,334
Other incoming resources	8	-	-	866,418	866,418	353,160
Total incoming resources		5,674,622	516,150	866,418	7,057,190	6,475,901
Resources expended						
Costs of generating funds	9	252,398	35,592	-	287,990	269,887
Charitable activities						
Contributions to Archbishops' Council	10	353,671	-	-	353,671	367,423
Resourcing ministry and mission:						
Ministry in parishes	11	4,971,608	-	-	4,971,608	4,965,405
Support for ministry and mission	12	1,043,053	153,993	-	1,197,046	1,012,079
Governance costs	13	53,449	-	-	53,449	51,959
Other resources expended	14	426,627	-	-	426,627	-
Total resources expended		7,100,806	189,585	-	7,290,391	6,666,753
Net incoming/(outgoing) resources before transfers		(1,426,184)	326,565	866,418	(233,201)	(190,852)
Transfers between funds	15	1,129,777	399,821	(1,529,598)	-	-
Net incoming/(outgoing) resources for the year		(296,407)	726,386	(663,180)	(233,201)	(190,852)
Realised gains on investment assets		-	-	219,228	219,228	1,444,986
Net income/(expenditure) for the year		(296,407)	726,386	(443,952)	(13,973)	1,254,134
Unrealised gains on revaluation	16	368,922	100,471	3,984,541	4,453,934	2,749,913
Net movement in funds	17	72,515	826,857	3,540,589	4,439,961	4,004,047
Fund balances at 1 January 2014		8,746,505	4,518,405	56,133,303	69,398,213	65,394,166
Fund balances at 31 December 2014		8,819,020	5,345,262	59,673,892	73,838,174	69,398,213

The Group's results are derived entirely from continuing activities.

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

Company Statement of Financial Activities and Income and Expenditure Account
for the year ended 31 December 2014

	Note	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Incoming resources						
Incoming resources from generated funds:						
Voluntary income:						
Parish contributions		3,401,785	-	-	3,401,785	3,397,512
Archbishops' Council	3	844,782	57,430	-	902,212	901,879
Gift Aid donation from subsidiary company		60,207	-	-	60,207	-
Other	4	105,281	81,243	-	186,524	169,962
Activities for generating funds	5	-	229,019	-	229,019	254,060
Investment income	6	822,091	148,458	-	970,549	946,537
Incoming resources from charitable activities:						
Statutory fees etc		308,262	-	-	308,262	341,557
Other	7	12,454	-	-	12,454	18,098
Other incoming resources	8	-	-	866,418	866,418	353,160
Total incoming resources		5,554,862	516,150	866,418	6,937,430	6,382,765
Resources expended						
Costs of generating funds	9	141,635	35,592	-	177,227	170,310
Charitable activities						
Contributions to Archbishops' Council	10	353,671	-	-	353,671	367,423
Resourcing ministry and mission:						
Ministry in parishes	11	4,971,608	-	-	4,971,608	4,965,405
Support for ministry and mission	12	1,043,053	153,993	-	1,197,046	1,012,079
Governance costs	13	52,469	-	-	52,469	50,809
Other resources expended	14	426,627	-	-	426,627	-
Total resources expended		6,989,063	189,585	-	7,178,648	6,566,026
Net incoming/(outgoing) resources before transfers		(1,434,201)	326,565	866,418	(241,218)	(183,261)
Transfers between funds	15	1,129,777	399,821	(1,529,598)	-	-
Net incoming/(outgoing) resources for the year		(304,424)	726,386	(663,180)	(241,218)	(183,261)
Realised gains on investment assets		-	-	219,228	219,228	1,444,986
Net income/(expenditure) for the year		(304,424)	726,386	(443,952)	(21,990)	1,261,725
Unrealised gains on revaluation	16	368,922	100,471	3,984,541	4,453,934	2,749,913
Net movement in funds	17	64,498	826,857	3,540,589	4,431,944	4,011,638
Fund balances at 1 January 2014		8,753,906	4,518,405	56,133,303	69,405,614	65,393,976
Fund balances at 31 December 2014		8,818,404	5,345,262	59,673,892	73,837,558	69,405,614

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Consolidated and Company Balance Sheets
at 31 December 2014

	Note	Group 2014 £	2013 £	Company 2014 £	2013 £
Fixed assets					
Tangible assets	21	46,852,861	45,054,311	46,852,100	45,053,097
Investments	22	22,622,832	20,219,878	22,622,932	20,219,978
		69,475,693	65,274,189	69,475,032	65,273,075
Current assets					
Work in progress		12,405	650	-	-
Debtors	24	853,952	268,470	895,370	284,393
Cash at bank and in hand	25	4,748,481	4,563,805	4,704,298	4,552,530
		5,614,838	4,832,925	5,599,668	4,836,923
Creditors: amounts falling due within one year					
Loans	26	399,760	366,760	399,760	366,760
Other creditors	27	852,597	341,841	837,382	337,324
		1,252,357	708,601	1,237,142	704,084
Net current assets		4,362,481	4,124,324	4,362,526	4,132,839
Total assets less current liabilities		73,838,174	69,398,513	73,837,558	69,405,914
Creditors: amounts falling due after more than one year					
Loans	26	-	300	-	300
Net assets		73,838,174	69,398,213	73,837,558	69,405,614

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Consolidated and Company Balance Sheets (*continued*)
at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		£	£	£	£
Funds employed	28				
<i>Unrestricted funds</i>					
General Fund	- company	4,532,751	3,343,287	4,532,751	3,343,287
	- subsidiary	616	(7,401)	-	-
Board Houses Fund		4,056,289	5,390,455	4,056,289	5,390,455
Church House Fund		209,200	-	209,200	-
Other funds		20,164	20,164	20,164	20,164
		8,819,020	8,746,505	8,818,404	8,753,906
<i>Restricted funds</i>					
Pastoral Account		4,118,693	3,322,559	4,118,693	3,322,559
Diocesan Council for Mission & Unity		82,820	90,777	82,820	90,777
Education Trusts		1,011,163	992,430	1,011,163	992,430
Mission Fund		126,326	106,404	126,326	106,404
Bishop Phillpotts Prize Fund		6,260	6,235	6,260	6,235
		5,345,262	4,518,405	5,345,262	4,518,405
<i>Expendable endowments</i>					
Parsonage Houses Fund		42,339,151	39,262,199	42,339,151	39,262,199
Stipends Fund Capital Account		17,334,741	16,871,104	17,334,741	16,871,104
		59,673,892	56,133,303	59,673,892	56,133,303
Total funds employed		73,838,174	69,398,213	73,837,558	69,405,614
The revaluation reserve included in the above funds is	29	39,108,286	37,168,556	39,108,286	37,168,559

These financial statements were approved by the Bishop's Diocesan Council and authorised for issue on 29 April 2015 and were signed on its behalf by:



M Todd
Acting Chairman

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

**Consolidated Statement of Total Recognised Gains and Losses
for the year ended 31 December 2014**

	2014 £	2013 £
(Deficit)/surplus for the year	(13,973)	1,254,134
Unrealised gain on revaluation of freehold property	4,078,132	1,380,432
Unrealised gain on revaluation of investments	408,802	1,371,481
	<hr/>	<hr/>
Total recognised gains relating to the year	4,472,961	4,006,047
Unrealised (loss) on Equity Sharing loans	(33,000)	(2,000)
	<hr/>	<hr/>
Total recognised gains since the last annual report	<u>4,439,961</u>	<u>4,004,047</u>

**Consolidated Statement of Historical Cost Profits and Losses
for the year ended 31 December 2014**

	2014 £	2013 £
(Deficit)/surplus for the year	(13,973)	1,254,134
Realisation of fixed asset revaluation gains of previous years	2,514,207	2,234,451
	<hr/>	<hr/>
Historical cost surplus for the year	<u>2,500,234</u>	<u>3,488,585</u>

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	Note	£	2014 £	£	2013 £
Net cash (outflow) from operating activities	32		(713,796)		(681,325)
Servicing of finance					
Interest paid		(10,429)		(8,123)	
			(10,429)		(8,123)
Capital expenditure and financial investment					
Payments to acquire:					
Board property		(404,288)		(825,399)	
Parsonage houses		(1,194,820)		(631,823)	
Glebe property		(14,152)		(128,037)	
Office equipment		(46,403)		(10,364)	
Leasehold improvements		(11,609)		-	
Other investments		(1,980,000)		(1,220,349)	
Receipts from sale of:					
Board property		1,616,827		418,058	
Parsonage houses		2,724,418		3,140,102	
Glebe property		219,228		1,512,986	
			909,201		2,255,174
Cash inflow before financing			184,976		1,565,726
Financing					
Loans from Central Board of Finance repaid		(300)		(300)	
			(300)		(300)
Increase in cash equivalents	33 & 34		184,676		1,565,426

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes

(forming part of the financial statements)

1 Constitution

The company is incorporated as limited by guarantee under the Companies Act 1948. In the event of winding up, up to the permitted maximum 134 members of the Company are liable to contribute a sum not exceeding £10 per member towards the debts and liabilities of the Company and the costs, charges and expenses of winding up.

2 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements are prepared under the historical cost accounting rules except that freehold land and buildings and investments (held as fixed assets) are included at valuation.

The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP2005) issued in March 2005, applicable accounting standards and the Companies Act 2006.

The financial statements consolidate the results of the Company and its wholly owned subsidiary, Diocese of Truro Enterprises Limited on a line by line basis.

Fund balances are split between unrestricted and restricted income funds and capital endowment funds.

Unrestricted funds are freely available for any purpose within the Company's objects. They include funds which have been set aside by the Executive out of the General Fund for designated purposes.

Restricted funds are income funds which may only be expended subject to conditions imposed by law or by trust.

Endowment funds are those held on trust as capital. In the case of the endowment funds administered by the Executive, there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment.

Details of the major funds are given in note 27.

'Special trusts' (as defined by the Charities Act 2011) and any other trusts where the Company acts as trustee and controls the management and use of the funds, are included in the Company's own financial statements as charity branches, subject to the Charity Commission's determination of their accounting status.

Trusts where the Board acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are disclosed in the directors' annual report.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the Board is legally entitled to them as income or capital respectively, ultimate receipt is reasonably certain and the amount to be recognised can be quantified with reasonable accuracy.

Parish contributions are recognised as income of the year in which they are received.

Rents are included as income of the year in which they become due for payment.

Investment income is accounted for on a receivable basis. Thus, dividends are accounted for according to their ex-div dates and deposit account interest is accrued daily.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

2 Principal accounting policies (continued)

Income from commercial trading activities is recognised as earned (as the related services are provided).

Grants received which are subject to pre-conditions for entitlement or use specified by the donor which have not been met at the year end are carried forward to the following year as creditors.

Resources expended

Expenditure is included on the accruals basis and has been classified under headings that aggregate all costs related to the SOFA category.

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional on the recipient satisfying performance or other discretionary requirements to the satisfaction of the Board. Such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions are noted as a commitment, but not accrued as expenditure.

Where costs cannot be directly attributed to the activity concerned, they have been allocated or apportioned to activities on a basis consistent with the estimated usage of resources at Church House. The apportionment of central support costs can be summarised as follows:

	£
Costs of generating funds (note 9)	91,150
Ministry in parishes (note 11)	83,871
Support for ministry in parishes (note 12)	271,489
Governance costs (note 13)	41,935

The Company is not VAT registered and therefore resources expended include attributable VAT which cannot be recovered. However, the Company's trading subsidiary is registered for VAT.

Pension costs

The cost of providing pension and related benefits to the clergy and Board's lay staff is advised by The Church of England Pensions Board and is charged to the General Fund in the period in which the contributions become due for payment (see note 30).

Freehold property

Freehold land and buildings are held for direct charitable purposes with the exception of Glebe property which is held for investment purposes (see below). Parsonage houses, board property and property equity shared with the Church Commissioners are stated at valuation on an existing use value basis.

Parsonage houses are not legally owned by the Company but have been included in accordance with Financial Reporting Standard No.5 on the basis that the Company is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. Parsonage houses are capitalised as expendable endowment assets.

Aided schools are the subject either of Trusts for which the Company acts merely as trustee, or of the Secretary of State's Orders specifying the application of any sale proceeds to support other Church of England schools within the Diocese. Accordingly, school properties are not included in these financial statements.

The distribution of the proceeds from the sale of a redundant school may depend on an order of the Department for Education or on a scheme approved by the Charity Commission. Until approval for distribution has been granted, the sale proceeds are invested and held by the Company in trust. When approval for distribution is eventually granted, the Company's share of the proceeds is transferred to The Diocese of Truro Education Trusts which is accounted for as a restricted fund in these financial statements.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

2 Principal accounting policies (continued)

Freehold property (continued)

Churches closed for public worship are not included in these financial statements because, in the opinion of the directors, they are of negligible value. If a situation arises whereby a church is likely to be an asset rather than a liability, then it will be brought into the financial statements at the appropriate time.

No depreciation is provided on freehold land or buildings. The Company has a policy and practice of regular maintenance and repair (charges for which are recognised in the General Fund and Pastoral Account as appropriate) such that its buildings are kept in a continual state of sound repair. Accordingly, it is considered that the useful economic lives of these assets are so long and their residual values are so high, that their depreciation would not be material. Residual values are based on valuations prevailing at the balance sheet date.

Tangible fixed assets other than freehold property are capitalised at cost and depreciated at rates of between 20% and 33 1/3% on a reducing balance basis.

Leasehold improvements are depreciated over the term of the lease.

Investments

Investments are included in the balance sheet at market value.

Listed investments are UK listed company shares and are valued at their quoted bid price. Unlisted investments comprise shares in Common Investment Funds and are valued at bid prices published by the fund managers.

Glebe comprises a portfolio of mainly agricultural property and is professionally revalued on an open market existing use basis every 5 years to establish market value. This revaluation will take place before 31 December 2015. The delay was caused by the re-tendering process of the glebe agent. In the intervening years, the directors adjust the market value for additions and disposals and such professional advice that may be received if this is material. As it is managed purely for its investment potential, Glebe property is classified under the heading of Investment Assets rather than Tangible Fixed Assets. No depreciation is provided.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for Investment Properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the directors, compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation is only one of many factors reflected in a professional market valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

Investment gains and losses. Gains and losses on disposals and revaluation of investments are charged or credited to the appropriate fund in the Statement of Financial Activities.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

3 Voluntary income from Archbishops' Council

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Selective allocations	819,750	-	-	819,750	819,750
Support of parish ministry and mission	-	57,430	-	57,430	57,430
Contribution to registrar's retainer	25,032	-	-	25,032	24,699
Group and company	844,782	57,430	-	902,212	901,879

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

4 Other voluntary income

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Allchurches Trust	92,356	-	-	92,356	87,958
Marshall's Charity	-	14,510	-	14,510	9,030
Contributions towards church schools:					
Department for Education	-	53,592	-	53,592	42,273
Donations from individuals	12,925	11,143	-	24,068	19,966
Other contributions	-	1,998	-	1,998	10,735
Group and company	105,281	81,243	-	186,524	169,962

5 Activities for generating funds

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Rents from parsonage houses	-	229,019	-	229,019	254,060
Company	-	229,019	-	229,019	254,060
Commercial trading operations	187,012	-	-	187,012	98,674
Group	187,012	229,019	-	416,031	352,734

6 Investment income

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Dividends and interest	484,356	126,056	-	610,412	551,336
Rents:					
Board properties	66,390	-	-	66,390	74,940
Glebe estate	271,345	-	-	271,345	284,121
Redundant schools	-	22,402	-	22,402	36,140
Company	822,091	148,458	-	970,549	946,537
Interest on loan to trading subsidiary	(2,332)	-	-	(2,332)	(1,774)
Group	819,759	148,458	-	968,217	944,763

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

7 Incoming resources from operating activities

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Other stipends income	26	-	-	26	4,896
Recoverable costs	12,428	-	-	12,428	13,202
Company	12,454	-	-	12,454	18,098
Costs recoverable from subsidiary	(4,713)	-	-	(4,713)	(3,764)
Group	7,741	-	-	7,741	14,334

8 Other incoming resources

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Realised gains on disposal of assets for the charity's own use	-	-	866,418	866,418	353,160
Group and company	-	-	866,418	866,418	353,160

9 Costs of generating funds

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Glebe: Outgoings	25,662	-	-	25,662	25,442
Management charges	24,823	-	-	24,823	23,400
Let vacant parsonages (management charges)	-	35,592	-	35,592	34,991
Central support costs	91,150	-	-	91,150	86,477
Company	141,635	35,592	-	177,227	170,310
Commercial trading operations	110,763	-	-	110,763	99,577
Group	252,398	35,592	-	287,990	269,887

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

10 Contributions to Archbishops' Council

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Training for Ministry	140,438	-	-	140,438	137,750
National Church responsibilities	107,119	-	-	107,119	113,208
Grants and provisions	54,780	-	-	54,780	67,779
Mission Agency pension contributions	8,004	-	-	8,004	5,758
Retired clergy housing costs (CHARM)	43,330	-	-	43,330	42,928
Group and company	353,671	-	-	353,671	367,423

11 Ministry in parishes

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Archdeacons, parish priests, assistant clergy and authorised lay ministers:					
Stipends and national insurance	2,536,526	-	-	2,536,526	2,542,089
Pension contributions	794,434	-	-	794,434	809,104
Housing costs	1,283,708	-	-	1,283,708	1,381,314
Resettlement and associated costs	102,159	-	-	102,159	75,061
Other payments (including CMED)	170,910	-	-	170,910	84,216
Central support costs	83,871	-	-	83,871	73,621
Group and company	4,971,608	-	-	4,971,608	4,965,405

12 Support for ministry and mission

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Parish Resource Fund grants	29,167	-	-	29,167	120,348
Mission Fund grants	-	37,508	-	37,508	30,183
Diocesan support for ordinands in training	115,906	-	-	115,906	57,563
Children, young people and schools	106,142	78,343	-	184,485	147,697
Training and development	129,492	-	-	129,492	100,407
Specialist ministries	176,149	19,541	-	195,690	109,218
Social Responsibility	25,930	-	-	25,930	28,682
Diocesan Advisory Committee	31,355	-	-	31,355	31,061
Chancellor's and Registrar's retainers	63,208	-	-	63,208	63,439
Faculty fees	11,670	-	-	11,670	13,027
Communications	58,041	-	-	58,041	58,526
Closed church expenditure	-	18,601	-	18,601	13,126
General Synod members' expenses	7,764	-	-	7,764	6,900
Central support costs	271,489	-	-	271,489	231,774
Realised losses on disposals of tangible fixed assets	16,740	-	-	16,740	128
Group and company	1,043,053	153,993	-	1,197,046	1,012,079

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

13 Governance costs

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Diocesan Synod	2,614	-	-	2,614	2,545
Auditors' fees	7,920	-	-	7,920	7,703
Central support costs	41,935	-	-	41,935	40,561
Company	52,469	-	-	52,469	50,809
Auditors' fees - subsidiary	980	-	-	980	1,150
Group	53,449	-	-	53,449	51,959

14 Other resources expended

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Realised loss on disposal of assets for the charity's own use	426,627	-	-	426,627	-
Group and company	426,627	-	-	426,627	-

15 Transfers between funds

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
General Fund / Pastoral Account transfer	875,613	(875,613)	-	-	-
Pastoral Account / Transformation Fund transfer	254,164	(254,164)	-	-	-
Payments to acquire property	-	(1,194,820)	1,194,820	-	-
Receipts from sale of property	-	2,724,418	(2,724,418)	-	-
Group and company	1,129,777	399,821	(1,529,598)	-	-

16 Unrealised gains and losses on revaluation

	Unrestricted funds £	Restricted funds £	Expendable endowment £	2014 £	2013 £
Revaluation of land and buildings	338,000	-	3,740,132	4,078,132	1,380,432
Revaluation of investments	63,922	100,471	244,409	408,802	1,371,481
Revaluation of Equity Sharing loans	(33,000)	-	-	(33,000)	(2,000)
Group and company	368,922	100,471	3,984,541	4,453,934	2,749,913

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

17 Net movement in funds

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
This is stated after charging:				
Staff costs (note 18)	884,070	783,532	812,592	714,072
Auditors' remuneration - audit fee	8,900	8,853	7,920	7,703
- other services	6,630	780	6,630	540
Realised losses on disposals of tangible fixed assets	443,440	128	443,367	6,208
Ex-gratia payments	30,000	30,000	30,000	30,000
Operating leases - land and buildings	12,955	-	12,955	-
Depreciation of tangible fixed assets	18,435	9,587	18,055	9,365
Interest payable (note 19)	10,429	8,123	10,429	8,123

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
This is stated after crediting:				
Realised gains on disposals of tangible fixed assets	866,418	353,160	866,418	353,160
Realised gains on disposals of investment fixed assets	219,228	1,444,986	219,228	1,444,986
Income from listed investments	22	38	22	38

18 Staff costs

The average number of persons employed during the year, all in an administrative capacity, was:

	2014	2013
Company	23	20
Subsidiary	2	2
Group	25	22

The aggregate payroll costs were:

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Wages and salaries	711,384	617,753	656,618	562,987
Social security costs	56,023	50,259	52,230	46,466
Pension contributions	116,663	115,520	103,745	104,619
	884,070	783,532	812,592	714,072

No employee received emoluments of more than £60,000 per annum.

The Company also met the stipends of 93 (2013: 96) parochial clergy (including 2 Archdeacons) serving in the Diocese (see note 11). Clergy stipends and the salaries of licensed lay staff, although a Company responsibility, are paid through the Church Commissioners payroll.

The stipends of the Bishop and the Suffragan Bishop are entirely funded by the Church Commissioners.

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

Notes (continued)
 (forming part of the financial statements)

19 Interest payable and similar charges

	2014 £	2013 £
On loans repayable within five years:		
Church Commissioners	10,429	8,123
Group and company	10,429	8,123

20 Taxation

The Company is a registered charity and is not liable to UK corporation tax. The Company's trading subsidiary has a policy of donating its taxable profits to the Company under the gift aid scheme so that it also has no liability to UK corporation tax.

21 Tangible fixed assets

21.1 Freehold land and buildings

Group and company

	Board property £	Parsonage houses £	Equity sharing £	Total £
<i>At valuation</i>				
At 1 January 2014	5,390,455	39,262,199	367,000	45,019,654
Additions	404,288	1,194,820	-	1,599,108
Disposals	(2,043,454)	(1,858,000)	-	(3,901,454)
Revaluation adjustment	305,000	3,740,132	33,000	4,078,132
At 31 December 2014	4,056,289	42,339,151	400,000	46,795,440

Parsonage houses, board property and property equity shared with the Church Commissioners were valued, on 31 December 2014 on an existing use value basis by Mr M R Williams BSc (Hons) RMaPS MRICS, who is employed as the Company's Diocesan Surveyor. Parsonage houses, although not strictly vested in the Company, are accounted for in the Board's financial statements since the Company is responsible for the provision and maintenance of these houses and ultimately benefits from the sale proceeds if houses become surplus to requirements.

The corresponding historical cost figures are:

	Board property £	Parsonage houses £	Equity sharing £	Total £
<i>At cost</i>				
At 1 January 2014	3,962,102	13,403,239	129,447	17,494,788
Additions	404,288	1,194,820	-	1,599,108
Disposals	(1,096,877)	(290,370)	-	(1,387,247)
At 31 December 2014	3,269,513	14,307,689	129,447	17,706,649

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

21 Tangible fixed assets (continued)

21.2 Leasehold premises

	Group £	Company £
<i>At cost</i>		
At 1 January 2014	-	-
Additions	11,609	11,609
At 31 December 2014	<u>11,609</u>	<u>11,609</u>
<i>Depreciation</i>		
At 1 January 2014	-	-
Charge for year	2,322	2,322
At 31 December 2014	<u>2,322</u>	<u>2,322</u>
<i>Net book value</i>		
At 31 December 2014	<u>9,287</u>	<u>9,287</u>
At 31 December 2013	<u>-</u>	<u>-</u>

21.3 Office equipment

	Group £	Company £
<i>At cost</i>		
At 1 January 2014	105,564	102,648
Additions	46,403	46,403
Disposals	(65,446)	(64,184)
At 31 December 2014	<u>86,521</u>	<u>84,867</u>
<i>Depreciation</i>		
At 1 January 2014	70,907	69,205
Disposals	(48,633)	(47,444)
Charge for year	16,113	15,733
At 31 December 2014	<u>38,387</u>	<u>37,494</u>
<i>Net book value</i>		
At 31 December 2014	<u>48,134</u>	<u>47,373</u>
At 31 December 2013	<u>34,657</u>	<u>33,443</u>

21.4 Total tangible fixed assets

	Group 2014 £	2013 £	Company 2014 £	2013 £
<i>Net book value</i>				
Freehold land and buildings	46,795,440	45,019,654	46,795,440	45,019,654
Leasehold premises	9,287	-	9,287	-
Office equipment	48,134	34,657	47,373	33,443
	<u>46,852,861</u>	<u>45,054,311</u>	<u>46,852,100</u>	<u>45,053,097</u>

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

22 Investments (held as fixed assets)

Group

	Freehold investment property (Glebe)	Listed investments	Unlisted investments	Total
	£	£	£	£
<i>At valuation:</i>				
At 1 January 2014	7,482,664	1,228	12,735,986	20,219,878
Additions	14,152	-	1,980,000	1,994,152
Revaluation adjustment	-	-	408,802	408,802
At 31 December 2014	<u>7,496,816</u>	<u>1,228</u>	<u>15,124,788</u>	<u>22,622,832</u>

Company

	Shares in subsidiary undertaking	Freehold investment property (Glebe)	Listed investments	Unlisted investments	Total
	£	£	£	£	£
<i>At valuation:</i>					
At 1 January 2014	100	7,482,664	1,228	12,735,986	20,219,978
Additions	-	14,152	-	1,980,000	1,994,152
Revaluation adjustment	-	-	-	408,802	408,802
At 31 December 2014	<u>100</u>	<u>7,496,816</u>	<u>1,228</u>	<u>15,124,788</u>	<u>22,622,932</u>

The Company owns the whole of the ordinary share capital, consisting of 100 ordinary shares of £1 each, of Diocese of Truro Enterprises Limited (DOTE). Further information about DOTE is given note 23.

Glebe property was professionally valued as at 31 December 2009 by Stratton & Holborow, Surveyors and Valuers, on an open market existing use basis at £7.87 million. Glebe property was vested in the Company in 1978 under the Endowments and Glebe Measure 1978.

Listed investments are ordinary shares in UK listed companies.

Unlisted investments substantially comprise shares in The CBF Church of England Funds and M & G 'Charifund'.

The following investments each represent more than 5% by value of the portfolio:

	£
The CBF Church of England Investment Fund	5,054,670
The CBF Church of England UK Equity Fund	1,370,189
The CBF Church of England Global Equity Income Fund	5,212,560
M & G 'Charifund'	2,500,485

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

Notes (continued)
 (forming part of the financial statements)

22 Investments (held as fixed assets) (continued)

The corresponding historical cost figures are:

	Shares in subsidiary undertaking	Freehold investment property (Glebe)	Listed investments	Unlisted investments	Total
	£	£	£	£	£
<i>At cost:</i>					
At 1 January 2014	100	588,038	845	9,749,749	10,338,732
Additions	-	14,152	-	1,980,000	1,994,152
At 31 December 2014	<u>100</u>	<u>602,190</u>	<u>845</u>	<u>11,729,749</u>	<u>12,332,884</u>

23 Diocese of Truro Enterprises Limited

The Company's wholly owned trading subsidiary's principal activity is the provision of building project management services primarily, but not exclusively, to Church of England schools in the Diocese of Truro.

A summary of the trading results is shown below:

	2014 £	2013 £
Turnover	187,012	98,674
Operating costs	(116,456)	(104,491)
Amount gift aided to Company	(60,207)	-
Interest payable	(2,332)	(1,774)
Profit/(loss) for the year	<u>8,017</u>	<u>(7,591)</u>

The assets and liabilities of the subsidiary were:

	2014 £	2013 £
Tangible fixed assets	761	1,214
Current assets	138,702	12,184
Amounts owed to holding company	(123,532)	(16,183)
Other creditors	(15,215)	(4,516)
	<u>716</u>	<u>(7,301)</u>
Equity shareholders' funds	<u>716</u>	<u>(7,301)</u>

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

24 Debtors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
<i>Amounts falling due within one year</i>				
Trade debtors	82,114	260	-	-
Loans to parishes and others	6,000	5,500	6,000	5,500
Amounts owed by subsidiary company	-	-	123,532	16,183
Other debtors including Glebe rents and clergy assigned fees	744,327	243,122	744,327	243,122
	832,441	248,882	873,859	264,805
<i>Amounts falling due after more than one year</i>				
Loans to parishes and others	21,511	19,588	21,511	19,588
	853,952	268,470	895,370	284,393

The company has provided a loan facility of up to £50,000 to Diocese of Truro Enterprises Limited (DOTE). At the company's discretion, DOTE has been allowed to draw down from this sum just sufficient to maintain its solvency. The running debt balance is secured by a floating charge over DOTE's assets and incurs a compound interest charge of 5% on the outstanding balance. The company has agreed to extend this facility, on the same terms, until 30 September 2015.

The balance owed by DOTE at 31 December 2014 was £123,532 (2013: £16,183).

25 Cash at bank and in hand

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
The CBF Church of England Deposit Fund	2,024,228	4,612,640	2,024,228	4,612,640
COIF Charities Deposit Fund	150,019	116,098	150,019	116,098
The Church Commissioners for England	2,027	4,802	2,027	4,802
Barclays Bank PLC	10,503	7,838	10,503	7,838
National Westminster Bank PLC	2,970,083	233,316	2,925,900	222,041
Scottish Widows Bank PLC	70,867	70,471	70,867	70,471
Cash in hand	624	233	624	233
	5,228,351	5,045,398	5,184,168	5,034,123
Less: attributable to local trust funds	(479,870)	(481,593)	(479,870)	(481,593)
	4,748,481	4,563,805	4,704,298	4,552,530

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

26 Loans

Group and company

	2014	2013
	£	£
Church Commissioners:		
Equity Sharing Loans	399,460	366,460
The Central Board of Finance of the Church of England (CBF):		
Church Schools Fund Loan	300	600
	399,760	367,060
Amounts falling due within one year	(399,760)	(366,760)
Amounts falling due after more than one year	-	300

An Equity Sharing Loan is repayable in the event that the specific property to which it relates is either sold or ceases to be used for the purpose for which it was acquired. These loans are revalued annually in line with the revaluation of the underlying properties (as disclosed in note 20) since full repayment will eventually equate to the current market value of the underlying properties. Interest is payable by quarterly instalments over 20 years at 5% of capital balance.

The Church Schools Fund Loan was used to finance certain school building projects. This loan is repayable over 20 years and interest-free.

27 Other creditors

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	471,738	67,637	471,738	67,637
Other creditors (including taxation and social security)	117,009	82,673	102,774	79,106
Accruals and deferred income	263,850	191,531	262,870	190,581
	852,597	341,841	837,382	337,324

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

28 Funds employed

28.1 Summary of fund movements

Company	Balance b/fwd £	Incoming resources £	Resources expended £	Gains and losses £	Transfers £	Balance c/fwd £
Unrestricted funds						
General Fund	3,343,287	5,554,862	(6,308,272)	63,922	1,878,952	4,532,751
Designated funds:						
Board Houses Fund	5,390,455	-	(426,627)	305,000	(1,212,539)	4,056,289
Densham Loan Fund	1,500	-	-	-	-	1,500
Diocesan Loan Fund	18,664	-	-	-	-	18,664
Transformation Fund	-	-	(254,164)	-	254,164	-
Church House Fund	-	-	-	-	209,200	209,200
	8,753,906	5,554,862	(6,989,063)	368,922	1,129,777	8,818,404
Restricted funds						
Pastoral Account	3,322,559	362,787	(54,193)	87,719	399,821	4,118,693
Diocesan Council for Mission & Unity	90,777	11,584	(19,541)	-	-	82,820
Education Trusts	992,430	84,349	(78,343)	12,727	-	1,011,163
Mission Fund	106,404	57,430	(37,508)	-	-	126,326
Bishop Phillpotts Prize Fund	6,235	-	-	25	-	6,260
	4,518,405	516,150	(189,585)	100,471	399,821	5,345,262
Expendable endowments						
Parsonage Houses Fund	39,262,199	866,418	-	3,740,132	(1,529,598)	42,339,151
Stipends Fund Capital Account	16,871,104	-	-	463,637	-	17,334,741
	56,133,303	866,418	-	4,203,769	(1,529,598)	59,673,892
Company total	69,405,614	6,937,430	(7,178,648)	4,673,162	-	73,837,558
Subsidiary	(7,401)	187,012	(178,995)	-	-	616
Adjustments arising on consolidation	-	(67,252)	67,252	-	-	-
Group total	69,398,213	7,057,190	(7,290,391)	4,673,162	-	73,838,174

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

28 Funds employed (continued)

28.2 Purposes of funds

Unrestricted funds

The General Fund supports the day-to-day activities of the Company.

The Board Houses Fund is represented by the book value of board properties. Additions to and disposals from the Fund are financed by or credited to the General Fund respectively.

The following other funds have been set aside by the directors for purposes which the directors themselves have designated:

The Densham Loan Fund originated from a bequest given to the Company in 1955 in memory of the late Mr E S Densham for the provision of loans to the clergy for the purchase of cars. The responsibility for car loans was assumed by the Church Commissioners in 1988 but the fund is still reserved for this purpose and has been recently used to assist a non-stipendiary minister.

The Diocesan Loan Fund provides short term loan facilities to PCC's.

The Transformation Fund has been created to administer the financial resources for specific investment in the strategic initiatives aimed at reshaping and equipping the Diocese to achieve its overarching vision to *Discover God's Kingdom and Grow the Church*. The fund is supported by appropriations from the Pastoral Account.

The Church House Fund has been created to fund the aggregate charges payable under the terms of the non-cancellable lease agreement for the new office premises at Church House.

Restricted funds

The Pastoral Account mainly represents the proceeds of sale of redundant parsonage houses which, may be applied for the extensive purposes permitted by section 94 of the Mission and Pastoral Measure 2011.

The Truro Diocesan Council for Mission and Unity funds are managed by the World Church Committee (a sub-committee of the company) for the purpose of enabling the diocese to be a vibrant part of the world-wide church. Specifically, it actively promotes formal links with other dioceses, currently with the Diocese of Strangnas in Sweden. (The link with the Diocese of Umzimvubu in South Africa ceased in 2013 but, possibilities of another new link Diocese are being explored).

The Diocese of Truro Education Trusts are governed by Schedule 36 of the Education Act 1996. The Fund mainly represents the unspent sale proceeds of redundant Church of England school properties. The objects of the Trusts are widely drawn to allow trust assets to be used for a variety of educational purposes.

The Mission Fund receives an annual allocation of funds from Archbishops' Council for the specific purposes of investment in new mission initiatives or, the resourcing of existing ministry in parishes where such assistance is most needed.

Bishop Phillpott's Prize Fund may be used to award school prizes in religious education.

Endowment funds

The Parsonage Houses Fund is represented by the book value of parsonage houses and team vicarages. Additions to and disposals from the Fund are financed by or credited to the Pastoral Account respectively.

The Stipends Fund Capital Account is mainly represented by the book value of Glebe property and other investment assets. The fund generates income for the payment of stipends and can only be invested or applied to the capital purposes permitted by the Endowments and Glebe Measure 1976 and the Miscellaneous Provisions Measure 1992.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

28 Funds employed (continued)

28.3 Analysis of net assets between funds

At 31 December 2014:

	Tangible fixed assets	Investments	Net current assets/ (liabilities)	Total
	£	£	£	£
Company				
Unrestricted funds				
General Fund	56,660	2,508,988	1,967,103	4,532,751
Designated funds:				
Board Houses Fund	4,456,289	-	(400,000)	4,056,289
Densham Loan Fund	-	-	1,500	1,500
Diocesan Loan Fund	-	-	18,664	18,664
Transformation Fund	-	-	-	-
Church House Fund	-	-	209,200	209,200
	4,512,949	2,508,988	1,796,467	8,818,404
Restricted funds				
Pastoral Account	-	2,535,511	1,583,182	4,118,693
Diocesan Council for Mission and Unity	-	-	82,820	82,820
Education Trusts	-	282,914	728,249	1,011,163
Mission Fund	-	-	126,326	126,326
Bishop Phillpotts Prize Fund	-	567	5,693	6,260
	-	2,818,992	2,526,270	5,345,262
Expendable endowments				
Parsonage Houses Fund	42,339,151	-	-	42,339,151
Stipends Fund Capital Account	-	17,294,952	39,789	17,334,741
	42,339,151	17,294,952	39,789	59,673,892
Company total	46,852,100	22,622,932	4,362,526	73,837,558
Subsidiary	761	-	(145)	616
Adjustments arising on consolidation	-	(100)	100	-
Group total	46,852,861	22,622,832	4,362,481	73,838,174

THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)

Notes (continued)
 (forming part of the financial statements)

29 Revaluation reserve

Group and company

The revaluation reserve is required by the Companies Act 2006 and represents the amount by which tangible fixed assets and investments exceed their historical cost.

	Balance b/fwd £	Unrealised profit in year £	Realised on disposals £	Balance c/fwd £
General Fund	487,334	63,922	-	551,256
Board Houses Fund	1,428,353	305,000	(946,577)	786,776
Pastoral Account	533,604	87,719	-	621,323
Education Trusts	18,902	12,727	-	31,629
Bishop Phillpotts Prize Fund	247	25	-	272
Parsonage Houses Fund	25,858,960	3,740,132	(1,567,630)	28,031,462
Stipends Fund Capital Account	8,841,159	244,409	-	9,085,568
	37,168,559	4,453,934	(2,514,207)	39,108,286

Analysis of net assets between funds at 31 December 2014:

	Tangible fixed assets £	Investments £	Total £
General Fund	-	551,256	551,256
Board Houses Fund	786,776	-	786,776
Pastoral Account	-	621,323	621,323
Education Trusts	-	31,629	31,629
Bishop Phillpotts Prize Fund	-	272	272
Parsonage Houses Fund	28,031,462	-	28,031,462
Stipends Fund Capital Account	-	9,085,568	9,085,568
	28,818,238	10,290,048	39,108,286

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

30 Commitments

	2014 £	2013 £
<i>Capital expenditure</i>		
Expenditure contracted for but not provided for:		
Church Schools (through Private Finance Initiative funding):		
Contract due to expire in 2031	<u>90,960</u>	<u>98,000</u>

Private Finance Initiative (PFI) payments are due in half-yearly instalments. The payments cover the Company (through the Diocese of Truro Education Trusts) share of the building costs, the costs of financing the scheme and a small share of ongoing maintenance costs. The amounts shown are the total costs over the period of the scheme.

Financial commitments

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015:

	Land and buildings 2014 £	2013 £
Operating leases which expire:		
Between two and five years	<u>43,200</u>	<u>-</u>

31 Pensions

Group and company

Clergy

The Company participates in the Church of England Funded Pensions Scheme and employs 95 members of the scheme out of a total membership of approximately 8,400 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the Company is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2012. This revealed a shortfall of £293m, with assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

- an investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 3.2% per annum on gilts and 5.2% per annum on equities;
- Retail price inflation of 3.2% per annum (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% per annum; and
- Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2003 in line with the CMI 2012 core projections, with a long term annual rate of improvement of 1.5% for males and females.

For schemes such as the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS17 requires the Company to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

31 Pensions (continued)

Following the results of the 2012 valuation, the Company's contribution rate is due to increase from 38.2% to 39.9% of pensionable stipends from 1 January 2015 (of which 14.1% will be in respect of the £293m shortfall in the Scheme and 25.8% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

Contribution rates will be reviewed at the next valuation of the Scheme, due as at 31 December 2015.

Lay

The Company participates in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. During the year to 31 December 2014, the Company made contributions of £76,016 and this has been taken as the pension cost shown in these accounts, as explained below.

It is not possible for an individual Company to determine its share of the underlying assets and liabilities as each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. In such cases, FRS 17 requires the Company to account for its contributions to the DBS as if it were a defined contribution scheme but to make certain additional disclosures based on available information. The required disclosures, together with a description of the operation of the DBS, are given below.

For funding purposes, the DBS is divided into sub-pools in respect of each participating Company as well as a further sub-pool, known as the Life Risk Pool. The Life Risk Pool exists to share certain risks between Companies, including those relating to mortality and post-retirement investment returns.

The division of the Scheme into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the Scheme are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from Companies' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

If following an actuarial valuation of the Life Risk Pool there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the Companies' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years. In the 31 December 2010 valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the Companies' sub-pools to the Life Risk Pool. Of this, £64,400 was deducted from the Company sub-pool. This increased the Company's contributions that would otherwise have been payable. The Company's contribution rate was revised to 29.3% of pensionable salaries and additional contributions in respect of the shortfall in the Company sub-pool of £118,300 were paid by the Company, in full, in March 2012.

Other available information relating to the valuation as at 31 December 2010 is given below:

Market value of DBS	£220.7m	
Market value of Employer sub-pool (before LRS levy)	£1.1m	
Market value of Life Risk Pool (1,140 pensioners)	£97.4m	
	Total Scheme members	Employer members
Deferred pensioners	1,725	17
Active members	626	10

The next valuation of the DBS was carried out as at 31 December 2013 but, as at February 2015, resulting contributions have yet to be formally agreed.

Since 1 February 2010, the Company ceased to use the DBS as a vehicle for providing future pension benefits for its employees and all active members became deferred pensioners with effect from that date.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
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Notes (continued)
(forming part of the financial statements)

31 Pensions (continued)

For eligible salaried employees who commenced employment after 1 February 2010, the Company participates in the Church of England Pension Builder Scheme (PBS), within the Church Workers Pension Fund, which is administered by the Church of England Pensions Board.

The PBS is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

The Company had 11 (2013: 7) active members and 1 (2013: 1) deferred member in the PBS at 31 December 2014.

The assets of the PBS are held separately from those of the Company. As at the formal valuation at December 2010, the PBS was in surplus on an ongoing funding basis. A formal valuation of the PBS is being carried out as at 31 December 2013, but as at February 2015, the final results have yet to be announced. Pension Builder 2014 commenced in February 2014 so will be included in the next valuation due as at December 2016.

The Company 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 other entities participating in the PBS. For schemes like this, paragraph 9(b) of Financial Reporting Standard (FRS17) requires the Company to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The Company contributes 9% of basic salary. In addition, the employer will pay a contribution of 3% if the employee pays 2.5% or, 6% if the employee pays 4.5%. The contributions for the year totalled £40,647 (2013: £15,357) and there were contributions of £10,699 (2013: £11,239) outstanding at the year end for both schemes.

**32 Reconciliation of (deficit)/surplus for the year to
net cash outflow from operating activities**

	2014 £	2013 £
(Deficit)/surplus for the year	(13,973)	1,254,134
Depreciation	18,435	9,587
Profit on sale of fixed assets	(1,085,646)	(1,798,146)
Loss on sale of fixed assets	443,440	128
Interest payable	10,429	8,123
(Increase)/decrease in work in progress	(11,755)	4,950
Increase in loans to parishes and others	(2,423)	(11,152)
(Increase)/decrease in debtors	(583,059)	321,671
Increase/(decrease) in creditors	510,756	(470,620)
Net cash outflow from operating activities	<u>(713,796)</u>	<u>(681,325)</u>

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

33 Reconciliation of net cash flow to movement in net funds

	2014 £	2013 £
Increase in cash and cash equivalents in year	184,676	1,565,426
Cash outflow from decrease in debt	300	300
	<u>184,976</u>	<u>1,565,726</u>
Increase in equity sharing loans	(33,000)	(2,000)
	<u>151,976</u>	<u>1,563,726</u>
Movement in net funds in the year	151,976	1,563,726
Net funds at beginning of the year	4,196,745	2,633,019
Net funds at end of the year (note 34)	<u>4,348,721</u>	<u>4,196,745</u>

34 Analysis of changes in net funds

	At beginning of year £	Cash flows £	Non-cash changes £	At end of year £
Cash at bank and in hand	4,563,805	184,676	-	4,748,481
Debts due within one year	(366,760)	-	(33,000)	(399,760)
Debts due after more than one year	(300)	300	-	-
		<u>300</u>		
Total	4,196,745	184,976	(33,000)	4,348,721

35 Transactions with directors

The directors derive no financial benefit for their services as directors other than the re-imbursement of their out-of-pocket expenses. In 2014, 8 directors were paid £5,802 (2013; 6 directors £7,400). However, of the directors listed on page 1, the Company also remunerated the Archdeacons, the Chairman of the House of Clergy and the clergy Archdeaconry Representatives in respect of their duties as clergy.

The Company enters into transactions, on a regular basis, with other autonomous organisations within the Church of England e.g. parishes (including the Cathedral), the Archbishops' Council and the Church Commissioners. From time to time, certain directors may serve on committees of other bodies, or on the General Synod. It is not considered appropriate to report the detail of such transactions since no individual or group of individuals so serving has any significant influence over any material transactions.

**THE TRURO DIOCESAN BOARD OF FINANCE LIMITED
(LIMITED BY GUARANTEE)**

Notes (continued)
(forming part of the financial statements)

36 Funds held on behalf of others

The Company is custodian trustee for the following investment assets held on behalf of Parochial Church Councils in accordance with the Parochial Church Councils (Powers) Measure 1956.

	2014 £	2013 £
At valuation:		
Freehold land and buildings	205,200	205,200
Other investments	3,019,486	2,791,912
	<u>3,224,686</u>	<u>2,997,112</u>
At cost:		
Freehold land and buildings	6,200	6,200
Other investments	1,907,042	1,813,409
	<u>1,913,242</u>	<u>1,819,609</u>

The Company also administers Devolved Formula Capital (DFC) grants (DFC grants provide the Diocese's church schools with direct funding to invest in their buildings, grounds and ICT equipment). Consequently, for those individual schools which have appointed the Company as their agent, the Company receives their DFC grants direct from the Department for Education and defrays qualifying expenditure according to their instructions. At 31 December 2014, the Company held £270,406 (2013: £381,216) in designated bank accounts separate from those of the Company.

37 Contingent liability

St Endellion Festivals Trust

The St Endellion Festivals Trust regards the rectory at St Endellion as an integral part of the development of a ministry of Spirituality and the Arts based at St Endellion. The promotion of such a project is part of the current priest in charge's brief. As part of an appeal, launched in 2008 by the Trust and St Endellion PCC, the Trust has contributed to the Company the sum of £65,286 towards the cost of repairs required to the rectory. In the event that the Bishop decides to sell the rectory at any time before the end of 5 years from the end of the present priest in charge's ministry, the Company must repay this contribution out of the proceeds from the sale of the house.

Parsonages

During the year, the Board consulted with the Church Commissioner's Pastoral Division regarding our accounting treatment of Parsonages. In some cases in the past, formal agreement to a sale had been obtained by the relevant consultees but a Pastoral Scheme remains pending. Until matters are finally resolved, we wish to declare a contingent liability which is difficult to determine given fluctuations in property prices within the county.