

The **Methodist** Church 

Annual
Report

Financial
Statements

*The Methodist Council
Consolidated Accounts
for Year Ended
31 August 2008*

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REFERENCE AND ADMINISTRATIVE DETAILS

Names and addresses

The address of the "Office of the Conference" for the purposes of the Methodist Church Act 1976 and any other legislation is:

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

Executive Officers (as at March 2009)

The Revd Dr Martyn D Atkins
The Revd Dr Mark H Wakelin
Ms Christine Elliott
Mr John Ellis

Custodian Trustees:

Trustees for the Methodist Connexional Funds (Registered)
9 Bonhill Street
London EC2A 4PE

Bankers:

HSBC plc
Westminster Branch
4-8 Victoria Street
London SW1H 0NJ

Trustees for Methodist Church Purposes
Central Buildings
Oldham Street
Manchester M1 1JQ

Independent Auditor:

Baker Tilly UK Audit LLP
1st Floor, 46 Clarendon Road
Watford
Herts WD17 1JJ

Methodist Missionary Trust Association
Methodist Church House
25 Marylebone Road
London NW1 5JR

Solicitors:

Pothecary Witham Weld
70 St George's Square
London SW1V 3RD

Investment Managers:

Central Finance Board of the Methodist Church
9 Bonhill Street
London EC2A 4PE

Web Address: www.methodist.org.uk

HIGHLIGHTS FOR THE YEAR

- During the year 43 Methodist presbyters who had completed their probation were received into Full Connexion, 13 others were received into Full Connexion from other Churches and 2 were reinstated. Likewise 13 deacons were also received into Full Connexion.
- Forty presbyteral and 6 diaconal candidates were accepted for pre-ordination and diaconal training.
- Three hundred grants were made to 63 Partner Churches.
- The Resourcing Mission Grants Committee gave out 193 grants totalling over £1.77 million.
- A radical reconfiguration of the Connexional Team to make it a more flexible, efficient and co-operative organism within the Connexion, focusing on what it can uniquely and best do.
- The Methodist Church's 2008 Lent campaign 'Buy less: live more' was a runaway success. 10,000 specially designed credit cards were distributed and over 1,000 people participated online.
- Methodist young people, supported by the Connexional Team, launched the campaign 'Stem the tide' to encourage people of all ages to take part in a month of action on climate change.
- Launched in September 2007 the online daily Bible study *A Word in Time* quickly became the most popular part of the Methodist Church website.
- The Methodist Church helped to persuade the Government to sign up to the Oslo Process on cluster bombs in full. This means that the United Kingdom will stop using, storing and manufacturing all cluster bombs under a new international treaty.

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TRUSTEES' REPORT

The Methodist Council as trustees present their annual report for the year ended 31 August 2008 as follows:

STRUCTURE, GOVERNANCE AND MANAGEMENT

The legal framework within which the Methodist Church is governed is given by the 1976 Methodist Church Act. This provides the authority under which the Conference as the governing body of the Methodist Church acts. The next 'tier' of authority is given by the Model Trusts in the second Schedule of the Act and the Deed of Union. These derive their authority from the Act. They can be amended, but the process is deliberately protracted to ensure that there is consultation and time for reflection. Thirdly there are the Standing Orders and guidelines adopted by the Conference, which are far more detailed and more easily changed, provided that they are within the limits prescribed by the Act, the Model Trusts and the Deed.

The Methodist Church does not currently need to register as a charity by the combined effects of Sec. 46(4)(a) of the Charities Act 1993 and Para. 4(2)(c) of the Charities (Exception from Registration) Regulations 1996 as amended by Statutory Instrument 2002 No.1598. Under the Charities Act 2006, the "exception from registration" provision will be phased out beginning October 2008. Work to prepare the Connexional Church for registration is currently being handled by the Church's Charities Reform Group, in consultation with the Charity Commission and other partner Churches.

Methodist Conference

The government and discipline of the Methodist Church and the management and administration of its affairs is vested in the Conference. This is a representative body of 312 members comprising ministers, deacons and laypersons from the 31 districts of the Methodist Church of Great Britain as well as other bodies of the Church. Each of the 31 districts comprises a number of circuits, each made up of a number of Churches within a geographically defined area.

The Conference, under Para. 6 of the Methodist Church Act 1976, "shall be the final authority within the Methodist Church with regard to all questions concerning the interpretation of its doctrines".

Meeting annually in three sessions (Representative, Ministerial and Diaconal), Conference each year appoints a President and Vice President of Conference to oversee its meetings the following year as well as acting as ambassadors, spokespersons and leaders for the Church. The Conference also appoints the General Secretary of the Church and other key officers.

The Methodist Council

Conference appoints the Methodist Council each year, following nomination by Synod or other representative bodies of the Church, having regard to the age, gender and the ethnic origin of its members as well as the diversity of experience and opinion in the Church. The Methodist Council is authorised to act on behalf of Conference between the close of one Conference and the opening of the next, providing that such action is not contrary to the Deed of Union or to any subsisting Resolution of the Conference. Acting collectively, the members of the Methodist Council are the Trustees of the Methodist Council Consolidated Financial Statements and have the responsibility for approving these financial statements. The 57 members have been listed individually here and their names are recorded each year in the Minutes of Conference.

Ms Jane Allin
Mr David Andrews *
The Revd Alan Ashton *
The Revd Dr Martyn D Atkins
Mrs Ruby Beech
The Revd Ian C Bell
Miss Margaret Best
Mr Russell Buley
Miss Kathleen Burrell
Mr Ronald Calver

Mrs Jennifer H Eason *
The Revd David R Emison *
Miss Margaret Faulkner
The Revd Andrew W Fyall
The Revd David Gamble
Miss Mandy Godridge
The Revd Gareth L Hill
Mr Gary Hopkins
The Revd Kenneth G Howcroft
Mr Ronald Hughes *

The Revd Loraine N Mellor
The Revd William R Morrey - Chair
Mrs Nwabueze Nwokolo
The Revd David Perkins
Ms Ruth Pickles *
The Revd Stephen J Poxon
The Revd Geoffrey C Reid
The Revd Eileen A Sanderson
The Revd Carolyn Seaton
The Revd Elizabeth A Smith

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TRUSTEES' REPORT

| | | |
|-----------------------------|-------------------------------|----------------------------------|
| Deacon Andrew Carter * | Mr David Hulse | The Revd Susan Sowden |
| The Revd R Graham Carter * | The Revd Elizabeth J Hunter * | The Revd Peter G Sulston * |
| Mr Dudley Coates * | Mrs Rosalind Innes * | The Revd Dr Joseph Basappa Suray |
| Mr John Cooper | Mrs Beverley Jones * | Mr Kenvyn Wales |
| Ms Anthea Cox * | The Revd Roger A Jones * | Mr David S Walton |
| The Revd Robert B Creamer * | The Revd A Ward Jones | Mrs Rosemary Watt * |
| Mrs Gill Dascombe | The Revd Jonathan W Kerry * | Mr Barry Wilford |
| The Revd David G Deeks * | The Revd Ermal B Kirby | Ms Helen Woodall |
| The Revd Rachel D Deigh | The Revd David Leese | The Revd Linda M Woollacott * |

*indicates those who had completed their period of Trusteeship at the end of the Connexional year 2007/2008.

The undernoted persons were appointed to serve as Trustees from the beginning of the 2008/2009 Connexional year:

| | | |
|----------------------------------|-----------------------|----------------------------|
| The Revd John C Best | Mr John Ellis | Mr Graham Illingworth |
| The Revd John A Butterfield | Ms Christine Elliott | Mr David Ingham |
| The Revd Catherine Campbell Hyde | Mrs Angela Evans | The Revd Peter Jennings |
| The Revd Stephen J Charman | Mr Clive Falla | The Revd Simon C Sutcliffe |
| Deacon Sue Culver | Mr John Goacher | Dr Richard Vautrey |
| The Revd Keith Davies | The Revd Richard Hall | The Revd Dr Mark H Wakelin |

All new Methodist Council members are invited to attend trustees' induction sessions, which normally precede council meetings. The governance work of the Council is largely exercised through standing committees and working groups of Conference and Council, each looking at specific aspects of the work and reporting to Council and/or Conference with recommendations for consideration and decision.

The Strategy and Resources Committee

Conference also appoints annually the Strategy and Resources Committee (SRC), a sub-committee of the Methodist Council, following an open invitation and short listing by a select group of the committee. The SRC advises the Council in relation to all its functions, having regard to advice from non-voting members. The Committee, which met four times in the year, has specific responsibility for detailed review and reporting to the Council on the following aspects of the work.

- Annual Budgets for the work of the Connexional Team
- Annual Trustees' Report and Consolidated Financial Statements
- Identification and management of risks

The current members of the Strategy and Resources Committee and those who served in 2007/2008 are listed below:

Voting Members

Mr Kenvyn Wales (Chair)
Mr John A Bell (to 31 August 2008)
Miss Margaret Best (from 1 September 2008)
The Revd James A Booth
Mr Ronald Calver (Connexional Treasurer)
The Revd F John Carne (to 31 August 2008)
Mr Dudley Coates
Dr Ian Harrison (from 1 September 2008)
The Revd Gareth L Hill
Ms Alison Jackson (from 1 September 2008)
Mr Kenneth Jackson
Mrs Susan Millman
Ms Helen Woodall
Mr Andrew Moore

Non-Voting Members

Ms Anthea Cox (to 31 August 2008)
Rev David G Deeks (to 31 August 2008)
The Revd David Gamble (to 31 August 2008)
The Revd Kenneth G Howcroft (to 31 August 2008)
The Revd Jonathan W Kerry (to 31 August 2008)
The Revd Peter G Sulston (to 31 August 2008)

The Revd Dr Martyn D Atkins (from 1 September 2008)
Mr John Ellis (from 1 September 2008)
Ms Christine Elliott (from 1 September 2008)
The Revd Dr Mark H Wakelin (from 1 September 2008)

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Induction of new SRC members normally includes: conversations with the Chair of SRC and the senior staff of the Connexional Team; a mentoring relationship with an experienced member of SRC; and invitations to share in the induction sessions for Council members and in the full-day induction programme for new Connexional Team staff.

Finance Sub-Committee of the Strategy and Resources Committee (SRC)

Conference 2008 also approved the creation of the Finance Sub-Committee of the Strategy and Resources Committee to provide expert advice on financial matters to the SRC, provide the core membership of the Conference Financial Committee, act as the employer in discussions with the Trustees of Connexional pension funds and to monitor and review the risk register.

Membership of the committee which had its first meeting on 12 November 2008 is as follows:

Mr Ron Calver (Chair)
Mrs Margaret Faulkner
Mr Malcolm Pearson

Mr Andrew Gibbs
Mrs Alison Jackson
Mr Iain Farquhar

The Audit Committee

This is a committee of Conference appointed on the nominations of the Methodist Council. To safeguard its independence, Standing Order 213 (a) of The Constitutional Practice and Discipline of the Methodist Church bars Methodist Council members and staff members of the Connexional Team from serving on the Audit Committee. The committee nevertheless has powers to require the Connexional treasurer and any appropriate staff members of the Connexional Team to attend its meetings.

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

The Connexional Team

The members of the Connexional Team work collaboratively to provide a coherent and effective service on behalf of the Conference. The Connexional Team was led by the Joint Secretaries Group, until 31 August 2008 and thereafter by the Strategic leadership team comprising the General Secretary/Secretary of Conference and three other secretaries with responsibilities for internal relations, external relations and team operations. The overall task of the Connexional Team is to further the purposes of the Methodist Church, in particular enabling it better to fulfill its calling and Priorities of responding to God's love in Christ and working out its discipleship in mission and worship.

Local Governance/Managing Trustee Committees

For each of the self-accounting entities whose accounts are incorporated into the Methodist Council Consolidated Accounts, a local governance committee or group of managing trustees is appointed by the Council to oversee the entity, within the terms of responsibility delegated to them by the Council. Ultimate control in all these cases resides with the Methodist Council. Through a governance scrutiny process overseen by the SRC, the Council monitors standards of governance in all the entities, which are accountable to the Council.

Related Parties

The various parts of the legal framework within which the Methodist Church is governed allow for the setting up of separate bodies to handle specific aspects of the Church's work and/or discharge a specific power of the Church but not accountable.

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- a) The Trustees for Methodist Church Purposes (TMCP) are the custodian trustees of all property held on the model trusts of the Methodist Church Act 1976, except for that in the Channel Islands or the Isle of Man which is held by the Trustees for Jersey Methodist Church Purposes, the Trustees for Guernsey Methodist Church Purposes or the Trustees for Manx Methodist Church Purposes. TMCP shares offices with the Connexional Team in Manchester.
- b) The Central Finance Board of the Methodist Church (CFB) was set up by an Act of Parliament in 1960 to enable Methodist organisations to pool their assets and manage them efficiently. The Board has its own fund management department enabling it to provide professional investment management for the Connexional Team as well as other organisations within Methodism.
- c) The Methodist Publishing House (MPH) was set up under Standing Order 242 to provide printing and publishing services to the Methodist Connexion. Under new arrangements agreed by the 2008 Methodist Conference, MPH will be integrated into the Connexional Team management structure during the 2008/9 financial year.
- d) The Methodist Ministers' Housing Society - set up under the Industrial and Provident Societies Act 1965 and operating from the Connexional Team offices in London, the Housing Society provides housing and associated amenities for retired Methodist ministers and deacons and their partners. The Methodist Council makes regular grants from the Auxiliary Fund to the Society in support of its work under Standing Order 364.
- e) NCH (now *Action for Children*) is the children's charity of the Methodist Church. It was founded in 1869 by Methodist minister The Revd Thomas Bowman Stephenson in response to the poverty and danger faced by vulnerable and destitute children and young people living rough on the streets of London.
- f) Other Methodist bodies with which the Connexional Team has regular dealings include the Methodist Ministers' and Lay Employees' Pension Trusts, and the Board of Management for the Methodist Independent Schools.

Full details of transactions with these related parties and any outstanding balances at the year-end are provided under Note 24 of the accounts.

Risk Management

The Council's risk management policy is designed to identify and analyse operational and other risks facing the Connexional Team and related entities and, where at unacceptable levels, to take steps to mitigate the risks. The Council currently maintains a corporate risk register broken down under the following headers:-

1. Strategic and Reputational Risks
 2. Financial Risks
 3. Compliance Risks
 4. Operational Risks
- The Strategy and Resources Committee (SRC), working closely with Senior Management, continue to be responsible for the regular review and update of the Connexional Team's risk register; any proposed changes to the register being agreed by Council.
 - As part of their independent monitoring of the effectiveness of the process, the Audit Committee received various reports from the external auditors, the Finance Director and the Head of Personnel in the year.
 - Similarly the governance scrutiny groups continue to review the risk management arrangements put in place by the governance body or managing trustees of each of the self-accounting entities.

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For the year under review, the trustees are satisfied that the major risks to which the Church is exposed have been assessed and are satisfied that systems are in place to manage and mitigate exposure to them and residual risks are at acceptable levels.

OBJECTIVES AND ACTIVITIES

Clause 4 of the Deed of Union sets out the object of the Church as follows:

"...in the providence of God, Methodism was raised up to spread scriptural holiness through the land by the proclamation of the evangelical faith and declares its unfaltering resolve to be true to its divinely appointed mission".

To help the Church fulfill this object, Conference 2000 adopted a process entitled "Our Calling", which set out four interconnected themes within which all parts of the Church (Connexion) may review their life in fulfillment of its mission. In the words of "Our Calling", the Church exists

- to increase awareness of God's presence and to celebrate God's love (worship)
- to help people to grow and learn as Christians through mutual support and care (learning and caring)
- to be a good neighbour to people in need and to challenge injustice (service)
- to make more followers of Jesus Christ (evangelism).

In 2005, Conference went further with the adoption of the Priorities of the Methodist Church which affirmed that in partnership with others wherever possible, the Methodist Church will concentrate its prayers, resources, imagination and commitments on this priority:

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

As ways towards realising this priority, Conference encouraged the Church to give particular attention to the following:

- Underpinning everything we do with God-centred worship and prayer;
- Supporting community development and action for justice, especially among the most deprived and poor – in Britain and worldwide;
- Developing confidence in evangelism and in the capacity to speak of God and faith in ways that make sense to all involved;
- Encouraging fresh ways of being Church and
- Nurturing a culture in the Church which is people-centred and flexible.

In responding to the Church's Calling and Priorities, the Connexional Team as the central office of the Methodist Church of Great Britain focuses its work in four distinct areas as follows:

THE PRIORITIES

1. Grants Programme

Here the Church aims to re-distribute funds pooled centrally to areas of Britain, the Channel Islands and the Isle of Man and overseas where the needs for worship, learning and caring, service and evangelism outstrip available resources. The grants programme breaks into four distinct sub-programmes, each drawing on funds given specifically for the purpose as follows:

- Resourcing Mission at Home – Non-Property Grants Programme, which is mainly for grants to circuits and districts from a variety of sources including the Fund for Home Mission and the Connexional Advance & Priority Fund (CAPF) via a single-track application process, for the support of personnel and projects that advance the Church's Calling and Priorities. Applications are normally dealt with on an annual basis, and can be for multi-year appointments or projects;

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- Resourcing Mission at Home – Property Grants Programme under which grants are made to circuits and Churches for property schemes aimed at making places for worship adaptable, accessible to everyone, and properly expressive of our heritage and ethos. The programme relies on giving to the Fund for Property, levies from the sale of property to the CAPF as well as a number of endowment funds;
- Resourcing Mission Overseas Programme – This takes two forms:
 - Financial assistance whereby direct grants are made to partner Churches and ecumenical organisations overseas in aid of ministry and mission projects within their communities; and
 - Capacity building schemes, under which specific appointments are funded, send out mission partners to meet pre-defined human resource gaps identified by partner Churches and the award of scholarships to nominees of overseas partner Churches.
- Sundry Grants Programme, through which small grants are made to Methodist ministers, deacons, lay workers and preachers and their families towards the education of their children, during times of ill-health and for one-off financial support. Giving for this purpose draws on a variety of funds including the Auxiliary Fund, Trinity Hall Trust and various benevolent funds.

Grant Making Policy

Grants are made by Committees of the Council based on applications or funding requests received through the Connexional offices in London and Manchester. In a few limited cases where the grant making decisions are delegated to specific officers of the Connexional Team within clearly defined parameters, there is a requirement for periodic reporting to the appropriate Committee of grants made. Beneficiaries of the grants are mainly local Methodist Churches, circuits and similar bodies, individual Methodist Church members training for and/or within authorised ministries according to need, training institutions as well as World Church partners and their nominees. All grants are made in furtherance of the Church's Calling and Priorities.

2. Formation in Ministry Training Programme

Working in conjunction with districts, circuits, training institutions, all other responsible bodies and other parts of the Connexional Team, the Formation in Ministry Office under this programme aims to maintain and develop ministry (lay, diaconal and presbyteral) which will assist the whole Connexion in fulfilling all its Calling and Priorities by:

- Providing appropriate pathways and procedures for the discernment and testing of vocation to ministry;
- Developing and maintaining pathways of initial training that are ecumenical, integrated, flexible and authentically Methodist, and which lead to the appropriate recognition or accreditation and/or provide relevant training opportunities for that form of ministry;
- Advising on, maintaining and supporting continuing development among those in ordained and lay ministries and;
- Co-ordinating the stationing process under which ministers and deacons are assigned for ministry at the local Church, circuit and district levels.

Much of this work is undertaken through the maintenance, management and staffing of Methodist theological colleges such as Wesley College Bristol, Wesley Study Centre Durham, Cliff College and Hartley Victoria College; and contributions towards the costs of joint theological colleges and courses as well as the provision of maintenance grants for persons undergoing such training and their dependants.

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3. Direct Mission and Ministry Programmes

Under the Direct Mission and Ministry Programmes, specific units within the Connexional Team work collaboratively to:

- Develop resource materials for all areas of the Church's work, Calling and Priorities;
- Work alongside ministers, layworkers and other office holders, mainly volunteers at district, circuit and local Churches in outreach, worship and various community projects;
- Work with women's groups, children and young people within the Church, helping them formulate their own responses to Our Calling as well as the development of policies for the protection of the vulnerable individuals within these groupings;
- Organise or support various worship celebrations and training events for the wider Methodist and ecumenical communities;
- Provide a network of regional Training and Development Officers to advise on and to facilitate training provision of all kinds to meet the needs of Churches and circuits and their communities;
- Offer a bureau service to districts, circuits and local Churches in areas such as payroll and gift aid;
- Provide subsidised hostel accommodation with pastoral care for students, particularly from overseas, in London.

4. Advocacy and Educational Programme

Working closely with colleagues in Methodist Publishing House, a sister organisation, and various officers within the wider Church, our Mission Education, Communications and the Public Issues offices:

- seek to encourage the members of the Methodist Church to develop an awareness of the various aspects of mission and of the various approaches to exercising that mission today – by informing, motivating and challenging people to think about and participate in mission and evangelism;
- foster partnerships and closer working with others in pursuing the purposes of the Methodist Church;
- advise on emerging developments in politics, social and economic life both within the UK and abroad.

The chief means by which we carry out this aspect of Our Calling are:

- Developing, updating and maintaining the Church's official website at www.methodist.org.uk as well as other linked sites;
- Promoting advocacy through the publication of educational and informative material on the work of the Methodist Church including specific information on the Methodist Church Fund and the Funds for Home Mission, World Mission and Property;
- The organisation of fringe meetings and various campaigning events to discuss and raise awareness on key issues;
- Engaging with politicians and other public figures on issues on which the Church has particular views and creating public awareness;
- Developing and distributing various magazines and other publications on our work often in partnership with other Methodist or ecumenical bodies. These include regular ones like the Link Mailing, Mission Matters, Magnet, Momentum and Rethinking Mission.

Fundraising

Whilst the bulk of our work continues to be funded from a levy on the wider Methodist Church, we are increasingly looking for other ways of providing funding for our work. To this end, we:

- Actively promote giving to the Church main restricted funds such as the Fund for Home Mission, the Fund for World Mission, the Fund for Property and Auxiliary Fund;
- Charge for our work wherever appropriate;

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- Encourage our colleges to explore alternative ways of utilising any spare facilities during term time or vacations and to channel the resulting income back to their core work;
- Make suitable and ethical investment of all surplus funds through the Central Finance Board of the Methodist Church;
- Support local Churches in accessing external sources of funding.

ACHIEVEMENTS AND PERFORMANCE

Throughout the year staff have been managing the *Team Focus* implementation process. This has been a radical reconfiguration of the Connexional Team to make it a more flexible, efficient and co-operative organism within the Connexion, focusing on what it can uniquely and best do, and continuing to learn from its experience how to continually change as it seeks to serve the Church. Whilst the majority of this work was achieved in the year 2007-08, some of the transition will occur in 2008-09.

This summary of activities makes no attempt to capture an average day in the life of the Connexional Team, nor is it an exhaustive description of the wide range of diverse tasks and support of regular events and meetings which the Church expects of the Team. Many of these tasks are unseen and unsung, because they deal with confidential processes or personal crises; or they comprise advice on complex situations where other than Team staff must be empowered to act as well. It is hard to overestimate the significance for the morale and good functioning of the Methodist Church of Connexional Team staff doing well what is expected of them and their 'being there' when needed, acting supportively and professionally.

The following are some significant achievements of the Connexional Team particular to the Connexional year 2007-08:

1 Equipping the Church to engage with society

- The District Treasurers' Meeting enabled treasurers to take advice on matters of common concern and to advise on the relation between the Connexional Team's Finance Office and the work of volunteer treasurers in districts and circuits.
- In partnership with colleagues in Trustees for Methodist Church Purposes (TMCP), roadshows across England and Wales in the spring and summer drew representatives from most of the 600 or so Methodist charities that will need to register at this stage as a result of the Charities Act 2006. Help and guidance to local Churches, circuits and districts were provided and a range of issues emerged that will require further clarification and negotiation with the Charity Commission.
- Following the Department for Business Enterprise & Regulatory Reform's response to the consultation on the Post Office Network in 2007, Post Office Limited is rapidly progressing with its Network Change Programme leading to the closure of up to 2,500 post offices, with around 500 of these being replaced by 'hosted' post offices. The Methodist Church has worked closely with Post Office Limited, alongside The Church of England and the United Reformed Church, to seek to identify opportunities for Church buildings to host such post offices in order to maintain a presence for these vital services, particularly in isolated rural communities. There are now at least six post offices in Methodist Churches, three in Anglican Churches and one in United Reformed Church premises. Guidelines have been produced to support Churches that want to use their buildings in this way.
- Administered by the Connexional Team, the Resourcing Mission Grants Committee gave out 193 grants costing in total £7.009m. Individual grants ranged from £1,000 to £44,000. This money has been used to finance the appointment and ministry of inner city workers, youth workers, chaplains and other specialist staff.
- In addition to the grants mentioned above, District Advance Funds received £2.2 million from the Connexional Advance & Priority Fund. This supplements the £3.7 million received from circuit contributions to the District Advance Funds.

2 Formation, training, development and resourcing

- During the year 43 presbyters were received into Full Connexion, 13 were received into Full Connexion from other Churches and two were reinstated. Likewise 13 deacons were also received into Full Connexion. In total 40 presbyteral and six diaconal candidates were accepted for pre-ordination and

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diaconal training. This is against the 102 presbyters and 6 deacons who were permitted to become supernumeraries.

- In March, 35 practitioners and enthusiasts attended the Methodist Fresh Expressions Consultation. There they discussed pertinent issues, from within and outside the Church, facing fresh expressions work today. It allowed people to consider common concerns, frustrations and limitations, and to relate experiences and knowledge to help find answers and encouragement in the work of mission, acknowledged as a vital part of Methodism's past and its future.
- The District Lay Employment Secretaries Workshop created an opportunity for sharing legal and best employment practice, and building confidence in that role.

3 Empowering the ministries of Overseas Church Partners

- Three way partnerships, involving the Methodist Church in Britain, NCH (now renamed as Action for Children) and Partner Churches in Zimbabwe, Southern Africa and Belize have been developed to improve the quality of child care in different communities.
- The Connexional Team continues to take a long-term view of the relationship with overseas Partner Churches with a combination of general grants funding that allows for independence and flexibility on their part, as well as target funding for special projects or in response to specific requests. In 2007-08 300 grants were made to 63 Partner Churches totalling £2.75 million. For example:
- Money was given to AIDRom (The Ecumenical Association of Churches in Romania) to support their work in fighting against trafficking in human beings. This has helped develop prevention programmes for women in danger of being trafficked or exploited, assist victims and help to reintegrate them back into society, and provide safe houses for children and women.
- A donation was sent to The Methodist Church in Columbia to support a Church plant in Pereira. In this city a large number of people of Afro-Columbian origin are marginalised and discriminated against. The money will support a pastor working with the local community to run feeding centres, provide pastoral care for the elderly and disabled, and educate children through Sunday Schools. This will strengthen and develop work initiated by a group of lay people.
- The Connexional Team continues to support Mission Partners sent by the Methodist Church across the world.

| Africa | South and Central America | Asia | Australasia | Europe |
|--------|---------------------------|------|-------------|--------|
| 24 | 9 | 23 | 8 | 8 |

Their areas of work are varied including education, agriculture and medicine, as well as pastoral and theological responsibilities.

- The Scholarship and Leadership Training Programme (SALT) continues to provide funding for strategic, cross-cultural leadership training for dynamic individuals or groups from Partner Churches. In 2007-08, 49 individuals or groups received support.

| Africa | South and Central America | Asia | Australasia | Europe |
|--------|---------------------------|------|-------------|--------|
| 18 | 7 | 16 | 5 | 3 |

4 Advocacy and education

- Members of the Connexional Team contributed to work organised under the auspices of Churches Together in England including 'Set all free' – a year long programme of events to celebrate and reflect on the bicentennial of the ending of the slave trade.
- The Methodist Church's 2008 Lent campaign 'Buy less: live more' was a runaway success. It encouraged people to change their patterns of behaviour – becoming less consumerist and more generous and fulfilled. Each day there was a different challenge around the two themes of 'buy less' and 'live more'. 10,000 specially designed credit cards were distributed and over 1,000 people participated online.

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- Over 75,000 copies of the three titles in the *In your pocket* series (Peace, Prayer and Joy) have been distributed, as well as being downloaded from the Methodist Church website.
- Methodist young people, supported by the Connexional Team, launched the campaign 'Stem the tide' to encourage people of all ages to take part in a month of action on climate change. Online resources (www.stemthetide.org.uk) helped people to respond both individually and communally.
- 2007-08 saw the first Presidential and Vice-Presidential blog where the President and Vice-Presidents shared their thoughts and experiences via an online diary.
- The online Bible study *A Word in Time* provided daily notes and reflections linked to readings in the Methodist Church Prayer Handbook. Launched in September 2007 it quickly became the most popular part of the Methodist Church website. During the year an audio version has also been produced which can be downloaded from the website.
- The Methodist Church has been very active in public issues. Much of its work has been ecumenical in collaboration with the Baptist Union of Great Britain and the United Reformed Church. Notable achievements include:
 - Cluster bombs – The Methodist Church helped to persuade the Government to sign up to the Oslo Process in full. This means that the United Kingdom will stop using, storing and manufacturing all cluster bombs under a new international treaty.
 - Climate Change Bill – Methodists have been lobbying their MPs to persuade them to increase the targets for reductions in carbon emissions from 60% to 80% less than 1990 levels. The Government have recently confirmed that they will amend the Bill to enshrine in law this new, more stringent target.
 - Gambling and casinos – Plans for a mega-casino in Manchester have been scrapped, following concerns about the impact on the deprived area of East Manchester and problem gambling. The Methodist Church continues to take a lead in engaging with the Government to ensure that adequate protection of players and regulation of business continues.
 - Get Fair - The Methodist Church has joined with over 60 other organisations to form 'Get Fair', a campaign movement designed to raise awareness about poverty and inequality in Britain.

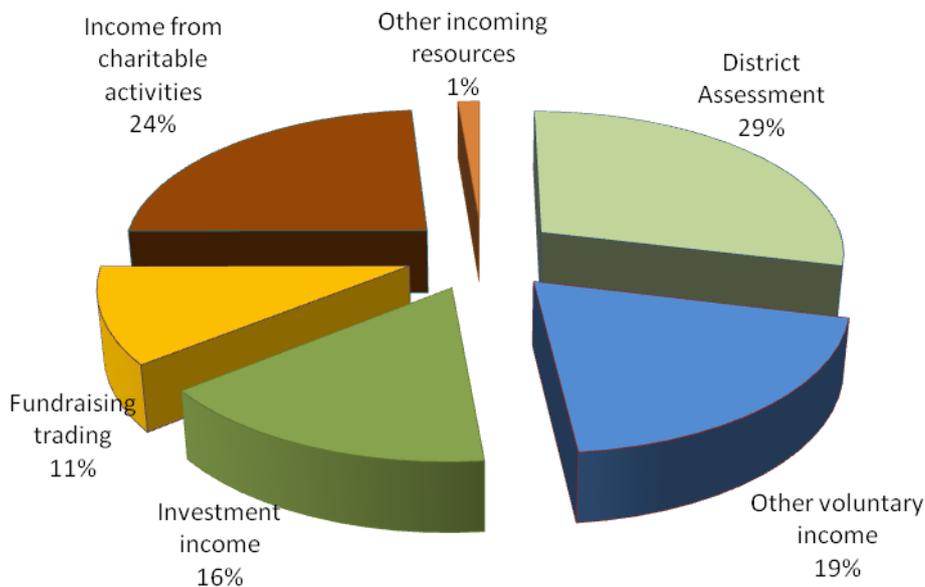
FINANCIAL REVIEW

For the year ended 31 August 2008 the comparative figures for the previous year have been restated, bringing in the figures for Southlands College and Methodist Relief and Development Fund as well as two smaller funds.

Net incoming resources before other recognised gains and losses for the Group for the year to 31 August 2008 came to £1.2 million compared to a restated figure of £1.4 million the previous year. Allowing for a revaluation loss on investments of £4.9 million compared to a gain of £1.8 million last year, we ended the year with a net decrease in reserves of £3.7 million (2007 - net increase of £3.2 million).

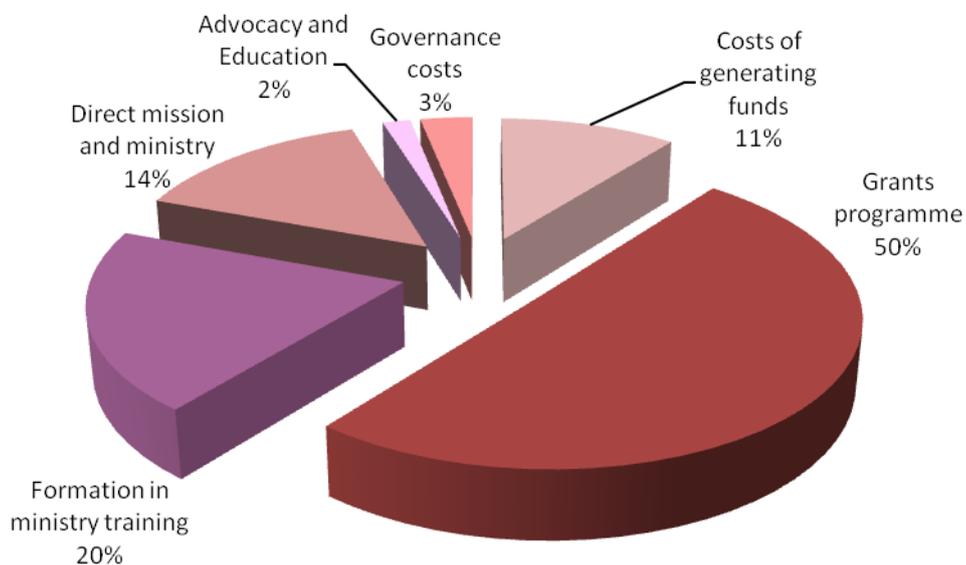
On the income side, we finished the year with total incoming resources of approximately £39.5 million (2007 - £40.2 million). Whilst District Assessments, which account for 29 percent of incoming resources, went up by 3.4% as did investment and grant income, these were not sufficient to offset the significant fall in other income, meaning an overall income fall of 1.6%. Chart 1 shows the range and proportion of funding from the various income streams.

Chart 1: Incoming Resources (£39.5m)



On the expenditure side, total resources expended for the Group in the year also went down, from £38.7 million last year to £38.3 million – a fall of approximately 1%. This year, the various trustee bodies were more active as they engaged with the Team Focus process besides a number of working groups that were set up to look at specific aspects of the review process. At the self-accounting entities level, fundraising trading went up as they responded to falling student numbers. Naturally then, with the exception of fundraising trading and governance costs that went up, all other cost areas showed modest falls in resources expended. Chart 2 below gives the distribution of resources expended by key areas of work.

Chart 2: Resources Expended (£38.3m)



THE METHODIST COUNCIL

Annual Report and Financial Statements for the Year Ended 31 August 2008

TRUSTEES' REPORT

Volunteers

Whilst not quantified in these financial statements, this report would however be incomplete without an acknowledgement of the immeasurable contribution of volunteers giving their time and expertise freely to serve on the Methodist Council and on various other committees and working groups and all through the Connexion at district, circuit and local Church levels.

Internal Financial Controls

The Methodist Council has overall responsibility for ensuring that there is in place an appropriate system of controls, financial and otherwise, to provide reasonable confidence and assurance that:

- the Church's administration is operating effectively and efficiently
- the assets of the Church are properly safeguarded against unauthorised loss or damage
- proper records are maintained and information produced for management control, fiscal and statutory reasons
- the Church complies with the relevant laws and guidelines.

This responsibility is delegated to the Audit Committee, who are appointed by the Conference, and the officers of the Church. The Audit Committee generally meets three times a year and examines the effectiveness of the systems of internal control by reviewing:-

- the nature and scope of the external audit programme and any matters that may have been raised by the auditors for the attention of management. Any significant findings or risks identified are examined so that appropriate action can be taken.
- the Policies and Procedures manual, which describes the operational guidelines to be followed by all officer and employees of the Church.

Reserves Policy

The agreed reserves policy for Methodist Council Consolidated Financial Statements is to hold approximately £4.5m as working capital and another £4.5m for contingencies. Together these are the equivalent of one half year's expenditure of unrestricted resources. This level of reserves, in the view of the Council, is adequate, allowing the Church time to adjust to changes in its financial circumstances without disrupting its programme in the short term.

General Reserves (unrestricted or free)

At the year-end, actual free reserves for the Connexional Team (meaning unrestricted funds at year-end (£40.1m) less designated funds (£22m) and funds already invested in fixed assets (£5.7m)) were £12.4 million approximately, well in excess of the new target of £8.9 million (half of unrestricted resources expended before transfers between funds) using the year's reported expenditure.

The Methodist Council as Trustees are taking steps as part of the annual resource allocation process to bring actual reserves in line with policy.

Designated Funds (unrestricted)

Designated funds are parts of the unrestricted funds that have been earmarked by the trustees for particular purposes.

- Funded mainly from levies on capital money arising from the sale, letting or other disposition of land held for local, circuit or district purposes, the Connexional Advance and Priority Fund currently stands at £9.859 million as at 31 August 2008. The fund supports the Church's mission through annual distributions to District Advance Funds and grants to the wider Church meeting the criteria set out in Standing Order 974.

THE METHODIST COUNCIL

Annual Report and Financial Statements for the Year Ended 31 August 2008

TRUSTEES' REPORT

- Set aside by a decision of Conference 2000 and funded from annual assessments on districts, the Designated Training Fund meets the costs of formation, training and stationing of ministers, deacons, etc.
- The Epworth Fund was set up as a designated fund following the sale of Epworth House, City Road, London in 1987. Income from the fund is used for grants to support and promote new mission initiatives within the Methodist Church.
- The other designated funds represent funds set aside by Council to cover specific operational programmes that are either ongoing or not completed by the year-end.

Investment Policy

The funds are placed with the Central Finance Board (CFB) of the Methodist Church. Most of the investments are in Managed Fund Units administered by the CFB. The CFB aims to provide a high quality investment service, seeking above average returns for long term investors; to follow a discipline in which the ethical dimension is an integral part of all investment decisions; to construct investment portfolios which are consistent with the moral stance and teachings of the Christian faith; to encourage strategic thinking on the ethics of investment and to be a Christian witness in the investment community. (The ethical dimensions of investment through the CFB are debated by the Conference on recommendations from the Joint Advisory Committee for the Ethics of Investment, which is appointed by the Conference with representatives from the CFB, the Connexional Team and the wider Church).

In terms of investment performance, the CFB annual report notes that the current nervousness within the financial system meant that the less volatile Short Fixed Fund produced the best returns of the conventional bond funds (+7.4%). Trailing well behind was the Corporate Bond Fund (+1.7%) although CFB's insistence on keeping an extremely high credit quality paid off, with a return 2.7% above that of its benchmark. This was another testing year for our ethical stance on investments as those stocks excluded from our portfolio on ethical grounds rose on average 9% whilst the remaining 88% of the market declined 8%. The result was a total return for the FTSE All Share Index (-2.7%) 1.8% better than when adjusted for the ethical exclusions. There was however good news on the CFB UK Equity fund where the returns matched that of the benchmark before adjusting for the ethical impact, beating its investable universe by almost 2%.

In May 2008, following a meeting of the Investment Management Committee when the markets showing signs of high volatility, the decision was made to alter the managed fixed interest component of investments by selling gilts and buying corporate bonds instead, focusing on short rather than long term bonds and to hang on to cash wherever possible, patiently waiting for any new opportunities. This proved to be a very wise move, minimising our exposure in the subsequent market crash.

Accounting and Reporting Responsibilities

Law applicable to charities in England and Wales requires the Methodist Council as trustees to prepare consolidated financial statements for each financial year, which give a true and fair view of the Group and Connexional Team's financial activities during the year and the Group's and Connexional Team's financial position at the end of the year. In preparing the consolidated financial statements, the Trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the Statement of Recommended Practice 2005, Accounting and Reporting by Charities have been followed;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that activities will continue.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Methodist Council and which will enable them to ensure that the financial statements comply with the Standing Orders of the Methodist Church and the Charities Act 1993. They are also responsible for taking reasonable steps to safeguard the assets of the Church and to prevent and detect fraud and other irregularities.

THE METHODIST COUNCIL

Annual Report and Financial Statements for the Year Ended 31 August 2008

TRUSTEES' REPORT

Public Benefit

As part of our continuing commitment to review our activities and programmes to ensure we remain focused on our stated purposes, we have put in place from 1 September 2008, a new structure for the Connexional Team as well as a new financial management system that reflects the new reporting arrangements. As trustees, we have referred to the guidance contained in the Charity Commission's general guidance on public benefit and in particular the place of public worship and in our view, our continuing investment in ministerial training, the stationing of our ministers throughout the United Kingdom as well the provision of mission and ministry grants to our Churches will ensure we continue to demonstrate public benefit both now and going forward.

Entities included in Consolidation

As previously reported, the diverse nature of the Council's various operations and the lack of clarity over some of the internal relationships meant that there was a risk that not all entities that are controlled by Council were being consolidated or that there were inconsistencies in the approach used.

Nevertheless, we continue to review our governance arrangements to minimize this risk and this year, we have incorporated the following entities and funds in the Methodist Council annual report and financial statements for the first time:

- a) Southlands College, the majority of whose governors are appointed by the Methodist Council
- b) Methodist Relief and Development Fund (MRDF) whose constitution requires any changes to its trustee body to be approved by the Methodist Council
- c) Aspinall Robinson Trust, an endowment fund for which the Trustees for Methodist Church Purposes are the custodial trustees but for which all income is paid over to the Council for its work with the Diaconal Order;
- d) The Hunter Rowe Trust, a connexional fund set up in 1974 for new or upgrade work on Churches and manses and the welfare of ministers across the Connexion but for which day-to-day management was delegated to the Grants and Personnel Committee of the East Anglia District.

As these changes also apply to earlier years, we have restated the prior year figures and shown any funds existing prior to 31 August 2006 as prior year adjustments.

PENSIONS

Both Methodist Council's pension funds, Methodist Ministers' Pension Scheme (MMPS) for ministers and Pensions and Assurance Scheme for Lay Employees (PASLEMC) for lay employees were due for their triennial valuation as at 31 August 2008. Although exact figures are not immediately available, early indications suggest that there will be a significant funding deficit for both schemes.

PLANS FOR THE FUTURE

The 2008-09 work priorities for the Connexional Team were presented to Methodist Council in October 2008. They can be viewed online at www.methodistChurch.org.uk/downloads/coun-0893-031008.doc.

This will be the first year of operation for the reconfigured Connexional Team. A major piece of work will be to take advantage of this new configuration and ways of working, and to press forward in supporting the Connexion in working out the *Priorities*. The Team will seek to be a catalyst for new ideas and approaches, ensuring the best are tried and tested; and to disseminate throughout the Connexion the lessons that come from them. Integral with this is the imperative for the Team to work with partners in the Connexion and beyond, and this emphasis will need to be fully embedded into the Team culture.

THE METHODIST COUNCIL

Annual Report and Financial Statements for the Year Ended 31 August 2008

TRUSTEES' REPORT

Realistically, a great deal of work will need to be done after 1 September 2008 to complete the transition from the previous Team to the reconfigured structure. The Team will continue to apply the key test of what it can uniquely and best contribute to the Connexion within the smaller budget the Methodist Conference has agreed for it.

Significant pieces of work for 2008-09 include:

1. Equipping the Church to engage with society

- Supporting the 'Mapping a Way Forward' process, which looks at the buildings, structures and human and financial resources of districts and circuits in relation to mission strategy in the twenty-first century.
- Develop networks of disciplines for those in chaplaincy ministry.
- Review of part nine of CPD, which regulates all Methodist property developments and the use of Model Trust money.
- Introduce the Youth Participation Strategy.
- Make preparations for the Pioneer Ministries Scheme.

2. Formation, training, development and resourcing

- Implement policy in order to increase numbers of projected new probationer ministers.
- Develop proposals for a new strategy to recruit candidates for the ministry under the age of 30.
- Develop effective links with the Regional Training Forums and associated institutions.
- Explore methods for greater recognition and encouragement of the role of lay evangelist.
- Develop a scheme of supported reflective practice for those with pastoral responsibilities (including issues of confidentiality).

3. Empowering the Ministries of Overseas Church Partners

- Develop a new World Church Relationships working style.
- Make Companion appointments and advance their work. This is a new way of engaging with World Church Partners. Companions will work with an identified Partner Church to enhance the relationship with that Church and the life of the Methodist Churches in Britain and Ireland.

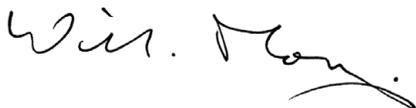
4. Advocacy

- Produce study guide on the Conference 2008 report, *Created in God's image*.
- Establish ways of working and staffing to ensure practical, expert help to support the outcomes of the Conference 2008 report on Equalities and Diversity.

AUDITOR

Baker Tilly UK Audit LLP has expressed its willingness to be re-appointed as auditor.

Approved and authorised for issue on behalf of the Methodist Council by:



The Revd William R Morrey
Chair of the Council
16 February 2009

THE METHODIST COUNCIL
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE METHODIST COUNCIL

We have audited the financial statements on pages 20 to 45.

This report is made solely to the Council's trustees as a body, in accordance with the Charities Act 1993. Our audit work has been undertaken so that we might state to the Council's trustees 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 Council and the Council's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Accounting and Reporting Responsibilities within the trustees' report.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Annual Report is not consistent with the financial statements, if the Council has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

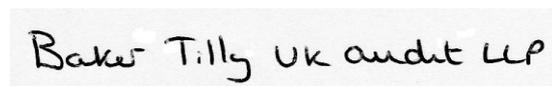
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the Council's and its subsidiaries' affairs as at 31 August 2008 and of the Group's, and Connexion's, incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.



BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
1st Floor, 46 Clarendon Road,
Watford, Herts, WD17 1JJ

13 March 2009

THE METHODIST COUNCIL

Consolidated Statement of Financial Activities for the year ended 31 August 2008 - GROUP

| | Notes | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | 2008 Total £000 | 2007 Total £000 (Restated) |
|--|-----------|-------------------------------|-----------------------------|----------------------------|--------------------------------|-------------------------------------|
| <u>Incoming resources</u> | | | | | | |
| Incoming resources from generated funds | | | | | | |
| District Assessment | | 11,293 | 94 | - | 11,387 | 11,010 |
| Voluntary Income | 2 | 405 | 7,311 | - | 7,716 | 8,529 |
| Investment income and interest | 3 | 1,905 | 4,351 | 6 | 6,262 | 5,262 |
| Activities for generating funds | | | | | | |
| Fundraising trading | 4 | 186 | 4,053 | - | 4,239 | 3,434 |
| Incoming resources from charitable activities | | | | | | |
| Grants receivable | 5 | 5,199 | 2,372 | - | 7,571 | 6,595 |
| Other income | | 628 | 1,179 | - | 1,807 | 4,430 |
| Other incoming resources | | | | | | |
| Net gain on disposal of tangible fixed assets | | 20 | 498 | - | 518 | 897 |
| Total incoming resources | | 19,636 | 19,858 | 6 | 39,500 | 40,157 |
| <u>Resources expended</u> | | | | | | |
| Costs of generating funds | | | | | | |
| Costs of generating voluntary income | | 305 | 94 | - | 399 | 479 |
| Fundraising trading | | 308 | 3,318 | - | 3,626 | 1,937 |
| Investment management | | 25 | 12 | - | 37 | 56 |
| Charitable activities | | | | | | |
| Grants programme | | 6,292 | 12,922 | - | 19,214 | 19,893 |
| Formation in Ministry training | | 2,542 | 5,063 | - | 7,605 | 8,453 |
| Direct Mission & Ministry | | 5,300 | 264 | - | 5,564 | 6,011 |
| Advocacy & Education | | 592 | 46 | - | 638 | 867 |
| Governance costs | | | | | | |
| | | 1,080 | 120 | - | 1,200 | 1,043 |
| Total resources expended | 6 (a & b) | 16,444 | 21,839 | - | 38,283 | 38,739 |
| <u>Net incoming/(outgoing) resources before transfers</u> | | | | | | |
| Gross transfers between funds | 8 17 | 3,192 (692) | (1,981) 692 | 6 - | 1,217 - | 1,418 - |
| <u>Net incoming/(outgoing) resources after transfers and before other recognised gains</u> | | | | | | |
| (Losses)/Gains on revaluations and disposals of investment assets | | 2,500 (1,580) | (1,289) (2,175) | 6 (1,156) | 1,217 (4,911) | 1,418 1,760 |
| Net movement in funds | | 920 | (3,464) | (1,150) | (3,694) | 3,178 |
| Total funds brought forward (originally £120,643K before adding prior year adjustment of £18,818K) | 20 | 46,772 | 68,269 | 24,420 | 139,461 | 136,283 |
| Total funds carried forward at 31 August | | 47,692 | 64,805 | 23,270 | 135,767 | 139,461 |

All activities are classified as continuing.

The notes on pages 24 to 45 form an integral part of these consolidated financial statements.

THE METHODIST COUNCIL

Statement of Financial Activities for the year ended 31 August 2008 – CONNEXIONAL TEAM

| | Notes | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | 2008 Total £000 | 2007 Total £000 (Restated) |
|---|-------|-------------------------------|-----------------------------|----------------------------|-----------------------|-------------------------------------|
| <u>Incoming resources</u> | | | | | | |
| Incoming resources from generated funds | | | | | | |
| District Assessment | | 11,293 | 94 | - | 11,387 | 11,010 |
| Voluntary Income | | 405 | 5,054 | - | 5,459 | 6,595 |
| Investment income and interest | | 1,905 | 3,626 | 6 | 5,537 | 4,660 |
| Activities for generating funds | | | | | | |
| Fundraising trading | | 186 | 434 | - | 620 | 229 |
| Incoming resources from charitable activities | | | | | | |
| Grants receivable | | 5,389 | 209 | - | 5,598 | 6,560 |
| Other income | | 369 | 71 | - | 440 | 1,178 |
| Other incoming resources | | | | | | |
| Net gain on disposal of tangible fixed assets | | 20 | 497 | - | 517 | 897 |
| Total incoming resources | | 19,567 | 9,985 | 6 | 29,558 | 31,129 |
| <u>Resources expended</u> | | | | | | |
| Costs of generating funds | | | | | | |
| Costs of generating voluntary income | | 305 | 9 | - | 314 | 368 |
| Fundraising trading | | 309 | - | - | 309 | 171 |
| Investment Management | | 25 | 12 | - | 37 | 46 |
| Charitable activities | | | | | | |
| Grants programme | | 8,109 | 9,638 | - | 17,747 | 17,971 |
| Formation in Ministry training | | 3,397 | 1 | - | 3,398 | 3,654 |
| Direct Mission & Ministry | | 4,072 | 1,225 | - | 5,297 | 5,389 |
| Advocacy & Education | | 592 | - | - | 592 | 623 |
| Governance costs | | | | | | |
| | | 999 | 116 | - | 1,115 | 944 |
| Total resources expended | | 17,808 | 11,001 | - | 28,809 | 29,166 |
| <u>Net incoming/(outgoing) resources before transfers</u> | | | | | | |
| | | 1,759 | (1,016) | 6 | 749 | 1,963 |
| Gross transfers between funds | | | | | | |
| | 17 | (923) | 923 | - | - | - |
| <u>Net incoming/(outgoing) resources after transfers and before other recognised gains</u> | | | | | | |
| | | 836 | (93) | 6 | 749 | 1,963 |
| (Losses)/Gains on revaluations and disposals of investment assets | | | | | | |
| | | (1,580) | (2,356) | (1,156) | (5,092) | 1,389 |
| Net movement in funds | | (744) | (2,449) | (1,150) | (4,343) | 3,352 |
| Total funds brought forward (originally £109,537K before adding prior year adjustment of £1,455K) | | 40,859 | 45,718 | 24,415 | 110,992 | 107,640 |
| Total funds carried forward at 31 August | | 40,115 | 43,269 | 23,265 | 106,649 | 110,992 |

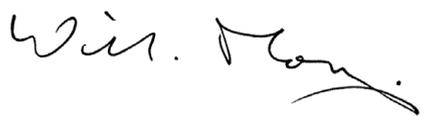
All activities are classified as continuing.

The notes on pages 24 to 45 form an integral part of these consolidated financial statements.

THE METHODIST COUNCIL
Consolidated Balance Sheet and Connexional Balance Sheet as at 31 August 2008

| | Notes | <u>The Methodist Council (Group)</u> | | <u>The Connexional Team</u> | |
|---|-------|--------------------------------------|--------------------|-----------------------------|--------------------|
| | | 2008 | 2007 | 2008 | 2007 |
| | | £000 | £000 (Restated) | £000 | £000 (Restated) |
| <u>Fixed assets</u> | | | | | |
| Tangible assets | 11 | 40,202 | 38,368 | 14,222 | 11,528 |
| Investments | 12 | 88,233 | 94,799 | 80,666 | 88,367 |
| | | <u>128,435</u> | <u>133,167</u> | <u>94,888</u> | <u>99,895</u> |
| <u>Current assets</u> | | | | | |
| Stocks | | 35 | 49 | 5 | 2 |
| Debtors | 13 | 8,627 | 6,323 | 5,956 | 3,862 |
| Short term deposits | | 26,560 | 29,434 | 25,920 | 26,353 |
| Cash at bank and in hand | | 1,827 | 2,235 | 849 | 703 |
| | | <u>37,049</u> | <u>38,041</u> | <u>32,730</u> | <u>30,920</u> |
| <u>Creditors</u> | | | | | |
| Amounts falling due within 1 year | 14 | (13,954) | (15,283) | (11,079) | (10,126) |
| <u>Net current assets</u> | | <u>23,095</u> | <u>22,758</u> | <u>21,651</u> | <u>20,794</u> |
| <u>Total assets less current liabilities</u> | | <u>151,530</u> | <u>155,925</u> | <u>116,539</u> | <u>120,689</u> |
| <u>Creditors</u> | | | | | |
| Amounts falling due after more than 1 year | 15 | (15,763) | (16,464) | (9,890) | (9,697) |
| <u>Net assets</u> | | <u>135,767</u> | <u>139,461</u> | <u>106,649</u> | <u>110,992</u> |
| <u>The funds of the Council</u> | | | | | |
| Endowment funds | 18 | 23,270 | 24,420 | 23,265 | 24,415 |
| Restricted income funds | 17 | 64,805 | 68,269 | 43,269 | 45,718 |
| Unrestricted income funds | | 47,692 | 46,772 | 40,115 | 40,859 |
| | | <u>135,767</u> | <u>139,461</u> | <u>106,649</u> | <u>110,992</u> |

Approved and authorised for issue by the Methodist Council on 16 February 2009 and signed on its behalf by



The Revd William R Morrey
Chair of the Council



Mr Ronald Calver
Connexional Treasurer

The notes on pages 24 to 45 form an integral part of these consolidated financial statements.

THE METHODIST COUNCIL

Consolidated Statement of Cash Flow for the year ended 31 August 2008

| | Notes | 2008 | | 2007 (Restated) | |
|---|-----------|----------|----------|--------------------|--------|
| | | £000 | £000 | £000 | £000 |
| <u>Net cash outflow/(inflow) from operating activities</u> | (a) below | | (10,072) | | 487 |
| <u>Returns on investments and servicing of finance</u> | | | | | |
| Deposit interest received & Investment income | | | 6,262 | | 5,262 |
| <u>Capital expenditure and financial investment</u> | | | | | |
| Payments to acquire tangible fixed assets | | (3,307) | | (223) | |
| Receipts from sales of tangible fixed assets | | 1,802 | | 1,667 | |
| Purchase of fixed asset investments | | (23,239) | | (5,016) | |
| Disposal of fixed asset investments | | 24,894 | | 6,797 | |
| | | | 150 | | 3,225 |
| <u>Financing</u> | | | | | |
| Receipt of additional loans | | - | | 289 | |
| Repayment of loans | | 765 | | - | |
| | | | (765) | | 289 |
| <u>Net cash (outflow)/ inflow in the period</u> | | | (4,425) | | 9,263 |
| <u>Net cash resources at 1 September 2007</u> | | | 31,668 | | 22,405 |
| <u>Net cash resources at 31 August 2008</u> | (b) below | | 27,243 | | 31,668 |

Notes to consolidated cash flow statement

(a) **Reconciliation of net incoming resources to net cash inflow from operating activities**

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| Net incoming resources for the year | 1,217 | 1,418 |
| Gain on disposal of tangible fixed assets | (518) | (897) |
| Investment income | (6,262) | (5,262) |
| Depreciation | 189 | 195 |
| Decrease in stocks | 15 | 2 |
| (Increase)/ Decrease in debtors | (2,304) | 1,294 |
| (Decrease)/Increase in creditors | (2,409) | 3,737 |
| Other non-cash movements | - | - |
| Net cash outflow from operating activities | (10,072) | 487 |

Cash Flow

| | At 31.8.07 (Restated) £000 | 2008 £000 | At 31.8.08 £000 |
|--|----------------------------------|--------------|--------------------|
| (b) <u>Analysis of net cash resources</u> | | | |
| Cash in hand, at bank | 2,235 | (408) | 1,827 |
| Overdrafts | - | (1,144) | (1,144) |
| Short term deposits | 29,433 | (2,873) | 26,560 |
| Total | 31,668 | (4,425) | 27,243 |

THE METHODIST COUNCIL

Notes to the consolidated financial statements for the year ended 31 August 2008

1. Accounting policies

a) Basis of accounting

The consolidated accounts of the Methodist Council have been prepared under the historical cost convention, except for investments which are stated at market value, and are in accordance with applicable accounting standards and the Statement of Recommended Practice 2005 (SORP), Accounting and Reporting by Charities issued in March 2005 and the Charities Act 1993.

b) Basis of preparation

The following self-accounting entities, for which the Methodist Council is responsible to the Methodist Conference, have been consolidated, based on the view of the Council of the degree of control which it exercises over the entities concerned which is constantly under review.

Cliff College (a separately registered charity)

Guy Chester Centre

Hartley Victoria College

Methodist International Centre Ltd.

Methodist Relief and Development Fund (a separately registered charity)

Southlands College (a separately registered charity)

Wesley College Bristol

Wesley Study Centre Durham

c) Basis of consolidation

Also included in the consolidation are Methodist International Centre Limited, Cliff College Outreach Limited, Cliff (Methodist) Developments Limited, T Beckett (Saddler) Limited, and Southlands College Enterprises Ltd, which are wholly owned trading subsidiaries of four of the entities above.

The self-accounting entities and their applicable trading subsidiaries have been consolidated on a line by line basis.

d) Incoming resources

District assessment

The District Assessment is accounted for on a receivable basis.

Voluntary income

Donations, contributions and legacies are accounted for when entitlement has been confirmed, the amount can be measured accurately and receipt is certain. In accordance with this policy, legacies are included when advice has been received from the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified with reasonable certainty.

Capital levies

Capital levies are due on the disposal of property under Standing Order 970 of the Constitutional Practice and Discipline of the Methodist Church and are accounted for on a receipts basis.

Grants receivable

Grants receivable are included when the relevant conditions for the grant have been met.

Rental income

Rental income is accounted for on a receivable basis.

Notes to the consolidated financial statements for the year ended 31 August 2008

1. Accounting policies (continued)

All other incoming resources

All other incoming resources are accounted for on an accruals basis.

e) **Resources expended**

All resources expended are accounted for on an accruals basis. Any ensuing liabilities are recognised as soon as a legal or constructive obligation arises.

Costs of generating funds

Costs of generating funds include the direct costs of fundraising trading, investment management, custody fees and a proportion of shared and indirect support costs.

Allocation of costs

Charitable activities: These include the direct costs of the activities. Where such costs relate to more than one functional cost category, they have been apportioned based on the relative size of the direct costs of the relevant service units.

Support costs: Support costs include the central functions and have been allocated to fundraising, charitable activities and governance on a basis of directly attributable costs of these activities.

Governance costs

These are the costs associated with constitutional and statutory requirements and include external audit, legal advice on governance issues, trustees' expenses and a proportion of shared and indirect support costs.

Grants payable

Grants payable have been accounted for in full to the extent that past events have created a valid expectation in other parties that the Church will honour commitments, both legal and implied and any attaching conditions are outside our control. All grants are denominated in sterling.

f) **Funds**

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Council.

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

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

Endowment funds represent monies received from donors where there is some restriction on the use of the initial capital.

Investment income is allocated to the appropriate fund in the case of restricted funds and in accordance with the terms of the endowment in the case of endowment funds.

Notes to the consolidated financial statements for the year ended 31 August 2008

1. Accounting policies (continued)

g) **Gains/(losses) on investments**

Realised and unrealised gains and losses on investments are dealt with in the Consolidated Statement of Financial Activities in the year in which they arise, based on the brought forward valuations or cost of subsequent additions.

h) **Pension costs**

The Council's defined benefit pension schemes are treated for accounting purposes as though they are defined contribution schemes on the grounds that both are multi-employer schemes and that the Council is unable to identify its share of the underlying assets and liabilities in the schemes on a consistent and reasonable basis.

For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the contributions payable in the year.

i) **Tangible fixed assets**

Properties are stated at cost. It is the Methodist Council's policy to maintain properties in a state of sound repair. The Methodist Council therefore considers that the lives of the properties are so long and their residual values so high based on prices prevailing at the time of acquisition that the annual depreciation charge and accumulated depreciation is not material. Accordingly, no depreciation is provided on freehold properties used for charitable activities. Any material impairment in the value of such properties, following an annual review would be chargeable to the Consolidated Statement of Financial Activities.

In line with FRS 15 requirements, the managing trustees of the various entities have reassessed the market value of their existing land and buildings and are of the opinion that it significantly exceeds the book value of the assets.

Assets having an initial cost of £1,000 or less are written off on acquisition. Furniture & fittings, computer equipment and motor vehicles having an initial cost greater than £1,000 are stated at cost less depreciation. Furniture & fittings and motor vehicles depreciation is provided at the rate of 20% per annum on a straight line basis, whilst computer equipment similarly is depreciated at the rate of 33 $\frac{1}{3}$ % per annum.

j) **Investments**

Investment properties are revalued triennially by Cluttons, a firm of Chartered Surveyors, and in between by the trustees. The last professional valuation was as at 31 August 2008. The market value of quoted securities is based on the middle market quotation on the relevant Stock Exchange. Investments, which are held in units in the Central Finance Board, are stated at the Board's published valuations. Investments in William Leech (Investments) Ltd are stated at the underlying value of the net assets based on the company's audited Balance Sheet at 31 March 2008, updated by the value of any share acquisitions up to 31 August 2008.

k) **Stocks**

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete or slow moving items.

2. Voluntary Income

| | Unrestricted | Restricted | Endowment | 2008 Total | 2007 Total (Restated) |
|-----------------------------|-------------------|---------------------|-----------------|---------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Donations and contributions | 397 | 6,640 | - | 7,037 | 7,496 |
| Legacies | <u>8</u> | <u>671</u> | <u>-</u> | <u>679</u> | <u>1,033</u> |
| Total | <u>405</u> | <u>7,311</u> | <u>-</u> | <u>7,716</u> | <u>8,529</u> |

3. Investment income and interest

| | Unrestricted | Restricted | Endowment | 2008 Total | 2007 Total (Restated) |
|--|---------------------|---------------------|-----------------|---------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Investment properties | - | 102 | - | 102 | 220 |
| Central Finance Board investments | 411 | 1,610 | - | 2,021 | 1,992 |
| William Leech (Investments) Ltd | - | 1,110 | - | 1,110 | 769 |
| Deposit interest and other investment income | 1,494 | 1,529 | 6 | 3,029 | 2,281 |
| Total | <u>1,905</u> | <u>4,351</u> | <u>6</u> | <u>6,262</u> | <u>5,262</u> |

4. Fundraising trading

| | Unrestricted | Restricted | Endowment | 2008 Total | 2007 Total (Restated) |
|------------------------------|-------------------|---------------------|-----------------|---------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Sales | 116 | 464 | - | 580 | 700 |
| Rental income | 17 | 767 | - | 784 | 175 |
| Other operational activities | 46 | 2,822 | - | 2,868 | 2,554 |
| Advertising income | <u>7</u> | <u>-</u> | <u>-</u> | <u>7</u> | <u>5</u> |
| Total | <u>186</u> | <u>4,053</u> | <u>-</u> | <u>4,239</u> | <u>3,434</u> |

THE METHODIST COUNCIL

Notes to the consolidated financial statements for the year ended 31 August 2008

5. Grants receivable

| | Unrestricted £000 | Restricted £000 | Endowment £000 | 2008 Total £000 | 2007 Total £000 |
|-----------------------|----------------------|--------------------|-------------------|-----------------------|-----------------------|
| Capital levies | 4,921 | - | - | 4,921 | 5,797 |
| Other incoming grants | 278 | 2,372 | - | 2,650 | 798 |
| Total | 5,199 | 2,372 | - | 7,571 | 6,595 |

6a. Total resources expended

| | Direct Costs £000 | Support Costs £000 | 2008 Total £000 | 2007 Total (Restated) £000 |
|---|-------------------------|--------------------------|-----------------------|-------------------------------------|
| Costs of generating funds | | | | |
| Costs of generating voluntary income | 348 | 51 | 399 | 479 |
| Fundraising trading: costs of goods sold other costs | 3,576 | 50 | 3,626 | 1,937 |
| Investment management costs | 36 | 1 | 37 | 56 |
| Charitable activities | | | | |
| Grants Programme | 17,539 | 1,675 | 19,214 | 19,893 |
| Formation in Ministry Training | 7,072 | 533 | 7,605 | 8,453 |
| Direct Mission & Ministry | 4,710 | 854 | 5,564 | 6,011 |
| Advocacy & Education | 543 | 95 | 638 | 867 |
| Governance costs | 1,023 | 177 | 1,200 | 1,043 |
| Total | 34,847 | 3,436 | 38,283 | 38,739 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

| 6b. <u>Total resources expended</u> | Voluntary Income Generation £000 | Fundraising Trading £000 | Investment Manage- ment Costs £000 | Grants Programme £000 | Formation in Ministry Training £000 | Direct Mission & Ministry £000 | Advocacy & Education £000 | Governance Costs £000 | Support Costs £000 | 2008 Total Resources Expended £000 | 2007 Total Resources Expended (Restated) £000 |
|--|---|--------------------------------|--|-----------------------------|--|--|------------------------------------|-----------------------------|--------------------------|--|--|
| Costs of production including bought in services | - | 429 | - | - | - | - | - | - | - | 429 | 958 |
| Other operating costs | - | 1,205 | - | - | - | - | - | - | - | 1,205 | 1,367 |
| Grants payable (Note 7) | - | - | - | 15,047 | 1,740 | - | - | - | - | 16,787 | 17,879 |
| Stipend & salary costs | 162 | (3) | - | 1,603 | 2,624 | 3,691 | 445 | 240 | 1,745 | 10,507 | 10,831 |
| Other staff costs | 7 | - | - | 247 | 395 | 348 | 3 | 30 | 681 | 1,711 | 1,619 |
| Office accommodation | - | - | - | 325 | 1,510 | 239 | - | - | 263 | 2,337 | 2,231 |
| Meetings, committees & conferences | 6 | 12 | - | 75 | 20 | 152 | 16 | 619 | 31 | 931 | 864 |
| Travel | 3 | 4 | - | 98 | 23 | 235 | 17 | 54 | 52 | 486 | 525 |
| Advertising, display exhibitions | 139 | 19 | - | - | - | - | 42 | - | - | 200 | 156 |
| Education & publicity | 1 | - | - | 5 | 2 | 29 | 2 | 1 | 205 | 245 | 301 |
| Office costs | 13 | 1,857 | - | 62 | 222 | 276 | 6 | 29 | 458 | 2,923 | 1,960 |
| Professional fees | 15 | - | 36 | 58 | 58 | 113 | - | 236 | 167 | 683 | 846 |
| Interest payable | - | - | - | - | 212 | - | - | - | - | 212 | 194 |
| Miscellaneous expenses | 3 | 53 | - | 72 | 266 | 127 | 11 | 4 | 90 | 626 | 448 |
| | 349 | 3,576 | 36 | 17,592 | 7,072 | 5,210 | 542 | 1,213 | 3,692 | 39,282 | 40,179 |
| Adjustment for shared costs | - | - | - | (53) | - | (500) | - | (190) | (256) | (999) | (1,440) |
| | 349 | 3,576 | 36 | 17,539 | 7,072 | 4,710 | 542 | 1,023 | 3,436 | 38,283 | 38,739 |
| Re-allocation of support costs | 50 | 50 | 1 | 1675 | 533 | 854 | 96 | 177 | (3,436) | - | - |
| Total resources expended | 399 | 3,626 | 37 | 19,214 | 7,605 | 5,564 | 638 | 1,200 | - | 38,283 | 38,739 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

7. Grants payable – Grants Programme

The list of institutions benefiting from the Grants Programme is published separately on the Methodist Church website

| | TOTAL £000 | Individual £000 | Institutions £000 | UK £000 | Overseas £000 |
|-------------------------------------|---------------|--------------------|----------------------|---------------|------------------|
| Resourcing Mission at Home | | | | | |
| Non-Property Grants | | | | | |
| Mission & Ministry - general grants | 7,009 | - | 7,009 | 7,009 | - |
| CAPF distributions to Districts | 2,208 | - | 2,208 | 2,208 | - |
| Ministry to Women | 16 | - | 16 | 16 | - |
| Ministerial Training support – CT | 181 | - | 181 | 181 | - |
| Formal Relationships | 383 | - | 383 | 383 | - |
| Chaplaincy | 331 | 4 | 327 | 331 | - |
| Racial Justice Grants | 95 | - | 95 | 95 | - |
| Movement in grant commitments | 91 | - | 91 | 91 | - |
| Movement in grant commitments | (218) | - | (218) | (218) | - |
| | 10,096 | 4 | 10,092 | 10,096 | - |
| Property Grants | | | | | |
| Property Replacement Schemes | - | - | - | - | - |
| Other CAPF Property Grants | - | - | - | - | - |
| Standard Property Grants | 328 | - | 328 | 328 | - |
| Disability Property Grants | - | - | - | - | - |
| Other property grants | - | - | - | - | - |
| Movement in grant commitments | - | - | - | - | - |
| | 328 | - | 328 | 328 | - |
| Resourcing Mission Overseas | | | | | |
| General Grants | 2,077 | - | 2,077 | - | 2,077 |
| Nationals in Mission Appointments | - | - | - | - | - |
| Scholarships Programme | 184 | - | 184 | - | 184 |
| World Church in Britain | 92 | - | 92 | 92 | - |
| Training in World Mission | 265 | - | 265 | 265 | - |
| Lay Professional Programme | 107 | - | 107 | - | 107 |
| Relief and other sundry grants | 25 | 25 | - | - | 25 |
| | 2,750 | 25 | 2,725 | 357 | 2,393 |
| Sundry Grants | | | | | |
| Ministerial support & benefits | 779 | 779 | - | 779 | - |
| Contingency Grants | 443 | - | 443 | 443 | - |
| Initial & Removal grants | 82 | 82 | - | 82 | - |
| Archives and History | 19 | - | 19 | 19 | - |
| Communications Management | 7 | - | 7 | 7 | - |
| Other Miscellaneous Grants | 543 | 543 | - | 543 | - |
| | 1,873 | 1,404 | 469 | 1,873 | - |
| Total | 15,047 | 1,433 | 13,614 | 12,654 | 2,393 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

8. Net incoming resources before transfers

| | 2008 £000 | 2007 £000 |
|--|--------------|--------------|
| This is stated after charging for the year ended 31 August as follows: | | |
| Audit fees - Baker Tilly UK Audit LLP | 64 | 56 |
| Non-audit fees – Baker Tilly UK Audit LLP | 3 | - |
| Depreciation | 189 | 200 |

9. Stipend & salary costs

The Methodist Council appointed or employed an average of 171 (2007 – 163) people during the year, calculated on a full time equivalent basis, and a further 100 (2007 – 100) people were appointed locally, all of whose costs were chargeable to the Methodist Church Consolidated Accounts as follows:

| | 2008 Total £000 | 2007 Total £000 (Restated) |
|-------------------------|-----------------------|-------------------------------------|
| Stipends and salaries | 9,406 | 8,764 |
| Social Security costs | 666 | 695 |
| Pension costs (Note 10) | 1,108 | 986 |
| | <hr/> | <hr/> |
| Total | 11,180 | 10,445 |

One employee received emoluments in the range of £70,001 to £80,000 (2007 – Nil).

10. Pension costs

Methodist Council Pension Arrangements

The Methodist Council operates two defined benefit pension schemes – the Methodist Ministers' Pension Scheme for ministers and the Pensions and Assurance Scheme for Lay Employees of the Methodist Church. The assets of the two schemes are held separately from the Methodist Council Consolidated Accounts in independently administered funds.

Contributions to the schemes are charged to the Consolidated Statement of Financial Activities in the year in which they are payable.

Under the rules of the two Methodist Church pension schemes for ministers and lay workers the Methodist Council has an undertaking to indemnify the trustees against any liabilities that might arise in the proper discharge of their duties as pension trustees. No provision has been made in the financial statements to 31 August 2008 in respect of this matter.

Alternative Pension Arrangements

Staffs who prior to their employment by the Methodist Council were already in other pension schemes linked to their profession and able to remain in those schemes were until recently allowed to do so, the Methodist Council making the necessary employer's contributions as determined by those schemes. At the end of the year to 31 August 2008, there were in total five employees in these alternative schemes.

Notes to the consolidated financial statements for the year ended 31 August 2008

10. Pension costs (continued)

The total pension costs for the year to 31 August 2008 as set out in Note 9 above reflects the costs to the employer of the two pension arrangements. There are no outstanding or prepaid contributions at the balance sheet date.

Methodist Ministers' Pension Scheme

The last full actuarial valuation of the whole scheme was carried out as at 1 September 2005 by an independent actuary. This valuation showed that the market value of the scheme's assets was £212.2m and that the value of these assets represented 101% of the benefits that had accrued to members after allowing for expected increases in earnings. The assumptions, which have the most significant effect on the results of the valuation, are those referring to the rates of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 7% pa, salary increases would average 5% pa and that past and future pensions would increase at either 5% or 3% depending on whether guaranteed or linked to inflation respectively.

The contributions by the Methodist Council as employer and by scheme members were 17% and 7% of stipend respectively.

The pension charge for the year was £0.101m (2007 £0.102m).

FRS 17 disclosures:

The Methodist Council's employees account for less than 1% of the scheme and it is not possible to identify the share of the underlying assets and liabilities of the Scheme attributable to the Methodist Council. Hence, whilst the scheme is a defined benefit type, it is accounted for as a defined contribution scheme under the requirements and exemptions of Financial Reporting Standard 17, 'Retirement Benefits' (FRS 17).

Pensions and Assurance Scheme for Lay Employees of the Methodist Church

The Methodist Council is the principal employer of this multi-employer defined benefit scheme for lay employees. Its employees both past and present account for more than 80% of scheme members.

The FRS 17 disclosure has been included, in spite of the fact that it is a defined contribution scheme as the actuaries are of the opinion that it is not possible to identify on a consistent and reasonable basis, the share of the underlying assets and liabilities of the individual schemes attributable to the Methodist Council Consolidated Accounts.

The contributions by the Methodist Council and the scheme members' contributions of the scheme were 20.6% and 7% of pensionable pay respectively.

A full actuarial valuation was carried out at 1 September 2005 and updated to 31 August 2007 by a qualified independent actuary. The major assumptions used by the actuary are as follows:

| | At 31/08/2008 | At 31/08/2007 | At 31/08/2006 |
|---|------------------|------------------|------------------|
| Rate of increases in salaries | 5.5% | 4.90% | 4.60% |
| Rate of increase in pensions in payment LPI (2.5%, RPI) | 2.5% | 2.40% | 2.30% |
| Rate of increases in pensions in payment LPI (5%, RPI) | 3.9% | 3.30% | 3.10% |
| Rate of increase in pensions in payment (Fixed 5%) | 5.0% | 5.00% | 5.00% |
| Discount rate | 6.4% | 5.80% | 5.00% |
| Inflation assumption | 4.0% | 3.40% | 3.10% |

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Notes to the consolidated financial statements for the year ended 31 August 2008

10. Pension costs (continued)

Employee benefit obligations for the Methodist Church

| | 31/08/2008 | 31/08/2007 |
|--|-------------------|-------------------|
| | £000 | £000 |
| Changes in the fair value of Scheme assets are as follows: | | |
| Opening fair value of Scheme assets | 28,135 | 25,569 |
| Expected return | 1,830 | 1,479 |
| Actuarial (Losses) / Gains | (2,193) | 235 |
| Assets distributed on settlements | - | - |
| Contributions by employer | 976 | 928 |
| Contributions by member | 348 | 416 |
| Assets acquired in a business combination | - | - |
| Exchange differences on foreign schemes | - | - |
| Benefits paid | (716) | (492) |
| | <hr/> | <hr/> |
| Closing fair value of Scheme assets | 28,380 | 28,135 |

Changes in the present value of the defined benefit obligation are as follows:

| | 31/08/2008 | 31/08/2007 |
|------------------------------------|-------------------|-------------------|
| | £000 | £000 |
| Opening defined benefit obligation | 27,231 | 26,830 |
| Service cost | 1,012 | 1,045 |
| Interest cost | 1,562 | 1,330 |
| Contributions by members | 348 | 416 |
| Actuarial Gains | (1,592) | (1,898) |
| Benefits paid | (716) | (492) |
| | <hr/> | <hr/> |
| Closing defined benefit obligation | 27,845 | 27,231 |

| | 31/08/2008 | 31/08/2007 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Analysis of amounts recognised | | |
| Total Actuarial Gains / (Losses) | (601) | 2,133 |
| | <hr/> | <hr/> |
| Cumulative amount of Gain / (Loss) recognised | (5,110) | (4,419) |

The Employer expects to contribute £935,000 to the Scheme in the year 1 September 2008 to 31 August 2009.

The major categories of Scheme assets as a percentage of the total Scheme assets are as follows:

| | 31/08/2008 | 31/08/2007 |
|--------------------|-------------------|-------------------|
| | % | % |
| Equities | 60 | 59 |
| Gilts | 12 | 13 |
| Corporate Bonds | 14 | 13 |
| Index Linked Bonds | 6 | 6 |
| Property | 4 | 4 |
| Cash | 4 | 5 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

10. Pension costs (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages (where applicable)):

| | 31/08/2008 | 31/08/2007 |
|--|-------------------|-------------------|
| | % pa | % pa |
| Discount rate at 31 August | 6.4 | 5.8 |
| Expected return on Scheme assets at 31 August (for following year) | 6.9 | 7.1 |
| Rate of increase in pensionable salaries | 5.5 | 4.9 |
| Rate of increase in deferred pensions | 4.0 | 3.4 |
| Rate of increase in pensions in payment 5% fixed | 5.0 | 5.0 |
| Rate of increase in pensions in payment LPI 5% | 3.9 | 3.3 |
| Rate of increase in pensions in payment LPI 2.5% | 2.5 | 2.4 |

Mortality Assumptions

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member aged 65 will live on average until age 87 if they are male and until age 90 if female. For a member currently aged 48 will live on average until age 87 if they are male and until age 90 if female.

Description of the basis used to determine return

The Employer adopts a building block approach in determining the expected rate of return on the Scheme's assets. Historical markets are studied and assets with high volatility are assumed to generate higher returns consistent with widely accepted capital market principles.

Each different asset class is given a different expected rate of return. The overall rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at disclosure year end.

Amounts for the current and previous periods are as follows:

| | 31/08/2008 | 31/08/2007 | 31/08/2006 | 31/08/2005 | 31/08/2004 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Defined benefit obligation | 27,845 | 27,231 | 26,830 | 22,193 | 17,780 |
| Scheme Assets | 28,380 | 28,135 | 25,569 | 14,652 | 11,798 |
| Surplus / (deficit) | 535 | 904 | (1,261) | (7,541) | (5,982) |
| Experience Gains / (Losses) on Scheme assets | (2,193) | 235 | (2,501) | (2,465) | 145 |
| Experience Gains / (Losses) on Scheme liabilities | 1,592 | 1,898 | 614 | 1,183 | 58 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

11. Tangible assets

(a) The Methodist Council (Group)

| | Freehold Land & Buildings £000 | Furniture & Fittings £000 | Computer Equipment £000 | Motor Vehicles £000 | 2008 Total £000 |
|---------------------------------|---|---------------------------------|-------------------------------|---------------------------|-----------------------|
| <u>Cost:</u> | | | | | |
| At 1 September | 20,155 | 1,244 | 1,154 | 45 | 22,598 |
| Prior yr adjustment | 17,663 | 733 | 26 | - | 18,422 |
| At 1 September (restated) | 37,818 | 1,977 | 1,180 | 45 | 41,020 |
| Additions during year | 3,040 | 127 | 111 | 29 | 3,307 |
| Disposals | (1,284) | - | - | - | (1,284) |
| Total | 39,574 | 2,104 | 1,291 | 74 | 43,043 |
| <u>Depreciation:</u> | | | | | |
| At 1 September | - | 887 | 1,094 | 34 | 2,015 |
| Prior yr adjustment | - | 613 | 24 | - | 637 |
| At 1 September (restated) | - | 1,500 | 1,118 | 34 | 2,652 |
| Charge for year | - | 128 | 57 | 4 | 189 |
| Disposals | - | - | - | - | - |
| Total | - | 1,628 | 1,175 | 38 | 2,841 |
| <u>Net book value</u> | | | | | |
| At 31 August 2008 | 39,574 | 476 | 116 | 36 | 40,202 |
| At 31 August 2007 (restated) | 37,818 | 477 | 62 | 11 | 38,368 |

(b) The Connexional Team

| | Freehold Land & Buildings £000 | Furniture & Fittings £000 | Computer Equipment £000 | Motor Vehicles £000 | 2008 Total £000 |
|-----------------------|---|---------------------------------|-------------------------------|---------------------------|-----------------------|
| <u>Cost:</u> | | | | | |
| At 1 September | 11,335 | 401 | 944 | - | 12,680 |
| Additions during year | 2,840 | 3 | 81 | - | 2,924 |
| Disposals | (183) | - | - | - | (183) |
| Total | 13,992 | 404 | 1,025 | - | 15,421 |
| <u>Depreciation:</u> | | | | | |
| At 1 September | - | 250 | 902 | - | 1,152 |
| Charge for year | - | 6 | 41 | - | 47 |
| Total | - | 256 | 943 | - | 1,199 |
| <u>Net book value</u> | | | | | |
| At 31 August 2008 | 13,992 | 148 | 82 | - | 14,222 |
| At 31 August 2007 | 11,335 | 151 | 42 | - | 11,528 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

11. Tangible assets (continued)

The net book amount of £39.574m for freehold land and buildings represents the cost of properties used for:

| | <u>The Methodist Council</u> <u>(Group)</u> | | <u>The Connexional Team</u> | |
|--|--|---------------|-----------------------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| | | (Restated) | | |
| Charitable purposes | | | | |
| - College training | 21,916 | 22,817 | 2,256 | 2,256 |
| - Guesthouse & hostels | 6,828 | 6,828 | 1,373 | 1,373 |
| - Manses | 7,700 | 5,043 | 7,700 | 5,043 |
| - Accommodation for retired missionaries | 33 | 33 | 33 | 33 |
| - Others | 3,097 | 3,097 | 2,630 | 2,630 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total | 39,574 | 37,818 | 13,992 | 11,335 |

THE METHODIST COUNCIL

Notes to the consolidated financial statements for the year ended 31 August 2008

12. Fixed Asset Investments

| | <u>The Methodist Council</u> | | <u>The Connexional Team</u> | |
|---|------------------------------|---------------|-----------------------------|---------------|
| | <u>(Group)</u> | | | |
| | | (Restated) | | (Restated) |
| | 2008 | 2007 | 2008 | 2007 |
| | Total | Total | Total | Total |
| | £000 | £000 | £000 | £000 |
| Market value at 1 September | 94,799 | 92,292 | 88,367 | 88,611 |
| Additions at cost | 23,239 | 7,606 | 21,817 | 5,086 |
| Disposals | (24,921) | (6,796) | (24,634) | (6,466) |
| Revaluation during the year - William Leech | (658) | 23 | (658) | 23 |
| Net unrealised investment gains - CFB | (4,226) | 1,674 | (4,226) | 1,113 |
| Market value at 31 August Total | 88,233 | 94,799 | 80,666 | 88,367 |

| | <u>The Methodist Council</u> | | <u>The Connexional Team</u> | |
|--|------------------------------|---------------|-----------------------------|---------------|
| | <u>(Group)</u> | | | |
| | Market Value | Market Value | Market Value | Market Value |
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| | | (Restated) | | (Restated) |
| The investments comprise: | | | | |
| Investment properties | 5,728 | 5,469 | 4,828 | 4,479 |
| Central Finance Board units | 58,784 | 66,974 | 53,752 | 61,582 |
| Central Finance Board deposit funds | 13,370 | 11,203 | 11,786 | 11,203 |
| Unlisted investment – William Leech (Investments) Ltd. | 8,411 | 8,864 | 8,411 | 8,864 |
| Other investments | 1,940 | 2,289 | 1,889 | 2,239 |
| Total | 88,233 | 94,799 | 80,666 | 88,367 |

Some of the Central Finance Board Units held were realised and with the proceeds other fund units with the Central Finance Board purchased. These are shown below:

| No of CFB Units 2007/2008 | Purchase | Disposal |
|----------------------------------|-------------------|-------------------|
| Managed Equity | 30,883 | 234,835 |
| Managed Fixed Interest Fund | 1,062,541 | 10,275,057 |
| UK Equity Fund | 141,643 | 25,888 |
| Short Fixed Interest Fund | 1,274,709 | 24,828 |
| Gilt Fund | 2,894,191 | - |
| Corporate Bond Fund | 6,479,681 | - |
| Managed Mixed Fund | 1,521 | - |
| Overseas | - | - |
| Property | 150,157 | 35,029 |
| | <u>12,035,326</u> | <u>10,595,637</u> |

Within the total Central Finance Board units £1.073m (2007 - £1.182m) are specifically invested in overseas funds. In addition to this, a percentage of the Central Finance Board other managed units are invested in the CFB Overseas Fund. This amounted to £4.1m at 31 August 2008 (2007 - £4.517m).

The holdings in William Leech (Investments) Ltd. represented 20% (2007 - 20%) of the company's issued share capital. The Methodist Council has a representative on the board of the company, but cannot exert significant influence over its day-to-day management or financial policies.

THE METHODIST COUNCIL

Notes to the consolidated financial statements for the year ended 31 August 2008

13. Debtors

| | <u>The Methodist Council</u> | | <u>The Connexional Team</u> | |
|----------------------------------|------------------------------|--------------|-----------------------------|--------------|
| | <u>(Group)</u> | | 2008 | 2007 |
| | <u>(Restated)</u> | | | |
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| Prepayments & accrued interest | 526 | 763 | 391 | 629 |
| Loan to related Methodist entity | 2,000 | - | 2,000 | - |
| Other debtors | 6,101 | 5,560 | 3,565 | 3,233 |
| Total | 8,627 | 6,323 | 5,956 | 3,862 |

Included in other debtors are amounts totalling £0.760m (2007 - £0.866m) full settlement of which will not take place within one year. These amounts mainly comprise ministerial and mortgage loans.

14. Creditors: amounts falling due within one year

| | <u>The Methodist Council</u> | | <u>The Connexional Team</u> | |
|-------------------------|------------------------------|---------------|-----------------------------|---------------|
| | <u>(Group)</u> | | 2008 | 2007 |
| | <u>(Restated)</u> | | | |
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| Tax and social security | 253 | 217 | 253 | 217 |
| Accruals | 517 | 473 | 155 | 353 |
| Loans & overdrafts | 1,895 | 773 | 1,144 | - |
| Grant commitments | 7,858 | 8,114 | 7,035 | 7,190 |
| Other creditors | 3,431 | 5,706 | 2,492 | 2,366 |
| Total | 13,954 | 15,283 | 11,079 | 10,126 |

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

| | <u>The Methodist Council</u> | | <u>The Connexional Team</u> | |
|---------------------|------------------------------|---------------|-----------------------------|--------------|
| | <u>(Group)</u> | | 2008 | 2007 |
| | <u>(Restated)</u> | | | |
| | 2008 | 2007 | 2008 | 2007 |
| | £000 | £000 | £000 | £000 |
| Grant commitments | 10,309 | 10,267 | 9,890 | 9,697 |
| Loans and overdraft | 5,454 | 6,197 | - | - |
| Total | 15,763 | 16,464 | 9,890 | 9,697 |

Loans and overdraft include two from HSBC for MIC (£2.5M) and Southlands (£2.2M) and both are secured on their respective properties.

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Notes to the consolidated financial statements for the year ended 31 August 2008

16. Unrestricted funds

(a) The Methodist Council (Group)

| | Balance 1.9.07 £000 | Prior Year Adjust- ment £000 | Movement in Resources | | Transfers Between Funds £000 | Gains/ (losses) on Investments £000 | Balance 31.8.08 £000 |
|--------------|---------------------------|---------------------------------------|--------------------------|------------------|---------------------------------------|--|----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| Designated | 24,837 | - | 6,165 | (6,794) | (1,048) | (1,138) | 22,022 |
| General | 21,257 | 678 | 13,471 | (9,650) | 356 | (442) | 25,670 |
| Total | 46,094 | 678 | 19,636 | (16,444) | (692) | (1,580) | 47,692 |

(b) The Connexional Team

| | Balance 1.9.07 £000 | Prior Year Adjust- ment £000 | Movement in Resources | | Transfers Between Funds £000 | Gains/ (losses) on Investments £000 | Balance 31.8.08 £000 |
|--------------|---------------------------|---------------------------------------|--------------------------|------------------|---------------------------------------|--|----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| Designated | 24,837 | - | 6,165 | (6,794) | (1,048) | (1,138) | 22,022 |
| General | 16,022 | - | 13,402 | (11,014) | 125 | (442) | 18,093 |
| Total | 40,859 | - | 19,567 | (17,808) | (923) | (1,580) | 40,115 |

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

| | Balance 1.9.07 £000 | Movement in Resources | | Transfers Between Funds £000 | Gains/ (losses) on Investments £000 | Balance 31.8.08 £000 |
|-----------------------------|---------------------------|--------------------------|------------------|---------------------------------------|--|----------------------------|
| | | Incoming £000 | Outgoing £000 | | | |
| 1. CAPF | 11,641 | 5,618 | (5,640) | (942) | (818) | 9,859 |
| 2. Connect/Flame Magazine* | 155 | 9 | - | - | - | 164 |
| 3. Epworth Fund | 5,738 | 523 | (130) | - | (312) | 5,819 |
| 4. Annesley Fund | 937 | - | (347) | - | - | 590 |
| 5. Legal Costs | 112 | 3 | - | (106) | (9) | - |
| 6. World Meth. Conference* | 1 | - | - | - | - | 1 |
| 7. Connexional Travel Fund | 186 | 12 | (14) | - | 1 | 185 |
| 8. Designated Training Fund | 6,067 | - | (90) | - | - | 5,977 |
| 9. Computers for Ministry | - | - | (573) | - | - | (573) |
| | 24,837 | 6,165 | (6,794) | (1,048) | (1,138) | 22,022 |

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

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Notes to the consolidated financial statements for the year ended 31 August 2008

16. Unrestricted funds (continued)

Notes.

1. CAPF – Connexional Advance & Priority Fund is built from the levies charged on all capital money arising from the sale, letting or other disposition of Methodist land held for local, circuit or district purposes and any income arising therefrom and is available for grants to circuits and distribution to districts. **

3. Epworth Fund. This designated fund is utilised to make grants for special projects or new initiatives which do not qualify for funding from other Methodist sources. **

4. Annesley Fund. This was set up from the proceeds of sale of Annesley House and is available partly to support Home Mission and partly to support work with vulnerable women. The last grants will be made in 2008/09.

7. Connexional Travel Fund. This is a connexional fund set aside to give grants to ministers on long-term sick leave to compensate them for the loss of business mileage payments. **

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

9. Computers for ministry. This fund was set up following a decision of Conference last year to create a fund from which ministers and deacons will be able to purchase a computer for their work. In the first year, no levies were received from the districts and thus the deficit balance at the year end.

* All other designated funds: The purpose of these is now largely served and a resolution to undesignate these funds will go to the Methodist Council in the New Year.

** Unless undesignated by a decision of Council, these funds are likely to continue in the foreseeable future.

17. **Restricted funds**

| GROUP | Balance 1.9.07 £000 | Prior Yr Adj £000 | Movement in Resources | | Transfers between Funds £000 | Gains/ (Losses) £000 | Balance 31.8.08 £000 |
|--|---------------------------|-------------------------|--------------------------|------------------|---------------------------------------|----------------------------|----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| <u>Restricted funds</u> | | | | | | | |
| 1. Auxiliary Fund | 7,443 | - | 1,473 | (1,783) | - | (598) | 6,535 |
| 2. Home Mission | 2,390 | - | 1,232 | (2,672) | 342 | (1) | 1,291 |
| 3. Mission Alongside the Poor (MAP) | 94 | - | 45 | 64 | 129 | - | 332 |
| 4. Property | 1,646 | - | 996 | (229) | - | - | 2,413 |
| 5. Training | 2,419 | - | 149 | - | - | (42) | 2,526 |
| 6. World Mission | 8,871 | - | 8,414 | (9,968) | - | (733) | 6,584 |
| Total | 22,863 | - | 12,309 | (14,588) | 471 | (1,374) | 19,681 |
| Others | 27,913 | 17,493 | 7,549 | (7,251) | 221 | (801) | 45,124 |
| Overall Total | 50,776 | 17,493 | 19,858 | (21,839) | 692 | (2,175) | 64,805 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

17. Restricted funds (continued)

| CONNEXIONAL TEAM | Balance 1.9.07 £000 | Prior Yr Adj £000 | Movement in Resources | | Transfers between Funds £000 | Gains/ (Losses) £000 | Balance 31.8.08 £000 |
|--|---------------------------|-------------------------|--------------------------|------------------|---------------------------------------|----------------------------|----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| <u>Restricted Funds</u> | | | | | | | |
| 1. Auxiliary Fund | 7,443 | - | 1,473 | (1,783) | - | (598) | 6,535 |
| 2. Home Mission | 2,390 | - | 1,232 | (2,672) | 342 | (1) | 1,291 |
| 3. Mission Alongside the Poor (MAP) | 94 | - | 45 | 64 | 129 | - | 332 |
| 4. Property | 1,646 | - | 996 | (229) | - | - | 2,413 |
| 5. Training | 2,419 | - | 149 | - | - | (42) | 2,526 |
| 6. World Mission | 8,871 | - | 8,414 | (9,968) | - | (733) | 6,584 |
| Total | 22,863 | - | 12,309 | (14,588) | 471 | (1,374) | 19,681 |
| Others | 21,711 | 1,144 | (2,324) | 3,587 | 452 | (982) | 23,588 |
| Overall Total | 44,574 | 1,144 | 9,985 | (11,001) | 923 | (2,356) | 43,269 |

Notes

1. Auxiliary Fund. The Auxiliary Fund exists to provide additional assistance to supernumeraries; persons who have been permitted or directed to become supernumerary; ministers', deacons', and probationers' widows or widowers who are in need; ministers and deacons who are in need as a result of illness or impairment, for the purpose of enabling them to continue in or resume the active work. The Auxiliary Fund also makes grants to the Methodist Ministers' Housing Society.

2. Home Mission. This is the restricted Fund from which grants are made to support various mission and ministry initiatives across the Methodist Connexion.

3. Mission Alongside the Poor. This fund is to provide grants for personnel or property schemes, primarily to local Churches and circuits, in areas of relative poverty whether in an urban or a rural setting and where there is a commitment to work alongside the poor and disadvantaged.

4. Property. This is the ring-fenced fund from which grants are made to support various property schemes.

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

6. World Mission. This is the restricted Fund for World Mission set up to support most of our overseas work and any related work.

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Notes to the consolidated financial statements for the year ended 31 August 2008

7. Other Restricted Funds. These comprise 114 funds that can only be applied for particular purposes within their objects and include the following funds in excess of £450k:

| | £000 |
|---------------------------------------|-------------|
| Cliff College | 4,044 |
| Forces Chaplaincy | 734 |
| Kingsmead College Sale Proceeds | 628 |
| Lay Missionaries' Superannuation Fund | 2,622 |
| London Committee | 8,781 |
| Long Term Renewals Fund | 1,383 |
| Methodist International Centre | 2,617 |
| Methodist Medical Benevolent Fund | 965 |
| Methodist Relief & Development Fund | 565 |
| North Bank Capital Fund | 4,823 |
| North Bank Maintenance Fund | 451 |
| Southlands College | 15,573 |
| Special Extension Fund | 863 |

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

18. Endowment funds

(a) The Methodist Council (Group)

| | Balance 1.09.07 £000 | Prior year adjustment £000 | Movement in Resources | | Transfer between funds £000 | Gains/ Losses on Investments £000 | Balance 31.08.08 £000 |
|--------------|----------------------------|----------------------------------|--------------------------|------------------|--------------------------------------|--|-----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| Permanent | 24,650 | (314) | 6 | - | - | (1,156) | 23,186 |
| Expendable | 84 | - | - | - | - | - | 84 |
| Total | 24,734 | (314) | 6 | - | - | (1,156) | 23,270 |

(b) The Connexional Team

| | Balance 1.09.07 £000 | Prior year adjustment £000 | Movement in Resources | | Transfer between funds £000 | Gains/ Losses on Investments £000 | Balance 31.08.08 £000 |
|--------------|----------------------------|----------------------------------|--------------------------|------------------|--------------------------------------|--|-----------------------------|
| | | | Incoming £000 | Outgoing £000 | | | |
| Permanent | 23,972 | 359 | 6 | - | - | (1,156) | 23,181 |
| Expendable | 84 | - | - | - | - | - | 84 |
| Total | 24,056 | 359 | 6 | - | - | (1,156) | 23,265 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

19. Analysis of net assets between funds

(a) The Methodist Council (Group)

| | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | Total Funds 2008 £000 | Total Funds (Restated) 2007 £000 |
|---------------------------------|-------------------------------|-----------------------------|----------------------------|--------------------------------|--|
| Tangible fixed assets | 5,726 | 34,476 | - | 40,202 | 38,368 |
| Investments | 24,652 | 40,379 | 23,202 | 88,233 | 94,799 |
| Current assets less liabilities | 17,314 | (10,050) | 68 | 7,332 | 6,294 |
| Total | 47,692 | 64,805 | 23,270 | 135,767 | 139,461 |

(b) The Connexional Team

| | Unrestricted Funds £000 | Restricted Funds £000 | Endowment Funds £000 | Total Funds 2008 £000 | Total Funds (Restated) 2007 £000 |
|---------------------------------|-------------------------------|-----------------------------|----------------------------|--------------------------------|--|
| Tangible fixed assets | 5,726 | 8,496 | - | 14,222 | 11,528 |
| Investments | 24,652 | 32,817 | 23,197 | 80,666 | 88,367 |
| Current assets less liabilities | 9,737 | 1,956 | 68 | 11,761 | 11,097 |
| Total | 40,115 | 43,269 | 23,265 | 106,649 | 110,992 |

20. Prior year adjustment

As already noted in the Trustees' report, we have incorporated Southlands College, Methodist Relief and Development Fund, Aspinall Robinson and Hunter Rowe Trusts for the first time and restated the 2007 figures. The effect of this is an adjustment of Total Funds brought forward in 2006 as follows:

The Council has opted to adjust the 2006 closing position as its control of these entities or funds previously excluded from its annual report and financial statements predates 1 September 2006.

The Methodist Council (Group)

| | As previously stated 2006 £000 | Prior Year Adjustment £000 | As Restated 2006 £000 |
|------------------------------------|---|----------------------------------|-----------------------------|
| Tangible Assets | 19,760 | 19,351 | 39,111 |
| Investments | 92,292 | 2,589 | 94,881 |
| Net current assets | 17,505 | 941 | 18,446 |
| Creditors falling due after 1 year | (12,092) | (4,063) | (16,155) |
| Total Council Funds | 117,465 | 18,818 | 136,283 |

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Notes to the consolidated financial statements for the year ended 31 August 2008

20. Prior year adjustment (continued)

The Connexional Team

| | As previously stated 2006 £000 | Prior Year Adjustment £000 | As Restated 2006 £000 |
|-------------------------------------|---|----------------------------------|-----------------------------|
| Tangible Assets | 11,456 | - | 11,456 |
| Investments | 87,236 | 1,375 | 88,611 |
| Net current assets | 16,588 | 80 | 16,668 |
| Creditors falling due after 1 year | (9,095) | - | (9,095) |
| Total Connexional Team Funds | 106,185 | 1,455 | 107,640 |

The combined impact of these newly incorporated entities on the Consolidated Statement of Financial Activities is to increase total incoming resources by £4.308m (2007 - £3.841m), total resources expended by £4.730m (2007 - £4.864m) and net movement in funds by £0.613m (2007 - £1.074m).

21. Contingent liabilities and contractual commitments

Under the rules governing the operation of the Connexional Advance and Priority Fund (CAPF), levies previously received following the sale, letting or other disposition of land held for local, circuit or district purposes, qualify for refund in whole or part if a replacement scheme is implemented within five years. The financial statements do not reflect any amounts which may have to be refunded after 31 August 2008 under these rules as the potential amount of such refunds cannot be established with any degree of certainty. Actual refunds have ranged in the last four years between £0.3m and £1.5m.

22. Expenses reimbursed to members of the Methodist Council

The Methodist Council (Group)/The Connexional Team

| | <u>2008</u> | <u>2007</u> |
|---|-------------|-------------|
| Travel and Other Expenses Reimbursed £000's | 59.8 | 24.2 |
| Number of Members Reimbursed | 57 | 70 |

23. Central stipends administration

Stipends and allowances paid to Ministers, Deacons and Lay Workers totalling £43.29m (2007 - £42.334m) and reimbursements from circuits and other funds totalling the same amount are not included in the Statement of Financial Activities other than in respect of the administration costs relating to the stipends and allowances of those appointed to serve the Methodist Council (Note 9).

The administration costs amounting to £0.082m (2007 - £0.088m) and interest receivable amounting to £0.156m (2007 - £0.130m) relating to the central payment of stipends are included in the Statement of Financial Activities.

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Notes to the consolidated financial statements for the year ended 31 August 2008

24. Trustees and connected persons

There were 15 trustees (2007 - 13) who were appointed or employed by the Methodist Council as listed below. Their aggregate total emoluments including pension contributions as employees and not in their role as trustees amounted to £0.453m (2007 - £0.396m). Their appointments as trustees are in accordance with Standing Order No. 210 of the Methodist Church.

| | £ |
|-----------------------------|--------|
| Trustees: | |
| The Revd Dr Martyn D Atkins | 28,693 |
| The Revd R Graham Carter | 28,693 |
| Ms Anthea Cox | 59,391 |
| The Revd David G Deeks | 37,379 |
| The Revd David R Emison | 28,693 |
| The Revd David Gamble | 29,826 |
| The Revd Kenneth G Howcroft | 29,741 |
| The Revd A Ward Jones | 28,808 |
| The Revd Jonathan W Kerry | 31,297 |
| The Revd Ermal B Kirby | 28,693 |
| The Revd William R Morrey | 12,267 |
| Mrs Ruth Pickles | 22,345 |
| The Revd Stephen J Poxon | 28,693 |
| The Revd Elizabeth A Smith | 28,693 |
| The Revd Peter G Sulston | 29,741 |

In the list below are those bodies considered to be related parties, which together with the Methodist Council report separately to the Methodist Conference, the ultimate controlling body, each year. Details of transactions occurring during the year and amounts owing by or to related parties at 31 August 2008 are given for each one as appropriate.

| | Income from related party | Purchases from related party | Grants to/from related party | Amount owed by(to) related party |
|---|------------------------------|---------------------------------|---------------------------------|--|
| | £000 | £000 | £000 | £000 |
| Trustees for Methodist Church Purposes | 104 | 27 | - | 7 |
| Central Finance Board | - | - | - | 331 |
| Methodist Publishing House | - | 139 | - | 67 |
| Methodist Ministers' Housing Society | 63 | - | - | 2,000 |
| NCH Action for Children | - | - | - | - |
| Methodist Ministers' Pension Scheme | - | - | - | 1 |
| Methodist Schools | 31 | - | 21 | 21 |

In addition to this, there are the related party transactions included in the management of the Church's investment portfolio by the Central Finance Board. Also numerous transactions and balances occur between Methodist Council, the districts, circuits and Churches.

For a fuller understanding of the nature of the relationship with these related parties, please refer to page 6 of the Trustees' Report.



The **Methodist** Church 

Methodist Church House, 25 Marylebone Road, London NW1 5JR

Tel: 020 7486 5502 www.methodist.org.uk

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