

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Registered Number: 00239561
Charity Number: 1107827

WEDNESDAY



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11/07/2018
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REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CONTENTS	Page
Reference and administrative details	1
Trustees' report	3
Independent Auditors' report	18
Consolidated statement of financial activities	20
Summary income and expenditure account	21
Consolidated balance sheet	22
Company balance sheet	23
Consolidated cash flow statement	24
Notes to the financial statements	25

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

REFERENCE AND ADMINISTRATIVE DETAILS

FOR THE YEAR ENDED 31 DECEMBER 2017

President	The Bishop of Lichfield,
Chair	Mr J T Naylor
Vice Chair	The Archdeacon of Stoke upon Trent
Ex-Officio	The Bishop of Shrewsbury The Bishop of Stafford The Bishop of Wolverhampton The Dean of Lichfield The Archdeacon of Lichfield The Archdeacon of Salop The Archdeacon of Walsall The Revd Preb John Allan Mr J Wilson Dr A Primrose (to 31 August 2017)
Elected	The Revd P Cansdale The Revd J Cody The Revd M Rutter Mrs P Allen Mr D Beswick Mr A Charles Mr J Clark Mr C Gill Mr P Graetz Mr D C Jones (to 22 August 2017) Mrs J Locke Mr W Nicholls MBE Mr C Randles Mrs L Rawling
Nominated by the Bishop	None as at 31 December 2017
Co-opted Member	None as at 31 December 2017
Company Registered Number	00239561
Charity Registered Number	1107827
Registered Office	St Mary's House The Close Lichfield Staffordshire WS13 7LD
Chief Executive Officer & Company Secretary	Mrs J Jones BSc FCIPD
Director of Finance	Mr J R L Hill FCMA CGMA

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
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REFERENCE AND ADMINISTRATIVE DETAILS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Independent auditors	haysmacintyre 10 Queen Street Place London EC4R 1AG
Bankers	Lloyds Bank Plc 22 Conduit Street Lichfield WD13 6JS
Solicitors	FBC Manby Bowdler LLP Routh House Hall Court Hall Park Way Telford TF3 4NQ
Investment Advisors	CCLA Investment Management Ltd Senator House 85 Queen Victoria Street London EC4V 4ET Hargreave Hale Ltd Saggar House Princes Drive Worcester WR1 2PG EdenTree Investment Management Ltd 24 Monument Street London EC3R 8AJ
Surveyors	Mr C Glenn – Internal Diocesan Surveyor
Insurers	Ecclesiastical Insurance Group Beaufort House Brunswick Road Gloucester GL1 1JZ

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Trustees Annual Report 2017

The Trustees, who are also Directors for the purposes of company law, present their annual report, together with the audited financial statements, for the year ended 31 December 2017.

The directors/trustees are one and the same and in signing as trustees they are also signing the strategic report sections in their capacity as directors.

This combined report satisfies the legal requirements for:

- a Directors Report of a charitable company,
- b Strategic Report under the Companies Act 2006 and
- c Trustees Annual Report under the Charities Act 2011

Legal Objects

The Diocese of Lichfield serves a population of approximately 2.00 million covering 1,744 square miles throughout Staffordshire, the northern half of Shropshire and much of the Black Country. The diocese has 280 benefices, 437 parishes and 569 churches.

The diocese is arranged as four Archdeaconries, in three Episcopal Areas, with a total 28 Deaneries.

Company Status

The Lichfield Diocesan Board of Finance was incorporated as a company on 14 May 1929 under the company number 00239561 in accordance with the Diocesan Boards of Finance Measure 1925. It is a company limited by guarantee not having share capital and registered as a charity on 25 January 2005 with the charity number 1107827.

It is governed by its Memorandum and Articles of Association as amended by Special Resolutions dated 28 April 1960, 6 February 1968, 18 June 2003, 13 March 2004 and 7th July 2015.

Principal Activities

The principal activity is to promote assist and advance the work of the Church of England in the Diocese of Lichfield and elsewhere, by acting as the financial executive of the Diocesan Synod. It oversees the resourcing of ministry within the diocese and the financing of the work of the various diocesan bodies (constituted under ecclesiastical statute or established voluntarily by the Bishop and Diocesan Synod), which also have the object of advancing the aims of the Church of England in the diocese and elsewhere.

There has been no change in those activities during the year.

Strategic Aims

The main role of the Board is to identify and manage the financial aspects of the provision of ministry within the Diocese so as to provide appropriate personnel and financial resources to assist the Diocesan Synod, Bishop's Council, deaneries and parishes to further the mission and strategic priorities in the Diocese.

The Board is trying to find ways to ensure Growth within the churches and a Christian Presence in every parish throughout the Diocese. Like any vision, the Growth strategy needs to have both a sustainable strategy behind it and a set of common values.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Direction of Travel

In May the Diocesan Bishop led the vision and strategy for the Diocese through Directions of Travel, at a launch entitled "First Steps". It was based around "Come Follow Christ, in the footsteps of St Chad". The mission and ministry of the Diocese will be focused around the three key areas of Discipleship, Vocation and Evangelism - following in the footsteps of the first bishop of Lichfield, St Chad.

The National Church has given the Diocese a total of £734,000 over three years to help develop this strategy through the Transitional Funding. The details are as follows:

Building on the Five Themes (Discover the Heart of God, Growing Disciples, Reaching New Generations, Transforming Communities and Practising Generosity) the Bishop encouraged so see the bigger picture of the life of the Church of England in the Diocese through Chaplaincies, Schools, Fresh Expressions and Parishes. Four new Mission initiatives were commissioned:-

Heathlands Mission (Walsall)
Chaplaincy at Work (Diocese-wide)
Schools and Churches (Stoke-on-Trent)
Rural Youth (Shropshire)

More information can be found at https://www.lichfield.anglican.org/next_steps/

OBJECTIVES AND ACHIEVEMENTS FOR THE YEAR

In response to the above strategic priorities determined by the Diocesan Synod several groups, including the Bishops Council, Bishops Staff and Deanery Synods, have discussed and consulted widely to agree specific objectives for this and subsequent years. These objectives and achievements are:

- To ensure a Christian presence in every parish
 - In the year no churches were closed or made redundant. In total there are 569 churches in 437 parishes across the Diocese.
- To provide resources for people of all ages and at all stages of their spiritual journey to grow in understanding of the Christian faith.
 - During the year there was a net increase in joiners over leavers of 309 compared to a net increase of 859 in the previous year. Included in this was an increase in under 17's of 377 compared to 780 in 2016.
- To ensure that every church building to be used at least once every week for an activity other than formal worship, such as a Mother & Toddler Group. In addition every church building is open and available for occasional services.
 - During 2017 there were 1737 Weddings and Blessings (2016:1971), 4551 Baptisms (2016:4881) – those over 12 being baptised rose from 371 in 2016 to 409 in 2017 – there were 7627 funerals (2016: 7856), of which 4511 were held with church services (2016: 4616). No data is available for other activities.
- To establish a personal contact with every educational establishment in the diocese and to provide practical support on a regular basis.
 - There are 207 Church Schools across the Diocese with over 44000 Children attending. The Board of Education provides several services to the schools including Christian Distinctiveness.
- To engage actively in local debate and ensure that Christian voices are heard in all areas of public life.
 - The Diocese remains grateful for the Clergy and Volunteers who dedicate time and energy into ensuring the voice of the Church in Lichfield is heard at General Synod and associated groups.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

- To identify areas of stress within each community and work together with other organisations to deliver a positive contribution to the health, both physical and spiritual, of those most in need.
 - In 2017 a Strategic Learning Group was developed in conjunction with the National Church to address this area and work with other Diocese in developing a strategy for the future.

Through carrying out these objectives & achievements and in promoting the whole mission of the church (pastoral, evangelistic, social and ecumenical) the trustees are confident (having had regard to Charity Commission guidance) that the Board delivers public benefit through community engagement, resourcing education and supporting those in need both spiritually and physically.

FUTURE PLANS

In conjunction with the new funding from the Commissioners, there would be four Mission projects across the Diocese – one central and one in each of the three Episcopal Areas, covering Chaplaincy Work, Schools, Parochial and Fresh Expressions. There was a launch event on 20th May to inaugurate and bless the initiatives. If the projects are successful this may lead to a larger bid to the National Church in the coming two years. Some strategies and policies are already in place that are still on going and reflected in this section, others are new initiatives that are intended to be implemented in the coming year.

Early in 2018 the Diocesan Board of Finance was invited to a Strategic Learning Hub with five other Dioceses, the Hub will meet six times in total over the next three years to explore and share Strategic Development. Lichfield has been paired with Lincoln Diocese and we look forward to working closely with them over the next three years. Other Dioceses including in this group are, Bath & Well, Exeter, Newcastle and Truro.

Resourcing Future Ministry (2019 -2025)

In order for strategic pastoral re-organisation to be completed across the Diocese, it is essential that whilst the Budget factors in a reduction of 40 Stipendiary posts, these reductions are not harmful to the current and future wellbeing of Mission and Ministry across the community of the Diocese.

The main part of this strategy will be to build a new restricted fund from either historical resources or surplus resources, that will be ring fenced and initially accumulate dividends to hopefully grow in size until the fund is required. From 2019 the fund will start to support the overall Diocesan Finances through the transitional stages of any required change. Once the transitional period is complete the income generated will then be available to help support the Diocesan Budget in future years – or support other areas of Mission and Ministry that is felt necessary at the time. Details are still being worked on, but the initial thoughts are generating a fund that is close to £7m, generating around £350,000 per annum.

This fund will not be financed from the Parish Share. The aim is that at some stage in the future it will be designed to ease the burden on parishes through share requests. At the year-end £2.014m (2016:£1.25m) had been invested for this fund. The investments will be held in accumulated share options until income is required in 2020.

Church Commissioners (National Church) Allocation

The new triennium of funding from the National Church commenced in January 2017. The new allocation is based on deprivation and population and despite transitional factors being included, it is forecast that the Lichfield Diocese will receive around £2.0m per annum for the next ten years. However it should be noted that the Mission Development Funding, a grant of £277,000 for the Board over recent years ceased at the end of 2016 and will not be replaced. Rather than the Mission development funding, the Church Commissioners have made a large pot available for Dioceses to make grant applications for funding for specific projects. In essence it is centralising the fund rather than allocating the fund to Dioceses to apportion accordingly – all part of being more accountable.

In addition the Diocese has been allocated £734,000 in Restructure Funds for the period 2017 to 2019 and is being used to support the Direction of Travel Projects.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL REVIEW

Financial Performance

Parish Share, the money given by Parishes to the Diocese to fund its mission and ministry, is the main income resource for the Diocese. Due to deployment changes and reduced share following consultation with parishes paying significantly more than their Cost of Ministry the amount actually requested slightly fell. The amount of cash received in the year fell by around £0.206m, (2016: decrease £0.277m). This resulted in the recognised income figure in the statements falling to £10.962m in 2017 compared to £11.172m in 2016. Current year share collections marginally decreased to 94.16% from 94.84% in the previous year. Overall receipts for the year represented 95.06% of the share requested in 2017, compared to 97.27% in 2016. The budget target is 96% in both years.

The Parish Share formula is based on a Cost of Ministry model that does contain elements of Mutual Support and apportionment of the Commissioners Allocation to support Ministry in areas of deprivation, plus support for smaller parishes. This system was introduced in January 2013 and replaced a more complicated formula model that was predominantly based on attendance. It appears to have been well received by parishes, and allows them options regarding deployment and affordability, plus the added advantage of being able to forecast their share requests for up to ten years in advance, which assist with their budgeting.

The Trustees are grateful to all the parishes who completed their Parish Share payments during the year, and especially to those parishes that make their parish share payments by monthly instalments, which is essential in keeping the Diocese's need to maintain a cash flow reserve to a minimum. In total 394 out of 452 (87%) parish paying units paid their allocation in full compared to 397 out of 446 (89%) in the previous year.

In addition to the Parish Share, there was an additional £1.233m (2016: £1.045m) that has come from parishes in way of Statutory fees from Weddings and Funerals.

The Board are fortunate to have received £2.453m in 2017 (2016: £2.541m) from the National Church in way of support. As agreed £1.750m was directly allocated to stipends, whilst £0.4779m was set aside to support Resourcing Parish Mission Grants and strategic posts approved by the Trustees.

Overall consolidated income, including the pensions adjustment, decreased in the year to £18.705m (2016 £19.543m), whilst consolidated expenditure increased to £18.393m (2016: £17.897m). There were exceptional items in income in 2016 in the main due to restricted funds introduced as part of the winding up of the Diocesan Trust. Income includes a gain on the Clergy Pensions Fund of £0.422m (2016: £0.670m). In 2017 Income includes the introduction of the Mercian Community Trust as part of the consolidation; the opening reserve is included as other income at £0.362m.

The Board as a consolidated charity therefore made a surplus before Net Gains on Investments of £0.312m (2016: £1.646m). This is represented by the loss of £0.110m Net Income before Investment Gains, plus the Gain on Pension Adjustments of £0.422m, as shown on page 20.

The Board charity made a surplus before Net Gains on Investments of £0.043m (2016: £1.555m). Unrestricted or General Fund made a deficit before Net Gains on Investments of £0.219m (2016 deficit £0.188m).

The Trustees have prepared a balanced budget for 2018. The key financial challenge will be receiving parish share contributions, and set the Diocesan Base increase at 1.95% for 2018 – an increase from 1.75% in 2017. The budget includes a 96% collection rate for the year and the Trustees consider that this is achievable.

The capital values of charity properties and investments continued to increase – properties by £4.727m (2016: £4.048m), investments by £2.089m (2016: £2.106m) – resulting in an overall increase in funds of the charity of £7.214m (2016: £7.709m). Consolidated reserves increased by £7.598m (£2016: £7.816m)

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Significant Property Transactions

In the year the Board sold 4 properties (2016: 4). This raised £0.746m (2016: £0.713m) in net house proceeds. The adjusted net profit on sale of property for 2017 was £0.089m (2016: £0.003m).

In the year the Board purchased 3 properties (2016: 2) costing £0.854m (2016: £0.623m).

The current policy on purchases and sales of properties remains:

- to replace unsuitable properties;
- to accommodate the changing geographical deployment of clergy within the Diocese;
- to purchase strategically placed curates houses to allow greater flexibility in appointments
- to realise development potential in some properties, thereby using our resources more effectively for the ministry of the Church.

Balance sheet position

The Trustees consider that the balance sheet together with details in note 23 show broadly that the restricted and endowment funds are held in an appropriate mix of investment and current assets given the purposes for which the funds are held. While the net assets at the Consolidated balance sheet date totalled £139.275m (2016: £131.677m) it must be remembered that included in this total are properties, mostly in use for the ministry, whose value amounted to £96,570m (2016: £91,574m). Much of the remainder of the assets shown in the balance sheet are held in restricted funds, and cannot necessarily be used for the general purposes of the Board. These reserves which are considered to be free reserves are set out below.

Reserves Policy

When forming and reviewing the reserves policy, the Board has to take into consideration that the reserves fundamentally serve two purposes. Firstly, the level of retained reserves generates income that helps with additional income throughout the year, thus easing some of the burden on the parishes. Secondly, there needs to be sufficient reserves available to assist with the erratic cash flow that is experienced throughout the year. This in turn can be divided into two sections: a) liquidity or short term reserves and b) contingency funds/going concern, to allow the Board to operate in times of crisis. The Board has considerable responsibilities including the remuneration of 300 parochial stipendiary clergy, the upkeep of over 390 houses and the employment of approx. 80 full or part time staff.

The Board has identified in its risk management review that it is heavily reliant on Parish Share contributions and suspects that parishes may find it increasingly difficult to maintain the required level of payment – this will only be exacerbated by the current economic climate. It is therefore important that the DBF adopts a reserves policy as well as an investment policy that takes liquidity seriously into consideration.

Approximately 67% of the income available for day-to-day activities is financed from the Parish Share, and only 12% from Investment Income, although this increased significantly in recent years from 3%.

Free (Unrestricted) Reserves – Liquidity

Having considered financial risk, liquidity requirement and the timing of cash flows throughout the year, the Trustees' policy is to hold a balance of readily realisable assets in the general fund equivalent to 3 months requested Parish Share for 2018. At 31 December 2017 the amount required under this policy totalled £2.927m (2016: £2.880m). Actual free reserves as at 31 December totalled £2.262m (2016: £2.600m). This is slightly less than anticipated (2.42 months) but the Stipend Reserve shows a strong position and the trustees therefore feel that whilst this is not ideal it is satisfactory.

This level of Free Reserves gives the Board some flexibility in future years against potential increases in expenditure or a fall in income. A strong reserves base allows the diocese more flexibility in dealing with such issues, for example it can allow a phased introduction of any such change in circumstance in future years. In the meantime additional income

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

generated by the Free Reserves will allow additional funds to be made available within the Budget each year, thus reducing the burden on parish income further.

Reserves tied up in fixed assets

The charity unrestricted fund comprises net assets amounting to £3.314m of which £0.251m is tied up in tangible fixed assets. Consolidated unrestricted funds amount to £3.741m of which £0.279m is tied up in tangible fixed assets.

Designated funds

The Trustees may, with the approval of the board, designate additional unrestricted reserves to be retained for an agreed purpose where this is considered to be prudent. Such designated reserves are reviewed on an annual basis and returned to the general fund in the event that the purpose of their designation is no longer considered to be adequate justification for their retention. A description of each reserve together with the intended use of the reserve is set out in note 23. At 31 December 2017 total designated reserves were £13.273m (2016: £12.275m).

It should be highlighted that £8.701m of this reserve relates to DBF Property, and £4.868m relates to Investments that generate investment income to support the Diocesan Budget.

Restricted and endowment funds

As set out in note 23 the Board holds and administers a large number of restricted and endowment funds. As at 31 December 2017 restricted funds totalled £83.583m (2016: £79.962m) and endowment funds totalled £38.310m (2016: £35.394m). Neither are available for the general purposes of the Board. Consolidated restricted reserves amount to £83,951m (2016: £73.257m).

Within the Restricted Fund, £64.272m is invested in Property required to house the clergy of the Diocese and is therefore not readily accessible. Within the Endowment Fund £22.873m is invested in Property required to house the clergy of the Diocese and is therefore not readily accessible. These assets are integral to delivering the Board's mission.

Stipend Reserve

This reserve originates from legacies left to the Board - *Ashworth/Lowe Stipends Fund (Designated Fund)* and *Fothergill Bequest (inc other Legacies) (Designated Fund)*. The legacies were left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or "near cash" to cover the cost of six months' clergy stipends. With the transfer of National Insurance and Pension liabilities from the Central Church, the reserve varied between four and five months of the accumulated Stipend costs.

Policy

With the creation of the Free Reserve and the relevant limits, it was agreed that the Stipend reserve be reset at a minimum of 5.0 months of the Stipend, NI and Pension Costs (£4.254m). It is also believed to be an appropriate level of investment to generate a required amount of income to assist with the Diocesan Budget income. Due to the restructure of Designated Reserves in 2017, the policy has slightly changed and now only includes the designated legacies and compared to the monthly Stipend payroll plus Pensions and Interim Ministers on the local payroll.

Year End Position

In order to maintain the capital value of the Reserve in line with regular increasing Pension liabilities, and, to a lesser extent, stipend increases, the reserve is heavily invested in equities and other capital growth investments.

At the year end, the total reserve was valued at £4.689m (2016: £4.376m), which represented the equivalent of 5.50 months of related costs.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Grant making policy

The Memorandum of Association of the Board explicitly permits the Board to make grants in pursuance of its objects, and the nature of grants made in 2016 is indicated in note 12. Grants of up to £50,000 are considered by the Finance and Central Services Committee from budgets set aside for specific purposes. Grants over £50,000 are considered by Bishop's Council, on recommendation by the Finance Committee.

Investment Powers

The Board is granted power to invest in suitable investments under its Memorandum and Articles of Association. As a charity, the Trustees have a duty of care to take such advice as is appropriate before investments are undertaken. This advice is sought from the Central Board of Finance (CCLA) in London, Ecclesiastical Investment Managers and Hargreave Hale who provide a free Nominee service. The Diocesan Investment Group considers the advice and the assets available at their discretion and then makes recommendations to the Finance and Central Services Committee.

Investment Policy

The Board's investment policies are based on two key principles: -

- Ethical Investment – this includes ensuring that investments are held in companies which have high standards of corporate governance and act in a responsible way towards stakeholders.
- Long-term responsibilities – the Trustees are aware of their long-term responsibilities in respect of the Restricted and Unrestricted reserves and as a result follow a 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 Board does not have a policy of generating income at excessive or high risk – known as “purchasing income”, where high returns are guaranteed at the expense of capital.

The Glebe Land Investments are held for the purpose of raising income to achieve the maximum contribution possible to clergy stipends on an ongoing basis. The Glebe Land is constantly under review and it is anticipated prime land will be sold if it is deemed to be economically viable in obtaining a better rate of investment return.

Unrestricted and Restricted fund investments are invested to balance income, liquidity and the maintenance of capital.

In summary, the Board's overall policy is to maximise income while preserving the real value of its funds. As a member of the Christian Ethical Investment Group, the Board adheres to the principle of seeking not only good financial returns but also high ethical standards from companies which use its money.

In light of the continued low interest rates and the predictions from the City that these would only move marginally in the short term, the Diocesan Investment Group do not use deposit or Cash as part of the Investment Portfolio at the current time. This also protects the capital from inflation when it is higher than the interest base rate.

The Diocesan investment Group produced guidance notes and a revised policy in consultation with the Investment Advisers. This is reviewed annually.

Ethical Policy

CCLA own ethical policy adheres to the Church of England Ethical Investment Policy that is overseen by the Ethical Investment Advisory Group (EIAG). The Board endorses and follows this guidance which includes the following:

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

" The use of positive ethical criteria in assessing companies is firmly incorporated within the ethical investment policy through a process of constructive engagement with business. Criteria have been identified across five broad areas as: responsible employment practices; best corporate governance practice; conscientiousness with regard to human rights ; sustainable environmental practice; sensitivity towards the communities in which business operates "

The EIAG recommends against investment in any company that derives more than 3% of revenues from the production or distribution of pornography. It recommends against investment in any company, a major part of whose business activity or focus (defined as more than 25% of group turnover) is tobacco, gambling, alcoholic drinks, high interest rate lending or human embryonic cloning. The full report can be found at www.churchofengland.org

The investments held and their return during the year are set out in the following table:

	Funds at 31 December 2017 £'000s	Proportion of Portfolio	Income yield in year	Total Return in year
CCLA Managed				
CBF Investment Fund	13,584	45%	3.27%	+11.53%
CBF Investment Fund Acc.	326	1%	n/a	+11.33%
CBF Property Fund	3,608	12%	5.37%	+9.04%
CBF Global Equity	2,551	9%	3.83%	+9.15%
CBF Global Equity Acc.	325	1%	n/a	+8.93%
Managed Portfolio	6,185	21%	3.86%	+9.05%
Eden Tree				
Amity Balanced	1,589	5%	4.96%	+8.96%
Amity Global	1,710	6%	3.42%	+13.67%
	<u>29,878</u>	100.0%	4.24%	+11.00%

In addition the Board has 1,960 acres (2016: 1,960) of Glebe Land that is classified as investments. Due to the current land market it was considered there was no increase in value in 2017 (2016 £Nil). The land value for investment purposes is £10.563m (2016:£10.563m). The yield for the year was 2.41% (2016: 1.80%), giving a Total Return for the year of 2.41% (2016: 1.80%).

Furthermore there are 7 Investment properties owned by the Board, totalling a market value of £1.492m (2016:£1.417m). The yield on the investment properties for 2016 was 3.54% (2016: 3.13%). This gave a Total Return of 8.54% (2016: 7.20%). In addition Dovedale House which is leased to St Chads Retreats Centre is treated as an Investment Property as required by FRS102 and as at 31 December 2017 was valued at £0.355m (2016:£0.338m).

The Diocesan Investment Advisory Group regularly reviews the performance of the funds and makes recommendations to the Trustees on investments. The Investment Group historically set a benchmark of around 8% each year in Total Return although monitor this over an agreed period of time due to fluctuating markets. In June 2016, this was lowered due to the low inflation rate in the UK, and was reset to 4% plus CPI. So the benchmark in 2017 was 7.50% (2016: 5.60%). Each June there is an Investment appraisal with all the investment managers.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees are responsible for the identification, mitigation and or management of risk. To achieve this, a register of all the risks identified is maintained by the Risk and Audit Committee who report directly to the Finance and Central Services Committee. Each Risk is assessed and alongside it, a management and mitigation strategy formed. This is subject to review by the Trustees on an annual basis with the responsibility for delivery of the mitigation strategies identified by it, being delegated to the Risk and Audit Committee.

The risk register identifies four areas where the risk of either failure to act or the impact of the events is considered 'high'. These areas and the associated mitigation strategies are:

Parish Share: Collection is considerably less than the Budget figure (i.e. 96%).

- Collection statistics are produced and circulated on a monthly basis
- Parish Assessors and Diocesan Staff are tasked with identifying, reporting on and supporting those parishes where there is considered to be a significant risk of under-collection
- A provision is made within the accounts for those overdue share payments that have a significant risk of proving uncollectable

Safeguarding & Inclusion: Where there is an occurrence of child, vulnerable adult or domestic abuse by someone working for or on behalf of the Church.

- The diocese employ a safeguarding officer and sufficient support administration as required.
- Policies are aligned with those of the national church
- All parishes are required to review, endorse and implement the diocesan safeguarding policy
- Training is compulsory for all relevant staff

Communications: Adverse local or national publicity. Failure to keep pace with media developments.

- The Board appoints a Communications Officer with specific skills in dealing with Media enquiries and issues that may arise
- Staff are regularly reminded that they are not to speak to the press on any matters of a sensitive nature
- A policy on use of Social Media is also enforced

IT: System failure or the Diocesan office is becomes uninhabitable.

- Insurance is in place
- Backups are made on a regular basis
- The disaster recovery plan is reviewed on an annual basis

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

STRUCTURE AND GOVERNANCE

Summary Information about the structure of the Church of England

The Church of England is the established church and HM The Queen is the Supreme Governor. It is organised into two provinces (Canterbury and York) and 42 Dioceses. Each Diocese is a See under the care of a Bishop who is charged with the cure of souls of all the people within that geographical area. This charge is shared with priests within benefices and parishes which are sub-divisions of the Diocese.

The National Church has a General Synod comprised of ex-officio and elected representations from each Diocese and it agrees and lays before Parliament, Measures for the governance of the church's affairs which, if enacted by Parliament, have the force of statute law. In addition to the General Synod, the Archbishops' Council has a coordinating role for work authorised by the Synod; the Church Commissioners manage the historic assets of the Church of England; and the Church of England Pension Board administers the pension schemes for clergy and lay workers. Within each Diocese, overall leadership lies with the Diocesan Bishop, who exercises that input as Bishop within the Diocesan Synod.

The Diocese is itself divided into twenty nine deaneries, each with its own Synod and within each parish there is a parochial church council which shares with the parish priest responsibility for the mission of the church in that place, in a similar way to that in which the Bishop shares responsibilities with the Diocesan Synod.

Whilst each Diocese is a separate legal entity, with a clear responsibility for a specific geographical area, being part of the Church of England requires and enables each Diocese to seek support from and application for partnership with neighbouring Dioceses.

Organisation

Diocesan Governance

The diocese is governed by the latest Standing Orders approved on 05 November 2016. Its statutory governing body is the Diocesan Synod which is elected with representation from all parts of the diocese.

Diocesan Synod

The Synod has broadly equal numbers of clergy and lay people meeting, normally three times a year, together in Diocesan Synod with the Diocesan Bishops and Archdeacons. Its role is to:

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

Every member of Diocesan Synod is also a member of the Lichfield Diocesan Board of Finance ("the Board"). The members of the Standing Committee of Diocesan Synod (Bishop's Council) comprise the Board of Trustees of the Board and under company law the Board of Directors. The Board of Directors under company law have a personal liability of £1 in the event of the Board being wound up.

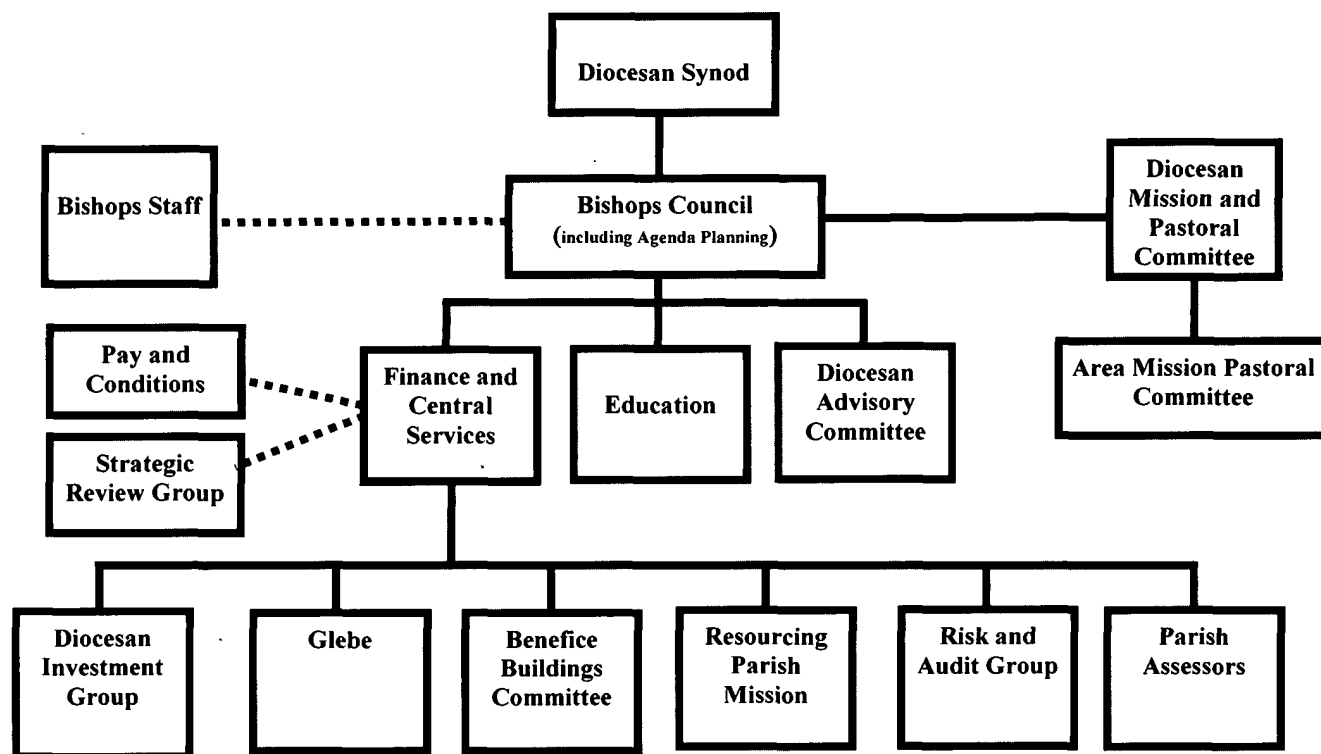
The membership of Diocesan Synod and therefore Bishop's Council is part ex-officio and part elected: elections are held every three years, the last occasion being in 2015. The current Synod will serve until 31 July 2018, when after the elections the newly elected Synod will serve from 1 August 2018 to 31 July 2021.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Decision Making Structure



Diocesan Synod has delegated the following functions to the Board of Directors/Trustees (Bishop's Council):

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

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

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Key Personnel

Key Management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During the year they were the Diocesan Secretary/Chief Executive Officer, Director of Finance, Director of Property, Director of Education and Director of Communications.

The policy for setting the remuneration of Key Management personnel is under the remit of the Diocesan Pay and Condition Committee and is determined by several factors including reference to similar sized charities and current recommended rates for equal posts in other Diocese and in the wider non for profit sector.

Bishop's Council

The members of the Bishop's Council are the Board of Trustees. Bishop's Council consists of 12 ex-officio members, including the Diocesan and 3 Area Bishops and the four Archdeacons, 8 clergy elected by the House of Clergy from among their members and 12 lay persons elected by the members of the House of Laity representing Deaneries, 1 co-opted member and a maximum of 3 members nominated by the Diocesan Bishop.

Committee Structure

Agenda Planning: ensure a smooth flow of business to the Bishop's Council and Diocesan Synod aiming for lively, focused debate and to review periodically Synod's Standing Orders. It reports direct to Bishop's Council.

Diocesan Mission and Pastoral Committee: responsible for approving pastoral reorganisation, taking into account available clergy numbers and making use of new patterns of ministry. It is responsible for assisting in making better provision for the Cure of Souls in the diocese and oversees arrangements for pastoral supervision and care. Since August 2009 this committee is also responsible for the oversight of closed churches and for overseeing finding appropriate alternative uses for church buildings, which have been declared redundant. The membership of this Committee is now the same as Bishop's Council.

Finance and Central Services Committee (FACS) - oversees the day-to-day financial activity which receives regular reports on Parish Share receipts, liquidity, staffing levels and both capital and revenue expenditure. The committee also oversees the Budget process and assists in submitting the Diocesan Budget and annual financial statements to the Board of Directors (Trustees). Their terms of reference include agreeing Accounting Policy and recommend any changes to Bishop's Council and recommend the Reserves Policies to the Bishop's Council;

There are a number of sub committees that influence the operations of the Board.

The following are sub-committees of the Finance and Central Services Committee:

Benefice Buildings Committee (Statutory): responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice, including setting the policy for repairing and maintaining all parsonage, team vicarages and houses owned by the Board. It also makes recommendations to the Diocesan Investment Group (see below) concerning the purchase and disposal of all houses owned by the Board, as well as identifying and recommending to the Diocesan Investment Group potential development sites.

Glebe Committee (Statutory): responsible for determining policy and making, decisions concerning the management of Glebe Land. It also makes recommendations to the Diocesan Investment Group concerning the investment of land and annual returns of such investments for the benefit of the Diocesan Stipends Fund.

Strategic Review Group: responsible for overseeing the construction of the Diocesan Budget and future forecasts and ensuring that there is synergy between Diocesan Strategy and Finance.

Parish Assessors Committee: responsible for the oversight of the Parish Share formula. This includes making recommendations about the management of arrears and the operation of the current Parish Share formula.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Diocesan Investment Group: responsible for overseeing all the Investments and Assets of the Board in order to ensure that the reserves of the Board are utilised efficiently and to the best benefit of the diocese, both in the short term and medium to long term. The group recommend the expected Investment Income the Board can expect each year in line with the current Diocesan Financial Strategy.

Risk and Audit Committee: responsible for identifying and monitoring risk to the organisation and overseeing both internal and external audit requirements.

Pay and Conditions Committee: responsible for overseeing the working conditions and remuneration of lay staff and Central Sector Ministry.

Resourcing Parish Mission: responsible for the award and distribution to of grants to parishes for Growth initiatives across the diocese in deaneries and parishes, including reviewing and analysing the effectiveness of the grant with the aims and objectives of the project and in accordance with the deanery or parish *Mission Action Plan* and to encourage new and/or *Fresh Expressions* of Christian faith. In addition the Committee are responsible for the management of loans and grants to parishes required either to maintain or to improve church buildings and halls, and overseeing parish project reviews as well grants to Community based projects.

In addition there are other Statutory Committees that report directly to Diocesan Synod:

Diocesan Advisory Committee: 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: constituted under the provisions of the Patronage (Benefices) Measure 1986. It is sole patron or joint patron of a number of benefices.

Finally there is a group whose role is to ensure there is cohesion and joined up thinking across the spectrum of the diocesan organisation and report directly to the Bishop's Council:

Bishop's Staff: a monthly meeting of Senior Staff (Bishops, Archdeacons, Dean, CEO/Diocesan Secretary and Director of Women's Ministry), who pray together for the mission and set the vision for the diocese. The meeting considers the pastoral, disciplinary issues or special needs of parishes and decides on action to be taken. They are also responsible for ensuring the co-ordination across the areas and divisions so that policies are applied equitably across the diocese as well as remaining within the overall Stipend Budget.

Appointment of Trustees (Directors)

Trustees (and therefore Directors) are appointed by election every three years, with the exception of the ex-officio members. The last election was in August 2015, and current Trustees will serve until 31 August 2018. Following the Diocesan Synod elections a new Bishop's Council was elected and which members will serve until 31 August 2018.

Trustees are given induction training at the first meeting of the new triennium and receive ongoing training as appropriate. The training is tailored to the individual needs of the Trustees and may include introductions to church, company and charity law, an overview of the current programmes and plans of the diocese and an introduction to any special areas of the diocese with which they will be working (e.g. Board of Education, Parsonages Board). Trustees are encouraged to visit diocesan operations. Meetings are held around the diocese either in church buildings or at Christian Centres. Some senior staff have job titles incorporating the title *Director*, but they are not Directors of the Company for the purpose of company law and so therefore do not count as *Charity Trustees*.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Custodian Trustees

The diocese is fortunate to have a separate legal entity in the Lichfield Diocesan Trust (see Connected Charities) to act as custodian to parish funds. There is however six trusts that have been transferred to the main Board to act as custodian. These relate to the former Moore Memorial and Tyrell Selwyn Trusts, where the income is to be used to assist financially members of the clergy. The fund is divided into four distinct funds, one allocated to each Archdeaconry. In addition there is a trust to support Women's Ministry and also the capital funds held to support the Diocesan Bishop's Discretionary Fund. The total funds held in the Custodianship of the Board as at 31 December 2016 was £371,931 (2016: £347,373).

Related Parties

The Board has to comply with Measures passed by General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Diocesan and Area Bishops are borne by the Church Commissioners and are therefore not included in these financial statements.

Parochial Church Councils (PCCs)

The diocese is required by Measure to be custodian trustee in relation to PCC Property and certain Endowment Trust funds but the Board has no controls over PCCs, which are independent charities. The diocese has a separate charitable company called the Lichfield Diocesan Trust that operates as Custodian Trustee in these circumstances. The administration costs of the Lichfield Diocesan Trust are borne by the Board and these administration costs are shown in the financial statements. However the accounts of PCCs and Deaneries do not form part of these financial statements.

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

Subsidiary Undertakings

The Board has no trading subsidiary companies as at the year-end. The Board however is the sole member of St Chads Retreats Centre, a charitable company incorporated on 4th March 2014 registered at Companies House in England and Wales under reference 08922281 and a registered charity number 1157619. The accounts for this subsidiary are consolidated in these financial statements.

The Board also the Body with total control over the Mercian Community Trust with effect from January 2017, a charitable company incorporated 24 December 2001 registered at Companies House in England and Wales under reference 04345177 and a registered charity number 1090596. The accounts for this subsidiary are consolidated in these financial statements.

Connected Charities

The Directors and Trustees of the Board consider the following to be connected charities:

Lichfield Diocesan Board of Education, a registered charitable company, which has responsibility for 205 church schools across the diocese, provides pastoral and professional support to all its schools and has a particular commitment to enhancing the quality of provision for religious education, collective worship and spiritual, moral, social and cultural development of all pupils. The Board of Education also helps to promote this work through a trading subsidiary that operates a Service Level Agreement. Only the grant paid to the Board of Education is enclosed within these financial statements.

Lichfield Diocesan Trust, a registered charitable company that acts as Custodian Trustee on behalf of the diocese as stated above. Only the grant given to the Trust to cover administration costs is included in the financial statements. The Diocesan Trust also operates a central Gift Aid Department to assist parishes in reclaiming Gift Aid. Again only the costs of administering the scheme and commission received are enclosed in these financial statements.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

TRUSTEES' ANNUAL REPORT Continued

FOR THE YEAR ENDED 31 DECEMBER 2017

Trustees' Responsibilities Statement

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of Information to Auditors

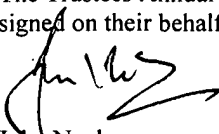
Each of the persons who are members of board of Trustees at the time when this Trustee's annual report is approved has confirmed that:

- so far as that member of the board of Trustees is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and
- that the board of Trustees has taken all the steps that ought to have been taken as a board in order to be aware of any information needed by the charitable company's auditors in connection with preparing their report and to establish that the charitable company's auditors are aware of that information.

Website

Further details on the Lichfield Diocesan Board of Finance and its programmes can be obtained from the website: www.lichfield.anglican.org. The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Trustees Annual Report which includes the Strategic Report was approved by the Trustees on 17 May 2018 and signed on their behalf by:


John Naylor
Chairman

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)

Opinion

We have audited the financial statements of Lichfield Diocesan Board of Finance (Incorporated) for the year ended 31 December 2017 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and the Company Balance Sheet, the Summary Income and Expenditure Accounts, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (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.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2017 and of the group's and parent charitable company's net movement in funds, including the 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 17, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

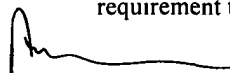
- the information given in the Trustees' Annual Report (which incorporates the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report.

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

- adequate accounting records have not been kept by the parent charitable company; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.



Adam Halsey (Senior Statutory Auditor)
For and on behalf of Haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AG

Date 17 May 2018

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Unrestricted Funds 2017 £'000	Restricted Funds 2017 £'000	Endowment Funds 2017 £'000	Total Funds 2017 £'000	Total Funds 2016 £'000
Income and endowments from:						
Parish contributions	4	10,962	-	-	10,962	11,172
Archbishops' Council	5	2,227	226	-	2,453	2,541
Other donations	6	307	317	-	624	599
Other trading activities	8	379	11	-	390	366
Investments	9	509	631	342	1,482	1,311
Charitable activities	7	1,912	3	-	1,915	1,786
Other income	10	7	450	-	457	1,098
Total income and endowments		16,303	1,638	342	18,283	18,873
Expenditure on:						
Raising funds	11	89	16	36	141	142
Charitable activities	13	16,834	946	91	17,871	17,558
Other expenditure	12	283	-	98	381	197
Total expenditure		17,206	962	225	18,393	17,897
Net income before investment Gains		(903)	676	117	(110)	976
Net gains on investments and property		918	4,544	1,824	7,286	6,170
Net income before transfers		15	5,220	1,941	7,176	7,146
Gain on Pension Adjustments		-	-	422	422	670
Transfers between funds	17	950	(1,502)	552	-	-
Net movement in funds		965	3,718	2,915	7,598	7,816
Reconciliation of funds:						
Total funds at 1 January 2017	23	16,049	80,233	35,395	131,677	123,861
Total funds at 31 December 2017	23	17,014	83,951	38,310	139,275	131,677

All activities relate to continuing operations.

The notes on pages 25 to 55 form part of these financial statements.

A comparative Statement of Financial Activities is included at note 33.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

SUMMARY INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 Unrestricted Funds £'000	2017 Restricted Funds £'000	2017 Total Funds £'000	2016 Total Funds £'000
Income		16,411	1,530	17,941	18,552
Gains on investments		918	4,544	5,462	4,573
Gross income in the reporting period		<u>17,329</u>	<u>6,074</u>	<u>23,403</u>	<u>23,125</u>
Less: Total expenditure		<u>17,314</u>	<u>854</u>	<u>18,168</u>	<u>17,445</u>
Net income for the year before Transfers		15	5,220	5,235	5,680
Transfers between funds	17,23	950	(1,502)	(552)	(583)
Net income for the year after transfers		<u>965</u>	<u>3,718</u>	<u>4,683</u>	<u>5,097</u>
Net income for the financial year	23	<u><u>965</u></u>	<u><u>3,718</u></u>	<u><u>4,683</u></u>	<u><u>5,097</u></u>

The income and expenditure account is derived from the Statement of Financial Activities with movements in endowment funds excluded to comply with company law. All income and expenditure is derived from continuing activities.

The notes on pages 25 to 55 form part of these financial statements.

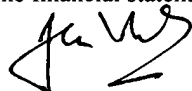
CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	18		96,570		91,574
Investments	19		42,288		41,469
			<u>138,858</u>		<u>133,043</u>
Current assets					
Debtors: amounts falling due after more than one year	20	1,478		1,399	
Debtors: amounts falling due within one year		1,526		2,011	
Investments		-		484	
Cash at bank and in hand	26	5,411		3,885	
		<u>8,415</u>		<u>7,779</u>	
Creditors: Amounts falling due within one year	21	<u>(1,295)</u>		<u>(1,369)</u>	
Net Current Assets			<u>7,120</u>		<u>6,410</u>
Total assets less current liabilities			<u>145,978</u>		<u>139,453</u>
Creditors: amounts falling due after more than one year	22		<u>(6,703)</u>		<u>(7,776)</u>
Net assets			<u>139,275</u>		<u>131,677</u>
Charity Funds					
Endowment funds	23		38,310		35,395
Restricted funds	23		83,951		80,233
Designated funds	23	13,273		12,251	
Unrestricted funds	23	3,741		3,798	
		<u>17,014</u>		<u>16,049</u>	
Total funds			<u>139,275</u>		<u>131,677</u>

No separate SOFA has been presented for the company alone as permitted by section 408 of the Companies Act 2006. The unconsolidated surplus/(deficit) of the parent charity was £7.214m (2016: surplus £7.709m).

The financial statements were approved by the Trustees on 17th May 2018 and signed on their behalf by:



Mr J T Naylor
Chairman


The notes on pages 25 to 55 form part of these financial statements.

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2017

		2017		2016	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	18		96,097		91,132
Investments	19		42,206		41,393
			<u>138,303</u>		<u>132,525</u>
Current assets					
Debtors: amounts falling due after more than one year	20	1,614		1,565	
Debtors: amounts falling due within one year	20	1,519		2,067	
Investments		-		484	
Cash at bank		4,996		3,720	
		<u>8,129</u>		<u>7,836</u>	
Creditors: Amounts falling due within one year	21	<u>(1,248)</u>		<u>(1,318)</u>	
Net Current Assets			<u>6,881</u>		<u>6,518</u>
Total assets less current liabilities					<u>139,043</u>
Creditors: amounts falling due after more than one year	22		<u>(6,703)</u>		<u>(7,776)</u>
Net assets			<u>138,481</u>		<u>131,267</u>
Charity Funds					
Endowment funds	23		38,310		35,395
Restricted funds	23		83,583		79,961
Designated funds	23	13,273		12,251	
Unrestricted funds	23	<u>3,315</u>		<u>3,660</u>	
			<u>16,588</u>		<u>15,911</u>
Total funds			<u>138,481</u>		<u>131,267</u>

The financial statements were approved by the Trustees on 17th May 2018 and signed on their behalf by:



Mr J T Naylor
Chairman

The notes on pages 25 to 55 form part of these financial statements.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Net cash used in operating activities	25	<u>(1,835)</u>	<u>(123)</u>
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,482	1,310
Proceeds from the sale of fixed assets		746	912
Purchase of fixed assets		(999)	(939)
Interest paid		(98)	(197)
Purchase of investments		(639)	(1,325)
Proceeds from Sale of Investments		2,468	-
Net cash provided by/(used in) investing activities		<u>2,960</u>	<u>(239)</u>
Cash flows from financing activities:			
Repayments of borrowings		(83)	(599)
Cash inflows from new borrowing		-	-
Net cash provided by financing activities		<u>(83)</u>	<u>(599)</u>
Change in cash and cash equivalents in the year		1,042	(961)
Cash and cash equivalents brought forward		4,369	5,330
Cash and cash equivalents carried forward	26	<u>5,411</u>	<u>4,369</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The Lichfield Diocesan Board of Finance (Incorporated) is a charitable company incorporated in England and Wales under the Companies Act and registered as a charity with the Charity Commission in England and Wales. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the reference and administration details of these financial statements. The nature of the charity's operations and principal activities are detailed in the trustees report.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006

The Lichfield Diocesan Board of Finance (Incorporated) meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the company and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis.

1.2 Going concern

After making appropriate enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

1.3 Company status

The company is a company limited by guarantee. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

1.4 Income

All income is included in the Statement of Financial Activities (SOFA) when the company is legally entitled to them as income or capital respectively, ultimate receipt is probable and the amount to be recognised can be quantified with reasonable accuracy.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.5 Income (continued)

- ii) **Parish Share** is recognised as income of the year in respect of which it is receivable.
- ii) **Rent receivable** is recognised as income in the period with respect to which it relates.
- iii) **Interest and dividends** are recognised as income when receivable.
- iv) **Grants** received which are subject to pre-conditions for entitlement specified by the donor which have not been met at the year-end are included in creditors to be carried forward to the following year.
- v) **Parochial fees** are recognised as income of the year to which they relate.
- vi) **Donations** other than grants are recognised when receivable.
- vii) **Gains on disposal of fixed assets for the LDBF's own use** (i.e. non-investment assets) are accounted for as other incoming. Losses on disposal of such assets are accounted for as other expenditure.
- viii) **Stipends fund income.** The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted for clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

1.6 Expenditure

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

- i) **Costs of raising funds** are constrained to costs relating to the temporary renting out of parsonages and investment management costs of glebe and any other investment properties.
- ii) **Charitable expenditure** is analysed between contributions to the Archbishops' Council, expenditure on resourcing mission and ministry in the parishes of the diocese, expenditure relating to the running of the diocesan retreat centre, and expenditure on education and Church of England schools in the diocese.
- iii) **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 LDBF, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to such conditions which have not been met at the year-end are noted as a commitment, but not accrued as expenditure.
- iv) **Support costs** consist of central management, administration and governance costs. The amount spent on raising funds and other activities is considered to be immaterial and all support costs are allocated to the purpose of charitable activities. Costs are allocated wherever possible directly to the activity to which they relate, but where such direct allocation is not possible, the remainder is allocated on an approximate staff time basis.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.6 Expenditure (continued)

- v) **Pension contributions.** The LDBF's staff are members of the Church Workers Pension Fund and Clergy are members of the Church of England Funded Pensions Scheme (see note 30). The pension costs charged as resources expended represent the LDBF's contributions payable in respect of the accounting period, in accordance with FRS102. Deficit funding for the pension schemes to which LDBF participates is accrued at current value in creditors distinguished between contributions falling due within one year and after more than one year.

1.7 Tangible fixed assets and depreciation

Freehold Property

All properties, including glebe and parsonage houses, are stated at valuation, except for redundant churches that are held at a nil valuation reflecting uncertainty as to their future ownership and use. Valuations are undertaken annually as at 31 December each year by reference to values for detached houses in various areas covered by the Nationwide Building Society monthly house price index data. All properties are subject to an annual impairment review by the Director of Buildings; properties are written down to net realisable value where that is lower than carrying value.

The overall net gain or loss for the year on revaluation is shown in the Statement of Financial Activities. Included under unrestricted funds are properties that have been acquired using general funds and are represented by the designated Board Properties Fund.

Additions are at cost but subject to an annual valuation adjustment at the end of the financial year. Extensions to buildings are capitalised.

No depreciation is provided on buildings as any charge would not be material due to the very long expected useful economic life and because their expected residual value is not materially less than their carrying value. LDBF has a policy of regular repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefices Buildings Measure 1972 and properties are therefore unlikely to suffer obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value.

Sales and purchases of properties are recognised on the date of exchange of contract.

The majority of transfers occur following pastoral reorganisation. A benefice house may be transferred to diocesan glebe or general funds for disposal or to be held as a corporate property, as determined by the particular pastoral scheme. In the majority of such cases, houses are required as functional fixed assets for housing team vicars (in a team ministry) or other members licensed to a benefice and as such are held as corporate property under unrestricted designated funds.

Properties subject to value linked loans

Properties which have been bought with the assistance of value-linked loans from the Church Commissioners are stated using the value of the related loan at the balance sheet date. Each year end the respective property and loan are carried at an index linked current valuation basis.

Investment properties

Glebe properties which are held for investment purposes and rented out have been included at their fair value.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.7 Tangible fixed assets and depreciation (continued)

Parsonage houses

Parsonage houses and glebe assets were incorporated into the financial statements for the first time as at January 1997 at an initial carrying value (ICV). All residential properties at that date, including team vicarages held as glebe, were valued by the Director of Buildings, an architect, by reference to Council Tax bandings, and to find the appropriate level within the band, to insurance rebuild value after adding 50% to the latter for land value.

Parsonage houses, also known as benefice houses, are legally vested in the incumbent. However, an incumbent is not free to dispose of the house for his/her own benefit, cannot make alterations or improvements to the property and is not responsible for maintaining the house. In spite of the complex tenure of parsonage houses, LDBF is responsible for the maintenance and insurance of the houses in the same way as for other houses and they are assets of LDBF within the FRS 102 definition as they are 'rights or other access to economic benefits controlled by an entity' and are therefore recognised as fixed assets in the balance sheet.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Motor vehicles	20% straight line, no depreciation charge in the year of acquisition
Office equipment	20% straight line, no depreciation charge in the year of acquisition

1.8 Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of financial activities includes the net gains and losses arising on revaluation and disposals throughout the year.

1.9 Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

1.10 Glebe land

Glebe Land of almost 2,100 acres was included on the balance sheet for the first time in 1998 using an average agricultural land valuation. 2,017 acres remain at the balance sheet date. It is accepted that there are likely to be certain holdings with development potential but until such time that they are considered for disposal when the market value will be professionally ascertained, the more prudent agricultural value will be used. This land was revalued for the first time in 2007. Where planning permission has been received, the land in question is specifically revalued at a maximum of 50% of the sale value (forced sale value), subject to certain conditions agreed with the land agents.

Investment property

Properties that are identified as Investment opportunities are classified as Investment properties. These are revalued annually using Diocesan Investment Properties are revalued each year using the Nationwide Regional Quarterly Series - All Properties, Regional Quarterly Indices (West Midlands Region).

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.10 Glebe land (continued)

Redundant church property fund

The Redundant Church Property Fund which represents redundant churches vested in the Board was also included in the Balance Sheet for the first time in 1998. The properties have been professionally valued and included in the accounts at two-thirds of that value. The Board is responsible for the maintenance of these properties and any costs are borne by the Pastoral Fund.

There are also seven properties that the Board have interest in, although they have been transferred and vested in the Churches Conservation Trust (CCT). These properties are as follows: -

Addersley S Peters (except Nave and Tower)	Battlefield
Longford	Patshull S Mary
Preston Gubbals	Shrewsbury S Mary
Stirchley S James	Wroxeter S Andrew

These are not included at any value and should any financial transaction take place in the future then the proceeds will be treated as either funds introduced or gain on sale of tangible asset depending on the circumstances of the transaction.

1.11 Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

1.12 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.13 Taxation

The company is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

1.14 Fund balances

Fund Balances are split between unrestricted (general and designated), restricted and endowment funds.

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

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

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.14 Fund balances (continued)

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds are those held on trust to be retained for the benefit of the charitable company as a capital fund. In the case of the endowment funds administered by the LDBF (Stipends Fund Capital, Parsonage Houses and Schools), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

"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. Trusts where the LDBF acts merely as custodian trustee with no control over the management of the funds are not included in the financial statements but are summarised in the notes to the financial statements.

1.15 Pensions

The company participates in the Church of England Funded Pensions Scheme for stipendiary clergy and the Defined Benefits Scheme section of Church Workers Pension Fund (CWPF) for lay staff. The pension charges are based on a full actuarial valuation dated 31 December 2015 for the Church of England Funded Pensions scheme and 31 December 2016 for Church Workers Pension Fund. The CWPF is a defined benefit pensions scheme, as required by FRS102 agreed deficit repayment plans are reflected a liability in the Balance Sheet. Further details are provided in note 29.

2. JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with generally accepted accounting practice requires the directors to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the most significant areas of judgement relate to the valuation of properties.

Valuation

Given the size of the property portfolio valuation is an area of judgement. The Board use in house expertise and the valuation methods are detailed above. Actual results of sold properties are compared to valuations to identify potential issues

3. INCOME FROM DONATIONS AND LEGACIES

	Total 2017 £'000	Total 2016 £'000
Parish contributions	10,962	11,172
Archbishops' Council	2,453	2,541
Other	624	599
	<u>14,039</u>	<u>14,312</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

4. PARISH CONTRIBUTION	Total 2017 £'000	Total 2016 £'000
Current year apportionment requested	11,528	11,471
Less share written off not provided for	(294)	(235)
Less increase in provision for doubtful debts	(272)	(64)
	<u>10,962</u>	<u>11,172</u>
Provision for doubtful debts	2017 £'000	2016 £'000
Total share arrears as at 31 December	1,753	1,717
Arrears received in January	(205)	(218)
Provision at year end	<u>1,548</u>	<u>1,499</u>
Provision for doubtful debts as at 1 January	1,499	1,738
Written off in the year	(223)	(303)
	<u>(1,276)</u>	<u>(1,435)</u>
Increase in provision for doubtful debts in the year	<u>272</u>	<u>64</u>

Current year receipts represent 92.56 % of the total apportioned (2016: 93.06%). At the end of January the current years receipts represented 94.16 % of the total apportioned (2016: 94.84%).

Current years receipts are recorded until the end of January each year with the January receipts being treated as year end debtors. All arrears at the 31 January each year are then provided for. When all receipts for previous and future years are included 95.06% of the total apportioned (2016: 97.27%).

5. ARCHBISHOP'S COUNCIL	Total 2017 £'000	Total 2016 £'000
Stipend allocation	2,227	2,263
Resourcing Ministerial Education	60	-
Transitional Funding	166	-
Mission development funding	-	278
	<u>2,453</u>	<u>2,541</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

6. OTHER DONATIONS	Total 2017 £'000	Total 2016 £'000
All Churches Trust	234	234
Walter Stanley Trust	108	113
Other donations	168	194
St Chad's Retreat Centre	21	58
Mercian Community Trust	93	-
	<u>624</u>	<u>599</u>
7. CHARITABLE ACTIVITIES	Total 2017 £'000	Total 2016 £'000
Statutory fees	1,233	1,046
Chaplaincy income	275	342
Guaranteed annuities	1	1
St Chad's Retreat Centre	406	397
	<u>1,915</u>	<u>1,786</u>
8. OTHER TRADING ACTIVITIES	Total 2017 £'000	Total 2016 £'000
Housing income	269	285
Parish services	75	31
St Chad's Retreat Centre	36	50
Mercian Community Trust	10	-
	<u>390</u>	<u>366</u>
9. INVESTMENT INCOME	Total 2017 £'000	Total 2016 £'000
Rents receivable	255	240
Dividends receivable	1,201	1,028
Interest receivable	21	40
St Chad's Retreat Centre	4	3
Mercian Community Trust	1	-
	<u>1,482</u>	<u>1,311</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

10. OTHER INCOME

	Total 2017 £'000	Total 2016 £'000
Gains on sale of assets	-	(2)
Funds Introduced From Lichfield Diocesan Trust	9	1,036
Grants written back from previous years	86	64
Mercian Community Trust	362	-
	<u>457</u>	<u>1,098</u>

11. RAISING FUNDS

	Total 2017 £'000	Total 2016 £'000
Agents fees	91	106
Rental costs	50	36
	<u>141</u>	<u>142</u>

12. OTHER EXPENDITURE

	Total 2017 £'000	Total 2016 £'000
Extra-Ordinary costs relating to Pensions	381	197

13. CHARITABLE ACTIVITIES

	Total 2017 £'000	Total 2016 £'000
Contribution to Archbishops' Council		
Training for Ministry	410	397
National Church responsibilities	326	337
Agency Pension Contributions	4	23
Retired Clergy Housing Costs	135	130
Pooling of Candidates Grants	69	70
	<u>944</u>	<u>957</u>
Resourcing Ministry and Mission		
Parish Ministry		
Stipends and related costs	7,381	7,263
Pensions	1,483	1,490
Housing costs	2,830	3,068
Removal, resettlement Grants	309	148
Other expenses	452	542
	<u>12,455</u>	<u>12,511</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

13. CHARITABLE ACTIVITIES (continued)

	Total 2017 £'000	Total 2016 £'000
Support for Ministry		
Support for Ministry	3,615	3,447
St Chad's Retreat Centre	448	417
Mercian Community Trust	129	-
	<u>4,192</u>	<u>3,864</u>
Expenditure on Education		
Education	280	226
Total	<u>17,871</u>	<u>17,558</u>

14. ANALYSIS OF SUPPORT COSTS

	Total 2017 £'000	Total 2016 £'000
Central administration	1,129	986
Support schools	280	226
Governance		
- Audit	24	22
- Registrar and chancellor	78	71
- Synodical costs	22	22
	<u>1,533</u>	<u>1,327</u>

15. ANALYSIS OF EXPENDITURE INCLUDING SUPPORT COSTS

	Activities Undertaken £'000	Grants 2017 £'000	Support 2017 £'000	Total 2017 £'000	Total 2016 £'000
Raising funds	141	-	-	141	142
Charitable activities	-	944	-	944	957
Resources parish summary	14,349	765	1,533	16,647	16,375
Education	271	9	-	280	226
Other	381	-	-	381	197
	<u>15,142</u>	<u>1,718</u>	<u>1,533</u>	<u>18,393</u>	<u>17,897</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. STAFF COSTS	2017 £'000	2016 £'000
Employee costs were as follow:		
Wages and salaries	1,992	1,842
Social security costs	183	164
Other pension costs	298	276
	<u>2,473</u>	<u>2,282</u>

The wages and salaries include termination costs of £21,461 (2016: £47,324)

The average number of persons employed by the group during the year was as follows:

	2017 No.	2016 No.
Management and administration	29	27
Addition for mission	9	10
Archdeacons and Bishop's support staff	9	10
Central sector ministers/advisers and support staff	31	34
St Chad's Retreat Centre	20	19
Mercian Community Trust	1	-
	<u>99</u>	<u>100</u>

The number of employees whose emoluments exceeded £60,000 was:

	2017 No.	2016 No.
£60,000 - £70,000	2	2
£70,000 - £80,000	1	1
£80,000 - £90,000	1	-
	<u>4</u>	<u>3</u>

Parochial stipendiary clergy are not employees of the Lichfield Diocesan Board of Finance and therefore their stipends, pensions and social security costs are not included in this note.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. STAFF COSTS (continued)

Remuneration of key management personnel

Key management personnel are deemed to be those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the diocese. During 2017 they were:

Diocesan Secretary and Company Secretary	Mrs J Jones
Director of Finance	Mr J Hill
Director of Property	Mr A Mason
Director of Education	Mr C Hopkins
Director of Communications	Mr P Bate

Remuneration, National Insurance and pensions for these 5 employees amounted to £400,123 (2016: £320,035).

Trustees' emoluments

No Trustee received any remuneration for services as Trustee, 11 trustees (2016: 11 trustees) received travelling and out of pocket expenses, totalling £10,537 (2016: £11,580) in respect of General Synod duties, duties as archdeacon or area/rural dean, and other duties as Trustees.

Trustees expenses by stipend and housing detail

The following table gives details of the Trustees who were in receipt of a stipend and/or housing provided by the LDBF during the year:

		Housing	Stipend
The Rt. Rev. Michael Igrave	Bishop of Lichfield	No	No
The Rt. Rev. Mark Rylands	Bishop of Shrewsbury	Yes	No
The Rt. Rev. Geoff Annas	Bishop of Stafford	Yes	No
The Rt. Rev. Clive Gregory	Bishop of Wolverhampton	Yes	No
The Very Rev. Adrian Dorber	Dean of Lichfield	No	No
The Ven. Simon Baker	Archdeacon of Lichfield	Yes	Yes
The Ven. Paul Thomas	Archdeacon of Salop	Yes	Yes
The Ven. Matthew Parker	Archdeacon of Stoke	Yes	Yes
The Ven. Dr Sue K Weller	Archdeacon of Walsall	No	Yes
Mr John Naylor	Chair, DBF	No	No
The Rev. Preb. John Allan	Chair, House of Clergy	Yes	Yes
Mr John (Tug) Wilson	Chair, House of Laity	No	No
The Rev P. Cansdale		Yes	Yes
Revd. J Cody		Yes	Yes
Revd. Martin Rutter		Yes	Yes

The LDBF is responsible for funding via the Church Commissioners stipends of licensed stipendiary clergy in the diocese, other than bishops and cathedral staff. The LDBF is also responsible for the provision of housing for stipendiary clergy in the diocese including the Area Bishops but excluding Diocesan Bishop and Cathedral staff.

In 2017 one trustee made a donation to the Board, totalling £1,800. In 2016, one trustee made donations to the Board totalling £1,800.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

16. STAFF COSTS (continued)

Stipends cost note

The LDBF paid an average of 261 (2016: 275) stipendiary clergy as office-holders holding parochial or diocesan appointments in the diocese, and the costs were as follows:

	2017 £'000	2016 £'000
Stipends	6,533	6,684
National insurance contributions	529	534
Pension costs - current year	1,635	1,650
- deficit reduction	894	902
	<u>9,591</u>	<u>9,770</u>

The stipends of the four Bishops were paid and funded by the Church Commissioners.

The stipends of the Diocesan Bishop and Area/Suffragan Bishops are funded by the Church Commissioners and are in the range £ 36,010 - £43,870 (2016: £34,980 - £43,220). The annual rate of stipend, funded by the LDBF, paid to Archdeacons in 2017 was in the range £34,695 - £46,045 (2016: range £34,180 - £45,335) and other clergy who were Trustees were paid in the range £25,220 - £27,450 (2016: £24,785 - £25,840). The Archbishops' Council has estimated the value to the occupant, gross of income tax and national insurance, of church provided housing in 2017 at £12,040 (2016: £10,404).

17. ANALYSIS OF TRANSFERS BETWEEN FUNDS

	General Unrestricted Funds £'000	Designated Funds £'000	Restricted Funds £'000	Endowment Funds £'000
Investment income towards General Costs	931	(188)	(418)	(325)
Transfer of Property Classification	-	882	(882)	-
Transfer of Property Costs	155	(63)	(92)	-
Support to Reaching New Generations	57	(57)	-	-
Transitional support to Education Budget	70	(70)	-	-
Transfer re Clergy Pensions deficit payments	(894)	-	-	894
Bishops Ordination Fund	20	-	(20)	-
Mercian Community Trust	3	-	(3)	-
St Chad's Retreat Centre	236	-	(236)	-
Other transfers	(45)	(87)	149	(17)
	<u>533</u>	<u>417</u>	<u>(1,502)</u>	<u>552</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

18. TANGIBLE FIXED ASSETS	Freehold land and building £'000	Motor Vehicles £'000	Office Equipment £'000	Total £'000
Group				
Cost or valuation				
At 1 January 2017	91,353	14	694	92,061
Additions	864	-	135	999
Disposals	(675)	-	(7)	(682)
Revaluation surplus	4,749	-	-	4,749
	<u>96,291</u>	<u>14</u>	<u>822</u>	<u>97,127</u>
At 31 December 2017				
Depreciation				
At 1 January 2017	-	2	485	487
Charge for the year	-	3	73	76
On disposals	-	-	(6)	(6)
	<u>-</u>	<u>5</u>	<u>552</u>	<u>557</u>
At 31 December 2017				
Net book value				
At 31 December 2017	<u>96,291</u>	<u>9</u>	<u>270</u>	<u>96,570</u>
At 31 December 2016	<u>91,353</u>	<u>12</u>	<u>209</u>	<u>91,574</u>
Company		Freehold Land and building £'000	Office Equipment £'000	Total £'000
Cost or valuation				
At 1 January 2017		90,930	687	91,617
Additions		864	122	986
Disposals		(675)	(7)	(682)
Revaluation surplus/(deficit)		4,727	-	4,727
		<u>95,846</u>	<u>802</u>	<u>96,648</u>
At 31 December 2017				
Depreciation				
At 1 January 2017		-	485	485
Charge for the year		-	72	72
On disposals		-	(6)	(6)
		<u>-</u>	<u>551</u>	<u>551</u>
At 31 December 2017				
Net book value				
At 31 December 2017		<u>95,846</u>	<u>251</u>	<u>96,097</u>
At 31 December 2016		<u>90,930</u>	<u>202</u>	<u>91,132</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

19. FIXED ASSET INVESTMENTS					
Group	Agricultural land £'000	Residential property £'000	Listed investments £'000	Total £'000	
Market value					
At 1 January 2017	10,563	1,755	29,151	41,469	
Additions	-	-	639	639	
Disposals	-	-	(1,915)	(1,915)	
Transfers/Reclassification	-	-	-	-	
Revaluations	-	92	2,003	2,095	
At 31 December 2017	10,563	1,847	29,878	42,288	
Historical cost	<u>3,961</u>	<u>1,571</u>	<u>19,683</u>	<u>25,215</u>	
Company					
Market value					
At 1 January 2017	10,563	1,755	29,075	41,393	
Additions	-	-	639	639	
Disposals	-	-	(1,915)	(1,915)	
Transfer	-	-	-	-	
Revaluations	-	92	1,997	2,089	
At 31 December 2017	10,563	1,847	29,796	42,206	
Historical cost	<u>3,961</u>	<u>1,571</u>	<u>19,619</u>	<u>25,151</u>	
	At 1 January 2017 £'000	Additions £'000	Disposals £'000	Change in Market Value £'000	At 31 December 2017 £'000
Group					
Unrestricted funds					
Unlisted investments	6,604	110	(340)	450	6,824
Investment properties	190	-	-	10	200
	<u>6,794</u>	<u>110</u>	<u>(340)</u>	<u>460</u>	<u>7,024</u>
Restricted funds					
Unlisted investments	15,165	504	(1,316)	1,089	15,442
Investment properties	803	-	-	42	845
	<u>15,968</u>	<u>504</u>	<u>(1,316)</u>	<u>1,131</u>	<u>16,287</u>
Endowment funds					
Unlisted investments	7,382	25	(259)	464	7,612
Investment Properties	762	-	-	40	802
Land investments	10,563	-	-	-	10,563
	<u>18,707</u>	<u>25</u>	<u>(259)</u>	<u>504</u>	<u>18,977</u>
Total	<u>41,469</u>	<u>639</u>	<u>(1,915)</u>	<u>2,095</u>	<u>42,288</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

19. FIXED ASSETS INVESTMENTS (continued)

Company	At 1 January 2017 £'000	Additions £'000	Disposals £'000	Change in Market Value £'000	At 31 December 2017 £'000
Unrestricted funds					
Unlisted investments	6,572	110	(340)	448	6,790
Investment properties	190	-	-	10	200
	<u>6,762</u>	<u>110</u>	<u>(340)</u>	<u>458</u>	<u>6,990</u>
Restricted funds					
Unlisted investments	15,121	504	(1,316)	1,085	15,394
Investment properties	803	-	-	42	845
	<u>15,924</u>	<u>504</u>	<u>(1,316)</u>	<u>1,127</u>	<u>16,239</u>
Endowment funds					
Unlisted investments	7,382	25	(259)	464	7,612
Investment Properties	762	-	-	40	802
Land investments	10,563	-	-	-	10,563
	<u>18,707</u>	<u>25</u>	<u>(259)</u>	<u>504</u>	<u>18,977</u>
Total	<u>41,393</u>	<u>639</u>	<u>(1,915)</u>	<u>2,089</u>	<u>42,206</u>

In addition to the fixed asset investments, the Charity and Group held current asset investments of £Nil (2016: £484,000). The current asset investments are short term deposits.

20. DEBTORS

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due after more than one year				
Other debtors	300	-	300	-
Loans	1,178	1,399	1,314	1,565
	<u>1,478</u>	<u>1,399</u>	<u>1,614</u>	<u>1,565</u>
Due within one year				
Parish share (net of provision)	205	218	205	218
Amounts owed by group undertakings	-	-	4	67
Assigned fees	200	200	190	200
Loans	187	243	219	273
Prepayments	399	564	394	551
Recharges	137	342	137	342
Due from Board of Education	2	60	2	60
Sundry	396	384	368	356
	<u>1,526</u>	<u>2,011</u>	<u>1,519</u>	<u>2,067</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

20. DEBTORS (continued)	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans				
Due in under one year				
Staff loans	48	17	48	17
Clergy loans	11	13	11	13
Cathedral	50	148	50	148
Loans to Parishes	78	65	110	95
	<u>187</u>	<u>243</u>	<u>219</u>	<u>273</u>
Due in more than one year				
Staff loans	66	53	66	53
Clergy loans	35	37	35	37
Equity sharing loan (Perrycroft Crescent)	50	50	50	50
Loans to the Cathedral	250	300	250	300
Loans to Parishes	777	540	913	706
Loan to Academies Services	300	419	300	419
	<u>1,478</u>	<u>1,399</u>	<u>1,614</u>	<u>1,565</u>
Total	<u>1,665</u>	<u>1,642</u>	<u>1,833</u>	<u>1,838</u>
			2017 £'000	2016 £'000
Provision for doubtful debt				
Parish Share			1,548	1,499
Diocesan Loan Fund			352	352
Sundry sales accounts			-	23
			<u>1,900</u>	<u>1,874</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

21. CREDITORS: amounts falling due within one year	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans from Church Commissioners – CCLA	50	50	50	50
Loans from Church Commissioners - Mortgage	10	10	10	10
Payments received on account	14	7	-	-
Trade creditors	828	860	809	832
Amounts owed to group undertakings	-	-	-	-
Deferred Expenditure Grants	211	268	211	268
Other taxation and social security	97	77	89	69
Church Commissioners stipend account	-	-	-	-
Accruals	85	97	79	89
	<u>1,295</u>	<u>1,369</u>	<u>1,248</u>	<u>1,318</u>
22. CREDITORS: amounts falling due after more than one year	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Loans from Church Commissioners – CCLA	250	300	250	300
Loans from Church Commissioners - Mortgage	13	23	13	23
Loans from Church Commissioners – Value Linked loans	297	297	297	297
DBS pension	6,018	6,953	6,018	6,953
Deferred grants	125	203	125	203
	<u>6,703</u>	<u>7,776</u>	<u>6,703</u>	<u>7,776</u>

Included within the above are amounts falling due as follows:

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Between one and two years				
Loans from Church Commissioners - CCLA	50	50	50	50
Loans from Church Commissioners - Mortgages	10	10	10	10
Between two and five years				
Loans from Church Commissioners - CCLA	200	200	200	200
Loans from Church Commissioners - Mortgages	3	13	3	13
Over five years				
Loans from Church Commissioners - CCLA	-	50	-	50
Loans from Church Commissioners - Mortgages	-	-	-	-

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

22. CREDITORS: amounts falling due more than one year (continued)	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Creditors include amounts not wholly repayable within 5 years as follows:				
Repayable by instalments	-	50	-	50

Mortgages

Although the mortgages carry a charge against the properties they relate to, they are not secured loans. In accordance with the charge, when a property is sold that has a mortgage attached to it, then the outstanding balance plus any outstanding or accrued interest is taken from the sale proceeds. All mortgages at the year-end are with the Church Commissioners.

CCLA - value linked loans

Value-linked loans (VLLs) represent amounts advanced to the DBF for the purchase of properties on an equity sharing basis and are repayable on the disposal of the related property. As at 31st December 2017 the Board had no intention of disposing of any of those properties funded via VLLs.

Church of England Defined Benefits Scheme (DBS)

The Charity participated in the DBS, part of the Church Workers Pension Fund until 30 September 2012, when the Charity ceased to use the scheme and transferred to the Pension Builder Scheme. Amounts outstanding represent the shortfall on the employer sub pool.

23. STATEMENT OF FUNDS

	Brought Forward £'000	Income & Pensions £'000	Expenditure £'000	Transfers in/out £'000	Gains/ (losses) £'000	Carried forward £'000
Designated funds						
Legacies	4,377	181	-	(181)	313	4,690
Strategic	703	479	(813)	(201)	-	168
Projects & Events	239	70	(27)	(77)	-	205
DBF Designated houses	6,321	8	(29)	876	426	7,602
Resourcing The Future	611	1	(4)	-	-	608
	<u>12,251</u>	<u>739</u>	<u>(873)</u>	<u>417</u>	<u>739</u>	<u>13,273</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

23. STATEMENT OF FUNDS (continued)

	Brought forward £'000	Income& Pensions £'000	Expenditure £'000	Transfers in/out £'000	Gains/ (losses) £'000	Carried Forward £'000
General funds						
General	3,660	15,103	(15,898)	294	156	3,315
St Chad's Retreat Centre	138	463	(430)	236	23	430
Mercian Community Trust	-	(2)	(5)	3	-	(4)
	<u>3,798</u>	<u>15,564</u>	<u>(16,333)</u>	<u>533</u>	<u>179</u>	<u>3,741</u>
Total unrestricted funds	<u>16,049</u>	<u>16,303</u>	<u>(17,206)</u>	<u>950</u>	<u>918</u>	<u>17,014</u>
Endowment funds						
Diocesan Stipends Fund	41,970	327	(127)	(327)	1,796	43,639
Endowment & Gift	378	15	-	(15)	28	406
Clergy pensions	(6,953)	422	(98)	894	-	(5,735)
	<u>35,395</u>	<u>764</u>	<u>(225)</u>	<u>552</u>	<u>1,824</u>	<u>38,310</u>
Restricted funds						
Property reserve	3,105	-	(4)	-	141	3,242
Restricted Trust Reserve	5,466	321	(225)	(131)	390	5,821
Benefice Houses	58,644	-	(6)	(984)	3,130	60,784
Pastoral Fund	8,048	297	(261)	(176)	555	8,463
Diocesan Loan Fund	2,141	47	(1)	-	75	2,262
Clergy Widows & Orphans	891	30	(38)	-	76	959
Interior decoration scheme	239	18	(4)	-	28	281
Lent appeal	-	45	(34)	-	-	11
Ordination	104	22	(5)	(20)	9	110
Parish Mission Project	39	1	-	-	3	43
Church Building Support Officer	9	22	(43)	12	-	-
Misc. Projects	22	17	(22)	25	-	42
Resourcing the Future	1,253	119	(2)	(7)	133	1,496
Res Ministerial Education	-	60	(98)	-	-	(38)
Direction of Travel	-	166	(76)	18	-	108
St Chad's Retreat Centre	272	5	(19)	(236)	4	26
Mercian Community Trust	-	468	(124)	(3)	-	341
	<u>80,233</u>	<u>1,638</u>	<u>(962)</u>	<u>(1,502)</u>	<u>4,544</u>	<u>83,951</u>
Total funds	<u>131,677</u>	<u>18,705</u>	<u>(18,393)</u>	<u>-</u>	<u>7,286</u>	<u>139,275</u>

A full breakdown in movement of funds for the previous year is shown in the audited accounts for the year ended 31 December 2016, available from the Charity Commission

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Designated funds

1. Legacies

This fund arose from legacies left to the Board for general purposes and a stipends reserve fund created to hold sufficient funds in cash or "near cash" to cover the cost of 6 months' clergy stipends, National Insurance and pensions. It provides the Board with a contingency fund equivalent to a minimum of 4.7 months' stipends and is considered to be an appropriate level of investment to generate a required amount of income to assist the Diocesan Budget.

2. Strategic

This group of funds, includes short term strategic work funded by guaranteed short term funding. These include Addition for Mission posts, that are funded for a maximum of three years before review from the additional allocation received from the Church Commissioners, as well as Mission Development work, financed partly by the Mission Development Grant from the Commissioners plus a proportion of the grant from the All Churches Trust. Also included in this fund is the Double Glazing project to ensure all vicarages have adequate double glazing and a small fund for Pension Administration costs. Finally the fund includes additional funding that has been set aside to help with the Recruitment Strategy and improvement on our housing stock.

3. Projects & Events

This group of funds covers unrestricted funds set aside for various projects and events within the diocese. These included, Vacancy in See contingencies, accumulated funds towards the next Lambeth Conference, Swanwick, the Chairman's Fund (for clergy holidays) and a variety of specific areas of work that are due to either take place or be completed in later years, funded from Budget surpluses in previous years.

4. DBF Designated Houses Fund

The fund is represented by property purchased from Unrestricted Funds, including providing housing for deserted clergy spouses. There are twelve properties in this class, of which the fund has less than 50% interest in six properties, four of which are wholly owned by the Church Commissioners via an Equity Sharing Loan. Details of the Loan Agreements are shown under Accounting Policies Section 2b.

5. Resourcing The Future (RTF)

This includes identified surplus funds that are being invested to generate income to support Mission Orientated Projects in future years. The concept is the fund (including the restricted RTF) will raise sufficient capital to help generate approx. £350,000 per annum with effect from January 2019. This income will be used to support Mission, potential Pension liabilities and any short term additional deployment in future years.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

23. STATEMENT OF FUNDS (continued)

Restricted Funds

1. Property Reserve

This fund derives from historical Pastoral Schemes, where property has been transferred to the DBF, but within it there are clauses pursuant to the relevant section of the Pastoral Measure. Consequently any sale proceeds may be subject to various restrictions.

2. Restricted Trust Reserve

This fund originates from Trust funds, either left direct to the Board of Finance, or vested in the Diocesan Authority and wound up under the Charities Act 2011. The main purpose is to support the diocesan Budget towards stipend costs; however some are specific to support areas of work within the Diocese or parishes.

3. Benefice Property

This fund only contains Benefice Property - Vicarages etc. for Incumbents and Team Rectors. When a property is sold, the proceeds are transferred to the Pastoral Fund. When a property is purchased the funds are transferred from the Pastoral Fund Account back into this fund.

4. Pastoral Fund (Restricted Fund)

Under the Pastoral Measure 1983 section 78(3), dioceses are allowed to use this fund for the repair of parsonage houses and for the payment of clergy stipends. It is the Board's policy to apply the fund as follows:

- Invest liquid assets, the income from which will support the Parish Share;
- Retain the balance to cover expenditure for other liabilities of the Pastoral Fund such as redundant churches' costs and the purchase of new houses for clergy.

5. Diocesan Loan Fund

The fund originates from the Diocesan Bishop's Million Shilling Fund at the turn of the 20th Century. The funds are made available to be loaned out to parishes to assist with the cost of church buildings. No grants are permitted from this fund, solely loans that are charged at a Variable Debit Rate of 1% above that earned on CBF Deposit. The rates and terms of the loans are governed and overseen by the Resourcing Parish Mission Committee (previously Parish Projects and Loans Committee to 31 December 2016).

6. Clergy Widows and Orphans

The fund derives from numerous legacies. Only the income can be used to support Widows and Dependent Children of deceased clergy. The income may also be used to support clergy infirmed or disabled. Initial grants are traditionally given at the time of the clergy person's death and the widows and dependents are supported further by annual Christmas grants.

7. Interior Decoration Scheme

The fund is designed to assist parishes in meeting the costs of internal decoration of either Benefice or Glebe Houses. The parishes are requested to contribute £250 per annum, and provided the money remains in the possession of the fund for 12 months, a bonus of 25% is awarded.

8. Lent Appeal

Each year the Diocesan Bishop launches his Lent Appeal across the diocese. The donations received in the year are awarded to specific areas of work specified at the time of the launch. Historically 50% of the donations are used for Local projects in the diocese and 50% to Overseas Mission.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

23. STATEMENT OF FUNDS (continued)

Restricted Funds

9. Ordination Candidates Fund

This fund supports the training of Ordinands in the diocese. Each year the surplus in the fund is transferred to the Unrestricted Training Budget to assist with the costs. The donations arrive from collections at Licensing and Confirmation services and are shared between this fund and local projects once the costs of the service have been met.

10. Church Mission

The fund was created by the World Mission officer in 2001 - to help support parish overseas and mission projects. The fund gives grants to assist with projects and receives donations from participating parishes.

11. Church Building Support Officer

Due to funding made available from English Heritage, an Officer has been employed to help churches both raise funds for their church building but also offer advice on how the properties can be used more effectively and efficiently. It is currently a three year funded post supported by funds made available from the Designated Projects and Events Budget.

12. Miscellaneous Projects (Restricted)

The fund derives from donations or grants to support specific areas of work, including Evangelism & Discipleship, Newchapel Hub, Ministry @ Work and Lichfield Theological Forum.

13. Resourcing The Future (RTF)

This includes identified restricted surplus funds that are being invested to generate income to support Mission Orientated Projects in future years. The concept is the fund (including the designated RTF) will raise sufficient capital to help generate approx. £350,000 per annum with effect from January 2019. This income will be used to support Mission, potential Pension liabilities and any short term additional deployment in future years.

14. Direction of Travel

The fund represents restricted funds from the National Church under Transitional Funding that supports four main Mission Initiatives in the Diocese as well as some miscellaneous projects or Areas of work that promote the Bishops First Steps and Direction of Travel across the Diocese under Come Follow Christ in the footsteps of St Chad.

15. Resourcing Ministerial Education

This fund represents grants received and paid in furthering the Education in Ordinands. This new initiative which was piloted in the Diocese in the previous years, is part of the strategy between the National Church and the Theological Training establishments in supporting Ordinands in Training.

16. St Chads Retreat Centre

The fund represents restricted funds for Development and Mission work at both Dovedale and Shallowford House, including donations received from the Friends of both sites.

17. Mercian Community Trust

The fund represents restricted funds for Projects and also the Diocesan Community Fund. The Diocesan Community Fund awards grants for communities within the Diocese that have a high level of deprivation. Also under the Mercian Community Trust is the Telford Christians Against Poverty project at Wellington All Saints.

In addition to the Restricted Funds, the Board also has three Endowment Funds as follows: -

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

Endowment & Gift Fund.

The fund originates from anonymous donations in 1955. The fund was set up as an Endowment to support the furtherance of the charitable objectives of the Board and as a result the income generated in the year is transferred to the Unrestricted Funds. Although the fund is an endowment there are terms and conditions which allow the capital to be spent in the same manner as the income. However, the Board's policy is to retain the capital in investments for the time being to generate income to support the overall work of the Board.

Diocesan Stipends Fund (Restricted)

In accordance with the Diocesan Stipends Fund Measure 1953, as amended by Section 9, 35(1) and (2), 47 (4) and schedule 8 of the Endowments and Glebe Measure 1976, and various other later Measures, the reserves in the Diocesan Stipends Fund (or Stipends Capital) must be retained, with the income made available towards meeting the cost of the clergy stipends in the year. Therefore the income generated assists with reducing the burden on the parishes through the amount required in Parish Share.

This fund is also used for purchasing Curates Houses and Team Vicarages, and it receives the proceeds of sales of any Glebe Land.

Clergy Pensions

The fund represents the Lichfield apportionment of the Clergy Pensions (CFPS) deficit.

24. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2017 Total Funds £'000
Tangible fixed assets	9,424	64,273	22,873	96,570
Fixed asset investments	7,023	16,287	18,978	42,288
Debtors due after more than 1 year	702	776	-	1,478
Current assets	1,664	3,066	2,207	6,937
Creditors due within one Year	(907)	(381)	(7)	(1,295)
Creditors due in more than one year	(892)	(70)	(5,741)	(6,703)
	<u>17,014</u>	<u>83,951</u>	<u>38,310</u>	<u>139,275</u>

A breakdown of the net asset by fund is shown in the audited accounts for the year ended 31 December 2016 available from the Charity Commission.

25. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2017 £'000	2016 £'000
Net income for the year (as per Statement of financial activities)	7,598	7,816
Adjustment for:		
Depreciation charges	76	28
Dividends, interest and rents from investments	(8,768)	(7,479)
Loss/(profit) on the sale of fixed assets	-	2
Decrease/(Increase) in debtors	406	648
Increase/(decrease) in creditors	(1,147)	(1,138)
Net cash used in operating activities	<u>(1,835)</u>	<u>(123)</u>

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

26. ANALYSIS OF GROUP CASH AND CASH EQUIVALENTS	2017	2016
	£'000	£'000
Cash in hand	5,411	3,885
Notice deposits (less than 3 months)	-	484
	<u>5,411</u>	<u>4,369</u>

27. RELATED PARTY TRANSACTIONS

In respect of St Chads Retreat Centres, the Charity uses the centres on an occasional basis for continuing work activities. The amounts are minimal and paid for at normal commercial rates. However there are four loans from the Board to St Chads Retreat Centres totalling £166,431 as at 31 December 2017. There are no transactions between the Board and the Mercian Community Trust.

28. CAPITAL COMMITMENTS

At 31 December 2017 the group and company had capital commitments of £Nil (2016: £nil).

29. PENSION COMMITMENTS

The Lichfield Diocesan Board of Finance participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. One of these is the Church of England Funded Pensions Scheme for stipendiary clergy. The other is the Church Workers Pension Fund. The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

These schemes are multi-employer last man standing defined benefit pension schemes for which the DBF 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 scheme. For multi-employer schemes where this is the case, paragraph 28.11 of FRS102 requires the DBF to account for pension costs on the basis of contributions actually payable to the scheme in the year and, where contributions are affected by a surplus or deficit in the scheme, to disclose information about the surplus or deficit and the implications of the surplus or deficit for the DBF. A valuation of each scheme is carried out once every three years.

Church of England Funded Pensions Scheme (CEFPS)

Lichfield Diocesan Board of Finance participates in the Church of England Funded Pensions Scheme for stipendiary clergy. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

Each participating employer in the scheme pays contributions at a common contribution rate applied to pensionable stipends. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year (2017:£1,449M , 2016: £1.456M), plus the figures highlighted in the table below as being recognised in the SoFA, giving a total charge of £2.343M for 2017 (2016 £2.366M).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2015. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m, assessed using the following assumptions:

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSIONS COMMITMENT (continued)

Church of England Funded Pensions Scheme (CEFPS) (continued)

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030; and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- investment returns of 2.66% p.a. on gilts and 4.6% p.a. on equities;
- RPI inflation of 3.2%p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Mortality in accordance with 80% of the S2MNA and S2NFA tables, with allowances for improvement in mortality cover rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.50%.

Following the 31 December 2015 valuation, a recovery plan was put in place until 31 December 2025 and the deficit repair contributions payable (as a percentage of pensionable stipends) are set out in the table below. Contributions since 205 are shown for reference.

% of pensionable stipends	1 January 2015 to 31 December 2017	1 January 2018 to 31 December 2025
Accrual of future service benefits (including expenses)	25.8%	28.0%
Deficit repair contributions	14.1%	11.9%
Total contribution rate	39.9%	39.9%

As at December 2015, the deficit repair contributions payable under the recovery plan in force were 14.10% of pensionable stipends until December 2025. As at December 2016 and December 2017 the deficit recovery contributions under the recovery plan in force were as set out in the above table.

For Senior Office Holders, pensionable stipends are adjusted in the calculation by a multiple, as set out in the Scheme's rules.

Section 28, 11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2017 £'000	2016 £'000
Balance sheet liability at 1 January	6,953,000	8,328,000
Deficit contribution paid	(894,000)	(902,000)
Interest cost (recognised in SOFA)	98,000	197,000
Remaining change to the balance sheet liability* (recognised in (SOFA))	(422,000)	(670,000)
Balance sheet liability at 31 December	5,735,000	6,953,000

* Comprises change in agreed deficit recovery plan and change in discount rate between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSION COMMITMENTS (continued)

	December 2017	December 2016	December 2015
Discount rate	1.4%	1.5%	2.5% pa
Price inflation	3.0%	3.1%	2.4% pa
Increase to total pensionable payroll	1.5%	1.6%	0.9% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying

Lichfield DBF (DBS) participates in the **Defined Benefits Scheme** section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

The Church Workers Pension Fund has a section known as the Defined Benefits Scheme, a deferred annuity section known as Pension Builder Classic and a cash balance section known as Pension Builder 2014.

Defined Benefits Scheme

The Defined Benefits Scheme ("DBS") section of the Church Workers Pension Fund provides benefits for lay staff based on final pensionable salaries.

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

The division of the DBS 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 DBS 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 employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

It is not possible to attribute the scheme's assets and liabilities to specific employers, since 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. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, (2017: £Nil, 2016 £Nil) plus any impact of deficit contributions (see below), giving a total charge of £Nil for 2017 (2016:£36,000)

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 employers' 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, the most recent having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £4.9m and £4.3m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the Employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the Employer has entered into an agreement with the Church Workers Pension Fund to pay expenses of £10,800 per year.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSION COMMITMENTS (continued)

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out below:

	2017 £'000	2016 £'000
Balance sheet liability at 1 January	-	-
Deficit contribution paid	-	-
Interest cost (recognised in SOFA)	-	-
Remaining change to the balance sheet liability* (recognised in (SOFA))	(282,600)	-
Balance sheet liability at 31 December	(282,600)	-

* Comprises change in agreed deficit recovery plan and change in discount rate between year-ends.

This liability represents the present value of the deficit contributions agreed as at the accounting date and has been valued using the following assumptions, set by reference to the duration of the deficit recovery payments:

	December 2017	December 2016	December 2015
Discount rate	0.00% pa	0.00% pa	0.00% pa

The legal structure of the scheme is such that if another employer fails, the employer could become responsible for paying a share of that employer's pension liabilities.

The next valuation of the scheme was carried out as at December 2016. This identified a deficit of £282,600, and it has been agreed that this will be repaid over 5 years from April 2018 to March 2023 at £65,378 per annum. The Administration expenses charge will increase to £14,500 per annum from £10,800 per annum. Although the repayment plan was formally agreed in 2018, the deficit repayment plan was notified before the year end and had been formally accepted.

Pension Builder Scheme

The Pension Builder Scheme of the Church Workers Pension Fund is made up of two sections, Pension Builder Classic and Pension Builder 2014, both of which are classed as defined benefit schemes.

Pension Builder Classic provides a pension for members for payment from retirement, accumulated from contributions paid and converted into a deferred annuity during employment based on terms set and reviewed by the Church of England Pensions Board from time to time. Bonuses may also be declared, depending upon the investment returns and other factors.

Pension Builder 2014 is a cash balance scheme that provides a lump sum that members use to provide benefits at retirement. Pension contributions are recorded in an account for each member. This account may have bonuses added by the Board before retirement. The bonuses depend on investment experience and other factors. There is no requirement for the Board to grant any bonuses. The account, plus any bonuses declared, is payable from members' Normal Pension Age.

There is no sub-division of assets between employers in each section of the Pension Builder Scheme.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This is because it is not possible to attribute the Pension Builder Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SoFA in the year are contributions payable (2017: £255,011, 2016: £210,841).

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

29. PENSION COMMITMENTS (continued)

A valuation of the scheme is carried out once every three years. The most recent scheme valuation completed was carried out as at 31 December 2013. This revealed, on the ongoing assumptions used, a surplus of £0.5m. There is no requirement for deficit payments at the current time.

Pension Builder 2014 will be valued in relation to the lump sum payable to members at normal pension age. There are no annual pension benefits. Pension Builder 2014 commenced in February 2014 so the first full valuation of that section will be carried out at the next CWPf valuation date, 31 December 2016.

30. OPERATING LEASE COMMITMENTS

At 31 December 2017 the group had no Operating Leases as at the end of 31 December 2017. There were none as at 31 December 2016. All operating equipment is purchased and depreciated in line with the policies set out in note 1.7.

31. SUBSIDIARY

Company name	Country	Percentage Holding	Description
St Chad's Retreat Centre Company number: 08922281	England and Wales	100	Operation of Dovedale House and Shallowford House

A summary of the financial activities undertaken by the subsidiary is set out below.

	2017 £'000	2016 £'000
Income	467	508
Expenditure	448	417
Net gains/(losses) on investments	27	16
Net income	46	107
Balance sheet	2017 £'000	2016 £'000
Tangible fixed assets	473	445
Investments	81	76
Current assets	125	203
Creditors: amounts falling due within one year	(87)	(148)
Creditors: amounts falling due in more than one year	(136)	(166)
Net assets	456	410
Restricted funds	26	272
Unrestricted funds	430	138
Total funds	456	410

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

31 SUBSIDIARY

Company Name:	Country	Percentage Holding	Description
Mercian Community Trust	England and Wales	100	Overseeing Community Projects in the Diocese
Company Number 04345177			

A summary of the financial activities undertaken by the subsidiary is set out below.

	2017 £'000	2016 £'000
Income	104	122
Expenditure	128	111
Net gains/(losses) on investments	-	-
Net income	(24)	11
Balance sheet	2017 £'000	2016 £'000
Tangible fixed assets	-	-
Investments	-	-
Current assets	350	386
Creditors: amounts falling due within one year	(12)	(24)
Creditors: amounts falling due in more than one year	-	-
Net assets	338	362
Restricted funds	341	363
Unrestricted funds	(3)	(1)
Total funds	338	362

Following a review it was determined that Lichfield Diocesan Board of Finance controls Mercian Community Trust as it has the power to appoint trustees. Mercian Community Trust has been consolidated effective from 01 January 2017. In line with the guidance in the Charities SORP the Net Funds of Mercian Community Trust as at 01 January 2017 are shown as income in the Consolidated Statement of Financial Activities.

The Net Assets as at 01 January 2017 amounted to £0.362m and this is shown in note 10.

THE LICHFIELD DIOCESAN BOARD OF FINANCE (INCORPORATED)
(A company limited by guarantee)

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2017

32. FINANCIAL INSTRUMENTS	2017	2016
	£'000	£'000
Financial assets measured at fair value	29,796	29,075
Financial liabilities measured at fair value	6,018	6,953
Financial assets measured at amortised cost	8,123	9,164
Financial liabilities measured at amortised cost	1,981	3,478

33. COMPARATIVE STATEMENT OF FINANCIAL ACTIVITIES (31 DECEMBER 2016)

	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Endowment funds 2016 £'000	Total Funds 2016 £'000
Income and endowments from:				
Parish contributions	11,172	-	-	11,172
Archbishops' Council	2,341	200	-	2,541
Other donations	347	252	-	599
Other trading activities	366	-	-	366
Investments	467	523	321	1,311
Charitable activities	1,786	-	-	1,786
Other income	61	1,037	-	1,098
Total income and endowments	16,540	2,012	321	18,873
Expenditure on:				
Raising funds	80	6	56	142
Charitable activities	16,690	669	199	17,558
Other expenditure	-	-	197	197
Total expenditure	16,770	675	452	17,897
Net income before investment Gains	(230)	1,337	(131)	976
Net gains on investments and property	743	3,830	1,597	6,170
Net income	513	5,167	1,466	7,146
Gain on Pension Adjustments	-	-	670	670
Transfers between funds	(321)	(262)	583	-
Net movement in funds	192	4,905	2,719	7,816