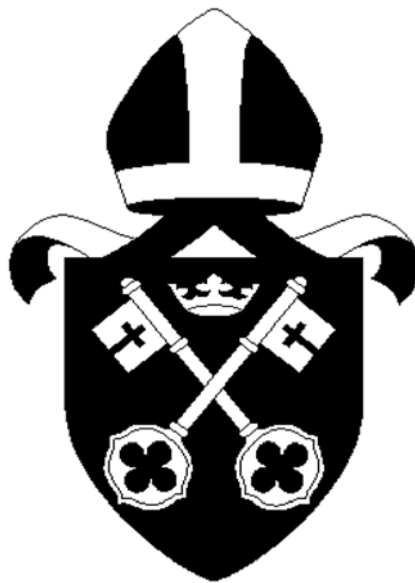


**The York Diocesan
Board of Finance Limited**

**Annual Report & Financial Statements
for the year ended 31 December 2010**



**Company Registration Number: 225234
Charity Registration Number: 244976**

Contents

Details of Directors, Officers and Advisors	1-2
Directors' Report	3-16
Report of the Auditors	17-18
Statement of Financial Activities	19
Summary Income and Expenditure Account	20
Balance Sheet	21
Cash Flow Statement	22
Notes to the Accounts	23-43

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2010

President

The Archbishop of York (ex Officio)

Ex Officio Directors:

The Archdeacon of East Riding – The Venerable DJ Butterfield

The Chairman – Mr R Clough

The Archdeacon of Cleveland – The Venerable PJ Ferguson (Vice-Chairman)

The Bishop of Hull – The Right Reverend RMC Frith

The Chair of the House of Clergy - The Reverend Canon J Harrison

The Dean of York – The Very Reverend KB Jones (Appointed 22 January 2010)

The Chair of the House of Laity - Canon R Liversedge (Appointed 22 January 2010)

The Archdeacon of York – The Venerable RMC Seed

The Bishop of Selby – The Right Reverend M Wallace (Appointed 22 January 2010)

The Bishop of Whitby – The Right Reverend MC Warner (Appointed 26 January 2010)

Directors:

Mr JV Ayre

Mrs R Brewer (Appointed 22 January 2010)

Mrs C Bromet (Appointed 22 January 2010)

The Reverend WJ Ford (Appointed 22 January 2010)

The Reverend RE Hind (Appointed 22 January 2010, Resigned 24 January 2011)

Dr N Land (Appointed 22 January 2010)

Miss J Mitchell (Appointed 22 January 2010)

The Reverend MJ Porter (Appointed 22 February 2010)

Canon J Reid (Appointed 19 March 2010)

The Reverend Canon RF Rowling

Mr D Sladden (Appointed 22 January 2010)

Canon S Vernon

Mr RFB Wivell

Mr MP Bailey (Resigned 22 January 2010)

Mr T Barker (Resigned 22 January 2010)

Mr A Courtney (Resigned 22 January 2010)

The Reverend C Fisher-Bailey (Resigned 22 January 2010)

Mr M Griggs (Resigned 22 January 2010)

Mr R Henbest (Resigned 22 January 2010)

The Reverend H Hopkins (Resigned 22 January 2010)

The Reverend Dr A Horsman (Resigned 22 January 2010)

Mr R Sword (Resigned 22 January 2010)

Mr D Wain (Resigned 22 January 2010)

Mr G Wells (Resigned 22 January 2010)

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

COMPANY INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2010

Officers and Advisers and Company Information

Diocesan Secretary

Mr PJ Warry (Resigned as Company Secretary 8 June 2010)

Assistant Diocesan Secretary

Ms SA Davies

Finance Manager and Company Secretary

Mrs CSJ Evans (Appointed as Company Secretary 8 June 2010)

Registered Auditors

Mazars LLP
Mazars House
Gelder Road
Gildersome
Leeds
LS27 7JN

Bankers

Barclays Bank plc, York

Solicitors

Denison Till, York

Investment Advisers

Smith & Williamson Investment Management, Birmingham
CCLA, London

Registered office

Diocesan House
Aviator Court
Clifton Moor
York
YO30 4WJ
(Telephone: 01904 699500)
(Fax: 01904 699501)
(Email: office@yorkdiocese.org)

Company registered number

225234

Registered charity number

244976

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Directors, who are also Trustees as the company is a Charity, present their report together with the audited financial statements for the year ended 31 December 2010. This report refers to the Diocese of York and is set out as follows:

1. Reference and administrative details of the Diocese of York
2. Summary information about the structure of the Church of England
3. Structure, governance and management
4. Aims, objectives and activities
5. Operational performance
6. Financial review
7. Plans for future periods
8. Qualifying third party indemnity insurance
9. Statement of disclosure to auditor
10. Appointment of auditors

1. Reference and administrative details of the Diocese of York

These are set out on pages 1 and 2.

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

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

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

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

The Church of England is episcopally-led (there are 108 bishops (including Diocesan Bishops and Assistant and Suffragan Bishops)). It is governed by General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures, which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

The three National Church Institutions

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

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

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

The Cathedral

The Cathedral (York Minster) is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Copies of its trustees' report and financial statements may be obtained from the Chief Accountant, The Dean and Chapter of York Minster, Church House, Ogleforth, York, YO1 7JN.

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

The Diocese

Diocesan Synod

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

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

The Archbishop's Council

Under the constitution of the Diocesan Synod, the Archbishop's Council and Standing Committee has the following functions:

- To plan the business of the Synod, to prepare the agenda for its sessions and to circulate to members information about matters for discussion;
- To initiate proposals for action by the Synod and to advise it on matters of policy which are placed before it;
- To advise the President on any matter which he may refer to it;
- Subject to the directions of the Synod, to transact the business of the Synod when the Synod is not in session;
- Subject to the directions of the Synod, to appoint members of committees or nominate individuals for election to committees; and

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

- To carry out such functions as the Synod may delegate to it.

Deanery Synod

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

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

Parochial Church Council (PCC)

The PCC is the elected governing body of an individual parish which broadly is the smallest pastoral area in the Church of England. Typically each parish has one parish church. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and ex officio members. Each PCC is a corporate charity, and all those not exceeding £100,000 gross annual income are currently exempted from registration with the Charity Commission. Except where shown, the transactions of PCCs do not form part of these financial statements. Financial statements of an individual PCC can be obtained from the relevant PCC treasurer.

Parishes

A benefice is a parish or group of parishes served by an incumbent in holy orders who as such is a Church beneficiary and typically receives a stipend and the benefit of free occupation and use of a parsonage house at the behest of the Archbishop for the purpose of carrying out specified spiritual duties.

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

The diocese is then the principal pastoral and, by means of its Board of Finance, financial and administrative resource of the Church of England, encompassing the various archdeaconries under the spiritual leadership of the Diocesan Bishop.

3. Structure, governance and management

The Diocese of York was created in AD 627 and took broadly its present form in 1927. It covers an area of 2,261 square miles, from the Humber to the Tees and from the A1 to the East Coast. The overall population is 1.4 million with the majority living in Hull, Middlesbrough, Scarborough and York. The diocese is arranged as three archdeaconries, Cleveland covering the northern part with 6 deaneries (previously 7 deaneries; Helmsley and Pickering deaneries were combined as Northern Ryedale with effect from 1 November 2009), East Riding covering the eastern and southern part with 8 deaneries and York covering the south western part with 7 deaneries. In total there are some 469 parishes with 607 churches.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Diocesan governance

The Diocese is governed by Standing Orders and its Memorandum and Articles of Association that were approved on 16 July 2009. Its statutory governing body is the Diocesan Synod, which is an elected body with representation from all parts of the Diocese. Membership consists of ex officio members, including the Archbishop, Suffragan Bishops and Archdeacons, clergy members elected by the houses of clergy in Deanery Synods, lay members elected by the houses of laity in Deanery Synods, up to five persons who may be co-opted by the house of clergy or the house of laity and a maximum of 10 members nominated by the Archbishop. The Diocesan Synod normally meets three times a year. Many of Diocesan Synod's responsibilities have been delegated to the Archbishop's Council and Standing Committee.

Archbishop's Council

The members of the Archbishop's Council and Standing Committee are also appointed to the Board of Directors, with the exception of the Provincial Episcopal Visitor and the Diocesan Secretary. Archbishop's Council consists of 13 ex officio members, including the Archbishop, the four Suffragan Bishops and the three Archdeacons, four clergy elected by the house of clergy from among their number and eight lay persons elected by the members of the house of laity representing deaneries and a maximum of six Synod members nominated by Archbishop.

Company status

The company, York Diocesan Board of Finance Limited (YDBF), was formed to manage the financial affairs, and hold legal title to the assets, of the Diocese. It was incorporated on 20 October 1927 as a charitable company limited by membership guarantees (No. 225234) and its governing documents are the Memorandum and Articles of Association. YDBF is registered with the Charity Commission (No. 244976).

Every member of Diocesan Synod is also a member of YDBF for company law purposes and has a personal liability limited to £1 under their guarantee as company members in the event of its being wound up. The members of the Archbishop's Council and Standing Committee comprise the Board of Trustees of the YDBF as set out above – they are its Directors under Company Law.

Decision-making structure

Within the supervisory powers of the Diocesan Synod certain diocesan functions are undertaken by the Board of Directors in pursuit of YDBF's Charitable Objects:

- Management of the funds and property of the Diocese;
- Preparation of annual estimates of diocesan expenditure;
- Advising on action needed to raise the income necessary to finance expenditure;
- Oversight of expenditure by bodies in receipt of Diocesan Synod's funds against estimates of expenditure approved by Diocesan Synod;
- Advising Diocesan Synod of the financial aspects of its policy and on any other matters referred to it; and
- Carrying out any other functions delegated by Diocesan Synod.

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

Committee Structure

There are a number of Diocesan Synod committees that although not sub-committees of the YDBF can influence the operations of the YDBF.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Those that follow are statutory committees:

The YDBF has been designated as the *Parsonages Board* with its functions delegated to the Property Sub-Committee. In its capacity as Parsonages Board the Property Sub-Committee is responsible for determining policy and making major decisions concerning the management of parsonage houses in each benefice of York, including setting the policy for buying, repairing, maintaining and disposing of all parsonage houses, team vicarages and houses owned by YDBF.

The Property Sub-Committee has also been designated as the *Diocesan Glebe Committee* and as such is responsible for determining policy and making major decisions concerning the management of glebe property for the benefit of the Diocesan Stipends Fund of the Diocese of York.

The Archbishop's Council and Standing Committee also functions as the *Diocesan Pastoral and Mission Committee*. As far as is permissible under Ecclesiastical Law the functions of the Pastoral and Mission Committee have been delegated to the Pastoral and Mission Sub-Committee. The primary function of the Committee is pastoral reorganisation in the Diocese of York, taking account of available clergy numbers and making use of new patterns of ministry.

Closed Churches Working Group – is responsible for finding appropriate alternative uses for churches in the Diocese of York that have been declared redundant.

Diocesan Advisory Committee - offers formal advice to the Chancellor of the Diocese on all petitions to make alterations, repairs and additions to church buildings, their contents, their ornaments, their churchyards and curtilage structures, other than those works specifically excluded from requiring a faculty. They also offered free, expert advice on church buildings, including their care and conservation, repair or re-ordering of the contents and the commissioning of new works in all media.

Diocesan Board of Patronage - is constituted under the provisions of the Patronage (Benefices) Measure 1986, and is sole patron or joint patron of a number of benefices in the Diocese of York.

Diocesan Board of Education

The York Diocesan Board of Education is an unincorporated body, constituted under the terms of the 1991 Diocesan Boards of Education Measure and answerable in accordance with the Measure to the Diocesan Synod. It operates under the YDBF's charity number and is not a separate charity but a restricted fund of the YDBF and therefore separate audited accounts are not required.

The Board of Education is responsible for the promotion of religious education across the Diocese. It has specific responsibilities in respect of its 128 Church schools, some of which relate to school buildings. It is also committed to providing pastoral and professional support to all its schools, in order to enhance the quality of religious education and collective worship and to promote the spiritual, moral, social and cultural development of all pupils.

In addition to the statutory committees, there are also the following sub-committees of the YDBF:

Wydale Hall - Diocese of York Retreat and Conference Centre

Wydale Hall, the Diocesan Retreat House, has a Management Committee acting on behalf of the YDBF with day-to-day decisions being carried through by its Officers. The results of Wydale Hall are included in the YDBF's accounts as a special trust.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Finance Sub-Committee

The Finance Sub-committee of the YDBF exists to advise directors and transact the financial business of the Board, although the Board retains a power of veto. The functions of the Finance Sub-Committee include regularly receiving and monitoring the Management Accounts, monitoring the Rolling Forecasts, being responsible for the preparation and presentation of the budget, monitoring investment performance and recommending investment strategies to the Board, overseeing the operation of the Common Fund including the Share Allocation procedures and acting for the Board in its capacity as Custodian Trustee in relation to 3rd party investments.

Appointment of Directors

The members of the Archbishop's Council are the directors of the YDBF and the appointment process is described above.

Directors are given induction training when first appointed and receive ongoing training, as appropriate. This training is tailored to the individual needs of the directors and may include introductions to church, company and charity law, an overview of current programmes and plans of the diocese and an introduction to any special areas of the diocese with which they will be working (eg Board of Education, Parsonages Board). Trustees are encouraged to visit diocesan operations.

Some senior staff have job titles incorporating the title 'Director' but they are not directors of the company (for the purposes of company law) and therefore are not "charity trustees".

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that year. In preparing those financial statements, the Directors are required to:

- Select the most suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Follow applicable accounting standards and the SORP (Statement of Recommended Practice), subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the corporate and trust assets of the company and ensuring their proper application under charity law and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors as a board confirm that to the best of their knowledge there is no information relevant to the audit of which the auditors are unaware, and that they have each taken all necessary steps to ensure that they themselves are aware of all relevant audit information and that this information has been communicated to the auditors.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Related parties and other bodies with which the YDBF co-operates in furthering its aims

General Synod, Church Commissioners and Archbishops' Council

YDBF has to comply with Measures passed by the General Synod of the Church of England and is required to make certain annual payments to the Archbishops' Council towards the running costs of the National Church. The stipends of the Archbishop and Suffragan Bishops are borne by the Church Commissioners.

Parochial Church Councils (PCCs)

YDBF is required by Measure to be custodian trustee in relation to PCC property, but the Company has no control over PCCs, which are corporate bodies and independent charities. The accounts of PCCs and deaneries do not form part of these financial statements. PCCs are able to influence the decision-making within YDBF and at Diocesan Synod level through representations to those bodies and through the input of their Deanery Synods.

Subsidiary undertakings

The YDBF has no subsidiary undertakings.

Connected Charities

The Directors do not consider that there are any connected charities.

Pension Schemes

The YDBF participates in the Church of England Funded Pensions Scheme which provides for the clergy. In addition to this, the YDBF participates in the Church of England Defined Benefit Scheme (DBS) and also the Church of England Defined Contribution Scheme (DCS), both of which are part of the Church Workers Pension Fund and which cover lay staff.

Further details are contained in note 21 to the financial statements.

Risk Management

The directors confirm that the major risks to which YDBF is exposed, as identified by the directors and officers, have been reviewed and that systems and procedures have been established to manage those risks. The directors delegate to the Risk Management Group the task of ensuring that risks are reviewed and managed as part of the risk management strategy. Sub-Committees have defined the risks in their areas, reported on the measures in place to manage and monitor these risks and implemented procedures and controls designed to minimise any potential impact on the YDBF should any of the risks materialise. A risk register has been compiled. The Board consider the principal (external) risks and uncertainties faced by the YDBF to be a substantial fall in Parish Share income which might adversely impact on the day to day activities of the Diocese and increased contribution rates to pension schemes following actuarial valuations.

The Risk Management Group review the risk register periodically and reports to the directors whether it is satisfied with its findings and makes recommendations as to areas for further work in subsequent years. The directors review the full risk register at least annually as part of the risk management strategy.

4. Aims, objectives and activities

Aims and objectives

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

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The Mission Statement of the Diocese is set out here:

"Committed together to seek the Kingdom of God and His righteousness in the Diocese of York, our mission is for the renewal of the Church's life and discipleship, and to make Christ visible.

To this end we:

- Glorify God
- Pray for Renewal
- Share the Good News
- Search for the Truth
- Serve our Neighbour

And follow Jesus in His suffering love for the salvation of all people."

The Diocese is currently following a programme, "A Way Ahead", through which it is exploring how it might make its mission more effective, how it might better deploy its resources and how the financial burden could be more equitably shared between the parishes. The key objective is to support local churches in growing congregations, both numerically and spiritually, which in turn will secure their on-going mission and viability.

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

The key activities may be summarised as:

- Contributions for national church institutions (mainly by grant support)
- Mission and Ministry in the Parishes (includes all clergy training, housing, stipends, pension and all other expenditure supporting parish based ministry)
- Education funding (includes support services and capital expenditure support for schools)
- Specific Diocesan Projects
- Provision of Diocesan Retreat House.

The directors of the Board are aware of the Charity Commission's guidance on public benefit in *The Advancement of Religion for the Public Benefit* and have had regard to it in their administration of the Board. The Board believes that, by promoting the work of the Church of England in the Diocese of York, it helps to promote the whole mission of the Church (pastoral, evangelistic, social and ecumenical) more effectively, both in the diocese as a whole and in its individual parishes, and that in doing so it provides a benefit to the public by:

- providing facilities for public worship, pastoral care and spiritual, moral and intellectual development, both for its members and for anyone who wishes to benefit from what the Church offers; and
- promoting Christian values, and service by members of the Church in and to their communities, to the benefit of individuals and society as a whole.

Statutory functions

YDBF has responsibility for the management of glebe property and investments to generate income to support the costs of stipends. It is the Diocesan Authority for parochial and other trusts and

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

incorporates the functions and responsibilities of the Diocesan Parsonages Board. The YDBF is the Custodian Trustee in relation to PCC property.

Grant making policy

Grants are made to the National Church to cover a proportion of its central costs and also to cover the cost of training for ministry (see Note 11). The Board awards grants in the furtherance of YDBF's objects:

Repair and new buildings grants £34,000 (2009: £56,000)

The Board's policy is to pay grants up to £3,000 per Parish for building repairs and up to £5,000 for new building projects in any two-year period. As grant monies are payable from funds raised by Parish Share, grants are generally not payable if there is unpaid Parish Share from previous years. In exceptional circumstances the Board has a discretionary ex-gratia policy to increase the grants payable or make a payment where there are Parish Share arrears.

Archbishop's Mission Fund £29,000 (2009: £17,000)

Grants for new initiatives for mission purposes are granted by the Board through the recommendations of the Archbishop and his Suffragan Bishops and their advisors.

Diocesan Advisory Council for the Care of Churches £66,000 (2009: £64,000)

In order to encourage compliance with regulations the Board pays PCCs' faculty application fees and also makes contributions to architects' fees for quinquennial inspection of Church buildings.

Grants paid to persons ordinarily resident in the United Kingdom were as follows:

Ordinands training £69,000 (2009: £80,000).

Removal & settling in Grants £124,000 (2009: £131,000) and St Luke's Hospital for the Clergy £nil (2009: £2,000).

Post ordination training £4,000 (2009: £10,000).

5. Operational performance

Review of 2010

- Parish Share collection was 91.8% (Budget 94.5%).
- Stipend and salary costs were less than budget due to vacancies especially in specialist posts and at Diocesan House.
- Overall the general unrestricted fund operating result was a deficit of £101,000 before taking into account a recovery of £524,000 in the value of investments (£503,000 unrealised) and surpluses on property transactions and transfers.

The current levels of unrestricted funds, free and readily realisable, amount to £5,904,000 (2009: £5,006,000) and represent the general fund of £8,950,000 (2009: £8,079,000) less tangible fixed assets of £3,463,000 (2009: £3,549,000) and creditors relating to fixed assets that are due after more than one year of £417,000 (2009: £476,000) as detailed in notes 26 and 29 to the financial statements.

Operational performance

Despite a shortfall against budgeted Parish Share receipts the YDBF has met all of its financial obligations to continue resourcing diocesan needs as these arise, including the support of the ministry, provision of well-maintained houses for the clergy, national church responsibilities and

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

enriching and facilitating many other aspects of church life throughout the Diocese of York such as retreats and cultural and spiritual gatherings.

In response to feedback from the parishes, the rate of increase in Parish Share for 2011 has been capped at 3%, the anticipated RPI rate in 2011.

Investment performance

Overall performance

Investments are held in endowment, restricted and general funds. The total value of investments (excluding short-term cash deposits) at 31 December 2010 was £21,099,000 (2009: £19,655,000). Based on data provided by the Central Board of Finance of the Church of England (CBF), the ethical investment policy for investments of the YDBF had an approximate negative impact on the total return of the YDBF equity shares invested with the CBF of £8,000 in the year (2009: £5,000). Applying the same data to the equities invested by Smith & Williamson there is an approximate negative impact of £25,000 on the total return performance in 2010 (2009: £12,000).

Endowment and Restricted investments

£15,754,000 (2009: £14,823,000) of YDBF's investments are in a number of endowments and restricted funds including glebe and stipends capital funds, primarily to generate a sustainable income to continue funding clergy stipends and the Board of Education (DBE) to generate income to resource the DBE's activities.

Agricultural, commercial and residential land and buildings held as investments had a book value of £7,173,000 at 31 December 2010 (2009: £7,398,000) a decrease of £225,000 due to the sale of land. Details of the most recent valuations of these assets are set out in Note 1. Rents receivable amounted to £314,000 (2009: £314,000) equalling an income yield of 4.4% (2009: 4.2%).

Investment in equity and fixed interest funds were valued at £8,545,000 at 31 December 2010 (2009: £7,190,000) an increase of 19% over the year. This increase reflected a net £716,000 of additional investment plus unrealised gains in the value of investments during the year amounting to £639,000 (2009 gain: £532,000). Dividends and Government Stock interest receivable amounted to £302,000 (2009: £281,000) – a yield of 3.8%. When compared to the YDBF's main benchmark of the FTSE All-Share index, the average total return on YDBF equities was 16.3% positive (2009: 22.8% positive) compared with a return of 14.5% positive (2009: 30.1% positive) in the FTSE All-Share index. Total return on Fixed Interest securities was 7.2% (2009: 2.7 %) compared to the FTSE UK Govt. All Stocks index which increased by 7.2% (2009: 1.2% decrease).

General fund investments

General fund investment in equity and fixed interest funds were valued at £5,313,000 at 31 December 2010 (2009: £4,776,000). This increase reflected a net £34,000 of additional investment plus unrealised gains in the value of investments during the year amounting to £503,000 (2009 gain: £513,000). Dividends and Government Stock interest receivable amounted to £170,000 (2009: £151,000) i.e. a yield of 3.3% (2009: 3.6%). The average total return on YDBF listed equities was 17.4% (2009: 25.4%) compared with a return of 14.5% (2009: 30.1%) in the FTSE All-Share index. Total return on Fixed Interest securities was 7.3% (2009: 3.2%) compared to the FTSE UK Govt. All Stocks index which increased by 7.2% (2009: 1.2%).

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Land and buildings

In the opinion of the Directors the carrying value of functional non-investment land and buildings is less than the market value. The costs involved in revaluation are considered by the Directors to outweigh the benefits to accounts' users and management. This is because the housing assets are mainly functional for clergy housing and they are included at original cost where known, otherwise at the relevant 1994 council tax band.

Value linked loans from the Church Commissioners

Loans of £127,000 (2009: £186,000) were outstanding on houses for clergy spouses to enable the purchase of property on a shared equity basis and one of £290,000 in respect of a suffragan bishop's house. Total Value Linked Loans advanced at 31 December 2010 as detailed in note 26 of the accounts amounted to £417,000 (2009: £476,000).

External factors affecting performance

Parish share contributions from PCCs are the major source of income for the Diocese, but are outside the control of the YDBF. In 2010 contributions received fell below budget expectations at 91.8% of the amount requested; this was reduced from 2009 levels of 94.0%. This shortfall has been a matter of great concern to the Board of Directors and a process of consultation has begun within the Diocese with a view to focussing on its financial future. A large part of the costs to be met by the DBF are employment costs, including pension contributions, Council Tax and building maintenance costs, which tend to increase at a rate in excess of the Retail Price Index and which are outside the control of the Diocese.

6. Financial review

Overall financial position

Income totalled £13,237,000 (2009: £13,763,000) and expenditure amounted to £12,738,000 (2009: £13,009,000). The Statement of Financial Activities (SOFA) for the year shows net incoming resources of £499,000 (2009: £754,000) before net gains and losses on the revaluation of investments and fixed assets and on the sale of investment assets.

After revaluation adjustments, the net movement in funds amounted to an increase of £1,960,000 (2009: £2,535,000). During the year, total fund balances increased from £67,759,000 to £69,719,000.

There was an overall net cash inflow of £284,000 (2009: £383,000 outflow).

Review of the statement of financial activities

The Statement of Financial Activities shows net increases in resources in the year which have increased the respective funds brought forward to give resources retained for future use as follows:

Type of fund	Note to accounts	Total resources at	Reserves	Total resources
		31 December	increase in	at 31 December
		2009	2010	2010
		£000	£000	£000
Endowment	30	55,848	788	56,636
Restricted	31	3,832	301	4,133
General	32	8,079	871	8,950
		<u>67,759</u>	<u>1,960</u>	<u>69,719</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Principal Funding Sources

Around 61% of the income of YDBF comes from the Parish Share and 15% from National Church Selective Allocations.

Review of the financial position

The balance sheet has strengthened by £1,960,000 during the year and this included unrealised gains on fixed interest securities and UK and European equities of £1,141,000. Net cash flow has been positive by £284,000.

Financial sustainability

The budget for 2011 is a deficit of £445,000. A deficit of this level will ensure that free reserves remain above the current free reserves target of £4,300,000. The YDBF continues to work towards a move back to a balanced budget within the next four years. The budgeted deficit for 2011 has been approved by Diocesan Synod on the grounds that it is a holding budget and will allow for a period of consolidation.

Going concern

After making enquiries the Directors are satisfied that YDBF has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

Investment policies

YDBF's investment policy is based on long-term objectives – the trustees are aware of their long-term responsibilities in respect of endowed funds and as a result follow a correspondingly prudent approach to investment decisions.

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

The Board's policy is to invest in an appropriate mix of real assets i.e. equities, fixed interest securities, alternative assets and monetary assets. The Board recognises that the returns on equities, while expected to be greater over the longer term than those of fixed interest and monetary assets, are likely to be more volatile. Investment in a mix of asset classes should provide the levels of return required and mitigate volatility for the Company to achieve its objectives. All investments are in line with the Church of England Ethical Investment Advisory Group's Statement of Ethical Investment Policy.

Investment powers

The YDBF memorandum of association includes a wide power of investment subject to general Charity Law which requires income and capital to be applied solely in and towards the objects of the company. The Directors must exercise prudence and a duty of care as required in general law and in accordance with the Trustee Act 2000.

Investment performance

Investments in shares are managed partly by YDBF's Stockbrokers and partly by the Central Board of Finance (CBF) of the Church of England. Quarterly reports comparing the performances of the Board's stockbrokers and the CBF and the main Stock Exchange benchmark indices are made to the

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

Board's Finance Sub-Committee. The total return on equities was an increase of 17.4% compared to the FTSE All Share Index increase of 14.5%. Gilts total return was 3.1% compared to the FTSE UK Govt ALL Stocks of 7.2%.

As noted above, the YDBF adopts the policy of The Ethical Investment Advisory Group of The Church of England which avoids investments in companies a major part of whose business activity or focus is the supply of any of the following: alcohol, tobacco, gambling, pornography, armaments.

The YDBF's stockbrokers and the Central Board of Finance Investment Office's performances are compared with the appropriate benchmark indices that relate to the charitable sector. The Finance Sub-Committee Board has delegated responsibility for monitoring performance and relaying instructions to the stockbroker and the CBF.

The Agricultural investment properties are mostly held under long-term farm tenancies, which deflates the value in general. The YDBF's policy is to sell land to achieve a better balance on its investments; as part of this it actively seeks opportunities to realise sale proceeds at vacant possession values, which are higher than tenanted values, and its agents have instructions to seek such opportunities. Sale proceeds are generally invested in stocks and shares as advised by the YDBF's investment advisors.

Reserves policy

YDBF has considerable responsibilities including the remuneration of 213 full and part-time parochial staff, the upkeep of approximately 300 houses and the employment of some 42 other staff. The minimum level of free and readily realisable reserves at the end of 2010 was set by the Directors at £4,300,000 (free reserves are the unrestricted general fund, excluding tangible fixed assets and creditors due in more than one year within that fund). The £4,300,000 reflects the view of the YDBF, and accepted by Diocesan Synod, that the Board should hold unrestricted reserves amounting to approximately four months' gross expenditure.

At 31 December 2010 YDBF's actual free reserves and readily realisable reserves were £5,904,000. The Directors review free reserve levels at each YDBF meeting and consider this actual level of £5,904,000 to be acceptable. The expenditure is evenly spread across the year whereas the parish share income stream continues to be weighted towards the end of the year.

7. Plans for future periods

The YDBF plans to move to a balanced budget by the year 2014. The on-going objective is to resource diocesan needs, as determined by Synod and informed by local and national Church institutions.

8. Qualifying third party Indemnity Insurance

As permitted by the company's memorandum of association, Trustees' indemnity and errors and omission insurance is in place for the benefit of directors at a cost of £4,000 inclusive of insurance premium tax.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

9. Statement of disclosure to auditor

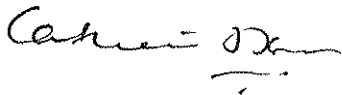
So far as the directors are aware,

- a) there is no relevant audit information of which the company's auditors are unaware, and;
- b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

10. Appointment of auditors

The auditors are deemed to be reappointed under Section 487 (2) of the Companies Act 2006 until otherwise resolved at a General Meeting of the Company.

By order of the Board



Catherine SJ Evans
Company Secretary

31 March 2011

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE YORK DIOCESAN BOARD OF FINANCE LIMITED

We have audited the financial statements of The York Diocesan Board of Finance for the year ended 31 December 2010 which comprise the Statement of Financial Activities, the Summary Income and Expenditure account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

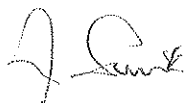
THE YORK DIOCESAN BOARD OF FINANCE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE YORK DIOCESAN BOARD OF FINANCE LIMITED

Matters on which we are required to report by exception

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

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



Alastair Smith (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditors

Mazars House
Gelder Road
Gildersome
Leeds
LS27 7JN

4 April 2011

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total funds 2010 £000	Total funds 2009 £000
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary income						
Parish contributions	2	8,085	-	-	8,085	7,972
Church Commissioners	3	1,958	-	-	1,958	2,041
Other	4	168	57	-	225	326
Activities for generating funds	5	566	-	-	566	490
Investment income	6	445	2	-	447	422
Incoming resources from charitable activities						
Statutory fees, chaplaincy and other income	7	886	-	-	886	994
Other incoming resources	8	205	479	386	1,070	1,518
Total incoming resources		12,313	538	386	13,237	13,763
RESOURCES EXPENDED						
Costs of generating funds						
Voluntary income	9	77	-	-	77	117
Investment management costs	10	188	-	-	188	108
Charitable activities						
Contributions to Archbishops' Council						
	11	686	-	-	686	626
Resourcing ministry & mission	12	10,869	427	-	11,296	11,565
Education	13	212	102	-	314	370
Diocesan projects	14	31	-	-	31	27
Governance costs	15	146	-	-	146	196
Total resources expended	16	12,209	529	-	12,738	13,009
Net incoming/(outgoing) resources before transfers		104	9	386	499	754
Gross transfers between funds	17	243	302	(545)	-	-
Net incoming/(outgoing) resources before other recognised gains & losses	18	347	311	(159)	499	754
Other recognised gains/(losses)						
Gains/(losses) on investment assets:						
Realised (Shares)		21	-	(2)	19	(30)
Unrealised (Shares)		503	41	597	1,141	1,045
Realised (Investment land)		-	-	352	352	380
Realised (Schools)		-	(4)	-	(4)	59
Wydale Hall Revaluation		-	(47)	-	(47)	300
Capital Introduced		-	-	-	-	27
Net movement in funds		871	301	788	1,960	2,535
Reconciliation of funds						
Total funds at 1 January 2010		8,079	3,832	55,848	67,759	65,224
Total funds at 31 December 2010	19	8,950	4,133	56,636	69,719	67,759

The Board's income and expenditure all relates to continuing operations

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£000	£000
Gross incoming resources	12,646	12,867
Gross expenditure	<u>(12,738)</u>	<u>(13,009)</u>
Net expenditure before investment funds disposals	(92)	(142)
Gain on disposal of fixed assets	205	514
Realised (loss)/gain on school	(4)	59
Realised losses on disposal of investments	<u>21</u>	<u>(12)</u>
Net income for the year	<u>130</u>	<u>419</u>

All income and expenditure relates to continuing activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£000	£000
Net income for the year	130	419
Unrealised gain on tangible fixed assets	(47)	300
Unrealised gains on investment assets in the year	<u>544</u>	<u>569</u>
Total recognised gains relating to the year	<u>627</u>	<u>1,288</u>

NOTE OF HISTORIC COST PROFIT AND (LOSS)

	2010	2009
	£000	£000
Net income for the year before gains	130	419
Decrease surplus by gains on disposals of investment assets recognised in previous years (Note 33)	<u>(114)</u>	<u>(114)</u>
Net surplus for the year on a historic cost basis	<u>16</u>	<u>305</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED
COMPANY NUMBER: 225234
BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	2010 £000	2009 £000
Fixed assets			
Tangible assets	22	47,063	47,298
Investments	23	<u>21,099</u>	<u>19,655</u>
		<u>68,162</u>	<u>66,953</u>
Current assets			
Debtors		372	484
Prepayments		151	146
Loans receivable	24	39	16
Short term deposits		5,184	4,845
Cash at bank and in hand		<u>190</u>	<u>245</u>
		5,936	5,736
Creditors: amounts falling due within one year	25	<u>(3,769)</u>	<u>(4,176)</u>
Net current assets		<u>2,167</u>	<u>1,560</u>
Total assets less current liabilities		70,329	68,513
Creditors: amounts falling due after more than one year	26	<u>(610)</u>	<u>(754)</u>
Net assets		<u>69,719</u>	<u>67,759</u>
The funds of the charity:			
Endowment funds	30	56,636	55,848
Restricted income funds	31	4,133	3,832
Unrestricted funds:			
General funds	32	<u>8,950</u>	<u>8,079</u>
Total funds		<u>69,719</u>	<u>67,759</u>

The notes on pages 23 to 43 form part of these financial statements. The accounts were approved by the Board of Directors on 31 March 2011 and are signed on behalf of the Board by



C R Clough
Chairman



The Venerable P J Ferguson
Vice-Chairman

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	£000	£000
Net incoming resources before transfers	499	754
Depreciation	10	20
Net gain on disposal of tangible fixed assets	(591)	(896)
Interest and dividends received	(447)	(422)
Interest payable	17	8
(Increase)/Decrease in loans receivable	(23)	1
Decrease/(Increase) in debtors	107	(45)
(Decrease)/Increase in creditors	(551)	96
Net cash outflow from operating activities	<u>(979)</u>	<u>(484)</u>
Cash flow statement		
Net cash outflow from operating activities	<u>(979)</u>	<u>(484)</u>
Returns on investment and servicing of finance		
Interest and dividends received	447	422
Interest paid	(17)	(8)
	<u>430</u>	<u>414</u>
Capital expenditure and financial investment		
Expenditure on tangible fixed assets	(442)	(484)
Sale of tangible fixed assets	1,211	1,866
Purchase of investments	(2,072)	(3,309)
Sale of investments	2,136	1,587
	<u>833</u>	<u>(340)</u>
Net cash inflow/(outflow) before financing	284	(410)
Financing		
Receipt of additional endowment funds	-	27
	<u>-</u>	<u>27</u>
Net cash inflow/(outflow)	<u>284</u>	<u>(383)</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Principal accounting policies

The financial statements comply with applicable accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" published in March 2005 (SORP 2005), as interpreted by the Church of England's Diocesan Annual Report and Financial Statements Guide except where otherwise disclosed and explained by reference to the YDBF's own particular circumstances.

A summary of the material accounting policies and estimation techniques adopted follows.

Basis of preparation

The Board prepares its annual financial statements on the basis of historic cost adjusted for revaluation in the case of certain houses (see below), investment properties and the Diocesan Retreat House, Wydale Hall and market value in the case of investment assets. The financial statements are drawn up in accordance with the requirements of the Companies Act 2006, taking advantage of the provisions within the Act which allow the preparation of accounts to be adapted to reflect the special nature of the charitable company's activities.

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

- **General funds** are the company's corporate funds. Undesignated general funds are freely available for any purpose within the company's objects at the discretion of the Board.
- **Designated funds** are those funds set aside out of general funds by the Board for a specific purpose over whose use and purpose the Board has discretion.
- **Restricted funds** are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.
- **Endowment funds** are those held on trust to be retained for the benefit of the charity as a capital fund. In the case of the endowment funds administered by the Board (Stipends Fund Capital), there are discretionary powers to convert capital into income and, as a result, these funds are classified as expendable endowment. Endowment funds where there is no provision for expenditure of capital are classified as permanent endowment.

"Special trusts" (as defined by the Charities Act 1993) and any other trusts where the company acts as trustee and controls the management and use of the funds, are included in the company's own financial statements as charity branches, subject to the Charity Commission's determination of their accounting status. Subsidiary undertakings not so accounted for are included in group consolidated accounts. The company's interests in any other undertakings under shared control are included in the company or consolidated accounts accordingly.

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

Incoming resources

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

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

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Principal accounting policies (continued)

In respect of parochial contributions, only contributions received during the year are included in the financial statements.

The Stipends Fund Capital account is governed by the Diocesan Stipends' Fund Measure 1953, as amended, and the use of the income is restricted to clergy stipends. However, the income is fully expended within the year of receipt and the legal restrictions, therefore, are satisfied. It is on this basis that the income and the (normally much larger) related expenditure are both included in the unrestricted column of the Statement of Financial Activities for the sake of greater clarity and simplicity in financial reporting.

Resources expended

Expenditure is recognised on an accruals basis as a liability when incurred and has been classified under the following categories:

- Costs of generating funds comprise the cost associated with the generation of income for the charity and include fund managers' costs.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities. It includes costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Governance costs include those associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity. They include the costs of DBF meetings, the Archbishop's Council and Diocesan Synod and the portion of salary costs to operate these functions.

All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of that resource. Central support costs are apportioned on the basis of the estimated usage of resources at Diocesan House. The apportionment in 2010 can be summarised as follows:

9% - Cost of generating voluntary income
76% - Resourcing ministry and mission
4% - Education
11% - Governance

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

Support for ministry costs relates to management and administration costs incurred to deliver and support the charity's objectives. They include all Diocesan House salaries and costs, those of the Archdeacons, the Suffragan Bishop's personal assistants' costs, legal and professional fees and non-parochial specialist expenses.

Pensions

The company operates an occupational pension scheme through the Church of England Pensions Board, which is a defined benefit scheme based on final salary. A separate pension scheme for stipendiary

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Principal accounting policies (continued)

clergy is also administered by the Church of England Pensions Board and is a defined benefit scheme but the Board is unable to identify its share of the underlying assets and liabilities of the scheme.

Valuation of fixed assets

Parsonages, team vicarages and general fund owned houses are included at cost where known, otherwise at relevant 1994 council tax band values. Agricultural investment properties were revalued in March 2007 by three firms of Chartered Surveyors - Stephenson & Son Agricultural, Dee Atkinson & Harrison and R M English. Non-agricultural investment properties were revalued in March 2007 by the Diocesan Surveyor, Graham Andrews BSc (Hons) MA MRICS. Wydale Hall was professionally revalued on 27 January 2010 by Sanderson Weatherall, Chartered Surveyors and Property Consultants. Board of Education properties for which rent is received were revalued during 1996 at estimated values as provided by the Board's agents. The remaining aided church schools continue to be included at no value as they only accrue a value to the Board should the Secretary of State make an order to close them. Redundant churches are included at no value.

Capitalisation of expenditure on fixed assets for charity use

Costs incurred on acquiring property assets are capitalised. Expenditure on refurbishing property is capitalised if it adds value to the property where values exceed £10,000.

Non-property investments

Investments are stated at market value and re-valued as at 31 December each year. Unrealised gains and losses on these investments are shown in the Statement of Financial Activities.

Depreciation on freehold and leasehold properties for the charity's own use

Depreciation is not provided on buildings as any provision (annual or cumulative) would not be material due to the very long expected remaining useful economic life in each case, and because their expected residual value (by reference to prices ruling at the time of acquisition of the capitalised asset in each case) is not materially less than their carrying value. The Board has a policy of regular structural inspection, repair and maintenance, which in the case of residential properties is in accordance with the Repair of Benefits Buildings Measure 1972 and properties are therefore unlikely to deteriorate or suffer from obsolescence. In addition, disposals of properties occur well before the end of their economic lives and disposal proceeds are usually not less than their carrying value. The Directors perform annual impairment reviews in accordance with the requirements of FRS 15 and FRS 11 to ensure that the carrying value is not more than the recoverable amount.

Depreciation on other tangible fixed assets

Depreciation is provided in order to write off the cost (less any ultimate disposal proceeds at prices ruling at the time of the asset's acquisition) of other fixed assets over their currently expected useful economic lives at the following initial rates:

Computers	25% per annum straight line
Furniture and equipment	25% per annum straight line

Assets costing less than £500 are not capitalised.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 Principal accounting policies (continued)

Parsonage houses

The Board has followed the requirements of Financial Reporting Standard No. 5 in its accounting treatment for benefice houses (parsonages). FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. The Board is formally responsible for the maintenance and repair of such properties and has some jurisdiction over their future use or potential sale if declared redundant, but in the meantime legal title and the right to beneficial occupation is vested in the incumbent. The Directors therefore consider the most suitable accounting policy to be to capitalise such properties as expendable endowment assets and to carry them at cost where known, otherwise at relevant 1994 council tax band value on the basis described above.

Gains and losses on fixed assets

Realised gains and losses on non-investment properties are included within net incoming resources for the year. Unrealised gains and losses on properties are included as part of other recognised gains and losses together with both realised and unrealised gains and losses on investment assets.

Liquid resources

These represent cash on short term deposit and monies in the YDBF's current bank accounts less monies held in those accounts for third parties where the YDBF acts as Treasurer for those third parties.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total funds 2010 £000	Total funds 2009 £000
2 Parish contributions					
Parish share					
Current year's allocation	8,806	-	-	8,806	8,481
Shortfall in contributions	(806)	-	-	(806)	(603)
	8,000	-	-	8,000	7,878
Arrears in previous years	85	-	-	85	94
	8,085	-	-	8,085	7,972
Total parish share receipts represent 91.8% of the allocation (2009: 94.0%)					
3 Voluntary income from Church Commissioners					
Selective allocation	1,694	-	-	1,694	1,731
Parish Mission fund	149	-	-	149	149
Transitional pension relief	115	-	-	115	161
	1,958	-	-	1,958	2,041
4 Other voluntary income					
Ecclesiastical Insurance Group grant	138	-	-	138	69
Other contributions to housing improvements	14	-	-	14	13
Other grants and donations	16	57	-	73	244
	168	57	-	225	326
5 Income from activities for generating funds					
Rental income from parsonages	227	-	-	227	151
Rental income from Glebe land & property	292	-	-	292	288
Rental income from wayleaves	36	-	-	36	37
Miscellaneous income	11	-	-	11	14
	566	-	-	566	490
6 Investment income					
Dividends receivable	322	-	-	322	317
Interest receivable	123	2	-	125	105
	445	2	-	447	422
7 Incoming resources from charitable activities					
Statutory fees and chaplaincy income	577	-	-	577	665
Church Commissioners -					
Guaranteed annuities	4	-	-	4	6
Recovery of pay	80	-	-	80	86
Contribution to stipends/pay from third parties	225	-	-	225	237
	886	-	-	886	994
8 Other incoming resources					
Gains on disposal of fixed assets	205	-	386	591	896
Wydale Hall Income	-	351	-	351	421
Board of Education income	-	128	-	128	201
	205	479	386	1,070	1,518

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total funds 2010 £000	Total funds 2009 £000
9 Costs of generating voluntary income					
Administrative salaries	65	-	-	65	102
Diocesan office operating costs	12	-	-	12	15
	77	-	-	77	117
10 Investment management costs					
Stockbroker's management fees	15	-	-	15	13
Repairs to let property	86	-	-	86	26
Agents' commission on let property	68	-	-	68	58
Interest paid	17	-	-	17	8
Insurance and legal costs	2	-	-	2	3
	188	-	-	188	108
11 Contributions to Archbishops' Council					
Training for ministry	286	-	-	286	286
National Church responsibilities	386	-	-	386	370
Pooling of ordination candidates' costs	(3)	-	-	(3)	(39)
General Synod expenses	17	-	-	17	9
	686	-	-	686	626
12 Resourcing Ministry & Mission					
Parish ministry:					
Stipends, national insurance, pension contributions & training	6,835	-	-	6,835	6,618
Specialist ministry:					
Stipends, national insurance, pension contributions & training	595	55	-	650	636
Housing costs	1,997	-	-	1,997	2,128
Removal, resettlement and other grants	124	-	-	124	131
Grants	174	-	-	174	202
Wydale Hall expenditure	40	372	-	412	541
Other expenses	139	-	-	139	126
	9,904	427	-	10,331	10,382
Support for ministry:					
Salaries, stipends, national insurance and pension contributions	687	-	-	687	892
Administration and outside support costs	278	-	-	278	291
	10,869	427	-	11,296	11,565

Further details of Grants are given in the Directors' Report on Page 11.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total funds 2010 £000	Total funds 2009 £000
13 Expenditure on education					
Church Schools:					
Salaries, national insurance and pension contributions	158	61	-	219	240
Administration	54	41	-	95	108
Interest on monies held for third parties	-	-	-	-	22
	212	102	-	314	370
14 Expenditure on Diocesan projects					
Mission support teams	-	-	-	-	8
Diocesan wide events	2	-	-	2	2
Archbishop's mission fund grants to parish & deanery projects	29	-	-	29	17
	31	-	-	31	27
15 Governance costs					
Audit fees	24	-	-	24	23
Directors' indemnity and other insurances	16	-	-	16	6
YDBF Board expenses	4	-	-	4	5
Diocesan Synod expenses	3	-	-	3	8
Administration	12	-	-	12	12
Salaries	87	-	-	87	142
	146	-	-	146	196

16 Analysis of resources expended including allocation of support costs

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2010 £000	Total 2009 £000
Cost of generating income	253	-	12	265	225
Contributions to Archbishops' Council	-	686	-	686	626
Resourcing ministry and mission	11,122	174	-	11,296	11,565
Education	314	-	-	314	370
Diocesan projects	-	31	-	31	27
Governance costs	7	-	139	146	196
	11,696	891	151	12,738	13,009

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

17 Analysis of transfers between funds

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Funds 2010 £000	Total Funds 2009 £000
Transfer following pastoral scheme	243	302	(545)	-	-
	<u>243</u>	<u>302</u>	<u>(545)</u>	<u>-</u>	<u>-</u>

18 Net incoming resources for the year

	2010 £000	2009 £000
These are after charging:		
Depreciation	10	20
Auditors' remuneration: audit services	24	24
Auditors' remuneration: non-audit - tax advice, VAT, Tax and Charity advice	1	1
- Information Technology Support	15	10
Indemnity insurance for directors	4	4

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

19 Summary of fund movements

	Balances at 1 January 2010	Incoming resources	Outgoing resources	Transfers	Gains and losses	Balances at 31 December 2010
	£000	£000	£000	£000	£000	£000
Unrestricted funds						
General	8,079	12,313	(12,209)	243	524	8,950
	<u>8,079</u>	<u>12,313</u>	<u>(12,209)</u>	<u>243</u>	<u>524</u>	<u>8,950</u>
Restricted funds						
Benefice building fund	187	1	-	302	-	490
Pastoral fund	5	-	-	-	-	5
Faith in education fund	240	25	(51)	-	-	214
Mission support fund	17	23	-	-	-	40
Bishops' IT	18	8	(4)	-	-	22
First Lord Grimthorpe's Trust	3	2	-	-	-	5
Dairycoates	5	-	-	-	-	5
Wydale Hall	2,009	351	(372)	-	(47)	1,941
Board of Education	1,348	128	(102)	-	37	1,411
	<u>3,832</u>	<u>538</u>	<u>(529)</u>	<u>302</u>	<u>(10)</u>	<u>4,133</u>
Endowment funds						
Permanent endowment						
Ordination candidates council	147	-	-	-	13	160
First Lord Grimthorpe's Trust	29	-	-	-	2	31
Local Trusts' Stipend Fund	335	-	-	-	25	360
Expendable						
Parsonages houses fund	36,540	386	-	(545)	-	36,381
Stipends capital fund	18,797	-	-	-	907	19,704
	<u>55,848</u>	<u>386</u>	<u>-</u>	<u>(545)</u>	<u>947</u>	<u>56,636</u>
Total funds	<u>67,759</u>	<u>13,237</u>	<u>(12,738)</u>	<u>-</u>	<u>1,461</u>	<u>69,719</u>

Parsonages Houses Fund

These are expendable endowments in that the Board has the power to convert certain sale proceeds to income with various consents obtained locally and from the Church Commissioners by being transferred to the Diocesan Pastoral Account and then converted to an income account at a later date.

Diocesan Stipends Capital (DSF)

These are classified as expendable endowments. The word expendable does not mean generally expendable but in accordance with the expenditure permitted in the trust.

The purpose of this fund is to generate income for the payment of stipends, (the DSF Income Fund which is a restricted income fund). As the fund has to be retained, it is an endowment fund. However, under the Misc. Provisions Measure of 1992, (at the discretion of the DBF and the concurrence of the Bishop) the fund may be applied to parsonages capital improvements and purchases as long as they are occupied by parochial clergy. As it is capable of being spent (albeit on restricted purposes) it is defined as an Expendable Endowment.

Diocesan Pastoral Fund

This fund receives income from the sale of churches and parsonages, where the relevant pastoral reorganisation measure so determines, together with any other amounts as determined by the Church Commissioners. As the fund can be spent, but only on certain purposes, it is treated as a restricted (income) fund.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

20 Employee details

The average number of employees, based on full-time equivalents, was as follows:	2010	2009
	No.	No.
Diocesan officers	8.86	7.64
Wydale Hall	9.76	9.55
Education	4.95	5.10
Diocesan Advisory Committee	1.42	1.50
Office staff	16.53	16.24
	41.52	40.03
Staff costs were as follows:	2010	2009
Diocesan officers	£000	£000
Gross salaries	242	198
Social security costs	18	13
Pension contributions	51	65
	311	276
Wydale Hall	£000	£000
Gross salaries	154	150
Social security costs	11	10
Pension contributions	23	27
	188	187
Education	£000	£000
Gross salaries	173	176
Social security costs	15	15
Pension contributions	32	47
	220	238
Diocesan Advisory Committee	£000	£000
Gross salaries	47	47
Social security costs	3	3
Pension contributions	11	15
	61	65
Diocesan office staff	£000	£000
Gross salaries	524	487
Social security costs	40	39
Pension contributions	109	167
	673	693
Additional costs re Church Workers Pension Fund	£000	£000
York Diocesan Board of Finance	-	358
Wydale Hall	-	13
	-	371
Total	1,453	1,830

Additionally the YDBF met the stipends of an average 215 (2009: 223) clergy and lay ministers of the diocese at a cost including employer's pension costs and National Insurance Contributions of £7,102,000 (2009: £7,005,000).

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

20 Employee details (continued)

During the year the DBF made contributions to the Church Commissioners at the standard rate agreed by the Diocesan Synod towards the stipends, social security costs and pension contributions of the licensed clergy (with the exception of the Suffragan Bishops of Hull, Selby and Whitby) who are directors of the Board and provided houses, including the payment of council tax and maintenance costs, as part of clergy normal remuneration. In the case of the Suffragan Bishops of Hull, Selby and Whitby, the Board provided the housing and paid council tax and housing maintenance costs; their stipends and other expenses are payable by the Church Commissioners and not the YDBF.

None of the directors received any emoluments or expenses from the Board in respect of their services performed as directors (2009: nil). Travel expenses of £2,000 (2009: £3,000) were paid to 8 (2009: 9) directors.

The number of employees whose emoluments for the year exceeded £60,000 was as follows:

	2010	2009
£60,000 - £70,000	1	0

21 Pension commitments

Church of England Defined Benefits Scheme

The York Diocesan Board of Finance Limited and Wydale Hall participate in the Church of England Defined Benefits Scheme (DBS), part of the Church Workers Pension Fund. In the year to 31 December 2010 the YDBF has made contributions of £204,000 and this has been taken as a pension cost shown in the accounts, as explained below.

It is not possible for an individual employer to determine its share of the underlying assets and liabilities as each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. In such cases, FRS17 requires the employer to account for its contributions to the DBS as if it were a defined contribution scheme but to make certain additional disclosures based on available information. The required disclosures, together with a description of the DBS, are given below.

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

The division of the Scheme into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the Scheme are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool. If following an actuarial valuation of the Life Risk Pool there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent being as at 31 December 2007. In this valuation, the Life Risk Section was shown to be in deficit by £5.5m and some £4.4m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £50,000 was deducted from the York DBF sub-pool. This increased the employer's contributions that would otherwise have been payable. Other available information relating to the valuation as at 31 December 2007 is given below.

Market value of DBS	£176.6m
Market value of York DBF sub-pool	£1.961m
Market value of Life Risk Pool (1,140 pensioners)	£67.7m

An updated valuation of the DBS as at 31 December 2010 is currently being prepared. This is expected to be completed by the end of 2011 with revised contribution rates effective from April 2012.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

21 Pension commitments (continued)

At 31 December 2010 The York Diocesan Board of Finance Limited had 23 active members and 22 deferred pensioner members in the Fund; Wydale Hall had 3 active members and 8 deferred pensioner members in the Fund. Total scheme members nationally comprise 1,179 active and 1,513 deferred pensioners.

Church of England Defined Contributions Scheme

Since January 2009 new employees of The York Diocesan Board of Finance Limited and Wydale Hall have been entered into the Church of England Defined Contribution Scheme (DCS), part of the Church Workers Pension Fund. In the year to 31 December 2010 the YDBF has made contributions of £21,000 and this has been taken as a pension cost shown in the accounts.

Church of England Pension Scheme for Clergy

The York Diocesan Board of Finance Limited participates in the Church of England Funded Pensions Scheme and employs 212 members of the Scheme out of a total membership of approximately 9,000 active members.

The Church of England Funded Pensions Scheme is a defined benefit scheme but the York DBF is unable to identify its share of the underlying assets and liabilities – each employer in that scheme pays a common contribution rate. A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
 - for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- RPI inflation of 3.8% pa (and pension increases consistent with this);
- Increase in pensionable stipends of 3.8% pa; and
- Post-retirement mortality in accordance with 80% of the S1NA tables, with allowance for future improvements according to the “medium cohort” projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

The next valuation of the Scheme will be due as at 31 December 2012.

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

Following the results of the 2006 valuation, the YDBF's contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits; the contribution rate has been set at 38.2% with effect from 1 January 2011.

All Schemes

For schemes such as the Church of England Defined Benefits Scheme and the Church of England Funded Pensions Scheme, paragraph 9(b) of FRS 17 requires The York Diocesan Board of Finance Limited to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

The total contributions in the year amounted to £2,192,000 (2009: £2,387,000).

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

22 Tangible assets

(a) Restricted

	Wydale Hall Freehold £000	Wydale Fixtures £000	School properties Freehold £000	Total 2010 £000	Total 2009 £000
At cost or valuation					
At 1 January 2010	1,950	49	121	2,120	1,820
Revaluation	-	(49)	-	(49)	300
At 31 December 2010	1,950	-	121	2,071	2,120
Accumulated depreciation					
At 1 January 2010	-	5	-	5	4
Eliminated on revaluation	-	(2)	-	(2)	-
Charge for the year	-	(3)	-	(3)	1
At 31 December 2010	-	-	-	-	5
Net book value at 31 December 2010	1,950	-	121	2,071	2,115
Net book value at 31 December 2009	1,950	44	121	2,115	-

School properties vested in the YDBF on behalf of the Diocese Board of Education as a result of Section 554 of the 1996 Education Act are stated at £nil. Freehold land and buildings are revalued to £nil in the year in which any expenditure is incurred. The school properties held at 31 December 2010 are therefore included at no value in the YDBF's accounts as they only accrue a value to the Diocesan Board of Education should the Secretary of State make an order to close them.

Other properties for which the Board of Education receives a rent are included at their estimated market values (1996) of £121,225.

(b) Endowments-expendable

	Parsonages £	Glebe team vicarages Freehold £	Total 2010 £	Total 2009 £
At cost or valuation				
At 1 January 2010	36,540	5,094	41,634	42,472
Additions	133	307	440	3
Disposals	-	-	-	(601)
Transfers	(545)	-	(545)	(240)
At 31 December 2010	36,128	5,401	41,529	41,634

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

22 Tangible assets (continued) (c) Unrestricted

	Office equipment	Diocesan houses Freehold	Diocesan Office Freehold	Total 2010	Total 2009
	£	£	£	£	£
At cost or valuation					
At 1 January 2010	152	2,925	600	3,677	3,325
Additions	2	-	-	2	481
Disposals	-	(75)	-	(75)	(369)
Transfers	-	-	-	-	240
At 31 December 2010	154	2,850	600	3,604	3,677
Accumulated depreciation					
At 1 January 2010	128	-	-	128	109
Charge for the year	13	-	-	13	19
At 31 December 2010	141	-	-	141	128
Net book value at 31 December 2010	13	2,850	600	3,463	3,549
Net book value at 31 December 2009	24	2,925	600	3,549	-
Total net book value at 31 December 2010				47,063	47,298

All the Board's fixed assets are used for charitable purposes.

In the opinion of the directors the carrying value of land and buildings is less than the market value. The costs involved in revaluation are considered by the Directors to outweigh the benefit to the user of accounts and management.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

23 Investments

	Agricultural Properties £000	Non agricultural properties £000	Fixed interest securities £000	UK equities £000	European equities £000	Deposits £000	Total 2010 £000	Total 2009 £000
Unrestricted funds								
At 1 January 2010	-	-	1,256	3,429	91	56	4,832	3,682
Additions	-	-	336	297	-	-	633	1,597
Disposals	-	-	(460)	(137)	(2)	-	(599)	(711)
Movements	-	-	-	-	-	(24)	(24)	(249)
Revaluation	-	-	14	496	(7)	-	503	513
At 31 December 2010	-	-	1,146	4,085	82	32	5,345	4,832
Restricted funds								
At 1 January 2010	-	-	254	353	-	2	609	278
Additions	-	-	323	41	-	-	364	307
Disposals	-	-	(116)	-	-	-	(116)	(23)
Movements	-	-	-	-	-	2	2	(9)
Revaluation	-	-	6	35	-	-	41	56
At 31 December 2010	-	-	467	429	-	4	900	609
Permanent endowment funds								
At 1 January 2010	-	-	119	376	-	16	511	434
Additions	-	-	20	56	-	-	76	107
Disposals	-	-	(28)	(34)	-	-	(62)	(74)
Movements	-	-	-	-	-	(13)	(13)	(12)
Revaluation	-	-	4	36	-	-	40	56
At 31 December 2010	-	-	115	434	-	3	552	511
Expendable endowment funds								
At 1 January 2010	6,438	960	1,706	4,290	92	217	13,703	12,085
Additions	-	-	581	641	-	-	1,222	1,710
Disposals	(225)	-	(662)	(106)	-	-	(993)	(370)
Movements	-	-	-	-	-	(188)	(188)	(142)
Revaluation	-	-	32	532	(6)	-	558	420
At 31 December 2010	6,213	960	1,657	5,357	86	29	14,302	13,703
Total at 31 December 2010	6,213	960	3,385	10,305	168	68	21,099	19,655
Total at 31 December 2009	6,438	960	3,335	8,448	183	291	19,655	
Cost at 31 December 2010							15,441	15,168

Agricultural investment properties were revalued in March 2007 by three firms of Chartered Surveyors: Stephenson & Son Agricultural, Dee Atkinson & Harrison and R M English.

Non-agricultural investment properties have been revalued in March 2007 by the Diocesan Surveyor, Graham Andrews BSc (Hons) MA MRICS.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

23 Investments (continued)

Investments (excluding deposits) held at the Central Board of Finance Church of England Funds were as below:

	2010	2009
	Market	Market
	value	value
	£000	£000
Investment fund	2,367	2,208
Property pool	615	593
Fixed interest securities fund	593	589
	<u>3,575</u>	<u>3,390</u>

24 Loans receivable

	2010	2009
	£000	£000
Loans to PCCs	16	16
Loans to School Governors	23	-
	<u>39</u>	<u>16</u>

Repayable

Due after one year	<u>34</u>	<u>16</u>
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25 Creditors

	2010	2009
	£000	£000
Amounts falling due within one year		
Other taxation and social security	32	30
Other creditors	581	565
Accruals	333	520
Amounts held for other bodies	2,803	3,061
	<u>3,769</u>	<u>4,176</u>

26 Creditors

	2010	2009
	£000	£000
Amounts falling due after one year		
1 – 2 years:		
Church Workers Pension Fund	93	93
2 – 5 years:		
Church Workers Pension Fund	100	185
After 5 years:		
Value linked loans	417	476
	<u>610</u>	<u>754</u>

The value-linked loans are from the Church Commissioners who have up to 100% equity in certain diocesan houses. There is no fixed term for repayment and no capital is repaid until the property is sold or ceases to be occupied by a qualifying person. Any loss or profit on disposal is shared with the Church Commissioners in proportion of their equity.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

27 Commitments

Capital expenditure

The Board has entered into the following capital commitments at the year end:

	2010 £000	2009 £000
Authorised and contracted	-	-
Authorised and not contracted	-	-
	<u>-</u>	<u>-</u>

28 Contingent liabilities

Value Linked Loans by the Church Commissioners for PCC Assistant Ministers' Houses

The Church Commissioners have loaned £27,000 (2009: £27,000) to assist Parochial Church Councils purchase assistant ministers houses and the annual interest in 2009 was £2,000 (2009: £4,000). This interest is paid by the Parochial Church Councils but there is a contingent liability for any deficiency in interest payments which would fall on the YDBF.

29 Summary of assets per fund at 31 December 2010

	Fixed Assets		Current assets £000	Creditors due within 1 year £000	Creditors due more than 1 year £000	Net Assets £000
	Tangible £000	Investments £000				
Endowment funds						
Expendable endowment						
Parsonages houses fund	36,128	-	253	-	-	36,381
Stipends fund capital	5,401	14,303	-	-	-	19,704
Permanent Endowment						
Ordination candidates council	-	160	-	-	-	160
First Lord Grimthorpe's Trust	-	31	-	-	-	31
Local Trusts' Stipend Fund	-	360	-	-	-	360
	<u>41,529</u>	<u>14,854</u>	<u>253</u>	<u>-</u>	<u>-</u>	<u>56,636</u>
Restricted funds						
Benefice building fund	-	-	490	-	-	490
Pastoral account	-	-	5	-	-	5
Faith in education fund	-	-	214	-	-	214
Mission support fund	-	-	40	-	-	40
Bishops' IT	-	-	22	-	-	22
First Lord Grimthorpe's Trust	-	-	5	-	-	5
Dairycoates	-	-	5	-	-	5
Wydale Hall	1,950	-	43	(46)	(6)	1,941
Board of Education	121	900	3,100	(2,710)	-	1,411
	<u>2,071</u>	<u>900</u>	<u>3,924</u>	<u>(2,756)</u>	<u>(6)</u>	<u>4,133</u>
Unrestricted funds						
General	3,463	5,345	1,759	(1,013)	(604)	8,950
TOTAL	<u>47,063</u>	<u>21,099</u>	<u>5,936</u>	<u>(3,769)</u>	<u>(610)</u>	<u>69,719</u>

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

30 Endowment funds

	Movement in funds				Balance 31 December 2010 £000
	Balance 1 January 2010 £000	Incoming resources £000	Expenditure, gains /(losses) & revaluations £000	Transfers £000	
Expendable					
Stipends capital fund	18,797	-	907	-	19,704
Parsonages houses fund	36,540	386	-	(545)	36,381
Permanent Endowment					
Ordination candidates council	147	-	13	-	160
First Lord Grimthorpe's Trust	29	-	2	-	31
Local Trusts' Stipend Fund	335	-	25	-	360
	55,848	386	947	(545)	56,636

Expendable endowment

The Parsonages house fund represents the carrying value of all the benefice houses (parsonages) in the Diocese.

The Stipends Capital fund is held to generate income for clergy stipends as well as the acquisition, development or improvement of glebe and parsonage houses.

Permanent endowment

The income from the permanent endowment funds is required under the terms of the trusts to be applied towards specific expenditure of the categories listed below. Any gain on disposal of the underlying investments is required to be reinvested as permanent endowment funds.

The Ordination Candidates Council fund relates to invested bequests, the income from which is to provide assistance to candidates training for the Anglican priesthood.

The First Lord Grimthorpe's Trust provides income for repairs to churches of the Evangelical tradition within the Diocese of York.

The Local Trusts' Stipend Fund relate to specific investments, the income from which is to augment stipends.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

31 Restricted funds

	Movement in funds				Balance 31 December 2010 £000
	Balance 1 January 2010 £000	Incoming resources £000	Expenditure, gains /(losses) & revaluations £000	Transfers £000	
Restricted funds					
Benefice Building Fund	187	1	-	302	490
Faith in Education Fund	240	25	(51)	-	214
Mission Support Fund	17	23	-	-	40
Bishops' IT	18	8	(4)	-	22
First Lord Grimthorpe's Trust	3	2	-	-	5
Dairycoates Compensation Fund	5	-	-	-	5
Pastoral Account	5	-	-	-	5
	475	59	(55)	302	781
Wydale Hall funds					
Property Revaluation & fixed asset fund	1,989	-	(47)	-	1,942
General	20	351	(372)	-	(1)
	2,009	351	(419)	-	1,941
Board of Education					
Uniform statutory trust – income	661	128	(61)	-	728
Uniform statutory trust – capital	687	-	(4)	-	683
	1,348	128	(65)	-	1,411
Total	3,832	538	(539)	302	4,133

Restricted funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. They are only generally available for the above specified purposes.

The Benefice Building fund holds proceeds from parsonage sales. If the house and proceeds become surplus as a result of reorganisation, the surpluses are available to be transferred to unrestricted funds subject to consents from the relevant Patron, PCC and the Church Commissioners.

The Faith in Education Fund aims to pioneer links between churches and schools in Hull by contributing creatively toward addressing problems particularly at secondary level of poor attainment, low aspirations and falling rolls.

Mission Support relates to donations for projects in Hull and Middlesbrough.

Bishops' IT is a central allocation by the Church Commissioners for Bishops' information technology needs.

The First Lord Grimthorpe's Trust provides income for repairs to churches of the Evangelical tradition within the Diocese of York.

Dairycoates Compensation Fund is available for grants to churches in Hull.

The Pastoral Fund is restricted for the payment of statutory fees in respect of church redundancy schemes.

Wydale Hall is a special restricted fund and operates as a conference and retreat house primarily for the benefit of the Church of England. In event of a sale of the property the proceeds would have to be applied either in the purchase of another property to be used for the same purposes or invested and the resultant income applied for the promotion and holding of retreats and of religion. Its sole trustee is the York Diocesan Board of Finance Limited.

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

31 Restricted funds (continued)

The Board of Education funds are restricted in accordance with the Uniform Statutory Trust legislation. The discretionary fund has accumulated donations and income from educational services and is used to assist school governors with school building projects.

32 Unrestricted funds

	Movement in funds				Balance 31 December 2010 £000
	Balance 1 January 2010 £000	Incoming resources £000	Expenditure, gains /(losses) & revaluations £000	Transfers £000	
General	8,079	12,313	(11,685)	243	8,950
	8,079	12,313	(11,685)	243	8,950

General funds

This fund is available for any purpose within the objects of the Board. It is principally used for payment of stipends, national insurance, pension contributions and housing costs of clergy and licensed lay-workers in parish ministry.

33 Corporate revaluation reserve

	Unrestricted 2010 £000	Restricted 2010 £000	Total 2010 £000	Total 2009 £000
Unrealised gains at 1 January 2010	336	372	708	(275)
Unrealised (losses)/gain on revaluation of tangible fixed assets	-	(47)	(47)	300
Unrealised gains on revaluation of investments	503	41	544	569
Realisation of revaluation gains/(loss)	115	(2)	113	114
Unrealised gains at 31 December 2010	954	364	1,318	708

34 Analysis of changes in net liquid funds

	As at 1 January 2010 £000	Cash flow £000	As at 31 December 2010 £000
Cash at bank	5,090	284	5,374
Debt			
Loans from the Church Commissioners: Value linked loans	(476)	59	(417)
Net liquid funds	4,614	343	4,957

Reconciliation of net cash flow to movement in net liquid funds

	2010 £000	2009 £000
(Decrease)/Increase in cash during the year	284	(383)
Cash flow from decrease in debt and financing	59	-
	343	(383)
Net liquid funds at 1 January 2010	4,614	4,997
Net liquid funds at 31 December 2010	4,957	4,614

THE YORK DIOCESAN BOARD OF FINANCE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2010

35 Property held as custodian trustee

During 2010 custodian trusteeship matters were managed by the Finance and Property Sub-Committees of the Board. The assets held as custodian trustee are those required by the PCCs Powers Measure 1956, The Incumbent and Churchwarden (Trusts) Measure 1964 and cases where the Charity Commission has appointed the YDBF as Trustee. The assets are held securely and separately from those of the Board, which is responsible for their safe custody. Custodian Investments held for the benefit of third parties had a market value at 31 December 2010 of £11,483,000 (2009: £11,135,000).

Additionally the title documents for Church Halls and PCC owned houses are held by the Board for entities with similar purposes as the Board.

36 Related Party Transactions

There have been no related party transactions during 2010. During 2009 consultancy services relating to the selection of candidates for ordained ministry to the value of £27,000 were purchased from Harnessing Difference Management Consultancy Limited, a company of which Mrs Margaret Sentamu, the wife of a director, the Archbishop, is the sole director. At the year end there was an outstanding creditor of £1,250 relating to these services. The creditor has now been settled. The consultancy services were purchased whilst the post of Diocesan Director of Ordinands was vacant. This post was filled during the year ended 31 December 2009.

