

DIOCESE IN EUROPE

THE CHURCH
OF ENGLAND



THE DIOCESE IN EUROPE BOARD OF FINANCE
ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2018

Company No. 106580
Registered Charity No. 250186

THE DIOCESE IN EUROPE BOARD OF FINANCE

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THE DIOCESE IN EUROPE BOARD OF FINANCE

ANNUAL REPORT

for the year ended 31 December 2018

The trustees who are also Directors for the purposes of company law, present their annual report together with the audited financial statements, for the year ended 31 December 2018.

OBJECTIVES

The Diocese in Europe has almost 300 congregations in 40 countries in Europe, Russia and North Africa. These congregations are organised within 148 separate chaplaincies. The company's principal activity is to promote, assist and advance the mission and ministry of the Church of England in the Diocese in Europe by acting as the financial executive of the Diocesan Synod.

The main objectives of the company and of the charity are:

- to manage the financial aspects of providing a priestly and pastoral presence where needs arise and as resources permit across the Diocese;
- to provide appropriate personnel, financial grants and other resources to support the mission of the Diocese;
- to engage with the community as part of the Church's response to God's mission to His people in the area covered by the Diocese;
- to manage funds on behalf of the churches in the Diocese, and related trust funds;
- to provide services to churches and help the flow of communications across the Diocese, including the provision of various publications.

Funds and other support are given to encourage fresh expressions for worship and mission; to support the ongoing mission of the Diocese, and to provide a service to our chaplaincies. Priorities for diocesan support are identified at regular meetings of the Bishop's staff and at the diocesan and archdeaconry synods. Significant financial issues are referred to the Finance Committee.

The trustees aim to operate a balanced budget meeting current expenditure from current income, so that capital growth can be set aside to support the work of the Diocese in future years. This aim has become increasingly difficult to achieve as the costs of the Diocese have escalated in recent years. At the Bishop's Council in 2017 a financial plan was approved which aimed to achieve break-even over the next three years. The plan accommodates required increases in costs, principally in the areas of safeguarding and archdeaconing. It also incorporates increases in Common Fund contributions from chaplaincies in the three years up to and including 2020.

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STRATEGIC AIMS

The diocesan strategy commits us to:

- Building up the Body of Christ and fostering growth
- Sharing with other churches and agencies in the evangelisation of Europe
- Striving for the creation of a just society and a sustainable environment
- Working for Reconciliation
- Providing the Resources to do these things.

Across our far-flung diocese, the diocesan team and the chaplaincies have been working together in fulfilling this strategic vision by making good clergy appointments; fostering vocations; forging partnerships with mission agencies; working with refugees; providing encouragement and support to our people in the troubling context of Brexit.

ACTIVITIES AND ACHIEVEMENTS

Ministry

The number of clergy in the Diocese holding a Bishop's licence as at 31 December 2018 was 143 (2017:141). This comprises 103 clergy in post as Chaplains and 40 assistant priests who hold a licence in a chaplaincy. At the close of 2018 the Diocese had 37 vacancies (2017:43) which, when filled, will have licensed clergy (including both Chaplains and assistant priests). Posts requiring a licensed priest total 180 (2017: 184). There were 33 new appointments during 2018 (2017: 26).

The number of Readers holding a Bishop's licence or permission to officiate as at 31 December 2018 was 113 (2017: 102).

At 31 December 2018 there were 28 ordinands on either residential or short course training (2017: 14), and there were 28 Readers in training (2017: 36).

Numerical growth

In a challenging context, 2018 was a year of gratifying numerical growth for the Diocese. Total electoral roll numbers increased by 6% to 11,277 (10,632 in 2017) and usual Sunday attendance rose by 7.6% to 10,495 (9,755 in 2017). Numbers of baptisms, marriages and Easter Day attendances were also markedly increased. Given the steady downward trend in most of the rest of the Church of England this is highly encouraging. In 2019 there will be a revised Electoral Roll which brings with it a customary reduced number.

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ACTIVITIES AND ACHIEVEMENTS (continued)

The financial plan

2018 was also the year in which we firmly grasped some tough financial nettles. During the first half of the year, the financial plan that had been approved by Bishop's Council in October 2017 was discussed by archdeaconry synods and then debated and approved by the June 2018 Diocesan Synod. Planned increases in Common Fund contributions were nuanced by a further decision taken at the October 2018 Bishop's Council such that Common Fund requests would be planned to be based on a total of 5% of chaplaincy income in 2017, 6% in 2018, 8% in 2019 and 10% in 2020 (net of up to 10% of income in chaplaincies which may be given to other charitable causes). The rate of increase being gentler than originally envisaged meant that the DBF plans on significant deficits in 2018, 2019 and 2020 before moving to balanced budgets in future years. Higher rates of Common Fund contributions were needed to finance in particular: Safeguarding, full time freestanding stipendiary Archdeacons and diocesan communications. The new contribution rates represent a big commitment across the whole diocese and serve to place the DBF on a firm financial footing for the future.

Common Fund Allocation Working Group

A working group made up of clergy, laity, archdeacons and senior staff with financial expertise from across the Diocese, has been established to look at all aspects of the Common Fund allocation and make recommendations to the DBF with regard to any improvements to the Common Fund system that can be made. Evidence has been drawn from other dioceses as well as models of other possible formulae.

An interim report will be taken to the 2019 Diocesan Synod with some reforms possible for 2020, though any big changes will require consultation prior to the 2020 Diocesan Synod which will inform the 2021 Common Fund request.

Peer review

In August 2018 the Diocese participated in a 'Peer Review' organised by the Church Commissioners which followed up an earlier Review in 2017. The Reviewers commented as follows:

"we should not just affirm but congratulate you and your colleagues on the progress you have made in addressing some very important issues. Like many other dioceses, albeit in an even more complex environment, you have rightly developed your safeguarding arrangements. However, we were particularly impressed by the work you have done towards strengthening your senior team with the plan to appoint more stipendiary archdeacon positions. To do this, and to address other financial concerns, you have taken very significant actions to increase the diocese's income and secure its financial sustainability. These are important steps and we do not underestimate the challenges you have overcome to reach this point. Please accept our warm congratulations."

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ACTIVITIES AND ACHIEVEMENTS (continued)

Peer review (continued)

In terms of specific recommendations, the peer reviewers suggested we:

- Develop and deepen our diocesan strategy with a view to identifying missional opportunities
- Focus more explicitly on lay people's mission in their day-to-day lives
- Encourage greater stewardship
- Consider an eventual separation of Finance and Audit functions
- Consider additional ways of supporting safeguarding staff in their relatively isolated roles.

Senior staff changes

A series of important senior level appointments have been made:

- Andrew Caspari: Chief Operating Officer (January 2019)
- Susan Stelfox: Head of Finance (January 2019)
- Damian Thwaites: Director of Communications (September 2018)
- Andrea Watkins: Diocesan Safeguarding Advisor (July 2018).

With the appointment of Andrew Caspari, Michael Fegan's period as the interim Chief Operating Officer ended and he was appointed a director and trustee as well as Chair of the Finance and Property Committee. In addition, Barbara Omoro joined as Appointments Secretary in May 2018. Over 2019 it is planned to appoint three full time, stipendiary, freestanding Archdeacons.

Volunteers

The DBF is dependent on the huge number of people involved in Chaplaincies. We believe that the number of active volunteers (or volunteer hours) given to the mission and ministry of the church is a key indicator of the health of a church. The service provided to a community through church volunteering also has a significant impact on people's relationship to the church particularly at times of crisis. Within this context, the DBF greatly values the considerable time given by all committee members and other volunteers across the Diocese in pursuit of the church's mission.

Estimating the in kind value of volunteer time to the operations of the DBF is particularly difficult to measure in a meaningful way. It is for this reason that no estimate of the value of this time has been included in the financial statements.

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FUTURE PLANS

The new financial plan for the Diocese was unanimously supported at the Diocesan Synod though the meeting requested a review of the rate of increases in Common Fund contributions for 2019 and 2020. This was agreed unanimously at Bishop's Council. The success of the plan depends largely on tight cost control but even more on the receipt of the requested Common Fund contributions. In 2018, 97% of the requested funds were forthcoming. Some Chaplaincies are signaling that they find the request hard to meet. Brexit is undoubtedly a factor which effects many chaplaincy finances. It is essential that the DBF obtains renewal of its special funding stream from the Church Commissioners and that it seeks and retains funding from supportive trusts and other partners. Funding from other sources (such as legacies) would also help considerably. Failure to generate increased income consistently will necessitate a new financial plan and strategic approach for the Diocese.

The Diocese could struggle to continue with the Mission Opportunities Fund if these reserves are needed to maintain viability. It will also be necessary to give more careful consideration than ever to the replacement of full-time clergy when vacancies arise in chaplaincies that find themselves unable to contribute to the Diocese.

FINANCIAL REVIEW

Operating result

The operating result for the year, as shown on the Income and Expenditure account on page 20, was a deficit of (£399,613). This was defined as being total income less total expenditure before the exceptional gain of £318,475 on the one off sale of the former Bishop's Chaplain's house at Blackwater Lane, Crawley. Whilst this has realised capital and reduced maintenance obligations, the requirement to fund housing costs for a Bishop's Chaplain still stands. Such a property sale cannot be relied on for future sustainability.

The net expenditure for the year as shown on the Statement of Financial Activities ("SOFA) on page 19 was £313,850 (2017 net surplus £198,125), after net losses on investments and revaluations of £232,712 (2017: gain £478,644). The net losses on investments and revaluations included the revaluation of a property by £156,022 to an estimated fair value of £179,445. This property was reclassified from Fixed assets to Current Assets Investments as it was marketed for sale and subsequently sold in January 2019 (see Note 13). This gain was set off by the fair valuing, at a loss of £147,445, of the equity share loan against the same property, previously shown as a long term creditor of £32,000 and now as a current liability of £179,445 (see Note 15). The sale of this property at College Place, Brighton, had no revenue gain for the Diocese as it was wholly funded by the Church Commissioners, but it removed the risk of possible future costs.

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FINANCIAL REVIEW (continued)

Operating result (continued)

The most significant item within unrestricted income is the contribution from chaplaincies through the common fund, and this amounted in 2018 to £687,817 or 54% of total income before exceptional items (2017: £590,899 or 47%). Overall, Chaplaincies reacted positively to the increased Common Fund request recognising the need though also feeling the challenge to their own budgets as a result. Income from investments contributed a further 28% (2017: 28%), with the Archbishops' Council grant providing 12% (2017: 12%). In addition to these amounts, the Church Commissioners contributed very significant sums towards the work of the Diocese by fully funding the two Bishops and their staff costs. The Church Commissioners funded the interim Diocesan Secretary for the first 9 months of the year.

Diocesan churches are financially self-sufficient, and are funded largely by members of electoral rolls and visitors. Thanks are also given to mission agencies working in the Diocese, including Mission to Seafarers (which funds several port chaplains), USPG (major funders, property owners and former patrons of the majority of chaplaincies), ICS (which retains patronage of 23 churches and supports some seasonal work), and the Allchurches Trust which supported both the DBF and our See Cathedral.

Discretionary grants were made from the unrestricted general fund of £30,703 (2017: £20,829). Grants were made from the Ordination Candidates Fund of £26,928 (2017: £18,827), and grants and other expenditure were made from Restricted funds totaling £155,376 (2017: £166,755).

Cost control in 2018 was largely effective. The interim Diocesan Secretary remained in post to the end of the year incurring some cost to the DBF, but this was largely offset by the delayed appointment of the new Head of Finance and permanent Chief Operating Officer posts.

The budget seeks to enable the three priorities, which are Safeguarding, full time free standing stipendiary Archdeacons and improved communications to be funded. A deficit had to be accepted for 2018, 2019 and 2020 to allow time to increase the Common Fund contributions and recognise the increased costs already faced by the Diocese.

Looking ahead, the Diocese has to be prudent in the costs and timing of Archdeacon appointments. There is no space for savings in Safeguarding not least due to the case load and to the Past Cases Review (PCR2). In the early part of 2019 three contract posts in London have closed and the communications agency contract has been cancelled with this work brought "in house" to be more efficient.

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FINANCIAL REVIEW (continued)

Balance sheet

The net assets as at 31 December 2018 totalled £9,015,497 (2017: £9,329,347). The value of fixed asset investments fell 2.7% in the year from £8,798,106 at the end of 2017 to £8,556,817 as at 31 December 2018, which is considered satisfactory after the sharp correction to the financial markets in the year. The loss on investments in the year of £241,289 was set off by income they generated of £336,557.

As at 31 December 2018 unrestricted listed funds were £3,375,126 (2017: £3,478,632), a fall of £103,506 in part due to losses on revaluation of listed investments at the year end; restricted funds £288,992 (2017: £288,858); endowment funds £5,351,379 (2017: £5,561,857), a fall of £210,478 due solely to the loss of investments.

The Balance Sheet shows net current liabilities of £96,292 down from £136,411 in 2017. This reflects the inclusion in creditors falling due within one year of £1,158,273 (2017: £1,248,270), being amounts held on behalf of chaplaincies. These balances are not held in specific investments or cash balances but are funded by the DBF's liquid unrestricted fixed asset investments and cash deposits.

Cash flow

As shown in the Cash Flow Statement on page 22, the net cash used in operating activities for the year was £871,129 (2017: £195,414), a deterioration of £675,715. This was offset by both the regular investment income of £356,188 (2017: £359,915) and the one off sale of the property referred to elsewhere, which generated proceeds of £402,504. We are unable to rely in future on such events. There were no sales or purchases of investments in the year (2017: net outflow £100,000). The resultant decrease in cash in the year was £123,086 (2017: increase £64,501).

Legacies

A small number of chaplaincies and the DBF have benefitted from legacy income in the past year. The promotion of giving by legacy should be a focus for more activity in the future, as such giving can make a significant impact.

Remuneration of key management personnel

The responsibility for setting salaries for all staff, including senior personnel, lies with the Finance, Property and Audit Committee ("FPC"), who are always mindful of prevailing market conditions.

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FINANCIAL REVIEW (continued)

Grant making policy

The trustees award grants principally through the Finance Committee where specific need or development opportunities are identified in the Diocese.

Investment policy

The policy of the trustees is to invest in a diversified portfolio of quoted equity and fixed interest securities, taking into account the requirements of the law relating to the investment of charitable monies, while seeking the best possible returns having due regard to preservation of capital. Investment decisions also take account of the funds' ethical policies and ensure that these fall within the guidelines approved by General Synod. The company invests through common investment funds and does not invest directly in the stock market. For operational reasons, it also has certain interests in property.

The Diocesan reserves are invested by the CCLA agency. The portfolio held is very diverse and is designed to withstand pressures that may come in various parts of the global economy.

In a challenging year the investors have outperformed many of their competitors and the market to an impressive degree. The Finance Committee met representatives of CCLA and will continue to monitor performance closely in uncertain times.

Reserves policy

The trustees consider it important to carry additional reserves to cover unforeseen eventualities and the possibility of future operating deficits, taking into account the fact that some funds are endowed for specific purposes. In the case of unrestricted funds, the trustees seek to maintain general reserves that will support the ongoing mission of the Diocese and allow the company to operate on a going concern basis. Within unrestricted reserves, the trustees have established two designated funds being an Ordination Candidates Fund £56,005 (2017: £47,682), and a Mission Opportunities Fund £286,192 (2017: £300,000). The Unrestricted General Fund was £3,375,126 (2017: £3,478,632).

Going concern

The trustees have reviewed the financial position and financial forecast, taking into account the levels of investment reserves and cash and the financial control and risk management. As a result of this review the trustees believe that we are well placed to manage operational and financial risks successfully.

Having approved a revised financial plan at Bishop's Council in October 2018, the trustees are satisfied that the company has adequate resources to continue to operate as a going concern for the foreseeable future and have prepared the financial statements on that basis.

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FINANCIAL REVIEW (continued)

Going concern (continued)

Whilst the charitable company had net current liabilities of £96,292 (2017: £136,411) as at 31 December 2018, it continues to be the trustees' policy to invest surplus funds in fixed asset investments for the long term so that the best returns are achieved. The trustees are confident that the Diocese can access these resources at short notice should the need arise to satisfy current liabilities.

Accordingly, the trustees have a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. As a consequence, they continue to support the going concern basis in accounting in preparing the annual accounts.

PRINCIPAL RISKS

The trustees are responsible for maintaining a sound system of internal financial control to safeguard the company's assets. The Finance, Property and Audit Committee ("FPC") identifies the major risks to which the company is exposed, and such systems and procedures as are practicable are in place to mitigate those risks. A formal risk assessment review is due annually while the FPC will monitor the risks and the effectiveness of the system of internal control operated by the company.

The most significant risks are as follows:

Safeguarding failure – a big case could have a significant reputational or financial impact. This is mitigated by a strongly led Safeguarding Advisory Committee, the engagement of professional safeguarding staff, diocesan safeguarding policy and training.

Investment underperformance – poor investment performance could have an adverse effect on the ability of the DBF to meet its financial commitments. However, to reduce the chance of this, funds are invested with an established and reputable fund manager. Funds are widely spread, and performance is monitored.

Hazards – fire, flood and computer failure. The Diocese has insurance in place with a reputable insurer to cover these risks. The Diocese is also a tenant of Church House in Westminster and uses services provided by Church House. It can therefore rely on disaster recovery and computer back-up routines employed by the central Church.

Chaplaincy finances – chaplaincies face a range of issues which in some cases make payment of Common Fund very challenging. This is mitigated by prudent financial planning and encouragement of appropriate stewardship and giving.

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STRUCTURE AND GOVERNANCE

The DBF is a Diocese of the Church of England in the Province of Canterbury. The legal framework for the Diocese is the 'Diocese in Europe Measure 1980' and the Constitution of the Diocese 1995. While the Diocese in Europe Board of Finance is autonomous for most practical purposes, decisions may be influenced by those taken by the Church of England.

The DBF is a company which is limited by guarantee and which does not have a share capital. It is incorporated in England and Wales with the registration number: 106580.

Directors and trustees

Under the Memorandum and Articles of Association, members of the Bishop's Council are designated as directors for the purposes of the Companies Act 2006 and are trustees under charity law. The members of the Diocesan Synod are the members of the company.

The Board, as members of the company, may derive no benefit, income or capital interest from the company's affairs other than the reimbursement of out-of-pocket expenses. In the event of the company being wound up, each member, who is a member at that time, has undertaken to contribute £1 to the company.

Constitution

The constitution of the DBF is set out in its memorandum and articles of association. Episcopally led, the DBF's activities are directed by the Diocesan Synod and Bishop's Council which also meets as the Board of the DBF and as the trustees of the charity (together "The Trustees").

Organisation and decision making structure

Members of Diocesan Synod are also members of the company and the charity. They set priorities and the overall financial strategy for the DBF in its prime imperative to participate in God's mission by and to Anglicans across the area covered by the Diocese in Europe.

The trustees meet once a year at Bishop's Council to approve the budget for the following year; to consider strategic financial matters and monitor the implementation of financial policies. Members of the company meet annually during Diocesan Synod to consider and approve the annual report.

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STRUCTURE AND GOVERNANCE (continued)

Organisation and decision making structure (continued)

In January 2018 it was decided that the Finance and Property Committee (“FPC”) would meet four times a year (increased from twice) to review overall activities against budget, consider investment policy and performance, and consider detailed requests for grants. It will also consider the draft budget for the following year (and longer term financial plans) before it is presented to Bishop’s Council. Membership of the committee is a mixture of ex-officio appointments and those elected or appointed every three years. The FPC also meets as the Audit Committee. Rev. Richard Williams (Finance Director, Rochester Diocese) and Hazel Thomas (Treasurer, Milan) joined as co-opted members. Michael Hart stood down as Chair in November 2018 and Michael Fegan was appointed in his place.

Andrew Caspari was appointed Diocesan Secretary and Company Secretary in January 2019 in the place of Michael Fegan who had been in this position since September 2017, in an interim capacity.

Appointment and induction of trustees

At the start of each new triennium new trustees and members are invited to participate in an induction process and receive information about roles and responsibilities. Trustees are periodically provided with updates on best practice.

Other organisations with which the Board co-operates in achieving its objectives

The company’s activities involve regular and routine financial transactions with chaplaincy councils in the Diocese as well as the central Church authorities, though none of these bodies are a connected charity as defined by charity law. In addition, there are links (in respect of finance and activities) with various related agencies, together with diocesan-wide voluntary and statutory organisations.

Decision making and delegation policy

Diocesan Synod sets and approves strategy and policies. The Board sets the annual budget and makes decisions on the financial policy for the Diocese. The day-to-day management and implementation of agreed strategies and policies is undertaken by senior staff.

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STRUCTURE AND GOVERNANCE (continued)

Funds held as Custodian Trustee on behalf of others

The Board holds investments and cash as custodian trustee on behalf of its chaplaincy councils and trusts. Where amounts owed to chaplaincies and trusts are matched by specific investment and cash balances these are excluded from the DBF's balance sheet and are recorded in note 20. In cases where current accounts are maintained with chaplaincies (which are used for the day-to-day administration of those chaplaincies), the net amounts deposited with the DBF by chaplaincies are not represented by specific investments or cash accounts. In this case the amounts owed to chaplaincies are included in creditors in the DBF balance sheet.

Public benefit

The trustees are aware of the Charity Commission's guidance on public benefit "The Advancement of Religion for the Public Benefit" and have regard to that guidance in their administration of the charity. The DBF believes that this report provides evidence of the public benefit of the charity's work in 2018.

As described more fully throughout the report, the DBF provides funds to support the work of Anglican Chaplaincies in Europe and part of North Africa and Russia. The vast majority of churches are available to the public at large and none is restricted to members of the Church of England.

Trustees' indemnity

The DBF provides insurance to its trustees against liability in respect of actions brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity insurance remains in force as of the date of approving the Trustees' Annual Report.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the DBF and of the surplus or deficit of the DBF for that period.

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STATEMENT OF TRUSTEES' RESPONSIBILITIES (continued)

In preparing these financial statements the trustees are required to:

- Select suitable accounting policies and apply them consistently
- Observe methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in operation

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

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Statement of disclosure to the Auditor

As far as the trustees are aware, there is no relevant audit information of which the charitable company's auditor is unaware. The trustees have taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Appointment of Auditor

A resolution to reappoint Haysmacintyre LLP as auditor to the company will be proposed at the Annual General Meeting.

On behalf of the Board of Trustees on 12 June 2019

M Fegan - Chair

THE DIOCESE IN EUROPE BOARD OF FINANCE

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ADMINISTRATIVE DETAILS

Trustees

No trustee had any beneficial interest in the company during the year. The following served as directors and trustees throughout the year, except where stated:

Ex officio

Mr. M Hart (Chair) - resigned November 2018

The Right Reverend Dr. R Innes – Bishop of Gibraltar in Europe

The Right Reverend Dr. D Hamid – Suffragan Bishop

The Reverend T Makipaa (Chair, House of Clergy)

Mr. D Coulston (Chair, House of Laity)

The Reverend Canon G Johnston – Interim Archdeacon of Gibraltar

The Venerable V Sims – Archdeacon of Italy and Malta – resigned March 2019

The Venerable P Vrolijk – Archdeacon of North West Europe

The Venerable C Williams – Archdeacon of the East, Germany & Northern Europe - resigned March 2019

The Venerable M Williams – Archdeacon of France

Mr. D Bean

Mrs. J Berry

The Reverend Canon S Godfrey

Mrs. M Kopetzky

Mr. M Fegan – appointed January 2019

Elected - House of Laity

Mr. N Rowley

Ms. M Talbot

Mr. P Tillbrook

Lay Canon Mrs. A Turner

Elected– House of Clergy

The Reverend Canon D Flach

The Reverend Dr. F Hegedus

The Reverend A Lowen

The Reverend D Waller

The Reverend Canon S Tyndall

Nominated by the Bishop of Gibraltar in Europe

The Reverend R Bromley

Mr. D Gowan

The Reverend Canon P Mountstephen - resigned November 2018

The Reverend A Nwaekwe

Mr. D White

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ADMINISTRATIVE DETAILS (continued)

Finance, property and audit committee (“FPC”)

The following served on the FPC to date:

Mr. M Hart (Chair) - resigned November 2018

Mr. M Fegan (Chair) – appointed November 2018

The Right Reverend Dr. R Innes – Bishop of Gibraltar in Europe

The Right Reverend Dr. D Hamid – Suffragan Bishop

Mr. D Bean

Ms. H Thomas

The Reverend P Jackson

The Venerable C Williams – Archdeacon of East, Germany and Northern Europe – resigned March 2019

The Venerable P Vrolijk – Archdeacon of North West Europe – appointed March 2019

Senior staff and principal advisers

M Fegan – Interim Diocesan Secretary - resigned January 2019

A Caspari – Chief Operating Officer (Diocesan Secretary) / Company Secretary -appointed January 2019

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London EC2N 3NW

Independent Auditor

Haysmacintyre LLP

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Investment manager

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Legal registrar

Aiden Hargreaves-Smith

Partner, Winckworth Sherwood

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THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2018

Opinion

We have audited the financial statements of The Diocese in Europe Board of Finance for the year ended 31 December 2018 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2018, 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.

Basis for opinion

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

Responsibilities of trustees for the financial statements

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

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2018

Auditor's responsibilities for the audit of the financial statements

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

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

Conclusions relating to going concern

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

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

Other information

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

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE DIOCESE IN EUROPE BOARD OF FINANCE

for the year ended 31 December 2018

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Use of our report

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

Adam Halsey (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP, Statutory Auditor

10 Queen Street Place
London
EC4R 1AG

Date:.....

THE DIOCESE IN EUROPE BOARD OF FINANCE

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2018

| | | Unrestricted funds | Restricted funds | Endowment funds | Total funds 2018 | Total funds 2017 |
|---|------|-----------------------|---------------------|--------------------|------------------------|------------------------|
| | Note | £ | £ | £ | £ | £ |
| Income and endowments from: | | | | | | |
| Donations: | | | | | | |
| Common Fund | | 687,817 | - | - | 687,817 | 590,899 |
| Archbishops Council grant | | 156,474 | - | - | 156,474 | 151,610 |
| Other donations | 3 | 61,751 | - | - | 61,751 | 139,026 |
| Investments | 4 | 200,678 | 155,510 | - | 356,188 | 359,915 |
| Other | 5 | 13,359 | - | - | 13,359 | 22,448 |
| Total income before exceptional items | | 1,120,079 | 155,510 | - | 1,275,589 | 1,263,898 |
| Exceptional Item - gain on disposal of property | 10 | 318,475 | - | - | 318,475 | - |
| Total income | | 1,438,554 | 155,510 | - | 1,594,064 | 1,263,898 |
| Expenditure on: | | | | | | |
| Charitable activities | 6 | (1,519,826) | (155,376) | - | (1,675,202) | (1,544,417) |
| Net (expenditure)/income before (loss) / gain on investments | | (81,272) | 134 | - | (81,138) | (280,519) |
| Net (loss) / gain on fixed asset investments | 12 | (30,811) | - | (210,478) | (241,289) | 478,644 |
| Gain on current asset investments | 13 | 156,022 | - | - | 156,022 | - |
| (Loss) on remeasurement equity share loan | 15 | (147,445) | - | - | (147,445) | - |
| | | (22,234) | - | (210,478) | (232,712) | 478,644 |
| Net (expenditure) / income | | (103,506) | 134 | (210,478) | (313,850) | 198,125 |
| Transfers between funds | 17 | - | - | - | - | - |
| Net movement in funds | | (103,506) | 134 | (210,478) | (313,850) | 198,125 |
| Total funds brought forward | | 3,478,632 | 288,858 | 5,561,857 | 9,329,347 | 9,131,222 |
| Total funds carried forward | 17 | 3,375,126 | 288,992 | 5,351,379 | 9,015,497 | 9,329,347 |

All activities derive from continuing activities. The notes on pages 23 to 44 form part of these financial statements.

THE DIOCESE IN EUROPE BOARD OF FINANCE

INCOME AND EXPENDITURE ACCOUNT

for the year ended 31 December 2018

| | Note | 2018 £ | 2017 £ |
|--|-------------|------------------|------------------|
| Total income | | 1,275,589 | 1,163,899 |
| Total expenditure | | (1,675,202) | (1,544,417) |
| Operating deficit before exceptional items | | (399,613) | (380,518) |
| Exceptional item - gain on disposal of property | 10 | 318,475 | - |
| Net (expenditure) before (loss) / gain on investments | | (81,138) | (380,518) |
| Net (loss) / gain on fixed asset investments | | (30,811) | 188,278 |
| Gain on current asset investments | 13 | 156,022 | - |
| (Loss) on remeasurement equity share loan | 15 | (147,445) | - |
| Net (expenditure) | | (103,372) | (192,240) |
| Other comprehensive income: | | | |
| Net assets transferred (to)/from endowments | | - | - |
| Total comprehensive (expenditure) | | (103,372) | (192,240) |

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

THE DIOCESE IN EUROPE BOARD OF FINANCE

BALANCE SHEET

as at 31 December 2018

| | | 2018 | | 2017 | |
|---|------|--------------------|-------------------------|--------------------|-------------------------|
| | Note | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 11 | | 574,439 | | 723,235 |
| Investments | 12 | | <u>8,556,817</u> | | <u>8,798,106</u> |
| | | | 9,131,256 | | 9,521,341 |
| Fixed liabilities | | | | | |
| Current asset investments | 13 | 179,445 | | - | |
| Debtors | 14 | 722,477 | | 564,105 | |
| Short term deposits and cash at bank | | <u>623,546</u> | | <u>746,632</u> | |
| | | 1,525,468 | | 1,310,737 | |
| Creditors: amounts falling due within one year | 15 | <u>(1,621,760)</u> | | <u>(1,447,148)</u> | |
| Net current liabilities | | | <u>(96,292)</u> | | <u>(136,411)</u> |
| Total assets less current liabilities | | | 9,034,964 | | 9,384,930 |
| Creditors: amounts falling due after one year | 16 | | <u>(19,467)</u> | | <u>(55,583)</u> |
| Net Assets | 19 | | <u>9,015,497</u> | | <u>9,329,347</u> |
| Funds | | | | | |
| Unrestricted Funds | | | | | |
| - General | | 3,032,929 | | 3,130,950 | |
| - Designated Funds | | <u>342,197</u> | | <u>347,682</u> | |
| | 17 | | 3,375,126 | | 3,478,632 |
| Restricted Funds | 17 | | 288,992 | | 288,858 |
| Endowment Funds | 17 | | 5,351,379 | | 5,561,857 |
| | | | <u>9,015,497</u> | | <u>9,329,347</u> |

The notes on pages 23 to 44 form part of these financial statements.

The financial statements were approved by the Board of Trustees, and authorised for issue on 12 June 2019

The financial statements are signed on behalf of the Board by:

.....

Michael Fegan

Chairman

Company registration No: 00106580 (England & Wales)

THE DIOCESE IN EUROPE BOARD OF FINANCE

CASH FLOW STATEMENT

for the year ended 31 December 2018

| | 2018 | | 2017 | |
|--|---------|------------------|-----------|------------------|
| | £ | £ | £ | £ |
| Net cash used in operating activities | | (871,129) | | (195,414) |
| Cash flows from investing activities | | | | |
| Interest and dividends received | 356,188 | | 359,915 | |
| Interest paid | (2,517) | | - | |
| Proceeds from the sale of: | | | | |
| Fixed assets | 402,504 | | - | |
| Investments | - | | 453,760 | |
| Purchase of: | | | | |
| Tangible fixed assets | (8,132) | | - | |
| Investments | - | | (553,760) | |
| Net cash provided by investing activities | | 748,043 | | 259,915 |
| Net (decrease) / increase in cash and cash equivalents | | (123,086) | | 64,501 |
| Cash and cash equivalents at 1 January | | 746,632 | | 682,131 |
| Cash and cash equivalents at 31 December | | 623,546 | | 746,632 |
| Reconciliation of net cash flow from operating activities | | | | |
| Net (expenditure) / income | | (313,850) | | 198,125 |
| Adjustments for: | | | | |
| Depreciation | | 14,675 | | 15,008 |
| Gain on disposal of fixed asset | | (318,475) | | - |
| Loss / (gain) on investments | | 241,289 | | (478,644) |
| (Gain) on revaluation of current asset investment | | (156,022) | | - |
| Loss on revaluation of equity share loan | | 147,445 | | - |
| Insurance receipts included in exceptional gain on disposal | | 34,800 | | - |
| Investment income | | (356,188) | | (359,915) |
| Interest payable | | 2,517 | | - |
| (Increase) in debtors | | (337,817) | | (97,861) |
| Increase in creditors | | 170,497 | | 527,873 |
| Net cash used in operating activities | | (871,129) | | (195,414) |
| Analysis of cash and cash equivalents | | | | |
| Short term deposits and cash at bank | | 623,546 | | 746,632 |

No separate analysis of changes in net funds has been presented as these are incorporated in the cash flow statements and notes above.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

1. Accounting Policies

a) General information

The DBF is a charitable company limited by guarantee incorporated in England and Wales and registered with the Charity Commission.

b) Accounting convention and basis of preparation

The financial statements have been prepared under the historical cost convention, with the exception of fixed and current asset investments, which are included at their market value at the balance sheet date. The financial statements have been prepared in accordance with the Statement of Recommended Practice for Charities (SORP 2015), the Companies Act 2006, and applicable accounting standards (FRS102). In doing so the DBF has adopted early the amendments to FRS 102 (issued December 2017 - Triennial review). The DBF meets the definition of a public benefit entity under FRS102.

c) Going concern

The trustees consider that there are no material uncertainties regarding the DBF's ability to continue as a going concern.

d) Income

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, when ultimate receipt is reasonably certain and the amount to be recognised can be quantified with reasonable accuracy.

The principal source of income of the DBF is Common Fund donations. These monies are recognised in the SOFA in the period for which they are receivable. Amounts requested which are not received at the balance sheet date are not included in income or in debtors because there is no legal obligation on chaplaincies to pay.

Grants received which are subject to pre-conditions for entitlement or where use is specified by the donor are included in creditors where these pre-conditions have not been met at the balance sheet date.

Legacies, contributions and other donations are accounted for when conditions for their receipt have been met.

Investment income is recognised when receivable.

e) Expenditure

Expenditure is accounted for on an accruals basis and has been aggregated under the relevant SOFA category. Expenditure includes irrecoverable VAT.

Charitable expenditure consists of expenditure on resourcing ministry and mission in the chaplaincies of the Diocese.

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 DBF. These grants are recognised as expenditure when the conditions attaching to the grant are fulfilled. Grants offered which are subject to conditions which have not been met at the year-end are noted as commitments, but not accrued as expenditure.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

1 Accounting Policies (continued)

e) Expenditure (continued)

Support costs consist of central management, administration and governance costs. Administrative support associated with making grants is insignificant and all costs are allocated to resourcing ministry and mission charitable expenditure.

f) Tangible fixed assets

Assets in excess of £300 are capitalised as tangible fixed assets and are stated at cost less depreciation.

Depreciation is provided on all tangible fixed assets other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful life, as follows:

| | |
|------------------------|---------------------------|
| Freehold buildings | 100 years |
| Leasehold property | Over the term of lease |
| Leasehold improvements | 21 years or term of lease |
| Equipment | 5 years |

Properties included in fixed assets only include those properties acquired after 1974. The details of properties owned by the DBF prior to 1974 are recorded in a property register, but the historic cost is not known and therefore not included in the balance sheet. None of these are "Heritage Assets".

g) Investments

Investments are included in the balance sheet at market value with the gain or loss taken to the SOFA.

h) Leases

The DBF is only party to operating leases and has no finance leases. The rental on these operating leases is charged in full as expenditure in the year to which it relates. Where rent free periods are given as part of an operating lease, the impact of this rent free period is included in the SOFA over the shorter of the overall lease term or the period until the first break clause.

i) Foreign exchange

Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. Foreign currency balances are translated at the balance sheet date and any differences are included in the SOFA.

j) Chaplaincy accounts

Where the Diocese invests money on behalf of individual chaplaincies, these assets and the associated liability to the chaplaincy are not included in the balance sheet. However, where the Diocese operates a "current account" with a chaplaincy, and the amount owed to a chaplaincy is not covered with specific assets in the chaplaincy name, these liabilities to the chaplaincies are recorded in creditors. If these obligations to chaplaincies were required to be settled, they would be settled out of the general unrestricted assets of the Diocese.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

Accounting Policies (continued)

k) Pensions

The accounting treatment for the pension schemes in which the DBF participates is described in Note 23.

l) Financial instruments – assets and liabilities

Debtors

Debtors are recognised at the settlement amount due.

Cash and cash equivalents

Cash at bank and cash in hand held in short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised where the DBF has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Equity share loan

The DBF has one loan for which the settlement proceeds are based on the value of the equity in a property. As this constitutes a non-basic financial instrument under FRS 102 this loan has been recognised at fair value and is revalued at each reporting date. Any gains and losses arising at each year end are recognised in the SOFA.

m) Fund balances

Unrestricted Funds

Unrestricted Funds are the DBF's corporate funds and they are freely available for any purpose within the company's objects, at the discretion of the DBF. There are two types of unrestricted funds:

General Funds which the Diocese intends to use for the general purposes of the Diocese.

Designated Funds which are allocated to specific purpose but which are, nonetheless, unrestricted.

Restricted Funds

Restricted Funds are income funds subject to conditions imposed by the donor as specific terms of trust, or else by legal measure.

Endowment Funds

Endowment funds are held on trust to be retained for the benefit of the donor charity as a capital fund. In the case of endowment funds administered by the DBF, there is no provision for expenditure of capital and all are classed as permanent endowments.

A management charge of 5% of income is applied to all funds to cover accountancy and administration costs.

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

2 Critical accounting judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the DBF's accounting policies and the reported assets, liabilities, income and expenditure and the disclosures made in the financial statements. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key areas subject to judgement and estimation are as follows:

Recognition of defined benefit pension scheme creditor

The DBF is different to many other English diocesan boards of finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area in which the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

FRS102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS102 section 28.13 and 28.13A. The DBF has a payment plan with the Church of England's Pensions Board to make additional contributions to the clergy pension scheme to fund the estimated deficit under the recovery plan until 31 December 2025.

The trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England pension scheme, the substance of the arrangements in place is that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis the trustees consider it appropriate to recognise the deficit only for those members of the clergy that the DBF is directly responsible for. At the balance sheet date this was one individual.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England pension scheme actuaries for the current year. This has resulted in the recognition of a liability at the balance sheet date of £19,467 (2017: £23,583). If the full liability to make deficit repayments was to be recognised in these accounts, the liability at the balance sheet date would be £876,000 (2017: £1,132,000). A full explanation of the DBF's pension arrangements and the presentation in the financial statements is included in Note 23.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

3 Other donations income

| | Unrestricted funds | Designated funds | Restricted funds | Endowment funds | Total funds |
|---------------------------------|-----------------------|---------------------|---------------------|--------------------|----------------|
| | 2018 | 2018 | 2018 | 2018 | 2018 |
| | £ | £ | £ | £ | £ |
| Ordination candidates donations | - | 35,251 | - | - | 35,251 |
| Other donations | 26,500 | - | - | - | 26,500 |
| | 26,500 | 35,251 | - | - | 61,751 |
| | 2017 | 2017 | 2017 | 2017 | 2017 |
| | £ | £ | £ | £ | £ |
| Ordination candidates donations | - | 21,263 | - | - | 21,263 |
| Other donations | 17,763 | - | - | 100,000 | 117,763 |
| | 17,763 | 21,263 | - | 100,000 | 139,026 |

4 Investment income

| | Unrestricted funds | Designated funds | Restricted funds | Endowment funds | Total funds |
|--------------------------------|-----------------------|---------------------|---------------------|--------------------|----------------|
| | 2018 | 2018 | 2018 | 2018 | 2018 |
| | £ | £ | £ | £ | £ |
| Income from listed investments | 181,047 | - | 155,510 | - | 336,557 |
| Interest receivable | 19,631 | - | - | - | 19,631 |
| | 200,678 | - | 155,510 | - | 356,188 |
| | 2017 | 2017 | 2017 | 2017 | 2017 |
| | £ | £ | £ | £ | £ |
| Income from listed investments | 190,347 | - | 155,850 | - | 346,197 |
| Interest receivable | 13,718 | - | - | - | 13,718 |
| | 204,065 | - | 155,850 | - | 359,915 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

5 Other income

| | Unrestricted funds | Total funds |
|---------------|-----------------------|---------------|
| | 2018 | 2017 |
| | £ | £ |
| Rental income | 1,350 | 8,100 |
| Sundry income | 12,009 | 14,348 |
| | 13,359 | 22,448 |

6 Expenditure on charitable activities

| | Unrestricted funds | Designated funds | Restricted funds | Endowment funds | Total funds |
|-----------------------------------|-----------------------|---------------------|---------------------|--------------------|------------------|
| | 2018 | 2018 | 2018 | 2018 | 2018 |
| | £ | £ | £ | £ | £ |
| Direct ministry and mission costs | 683,318 | - | - | - | 683,318 |
| Housing costs | 16,811 | - | - | - | 16,811 |
| Grants | 30,703 | 40,736 | 147,752 | - | 219,191 |
| Allocated support costs | 748,258 | - | 7,624 | - | 755,882 |
| | 1,479,090 | 40,736 | 155,376 | - | 1,675,202 |
| | 2017 | 2017 | 2017 | 2017 | 2017 |
| | £ | £ | £ | £ | £ |
| Direct ministry and mission costs | 649,826 | 31,736 | - | - | 681,562 |
| Housing costs | 18,214 | - | - | - | 18,214 |
| Grants | 20,829 | 18,827 | 159,050 | - | 198,706 |
| Allocated support costs | 638,230 | - | 7,705 | - | 645,935 |
| | 1,327,099 | 50,563 | 166,755 | - | 1,544,417 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

7 Analysis of expenditure including allocation of support costs

| | Activities undertaken directly | Grant funding of activities | Support Costs | Total Costs |
|-----------------------------------|--------------------------------------|-----------------------------------|------------------|------------------|
| | 2018 | 2018 | 2018 | 2018 |
| | £ | £ | £ | £ |
| <u>Charitable activities</u> | | | | |
| Direct ministry and mission costs | 683,318 | - | 755,882 | 1,439,200 |
| Housing costs | 16,811 | - | - | 16,811 |
| Grants | - | 219,191 | - | 219,191 |
| | 700,130 | 219,191 | 755,882 | 1,675,202 |
| | 2017 | 2017 | 2017 | 2017 |
| | £ | £ | £ | £ |
| <u>Charitable activities</u> | | | | |
| Direct ministry and mission costs | 681,562 | - | 645,935 | 1,327,497 |
| Housing costs | 18,214 | - | - | 18,214 |
| Grants | - | 198,706 | - | 198,706 |
| | 699,776 | 198,706 | 645,935 | 1,544,417 |

8 Analysis of support costs

| | Unrestricted funds | Designated funds | Restricted funds | Total funds |
|--|-----------------------|---------------------|---------------------|----------------|
| | 2018 | 2018 | 2018 | 2018 |
| | £ | £ | £ | £ |
| Central staff costs | 402,957 | - | - | 402,957 |
| Central office and premises | 74,648 | - | - | 74,648 |
| Depreciation | 14,675 | - | - | 14,675 |
| Legal and professional fees | 62,839 | - | - | 62,839 |
| Pension deficit creditor movement | (4,116) | - | - | (4,116) |
| Trust management costs | - | - | 7,624 | 7,624 |
| Publications | 17,373 | - | - | 17,373 |
| Other support costs | 74,130 | - | - | 74,130 |
| Governance | | | | |
| Fees paid to auditor - audit | 12,000 | - | - | 12,000 |
| Adjustment for prior year | 14,398 | - | - | 14,398 |
| Non audit fees including taxation services | 4,260 | - | - | 4,260 |
| Synod and Bishop's Council | 75,094 | - | - | 75,094 |
| | 748,258 | - | 7,624 | 755,882 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

8 Analysis of support costs (continued)

| | Unrestricted funds | Designated funds | Restricted funds | Total funds |
|-----------------------------------|-----------------------|---------------------|---------------------|----------------|
| | 2017 | 2017 | 2017 | 2017 |
| | £ | £ | £ | £ |
| Central staff costs | 307,528 | - | - | 307,528 |
| Central office and premises | 78,324 | - | - | 78,324 |
| Depreciation | 15,008 | - | - | 15,008 |
| Legal and professional fees | 60,376 | - | - | 60,376 |
| Pension deficit creditor movement | (3,330) | - | - | (3,330) |
| Trust management costs | - | - | 7,705 | 7,705 |
| Publications | 35,995 | - | - | 35,995 |
| Other support costs | 50,162 | - | - | 50,162 |
| Governance | | | | |
| Fees paid to auditor - audit | 9,810 | - | - | 9,810 |
| Fees paid to auditor - non audit | 9,240 | - | - | 9,240 |
| Synod and Bishop's Council | 75,117 | - | - | 75,117 |
| | 638,230 | - | 7,705 | 645,935 |

9 Staff costs

| Staff numbers and costs | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Salaries | 424,422 | 369,138 |
| Social security costs | 34,145 | 53,382 |
| Other pension costs | 43,088 | 52,241 |
| Redundancy | 12,370 | - |
| | 514,025 | 474,761 |
| | 2018 | 2017 |
| Average number staff employed by the Diocese during the year: | <u>13</u> | <u>12</u> |
| Average number staff employed during the year (Full Time Equivalents): | <u>11</u> | <u>10</u> |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

9 Staff costs (continued)

The stipend of the priest who is a member of the training team was £36,270 (2017: £29,850). This cost was reimbursed to his principal employer. Clergy of the Diocese are not employees of the Company and therefore their stipends and pensions etc. are not included in this note.

The number of staff whose emoluments (including benefits in kind but excluding pension contributions) amounted to more than £60,000 were as follows:

| | 2018 Number | 2017 Number |
|-------------------|------------------------|------------------------|
| £60,001 - £70,000 | <u>1</u> | <u>2</u> |

Remuneration of Key Management Personnel

Key management personnel are deemed to be members of the Bishop's senior staff. During the year remuneration for these employees totalled £96,730 (2017: £210,265).

Trustees reimbursed expenses and remuneration

All trustees attend two meetings each year, in May and October. They are reimbursed for their travel and accommodation costs. During the year 14 trustees were reimbursed expenses totalling £7,970 (2017: £17,286). Trustees received no remuneration in the year.

10 Exceptional items

During the year, a freehold property was sold generating proceeds of £402,504. The DBF also received additionally insurance proceeds of £34,800 in respect of a flood at the same property. The combined gain on disposal of the property and net insurance receipts totalled £318,475.

This opportunity will not be repeated and thus it has been deemed to be exceptional income.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

11 Tangible Fixed Assets

| | Freehold property | Leasehold property & improvements | Equipment | Total |
|---------------------------------------|----------------------|---|---------------|----------------|
| | £ | £ | £ | £ |
| COST | | | | |
| Brought forward 1 January 2018 | 836,775 | 87,194 | 37,420 | 961,389 |
| Additions | - | - | 8,132 | 8,132 |
| Disposals | (151,763) | - | (4,418) | (156,181) |
| Transfer to current asset investments | - | (33,804) | - | (33,804) |
| Carry forward 31 December 2018 | 685,012 | 53,390 | 41,134 | 779,536 |
| DEPRECIATION | | | | |
| Brought forward 1 January 2018 | 153,609 | 53,501 | 31,044 | 238,154 |
| Depreciation charge for the year | 7,744 | 2,982 | 3,949 | 14,675 |
| Written back on disposal | (32,933) | - | (4,418) | (37,351) |
| Transfer to current asset investments | - | (10,381) | - | (10,381) |
| Carry forward 31 December 2018 | 128,420 | 46,102 | 30,575 | 205,097 |
| NET BOOK VALUE | | | | |
| At 31 December 2018 | 556,592 | 7,288 | 10,559 | 574,439 |
| At 1 January 2018 | 683,166 | 33,693 | 6,376 | 723,235 |

An asset held in leasehold property was disposed of in January 2019. Consequently it has been transferred to Current Asset Investment upon reclassification. See Note 13.

12 Investments

| | 2018 £ | 2017 £ |
|-------------------------------|-------------------------|-------------------------|
| Market value at 1 January | 8,798,106 | 8,219,462 |
| Additions | - | 553,760 |
| Disposals | - | (434,385) |
| Net investment (losses)/gains | <u>(241,289)</u> | <u>459,269</u> |
| Market value at 31 December | <u>8,556,817</u> | <u>8,798,106</u> |

The majority of fixed asset investments are held in collective investment funds managed by CCLA.

The historic cost of these investments at 31 December 2018 and 2017 was £5,923,585.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

13 Current asset investment

| | Investment property |
|---|--------------------------------|
| | £ |
| Reclassified from tangible fixed assets | 23,423 |
| Gains on revaluation | <u>156,022</u> |
| At 31 December 2018 | <u>179,445</u> |

An asset, held previously in Fixed Assets (Note 11) under leasehold property, was disposed of in January 2019. It has been therefore been transferred to Current Asset Investment and remeasured at fair value, reflecting the net sale proceeds received. The gain of £156,022 has been recognised in the Statement of Financial Activities.

14 Debtors

| | 2018 | 2017 |
|--------------------------------|------------------------|------------------------|
| | £ | £ |
| Amounts due from chaplaincies | 325,000 | 350,000 |
| Prepayments and accrued income | 90,425 | 64,163 |
| Other debtors | <u>307,052</u> | <u>149,942</u> |
| | <u>£722,477</u> | <u>£564,105</u> |

Of the amounts due from chaplaincies noted above, £325,000 (2017: £350,000) is due after more than 1 year being interest-bearing loans to Florence £200,000 (2017: £200,000), Venice £75,000 (2017: £75,000) and Prague £50,000 (2017: £75,000). These loans are secured on property.

Included in other debtors is £262,714 (2017: £111,137) in respect of pooled ordination candidates funding, part of which is recoverable in more than 1 year.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

15 Creditors: falling due within 1 year

| | 2018 | 2017 |
|--|--------------------------|--------------------------|
| | £ | £ |
| Amounts held on behalf of chaplaincies | 1,158,273 | 1,248,270 |
| Equity share loan | 179,445 | - |
| Other creditors | 70,765 | 142,367 |
| Taxation and social security | 8,926 | 9,911 |
| Accruals | <u>204,351</u> | <u>46,600</u> |
| | <u>£1,621,760</u> | <u>£1,447,148</u> |

Grants from Unrestricted and Endowed Funds are often given over a period of three years. As at 31 December 2018 amounts committed, in aggregate from Diocesan & Development Fund resources which will become payable after the balance sheet date are as follows: 2019: £23,333, 2020 £13,333.

The equity share loan was advanced under an "equity sharing" arrangement with the Church Commissioners, based on the % of loan advance to the agreed value of the property at the time of the advance. The Commissioners have a 100% share. Any profit or loss arising from the subsequent sale are to be shared in the same proportion. The loan is secured by a charge on the property. Interest is payable at varying rates, quarterly in arrears.

During the year the loan was fair valued from £32,000 to £179,445, reflecting the settlement proceeds of the sale of asset to which it related. The loss of £147,445 on remeasurement was recognised in the SOFA after operating results for the year. As the sale took place less than 12 months after the year end the creditor was reclassified from falling due after more than one year to a current liability.

16 Creditors: falling due after more than 1 year

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Equity share loan (see note 15) | - | 32,000 |
| Pension deficit repayment creditor (see note 23) | <u>19,467</u> | <u>23,583</u> |
| | <u>£19,467</u> | <u>£55,583</u> |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

17(a) Summary of fund movements - current year

| | As at 1 Jan 18 £ | Income £ | Grants & expenditure £ | Other gains and losses £ | As at 31 Dec 18 £ |
|--------------------------------------|------------------------|------------------|------------------------------|--------------------------------|-------------------------|
| Unrestricted Funds: | | | | | |
| <i>General funds:</i> | | | | | |
| Diocesan Fund | 3,130,950 | 1,403,303 | (1,479,090) | (22,234) | 3,032,929 |
| <i>Designated funds:</i> | | | | | |
| Ordination Candidates Fund | 47,682 | 35,251 | (26,928) | - | 56,005 |
| Mission Opportunities Fund | 300,000 | - | (13,808) | - | 286,192 |
| Total Unrestricted Funds | 3,478,632 | 1,438,554 | (1,519,826) | (22,234) | 3,375,126 |
| Restricted funds | | | | | |
| Diocesan Development Fund | 84,187 | 15,614 | (31,072) | - | 68,729 |
| MMS (Gibraltar & Marseilles) | (7,554) | 9,535 | (11,477) | - | (9,496) |
| Overseas Bishoprics Fund | 9,035 | 5,538 | (277) | - | 14,296 |
| Armstrong Trust (Istanbul) | 66,460 | 5,854 | (6,293) | - | 66,021 |
| Clement Jones (Suffragan Bishop) | 4,407 | 2,935 | (5,871) | - | 1,471 |
| Daphne Willoughby - Waters (Palma) | 2,070 | 2,156 | (107) | - | 4,119 |
| Spicer Trust (Needy clergy) | 4,593 | 3,016 | (1,206) | - | 6,403 |
| Stephenson Bequest (Malaga) | - | 3,024 | (3,024) | - | - |
| Philip Coleman Trust (Palma) | - | 1,932 | (1,932) | - | - |
| Ackland Troyte Trust (Pau) | - | 1,184 | (1,184) | - | - |
| Bagneres de Bigorre Fund (France) | - | 1,276 | (1,276) | - | - |
| Crimean Memorial Church (Istanbul) | - | 2,337 | (2,337) | - | - |
| All Saints (Dresden) Trust (Germany) | - | 4,233 | (4,233) | - | - |
| Houlton Fund (Malta) | - | 1,100 | (1,100) | - | - |
| Emma Tebbs Trust (Rome) | - | 3,327 | (3,327) | - | - |
| Frank Pratt Barlow (Monte Carlo) | - | 36,145 | (36,145) | - | - |
| Lindley Fund (Germany) | - | 1,523 | (1,523) | - | - |
| Col Doughty Wylie Fund (FCO) | 12,117 | 3,519 | (919) | - | 14,717 |
| St Andrew's (Tangier) | 16,989 | 9,928 | (17,118) | - | 9,799 |
| Small Chaplaincies | - | 3,037 | (3,037) | - | - |
| Riga Mission Trust | 12,700 | 24,967 | (21,252) | - | 16,415 |
| Bertie Watson (Algarve) | 83,854 | 13,330 | (666) | - | 96,518 |
| | 288,858 | 155,510 | (155,376) | - | 288,992 |
| Balance c/f | 3,767,490 | 1,594,064 | (1,675,202) | (22,234) | 3,664,118 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

17(a) Summary of fund movements - current year (continued)

| | As at 1 Jan 18 | Income | Grants & expenditure | Other gains and losses | As at 31 Dec 18 |
|--------------------------------------|-------------------|------------------|-------------------------|---------------------------|--------------------|
| | £ | £ | £ | £ | £ |
| Balance c/f | 3,767,490 | 1,594,064 | (1,675,202) | (22,234) | 3,664,118 |
| Endowment Funds: | | | | | |
| Diocesan Development Fund | 327,573 | - | - | (4,216) | 323,357 |
| MMS (Gibraltar & Marseilles) | 310,151 | - | - | (3,295) | 306,856 |
| Overseas Bishoprics Fund | 197,214 | - | - | (2,487) | 194,727 |
| Continental Chaplaincies | 988,157 | - | - | (17,578) | 970,579 |
| Armstrong Trust (Istanbul) | 124,248 | - | - | (3,731) | 120,517 |
| Clement Jones (Suffragan Bishop) | 80,267 | - | - | (2,174) | 78,093 |
| Daphne Willoughby - Waters (Palma) | 98,952 | - | - | (2,028) | 96,924 |
| Spicer Trust (Needy clergy) | 26,595 | - | - | (718) | 25,877 |
| Stephenson Bequest (Malaga) | 83,703 | - | - | (2,761) | 80,942 |
| Philip Coleman Trust (Palma) | 49,045 | - | - | (2,219) | 46,826 |
| Ackland Troyte Trust (Pau) | 35,619 | - | - | (532) | 35,087 |
| Bagneres de Bigorre Fund (France) | 38,399 | - | - | (573) | 37,826 |
| Crimean Memorial Church (Istanbul) | 68,622 | - | - | (1,024) | 67,598 |
| All Saints (Dresden) Trust (Germany) | 127,379 | - | - | (1,901) | 125,478 |
| Houlton Endowment Fund (Malta) | 33,100 | - | - | (494) | 32,606 |
| Emma Tebbs Trust (Rome) | 100,117 | - | - | (1,494) | 98,623 |
| Frank Pratt Barlow (Monte Carlo) | 1,283,056 | - | - | (96,281) | 1,186,775 |
| Lindley Endowment Fund (Germany) | 45,834 | - | - | (684) | 45,150 |
| Col Doughty Wylie Fund (FCO) | 127,796 | - | - | (9,805) | 117,991 |
| St Andrew's (Tangier) | 308,033 | - | - | (4,459) | 303,574 |
| St. George's (Berlin) | 138,126 | - | - | (1,362) | 136,764 |
| Riga Mission Trust | 532,653 | - | - | (45,003) | 487,650 |
| Bertie Watson (Algarve) | 437,218 | - | - | (5,659) | 431,559 |
| | 5,561,857 | - | - | (210,478) | 5,351,379 |
| Total funds | 9,329,347 | 1,594,064 | (1,675,202) | (232,712) | 9,015,497 |

Diocesan Fund

The general fund is the DBF's unrestricted undesignated fund available for any of the DBF's purposes without restriction.

Ordination Candidates Fund

This designated fund is available to support ordination candidates.

Mission Opportunities Fund

The Mission Opportunities Fund has been established to fund projects which have the specific objective of growing congregations in the Diocese.

Diocesan Development Fund

Diocesan Development Fund is Special Trust for purposes of Charities Act 2011

Restricted funds may only be applied for the purposes specified in the measures, trust deeds and the ecclesiastical statutory regulations. Generally all income generated on restricted funds is paid to the chaplaincies to which the fund relates. Grants and expenditure includes a 5% management fee levied by the Diocese.

The management charge is applied to all trusts to cover accountancy and administration for those trusts. This charge has been accounted for as income to the unrestricted general fund, and as a cost to the funds concerned. The total charge within restricted funds was £7,624 (2017: £7,705).

Endowment 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 specified purposes.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

17(b) Summary of fund movements - previous year

| | As at 1 Jan 17 | Income | Grants & expenditure | Transfers | Other gains and losses | As at 31 Dec 17 |
|--------------------------------------|-------------------|------------------|-------------------------|-----------|---------------------------|--------------------|
| | £ | £ | £ | £ | £ | £ |
| Unrestricted funds: | | | | | | |
| <i>General funds:</i> | | | | | | |
| Diocesan Fund | 2,243,162 | 986,784 | (1,327,099) | 1,228,103 | - | 3,130,950 |
| <i>Designated funds:</i> | | | | | | |
| Ordination Candidates Fund | 45,245 | 21,264 | (18,827) | - | - | 47,682 |
| Safeguarding Project Fund | 31,736 | - | (31,736) | - | - | - |
| Mission Opportunities Fund | - | - | - | 300,000 | - | 300,000 |
| Property holdings | 728,209 | - | - | (728,209) | - | - |
| Investment revaluation reserve | 611,616 | - | - | (799,894) | 188,278 | - |
| Total Unrestricted Funds | 3,659,968 | 1,008,048 | (1,377,662) | - | 188,278 | 3,478,632 |
| Restricted funds | | | | | | |
| Diocesan Development Fund | 78,921 | 17,648 | (12,382) | - | - | 84,187 |
| MMS (Gibraltar & Marseilles) | (5,426) | 9,339 | (11,467) | - | - | (7,554) |
| Overseas Bishoprics Fund | 9,554 | 5,420 | (5,939) | - | - | 9,035 |
| Armstrong Trust (Istanbul) | 72,985 | 5,763 | (12,288) | - | - | 66,460 |
| Clement Jones (Suffragan Bishop) | 3,158 | 2,899 | (1,650) | - | - | 4,407 |
| Daphne Willoughby - Waters (Palma) | 107 | 2,122 | (159) | - | - | 2,070 |
| Spicer Trust (Needy clergy) | 8,132 | 3,003 | (6,542) | - | - | 4,593 |
| Stephenson Bequest (Malaga) | - | 3,003 | (3,003) | - | - | - |
| Philip Coleman Trust (Palma) | - | 1,932 | (1,932) | - | - | - |
| Ackland Troyte Trust (Pau) | - | 1,159 | (1,159) | - | - | - |
| Bagneres de Bigorre Fund (France) | - | 1,507 | (1,507) | - | - | - |
| Crimean Memorial Church (Istanbul) | - | 2,232 | (2,232) | - | - | - |
| All Saints (Dresden) Trust (Germany) | - | 4,144 | (4,144) | - | - | - |
| Houlton Fund (Malta) | - | 1,077 | (1,077) | - | - | - |
| Emma Tebbs Trust (Rome) | - | 3,257 | (3,257) | - | - | - |
| Frank Pratt Barlow (Monte Carlo) | - | 37,239 | (37,239) | - | - | - |
| Lindley Fund (Germany) | - | 1,491 | (1,491) | - | - | - |
| Col Doughty Wylie Fund (FCO) | 10,430 | 3,315 | (1,628) | - | - | 12,117 |
| St Andrew's Tangier | 7,757 | 9,718 | (486) | - | - | 16,989 |
| Small Trusts to various chaplaincies | - | 2,820 | (2,820) | - | - | - |
| Riga Mission Trust | 12,391 | 24,016 | (23,707) | - | - | 12,700 |
| Bertie Watson (Algarve) | 101,754 | 12,745 | (30,645) | - | - | 83,854 |
| | 299,763 | 155,850 | (166,755) | - | - | 288,858 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

17(b) Summary of fund movements - previous year (continued)

| | As at 1 Jan 17 | Income | Grants & expenditure | Transfers | Other gains and losses | As at 31 Dec 17 |
|--------------------------------------|-------------------|------------------|-------------------------|-----------|---------------------------|--------------------|
| | £ | £ | £ | £ | £ | £ |
| Endowment Funds: | | | | | | |
| Diocesan Development Fund | 304,152 | - | - | - | 23,421 | 327,573 |
| MMS (Gibraltar & Marseilles) | 292,853 | - | - | - | 17,298 | 310,151 |
| Overseas Bishoprics Fund | 185,460 | - | - | - | 11,754 | 197,214 |
| Continental Chaplaincies | 947,020 | - | - | - | 41,137 | 988,157 |
| Armstrong Trust (Istanbul) | 115,591 | - | - | - | 8,657 | 124,248 |
| Clement Jones (Suffragan Bishop) | 76,963 | - | - | - | 3,304 | 80,267 |
| Daphne Willoughby - Waters (Palma) | 94,052 | - | - | - | 4,900 | 98,952 |
| Spicer Trust (Needy clergy) | 25,333 | - | - | - | 1,262 | 26,595 |
| Stephenson Bequest (Malaga) | 82,082 | - | - | - | 1,621 | 83,703 |
| Philip Coleman Trust (Palma) | 49,566 | - | - | - | (521) | 49,045 |
| Ackland Troyte Trust (Pau) | 33,106 | - | - | - | 2,513 | 35,619 |
| Bagneres de Bigorre Fund (France) | 35,690 | - | - | - | 2,709 | 38,399 |
| Crimean Memorial Church (Istanbul) | 63,781 | - | - | - | 4,841 | 68,622 |
| All Saints (Dresden) Trust (Germany) | 118,393 | - | - | - | 8,986 | 127,379 |
| Houlton Endowment Fund (Malta) | 30,765 | - | - | - | 2,335 | 33,100 |
| Emma Tebbs Trust (Rome) | 93,054 | - | - | - | 7,063 | 100,117 |
| Frank Pratt Barlow (Monte Carlo) | 1,105,162 | 100,000 | - | - | 77,894 | 1,283,056 |
| Lindley Endowment Fund (Germany) | 42,601 | - | - | - | 3,233 | 45,834 |
| Col Doughty Wylie Fund (FCO) | 121,590 | - | - | - | 6,206 | 127,796 |
| St Andrew's Tangier | 286,959 | - | - | - | 21,074 | 308,033 |
| Small Trusts to various chaplaincies | 132,863 | - | - | - | 5,263 | 138,126 |
| Riga Mission Trust | 523,983 | - | - | - | 8,670 | 532,653 |
| Bertie Watson (Algarve) | 410,472 | - | - | - | 26,746 | 437,218 |
| | 5,171,491 | 100,000 | - | - | 290,366 | 5,561,857 |
| Total funds | 9,131,222 | 1,263,898 | (1,544,417) | - | 478,644 | 9,329,347 |

Diocesan Fund

The general fund is the DBF's unrestricted undesignated fund available for any of the DBF's purposes without restriction.

Ordination Candidates Fund

This designated fund is available to support ordination candidates.

Safeguarding project fund

The fund was designated to support the DBF's employment of a Safeguarding Manager and to provide safeguarding training. It is now

Mission Opportunities Fund

The Mission Opportunities Fund has been established to fund projects which have the specific objective of growing congregations in the Diocese.

Property Holdings Fund

The balance on this reserve was transferred to the Diocesan Fund at the year end.

Investment Revaluation

The balance on this reserve was transferred to the Diocesan Fund at the year end.

Diocesan Development Fund

Diocesan Development Fund is a Special Trust for purposes of Charities Act 2011.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

18 Commitments under operating leases

At 31 December 2018, the company had future minimum payments under non cancellable operating leases as follows:

| Land and Buildings: | 2018 | 2017 |
|--|----------------|----------------|
| | £ | £ |
| Not later than 1 year | 50,303 | 50,303 |
| Later than 1 year and not later than 5 years | 50,303 | 100,606 |
| | <u>100,606</u> | <u>150,909</u> |

Lease payments recognised as an expense in the year totalled £50,303 (2017: £50,303).

19 Net assets by fund

2018

| | Tangible fixed assets | Investments | Current assets | Current liabilities | Amounts falling due after 1 year | Total Funds 2018 |
|--------------------|----------------------------------|--------------------|---------------------------|--------------------------------|---|-----------------------------|
| | £ | £ | £ | £ | £ | £ |
| Unrestricted | | | | | | |
| General | 574,439 | 3,565,481 | 534,236 | (1,621,760) | (19,467) | 3,032,929 |
| Designated | - | - | 342,197 | - | - | 342,197 |
| Endowment | - | 4,991,336 | 360,043 | - | - | 5,351,379 |
| Restricted | - | - | 288,992 | - | - | 288,992 |
| Total Funds | 574,439 | 8,556,817 | 1,525,468 | (1,621,760) | (19,467) | 9,015,497 |

2017

| | Tangible fixed assets | Investments | Current assets | Current liabilities | Amounts falling due after 1 year | Total Funds 2017 |
|--------------------|----------------------------------|--------------------|---------------------------|--------------------------------|---|-----------------------------|
| | £ | £ | £ | £ | £ | £ |
| Unrestricted | | | | | | |
| General | 723,235 | 3,315,435 | 595,011 | (1,447,148) | (55,583) | 3,130,950 |
| Designated | - | - | 347,682 | - | - | 347,682 |
| Endowment | - | 5,482,671 | 79,186 | - | - | 5,561,857 |
| Restricted | - | - | 288,858 | - | - | 288,858 |
| Total Funds | 723,235 | 8,798,106 | 1,310,737 | (1,447,148) | (55,583) | 9,329,347 |

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

20 Funds held as custodian trustee

The Board holds investments and cash as custodian trustee on behalf of its chaplaincy councils. These amounts are clearly separated from the DBF's assets in named accounts, and so are excluded from the DBF balance sheet together with the corresponding liability. Current accounts with chaplaincies, which are not matched with specific investments, are retained in the DBF's balance sheet within Creditors due within one year.

| | 2018 | 2017 |
|--|------------------|------------------|
| | £ | £ |
| Investments (at Market Value 31 December) | 1,455,287 | 1,730,066 |
| Cash on deposit | 604,541 | 690,321 |
| Total assets held on behalf of chaplaincies | 2,059,828 | 2,420,387 |

21 Capital commitments

At 31 December 2018 there were no capital commitments.

22 Post balance sheet events and contingent liabilities

In January 2019, a property held in leasehold property was sold. The proceeds went to the Church Commissioners, their having 100% share in the building and only the disposal of the asset was reflected in the books. Consequently there was no book gain or loss on the disposal.

In March 2019 USPG passed its final interests in the chaplaincies of the Diocese over to the Diocese, including church buildings and various trusts for which they had been hitherto responsible. £648,913 was received and is held as an investment

23. Pensions

The DBF participates in two pension schemes administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the DBF and the other participating employers. These are:

Church of England Funded Pensions Scheme ("CEFPS") for stipendiary clergy and Church Workers Pension Fund ("CWPF") for diocesan employees. The Pension Builder Scheme of the CWPF has two sections known as the Pension Builder Classic, and the Pension Builder 2014, both of which are classified as defined benefit schemes.

THE DIOCESE IN EUROPE BOARD OF FINANCE

NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

23 (a) Church of England Funded Pensions Scheme (“CEFPS”)

Diocese in Europe participates in the Church of England Funded Pensions Scheme for stipendiary clergy, a defined benefit pension scheme. This scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Responsible Bodies.

Each participating Responsible Body in the scheme pays contributions at a common contribution rate applied to pensionable stipends.

The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102. This means it is not possible to attribute the Scheme’s assets and liabilities to each specific Responsible Body, and this means contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable towards benefits and expenses accrued in that year £11,156 (2017: £10,994), plus the figures highlighted in the table below as being recognised in the SOFA, giving a total charge in the year of £7,040 (2017: £7,664).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out as at 31 December 2015. A valuation at 31 December 2018 is currently under way, but the results of this are yet to be determined. The 2015 valuation revealed a deficit of £236m, based on assets of £1,308m and a funding target of £1,544m , assessed using the following assumptions:

- An investment strategy of:
 - for investments backing liabilities for pensions in payment, an allocation to gilts of 33% from the valuation date until 31 December 2019 and thereafter increasing linearly to 70% by 31 December 2030 (with the remainder in return-seeking assets); and
 - a 100% allocation to return-seeking assets for investments backing liabilities prior to retirement;
- Investment returns equivalent to 2.6% p.a. on gilts and 4.6% p.a. on return-seeking assets;
- RPI inflation of 3.2% p.a. (and pension increases consistent with this);
- Increase in pensionable stipends of 3.2% p.a.;
- Mortality in accordance with 80% of the S2NMA and S2NFA tables, with allowance for improvements in mortality rates in line with the CMI 2015 core projections with a long term annual rate of improvement of 1.5%.

Following the 2015 valuation, the pension scheme trustees agreed a recovery plan which required deficit repair contributions from the participating responsible bodies of 14.1% of pensionable stipends until 31st December 2017, reducing to 11.9% for the period from 1st January 2018 to 31st December 2025.

These are the deficit recovery contributions under the recovery plan in force as at 31 December 2016, 31 December 2017 and 31 December 2018.

Normally entities are required to bring on to the balance sheet the assets and liabilities (and therefore the surplus or deficit) relating to defined benefit schemes. However, an exception to this is where the scheme is considered to be a multi-employer scheme as described in section 28 of FRS 102. In this case, where the assets and liabilities within a scheme are pooled, they cannot be separately ascribed to individual participating employers. Where this is the case section 28.11A of FRS 102 requires the DBF to account for deficit recovery payments as a liability. These liabilities are discounted and the figures included in these accounts are supplied by the scheme actuary.

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NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

23 (a) Church of England Funded Pensions Scheme (“CEFPS”) (continued)

The scheme actuaries have calculated that the total liability for deficit payments relating to the DBF’s 45 (2017: 48) members of the scheme amounts to £876,000 (2017: £1,132,000) including a change in agreed deficit recovery plan, and change in discount rate and assumptions between year-ends.

The DBF is different to many other English Diocese Boards of Finance in that the clergy for overseas churches are legal employees of those local churches in order to comply with the different legal and tax frameworks in place across the wide geographical area that the DBF operates. Consistent with this practice the relevant stipendiary and pension expenses for overseas clergy are recognised in the financial statements of the local churches and not in the financial statements of the DBF.

The trustees consider that, while the DBF is the legal member of the scheme responsible for making contributions to the Church of England Pension scheme, that substance of the arrangements in place are that the DBF only acts as a conduit for pension contributions for overseas clergy and therefore the liability lies with those overseas churches. On this basis the trustees consider it appropriate to recognise the deficit for those members of the clergy that the DBF is directly responsible for. At the Balance Sheet date and prior year this was one individual.

The DBF has estimated the liability to be recognised in its financial statements by pro-rating the calculations provided by the Church of England Pension Scheme actuaries for the current and prior year.

The movement in the provision is set out in the table below.

| | 2018 | 2017 |
|--|---------------|---------------|
| | £ | £ |
| Balance sheet liability at 1 January | 23,583 | 26,913 |
| Deficit contribution paid | (2,955) | (4,333) |
| Interest cost (recognised in SoFA) | 333 | 354 |
| Remaining change to the balance sheet liability (recognised in SoFA) | (3,067) | 1,771 |
| Change in proportion of liability recognised by the DBF (recognised in SoFA) | 1,573 | (1,122) |
| Balance sheet liability at 31 December | 19,467 | 23,583 |

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for the year ended 31 December 2018

23 (a) Church of England Funded Pensions Scheme (“CEFPS”) (continued)

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

| | December 2018 | December 2017 | December 2016 |
|---------------------------------------|---------------|---------------|---------------|
| Discount rate | 2.1% pa | 1.4% pa | 1.5% pa |
| Price inflation | 3.1% pa | 3.0% pa | 3.1% pa |
| Increase to total pensionable payroll | 1.6% pa | 1.5% pa | 1.6% pa |

The legal structure of the scheme is such that if another Responsible Body fails, Diocese in Europe could become responsible for paying a share of that Responsible Body’s pension liabilities.

23 (b) Church Workers Pension Fund (“CWPF”)

The DBF participates in the Pension Builder Scheme section of CWPF for lay staff. The Scheme is administered by the Church of England Pensions Board, which holds the assets of the schemes separately from those of the Employer and the other participating employers.

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

Pension Builder Scheme

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

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

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

There is no sub-division of assets between employers in each section of the Pension Builder Scheme. The scheme is a multi-employer scheme as described in Section 28 of FRS 102 as it is not possible to attribute the Pension Builder Scheme’s assets and liabilities to specific employers. This means that contributions are accounted for as if the Scheme were a defined contribution scheme. The pensions costs charged to the SOFA in the year are contributions payable 2018: £24,892 (2017: £27,920).

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NOTES TO THE FINANCIAL STATEMENT

for the year ended 31 December 2018

23 (b) Church Workers Pension Fund ("CWPF") (continued)

A valuation of the Pension Builder Scheme is carried out once every three years. The most recent was carried out as at 31 December 2016.

For the Pension Builder Classic section, the valuation revealed a deficit of £14.2m on the ongoing assumptions used. At the most recent annual review, the Board chose not to grant a discretionary bonus, which will have acted to improve the funding position. There is no requirement for deficit payments at the current time.

For the Pension Builder 2014 section, the valuation revealed a surplus of £1.8m on the ongoing assumptions used. There is no requirement for deficit payments at the current time.

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

24 Prior year comparative SOFA

| | Unrestricted funds | Restricted funds | Endowment funds | Total funds 2017 |
|---|-----------------------|---------------------|--------------------|------------------------|
| | £ | £ | £ | £ |
| Income and endowments from: | | | | |
| Donations and legacies | | | | |
| - Archbishops Council Grant | 151,610 | - | - | 151,610 |
| - Common Fund | 590,899 | - | - | 590,899 |
| - Other donations | 39,026 | - | 100,000 | 139,026 |
| Investments | 204,065 | 155,850 | - | 359,915 |
| Other income | 22,448 | - | - | 22,448 |
| Total | 1,008,048 | 155,850 | 100,000 | 1,263,898 |
| Expenditure on: | | | | |
| Charitable Activities | 1,377,662 | 166,755 | - | 1,544,417 |
| Total | 1,377,662 | 166,755 | - | 1,544,417 |
| Net (expenditure)/income before investment gains | (369,614) | (10,905) | 100,000 | (280,519) |
| Net gains on investments | 188,278 | - | 290,366 | 478,644 |
| Net income | (181,336) | (10,905) | 390,366 | 198,125 |
| Transfers between funds | - | - | - | - |
| Net movement in funds | (181,336) | (10,905) | 390,366 | 198,125 |