

THE REPRESENTATIVE BODY OF THE CHURCH IN WALES

Annual Report and Accounts 2006



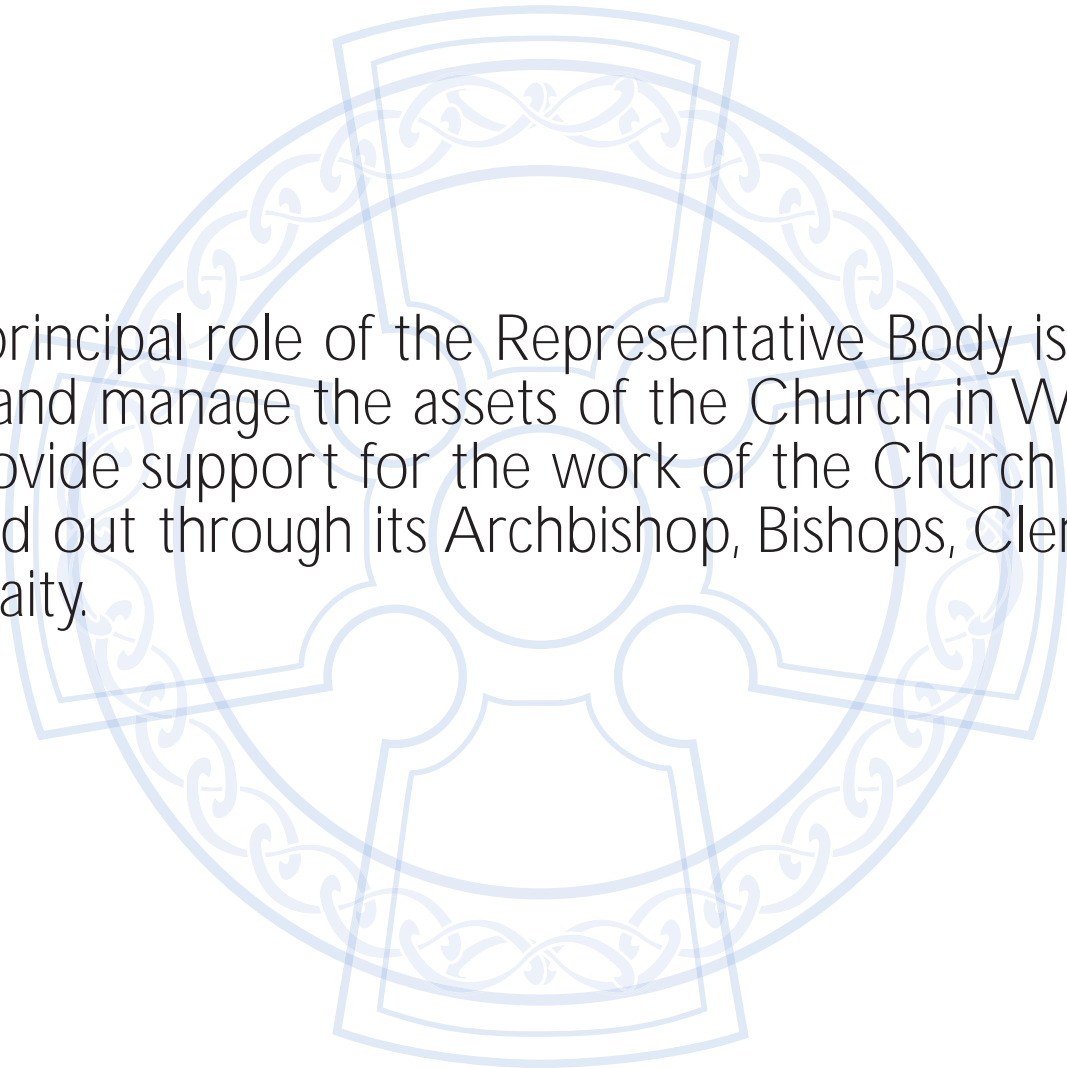
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our *role*

The principal role of the Representative Body is to hold and manage the assets of the Church in Wales to provide support for the work of the Church as carried out through its Archbishop, Bishops, Clergy and Laity.



highlights of 2006

2006 has seen the fruition of seeds sown in recent years. The Representative Body has set a firm direction for a positive future.

A balanced budget

In 2006 the Representative Body eradicated its annual deficit following the introduction in recent years of a series of measures designed to safeguard future sustainability. For seven years the Representative Body's General Funds had incurred an annual deficit in the face of a period of static income and increasing expenditure. (See page 50)

Investment targets exceeded

The Representative Body's investment return exceeded the benchmark for investment performance. Using figures set by the WM Benchmark "Constrained by Income Universe", the Representative Body has also beaten the Benchmark for total returns over the last 1, 3, 5, and 10 years. (See page 8 for further details)

A new streamlined Representative Body

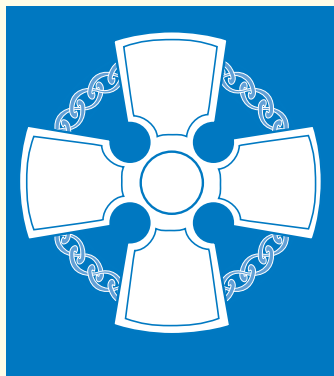
2006 saw the successful introduction of a new streamlined Representative Body, with a greatly reduced membership and a rationalised decision-making structure. This change has brought fresh energy and increased focus to the work of the Representative Body. (See page 23)

Improving the quality

The Representative Body works closely with the dioceses to ensure that a high standard of accommodation is provided to house the Church's clergy. Proceeds from the sale of unwanted clergy houses are reinvested in building new parsonages or improving the existing housing stock. In 2006 £8million was spent on building and improving clergy houses.

Supporting parishes

The Representative Body provides a free service for parishes collecting donations from members by direct debit, reclaiming Gift Aid tax relief, and making payments to parishes, all on a monthly basis. During 2006, the Representative Body collected a total of £517,000 on behalf of 213 parishes from 1,270 donors, and was able to reclaim a total of £145,000 in Gift Aid on the parishes' behalf. (See page 19)



a new way *forward*

2006 marked the beginning of a new stage in the life of the Representative Body.



The decision by the Governing Body in April 2005 to adopt the recommendations of the Representative Body Review meant that the Representative Body began the year with a new membership of 24 trustees (to become 25 during 2006) – a reduction of two-thirds from the number of members in 2005. There is no doubt that the way in which the Representative Body operates has changed dramatically as a result. A slimmed-down committee structure introduced in May brought new energy to the Representative Body's work both in implementing the remaining recommendations of the 2005 Review and in continuing to support the wider work of the Church in Wales through rigorous management of the Church's financial and property assets. All Representative Body members now have the opportunity to participate in the more detailed work of the committees.

Further, the change in membership has strengthened the close working links between the Representative Body and Diocesan Boards of Finance, whose Chairmen have an active role in the Representative Body, and this has proved to be particularly important in our joint preparations for introducing the new block grant funding arrangements in 2007.

2006 has been an important year in terms of the Representative Body's ongoing management of the Church's assets as the steps taken in recent years to eradicate the annual deficit bear fruit. The steady erosion of the Church's capital through continuing annual deficits has been of significant concern to the Representative Body for many years as each occurrence reduces its capacity to create income to support the work of the Church. To have eliminated this deficit in 2006 is a significant step towards ensuring the long-term financial security of the Church's assets.

A new format has been adopted for this year's Annual Report, in part to ensure compliance with recently introduced charity accounting regulations, but also to give greater clarity and provide for Church members a clear link between the work of the Representative Body and the work of the Church at a local level. I hope you will find the new format of this report helpful.

A handwritten signature in black ink, appearing to read 'Lord Rowe-Beddoe'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Lord Rowe-Beddoe
Chairman of the Representative Body

Objectives and Activities

The Representative Body's key objectives are:

- **To manage its investments so as:**
 - to meet the past service liabilities of the clergy pension scheme;
 - to provide the maximum sustainable level of support for the work of bishops, dioceses, cathedrals and parish ministry;
- **To manage the ecclesiastical and secular property vested in the Representative Body for the uses and purposes of the Church in Wales.**
- **To provide an efficient professional and administrative service across a range of administrative functions, including:**
 - payment of clerics and pensioners;
 - management of trusts and other funds held provincially;
 - organisation of provincial meetings of the Representative Body, Governing Body, Bench of Bishops and their committees;
 - provision of guidance and advice for the wider Church on a range of issues including property and human resources;
 - maintenance of databases and management information.

For 2006, the main objectives were:

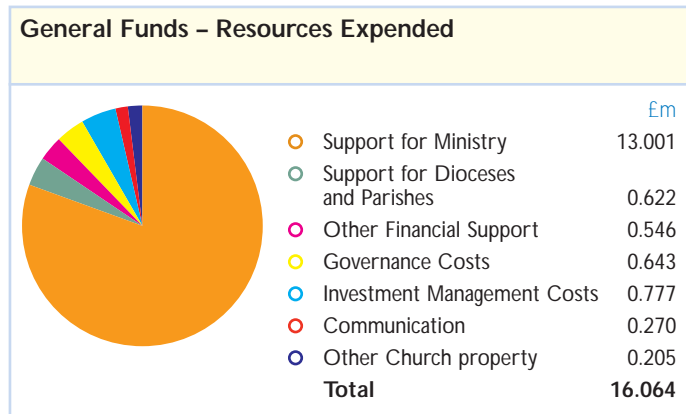
- **Fund Performance** – To make an investment return that exceeds the benchmarks.
- **Elimination of Deficit** – To eradicate the annual deficit.
- **Financial Stability** – To ensure financial stability with regards to the clergy and staff pension schemes.
- **Block Grant 2007** – To finalise arrangements for the introduction of the Block Grant to dioceses from 1 January 2007
- **Redundant Churches** – To seek to reduce the potential liability to the Representative Body of redundant church buildings through providing help for diocesan planning of building needs and pursuing consistency in planning practice across Wales by local authorities.
- **Charities Bill** – To help the Church in Wales – both provincially and at a parish level – to prepare for the introduction of the Charities Act 2006.
- **SORP 2005** – To prepare for the changes that the Statement of Recommended Practice (Accounting and Reporting by Charities) 2005 will make to the 2006 Annual Report and the financial statements.
- **New Membership** – In the light of the introduction of a newly-constituted membership, to prepare and introduce a new committee structure and ensure appropriate training and induction for all members.

how we *performed*

From the elimination of the annual deficit to issuing guidance on the management of churchyards, the Representative Body has successfully met its key objectives for 2006.

Overall Financial Position

The results for the year are shown in the Statement of Financial Activities on page 34. Total income from General Funds was £17,297,000 with expenditure of £16,064,000. The key objective of eliminating the annual deficit was thus achieved in 2006, with a surplus of £1,233,000 before transfers. The cumulative effect of deficits in each of the last seven years is that £4.3 million has been spent from investments to fund day to day expenditure.



General Funds

The net increase in General Funds for the year was £29,346,000, as a result of rising stock markets and commercial property values.

Reserves Policy

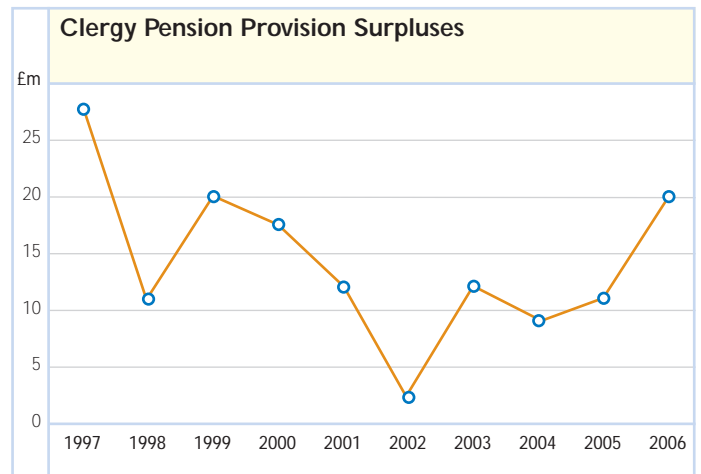
General Fund

At 31 December 2006 unrestricted general reserves amounted to £305 million.

As investment income meets a substantial part of the Church's costs, the Representative Body needs to maximise the amount of investments held in order to generate the income.

Designated Funds

At 31 December 2006, designated funds amounted to some £33 million. Details of the designated funds are set out on Page 47 of the accounts. The largest fund is the Pension Equalisation Fund with a balance of £20,115,000, which was established to smooth the differences between the pension scheme assets and liabilities which can vary significantly from year to year as illustrated in the graph below for the clergy pension scheme. The remaining balances within Designated Funds are matched to investments and fixed assets within the balance sheet.



The assets of the pension schemes of the Representative Body fluctuate predominantly due to stock market performance.

Restricted Funds

At 31 December 2006, restricted funds amounted to £5.5 million, with the largest fund being the Diocesan Parsonage Improvement Fund, which is available for capital improvements to parsonages and acquisitions of new parsonages. (The Representative Body is in the process of reviewing the future use of the Diocesan Parsonage Improvement Funds, and their treatment in the accounts will also be considered during 2007.) Details of the Restricted Funds are set out on page 48 of the accounts.

Investments

Policy

The power to invest all monies held by the Representative Body in trust for the Church in Wales is set out in section 23 of Chapter III of the Constitution, which gives wide ranging authority for investment.

The objectives of the Representative Body's investment policy are to:

- achieve a balance between sustainable levels of income and capital growth;
- optimise total returns without taking undue risk;
- continue to meet the Representative Body's current to long-term liabilities and income commitments;
- operate within the constraints of the Ethical Investment Policy Statement agreed by the Representative Body and the Governing Body in 2002 (a copy of the Statement may be found on page 28).

Diversification in a range of assets forms part of the investment strategy in order to reduce the level of risk. The asset allocation and asset performance is reviewed annually and the exposure to asset classes is permitted within agreed ranges, as shown below:-

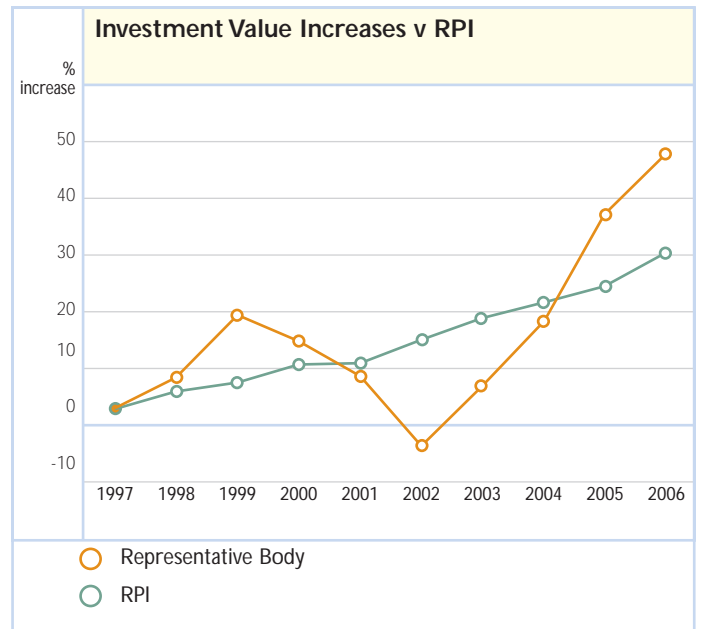
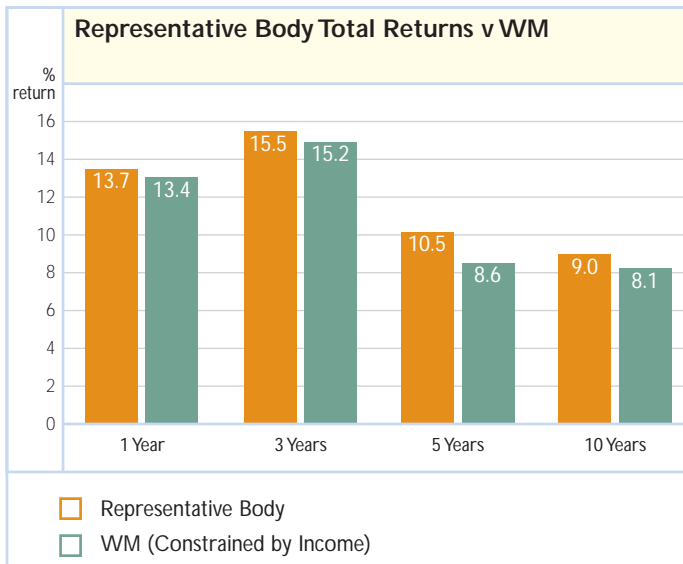
Asset Class	UK Equities	Overseas Equities	UK Fixed Income	Cash	Commercial Property
Range	45-75%	0-30%	15-35%	0-15%	10-15%

Performance

Total Fund Performance

The Representative Body's General Fund performance is assessed relative to the WM Charity Constrained by Income Fund Index. This index is representative of UK Charity Funds with a definite yield target. The total return of the Representative Body Fund in 2006 was 13.7% compared to the WM return of 13.4%. Returns for the last 1, 3, 5 and 10 year periods are shown in the bar chart below.

The total return takes account of both income and changes in capital values. The value of the capital base is of particular significance in assessing the clergy pension liability. The graph below shows changes in the capital value of the Representative Body Fund compared with RPI.



Total Returns on Asset Classes

The table below shows the total returns on asset classes for the Representative Body over the past year, 5 and 10 years compared to the benchmark WM Average Charity Constrained by Income Fund return (shown in brackets):

	1 year 2006 %	5 years 2002-2006 %	10 years 1997-2006 %
UK Equities	18.4 (18.6)	10.4 (9.6)	9.1 (8.7)
Overseas Equities	7.2 (8.9)	7.8 (7.9)	5.7 (7.0)
UK Fixed Income	-1.0 (1.2)	6.8 (5.5)	8.4 (7.2)
Cash / Other Investments	4.8 (5.3)	4.2 (4.6)	5.1 (5.2)
Commercial Property	16.2 (15.9)	15.0 (12.1)	12.0 (11.8)

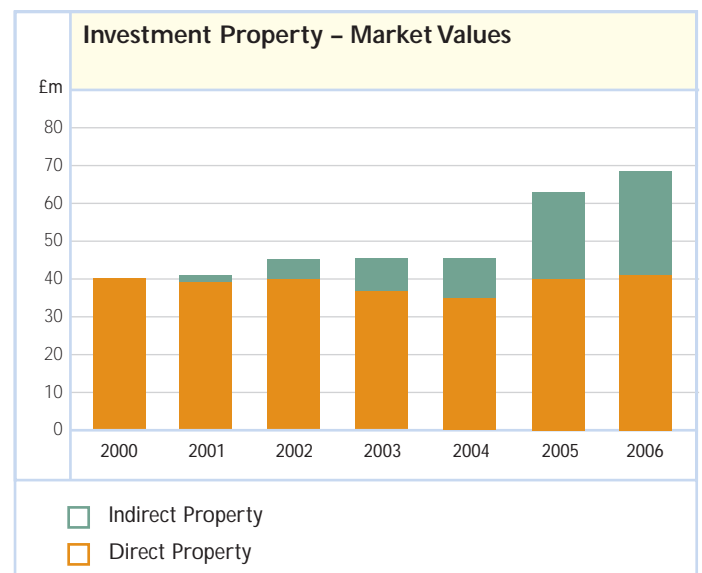
UK Equities, where the Representative Body's General Fund is predominantly invested, under-performed the benchmark slightly during 2006, but outperformed over the 5 and 10 year periods. The Representative Body's fund also outperformed in all other categories over 5 and 10 years with the exception of cash / other investments and overseas equities. Commercial property produced the strongest return over 5 and 10 years, but it is considered unlikely that these levels of return will continue through 2007 and beyond.

Investment Property

On the advice of its investment property advisers the Representative Body has in recent years moved gradually from holding all direct property investments to investing some funds in Property Unit Trusts (PUTs).

During 2006, an office building in Buckingham Gate, London was sold for £2,075,000 and the net proceeds invested in PUTs.

Investing in PUTs helps to spread the Representative Body's property interests more widely, and enables the Representative Body to access sectors of the property market that would not be possible through direct investment. Income received through PUTs is however generally lower than from direct property investments. The shift from direct to indirect property is illustrated in the bar chart below.



Supporting the Ministry

Grants to Dioceses

The Representative Body has traditionally provided two different types of funding to dioceses. The first was a contribution towards the cost of clergy stipends; the second a series of payments towards such costs as clergy pensions (current service), the maintenance of clergy housing, and funding for cathedrals.

During 2006 the Representative Body contributed £2,008,000 to the Maintenance of Ministry Fund which represented 18% of the total cost of diocesan and parochial stipends. In addition, the Representative Body continued to fund the total cost of clergy pensions and all costs associated with dignitaries, thereby contributing 40% of total clergy benefits.

In 2007 the Representative Body's contribution to the Maintenance of Ministry Fund will be £1,286,000, some 12% of the estimated total cost of diocesan and parochial stipends. In 2008, this will reduce to 6% of the total estimated costs, and phased out fully in 2009, as agreed with dioceses.

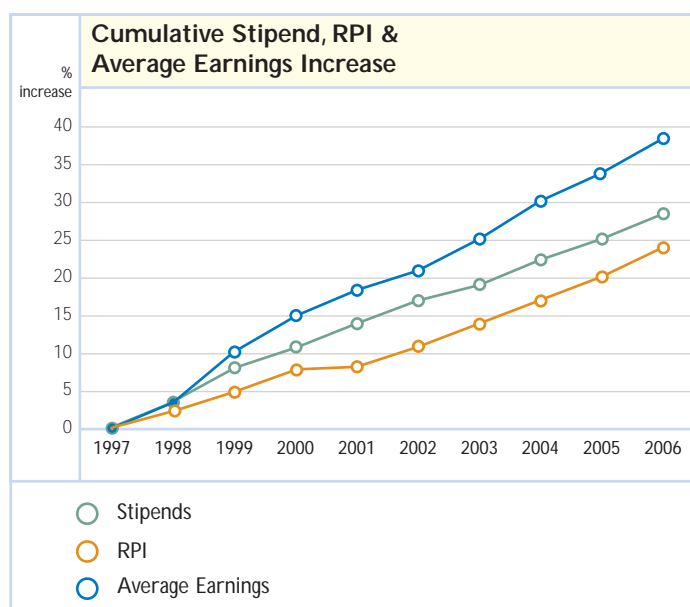
From 1 January 2007, the Representative Body is providing each diocese with a block grant to meet the second category of costs mentioned above, as explained further on page 22. (The total amount set aside by the Representative Body for block grant funding for 2007 is £5.7 million.) Bishops' costs will continue to be met directly by the Representative Body.

Clergy Stipend Levels

Clergy stipend levels are agreed each year by the Representative Body after consultation with the Bench of Bishops and the Diocesan Boards of Finance Chairmen and Secretaries. From 1 January 2007 clergy stipend levels (incorporating an increase of 3.7% on 2006 levels) will be:

	2007 Stipend Level £	% of incumbent's Stipend
Assistant Curate, Cathedral Chaplain	16,115	85%
Incumbent and Vicar in Rectorial* Benefice	18,959	100%
Incumbent of Rectorial Benefice*	19,906	105%
Residentiary Canon	21,801	115%
Archdeacon	29,007	153%
Dean	29,385	155%
Assistant Bishop	32,229	170%
Diocesan Bishop	35,073	185%
Archbishop	37,917	200%

* Incumbents are also entitled to retain fees for conducting weddings and funerals.



The clergy pension scheme changes introduced from 1 January 2006 were:

- For service from 1 January 2006, the rate for the payment of pensions to full-time stipendiary clergy joining or returning after 31 December 2005 will, after 40 years' service, be 50% of the minimum stipend of the highest pensionable office held within 5 years of retirement. (Those clergy in pensionable service on 31 December 2005 will not be affected by this reduction in the rate of pension accrual and their pension will continue to be based on 60% of the minimum stipend of the highest pensionable office.)
- Annual increases in pensions in payment for service from 1 January 2006 will be linked to the Limited Price Index (subject to a maximum annual increase of 5%), and not to clergy stipends.

Clergy Pensions and Gratuities Scheme

The recent Representative Body Review considered many options to control the escalating cost of providing pensions to stipendiary clergy, and concluded that the final salary scheme should continue for current and new members subject to certain amendments which were approved by the Governing Body. It was also agreed that the scheme should be subject to review every three years. (The next review will take place at the end of 2007.)

There are three main factors outside the control of the Representative Body which affect the total pension liability: mortality rates; bond rates; and inflation. The mortality rates are reviewed at each triennial valuation of the pension scheme. The impact on the pension liability of the other factors are shown below:

	Inflation rate %	Bond rate %	Pension liability £ million
2005	2.70	4.75	117.77
2006	3.00	5.10	121.37

Clergy Retirement Housing Loan Schemes

Scheme 1 – Original Loan Scheme

(Available to those clerics aged 50 or above on 1 August 1990)

There are three types of loan available for clergy within two years of retirement:

- A loan up to a maximum of £15,000 bearing interest at 6% per annum;
- An equity-linked loan up to a maximum of £30,000 which is interest-free;
- An interest-free loan equivalent to the gratuity earned to date.

At 31 December 2006 the numbers and amounts of loans outstanding were:

	Number	Amount
Loans @ 6%	81	£1,081,708
Equity Loans	114	£3,372,091
Advance of Gratuity	6	£111,334

Scheme 2 – Introduced on 1 January 2006:

(Available to clerics aged 55 or above on 31 December 2005)

A new scheme was introduced with effect from 1 January 2006 available to clergy within three years of retirement to assist with the purchase of a retirement property.

The new scheme provides the following loans:

- An interest bearing equity-linked loan of up to £134,800 (as at 1 January 2006), reviewed in line with the quarterly change in the Nationwide Welsh Average House Price Index, subject to further borrowing restrictions based on an applicant's income.
- An interest-free loan equivalent to the retirement gratuity earned to date

The two schemes will run in parallel pro tem.

Clergy Car Loan Scheme

The Representative Body provides loans to help clergy to buy cars. The Scheme, which offers loans up to a maximum of £5,000 at an interest rate of 5%, has proved popular with 115 loans outstanding at 31 December 2006 totalling £305,000.

Management of Property

The Representative Body holds its property for the Bishops, Clergy and Laity of the Church in Wales and the fundamental purpose of its property is to further the mission and ministry of the Church.

Churches and Cathedrals

The Representative Body owns 1,450 cathedrals, churches or chapels of which about two-thirds are listed buildings. The Representative Body owns 29% of the Grade 1 listed buildings and 16% of the Grade 2* listed buildings in Wales.

The management and maintenance of these buildings is undertaken through each Cathedral Chapter or Parochial Church Council. During 2006, extensive discussions have taken place with CADW, the Welsh Assembly Government's historic environment division, and a new grant regime is to be introduced in 2007 to restore funding for outstanding historic places of worship after a moratorium.

Churchyards

In order to establish an accurate picture of the state and condition of Church in Wales churchyards, a questionnaire was sent to all parishes with churchyards in 2006. The results of this survey will help plan resources and seek assistance with maintaining churchyards.

Guidance on the management of churchyards was issued in April 2007 to all Parishes. This will cover maintenance, safety, nature conservation, green burials and disturbance of human remains.

Redundant Churches

Guidance has been prepared on the process of redundancy and the role of the various committees in the process to ensure that all aspects of a church's closure and redundancy are handled appropriately.

The Redundant Churches Mechanism remains in place as a scheme, jointly funded with CADW, to protect the most important listed buildings by leasing them to the Friends of Friendless Churches. In 2006, St Migael's, Llanfugail, Ynys Mon was passed to the Friends. There are now 15 churches in this scheme.

Parsonages

The Representative Body is in the process of reviewing the use of Parsonage funds, and other matters relating to parsonages, in consultation with dioceses. Final recommendations will be considered in 2007.

Other Property

The glebe portfolio is managed to maximise value, so that as land is sold, funds can be used to provide grants for the repair, extension and provision of churches in the Province. Often this involves seeking planning consent for development and in 2006 a number of development schemes in rural areas have been identified to provide for social housing.

Representative Body Grant Schemes

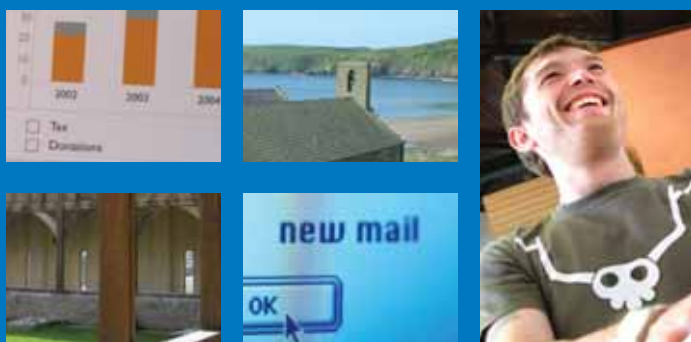
The Representative Body operates two grant schemes to assist churches. One of these provides emergency aid for churchyard boundary wall repairs. The other scheme provides grants for church repairs, modifications and extensions and arises from the interest on the proceeds of sale of glebe land. In 2006, £109,000 was given to churches across Wales to assist with repair projects.

Administration and Other Services provided from the Provincial Office

During 2006 the provincial office at 39 Cathedral Road, Cardiff continued to provide a wide range of administrative and other services on behalf of the Church. For example, the Representative Body is the managing and custodian trustee for a number of funds held on trust on behalf of beneficiaries. The aggregate value of these special trusts at 31 December 2006 was £35 million and was invested in stock exchange securities and in the Church in Wales Common Investment Funds.

The Representative Body also administers the clergy payroll, and Note 20 to the Accounts sets out the total cost of stipends and national insurance paid through the payroll in 2006.

Other services provided by the Representative Body during 2006 include the operation of the GWADD direct debit system (see page 19), the payment of Council Tax on parsonages and the collation and preparation of key statistics on various aspects of the life of the Church in Wales. Provincial staff have also been responsible for the dissemination of advice for parishes on compliance with secular legislation, such as child protection, disability discrimination and parochial trustees' liability.



helping it happen

The Representative Body is responsible for supporting the work of the Church in a variety of ways. Here are some examples.



making it possible

The restoration of the Cloister Hall and Cloisters at St David's Cathedral has been one of the most significant developments at the Cathedral for generations.

This visionary £4.5million project has created a new choir room, a refectory as well as lavatories and improved accessibility to the Cathedral. The project has also recreated the form of the cloisters

using a new design in Welsh Oak frame. This project has re-established the relationship between Cathedral, cloisters and cloister hall. Grants from CADW, Heritage Lottery Fund, Wales Tourist Board, Arts Council of Wales, the EU and many other funders, trusts and individuals have made this project possible.

The Representative Body was able to assist with this project by providing funding to cover the cash flow

challenges a project like this presents and provide a grant from the proceeds of sale of a property in St David's. This funding has not only enabled the project to proceed but allowed the West Cloister to be constructed along with the remainder of the project. The West Cloister will provide retreat and educational facilities.



pilgrims' progress

The Representative Body owns a number of parcels of glebe land throughout Wales.

This land is held on trust for the benefit of the whole province, rather than particular parishes, and when glebe land is sold, the proceeds are invested and the income from the capital is used to provide grants to parishes for the repair, extension and provision of places of worship.

The Representative Body allocates grants from this fund. For example, in 2005, £3,000 was given to St Hywyn's Church, Aberdaron. This spectacularly sited 'church on the beach' on the Llyn Peninsula has been a stopping place for pilgrims journeying to Bardsey Island for centuries and the incumbency was held by the Welsh poet R S Thomas.

St Hywyn's featured in the 2006 BBC TV 'A Passion for Churches'. The Representative Body provides a service to parishes by arranging appropriate licences for filming and recording to ensure appropriate fees and insurance arrangements are in place.



community partnership

The central Swansea church of St Matthew's faced an uncertain future, with mounting repair liabilities and a small congregation.

Through a partnership with the Cyrenians Cymru, the church was restored, two thirds of the church converted to a community centre with a drop-in/health centre for the homeless and a third retained as a

worship space to continue Anglican worship on the site.

The Representative Body organised the lease agreement including arrangements to ensure work was undertaken satisfactorily. Provision of services to the new centre, was challenging given the presence of unmarked ancient graves in the churchyard. Licences were obtained from the Department

of Constitutional Affairs and archaeologists oversaw the trenching operation.



supporting parishes

The Representative Body is very much aware that in recent years parishes have been asked to contribute more towards the costs of the parochial ministry.

The response of parishes has been extremely encouraging; however the Representative Body recognises the increased financial burden on members and is keen to provide parishes with support in the area of giving.

The Representative Body provides a free facility, administered by provincial staff, to enable church members to Give With A Direct Debit (GWADD). Under the scheme members give monthly and their donation plus reclaimed tax (where appropriate) is paid into the account of a nominated parish. Monthly reports on giving are provided to parish treasurers/Gift Aid secretaries. Participants may review their giving at any time. The aim of the scheme is to

provide parishes with a regular (tax-efficient) income, to reduce administration for parish treasurers, and to make giving to parishes easier for everybody.

In 2006 1,270 church members gave via GWADD, with 213 parishes receiving £662,000 (£145,000 in tax relief).



IT support to bishops and dioceses

Electronic communication and the ability to access information by electronic means have become increasingly important to the way in which many of us carry out our work, and this is equally true of the Church.

The Information Communication Technology department at the provincial office provides support not only for the office at Cathedral Road, Cardiff, but also for bishops' offices

and diocesan offices throughout the province.

Bishops, archdeacons and users in diocesan offices may send and receive emails using one recognisable provincial email address, @churcheinwales.org.uk. This facility also makes it possible for users – whether based at the provincial offices or elsewhere – to benefit from provincial virus-protection and SPAM-filtering software (which currently

deals with 100,000 spam messages per month), and greater security generally in sending and receiving emails.

In addition the bishops, diocesan offices and archdeacons have access to the Church's internal website, or intranet. This secure facility enables users to access up-to-date information in areas not available through the external Church in Wales website www.churcheinwales.org.uk.

the *future*

The Representative Body is currently considering a number of long-term and short to medium term issues. The most significant relate to clergy pensions and church buildings.

Long Term Issues

Pensions

The Clergy Pension Scheme is an important part of the way in which the Church supports the work of clergy. It is a "final salary scheme", and is currently held by the Representative Body as part of its General Funds. In December 2006 the Clergy Pension liability was £121.4 million, some 40% of the Representative Body's General Funds. In recent years it has become increasingly expensive to fund final salary pension schemes as a result of the coincidence of such factors as changes to tax arrangements and the method of calculating minimum funding requirements for pension schemes, relatively poor investment returns, and increasing longevity. One of the greatest challenges facing the Representative Body in the longer term is to maintain a prudent balance between this sizable liability and its total assets so that the security of both the Pension Scheme and the Representative Body's other financial commitments are not compromised. To this end regular valuations of the Clergy Pension Scheme are carried out by the Representative Body's actuaries together with projections of the long-term trends in the growth of assets and liabilities.

Periodically, usually as a result of an actuarial valuation, the Representative Body will seek to adjust this balance by reviewing a number of factors, including its investment strategy, the terms of the Clergy Pension Scheme, and its expenditure more generally. The last such major review reported to the Governing Body in April 2005, and resulted in some relatively small changes to the terms of the Clergy Pension Scheme (but some more significant changes elsewhere - see the sections on Block Grant Funding Arrangement, and Structure, Governance and Management, below). All of these changes will help to ensure the long-term security of the Representative Body's assets and the funding of the Clergy Pension Scheme.

Further reviews will take place after each actuarial valuation of the Clergy Pension Scheme, the next is due to take place in December 2007.

Church Buildings

All church members will understand the difficulties faced by parishes in maintaining church buildings, most of which are historic and subject to listed building constraints. The Representative Body seeks to support parishes in this important work by providing advice and grant funding, and in actively pursuing funding from other bodies. The Representative Body is also planning to step up its discussions with the State over the treatment of churchyards, and the disparity between their treatment in England and in Wales. Closed churchyards in England are the responsibility of the local authority; in Wales they remain the responsibility of the Church.

Sometimes a parish will decide with the Bishop to close a church building, and after further consultation that building is declared redundant. At this stage it becomes the responsibility of the Representative Body which is required to maintain and find a new use for the building.

The Representative Body has a number of concerns related to redundant churches. First it is important for the future mission of the Church that decisions to close and make church buildings redundant are taken by parishes and dioceses on the basis of an objective appraisal of the local Church's building needs in that area, and not purely on financial grounds. It may well be that certain buildings are important to the mission and ministry plans of an area deanery, and others less so, and that resources should be concentrated on the former. It is hoped that financial concerns, however pressing, will not be the catalyst for most church building closures, and that redundancies will be planned and not piecemeal. To this end the Representative Body has been working during 2006 to

prepare advice for parishes and area deaneries on appraising church building needs and the redundancy process.

The second concern links to the first. Where decisions to make buildings redundant are relatively unplanned, it is difficult for the Representative Body to prepare for the considerable financial implications of taking on those buildings. Such buildings are expensive to maintain and sometimes difficult to dispose of within local planning constraints. The Representative Body is keen therefore to work with dioceses on the long-term outlook for future church redundancies to avoid a scenario whereby the financial liability for such buildings threatens the Representative Body's ability to fund other areas of the Church's work.

Short to medium term issues

Introduction of the Block Grant Funding Arrangement

As a result of the comprehensive Representative Body Review (adopted by the Governing Body in April 2005) from 1 January 2007 a new system of providing provincial funding to the dioceses has been introduced. Under the new arrangement each diocese is provided with a block grant annually to enable it to meet certain costs previously met in full or in part by the Representative Body as a series of small grants with restricted use. The aim of this change is to provide both the Representative Body and the dioceses with greater flexibility in setting their expenditure, not least because dioceses are now able to spend the provincial funding in accordance with their own local priorities. The level of the total block grant, and its method of allocation between the dioceses, has been agreed with Diocesan Boards of Finance for the years 2007-2011 inclusive. This will give dioceses security in

planning their commitments over the next five years. The level of the block grant beyond 2011 will be reviewed by the Representative Body in the light of investment returns and the results of future valuations of the clergy pension liability. The operation of the block grant funding arrangement will continue to be discussed regularly with Diocesan Boards of Finance.

Charities Act 2006

As a result of the Charities Act 2006, the Representative Body will lose its exempt status and will be required to register with the Charity Commission, most probably in 2008. In addition some parishes (but initially only those with an annual turnover of £100,000) will lose their exempt status, and will also need to register formally. Throughout the development of the Charities Bill, the Representative Body has been in discussions with the Charity Commission to ensure that the requirements on parishes will be reasonable and workable. In addition a group consisting of members of the provincial staff, diocesan officers and experienced parish treasurers has been preparing advice and other practical measures so that parishes are given every possible assistance in the period of registration. A letter to all parishes about these changes has been sent out via the diocesan offices.

structure, governance and management

The Representative Body of the Church in Wales was created by a Charter of Incorporation on 24 April 1919 and is constituted to hold all property and investments vested in it in trust for the use and purposes of the Archbishop, Bishops, Clergy and Laity of the Church in Wales. These assets are held in order to maximise the support which can be given to the mission of the Church in parishes throughout the Province.

The Representative Body comprises up to 26 members and meets three times a year. New membership arrangements and a new committee structure were introduced on 1 January and 1 May 2006 respectively as a result of the recommendations of the Representative Body Review. The membership and functions of the Representative Body are regulated by Chapter III of the Constitution of the Church in Wales.

Details of the trustees who served during the year and since the year end are set out on page 29.

The relationship of the Representative Body to its committees and to the other provincial bodies of the Church in Wales is set out on page 26.

Membership Composition

Trustees are appointed for a three-year term of membership. The Representative Body's membership consists of:

- The Archbishop;
- The Chairman of the Standing Committee of the Governing Body;

- The Chairman of the Diocesan Board of Finance of each diocese;
- One cleric elected by the Diocesan Conference of each diocese;
- One lay person elected by the Diocesan Conference of each diocese;
- Up to four members nominated by the Bench of Bishops in consultation with the Standing Committee;
- Up to two members co-opted by the other members of the Representative Body.

Membership Eligibility

The following are eligible to be members of the Representative Body:

- Any cleric who holds or has held an ecclesiastical office in the Church in Wales or a licence from a Welsh Diocesan Bishop;
- Any lay communicant over 18 and under 75 years of age who either –
 - a) resides or has resided for a period of 12 months in a Church in Wales parish; or,
 - b) has been a contributor to Church in Wales funds within 12 months of nomination for membership; and does not belong to a religious body which itself is not in communion with the Church in Wales.

Membership – Induction and Training

It is the policy of the Representative Body that its members should be provided with training appropriate to their duties both as charity trustees and as members of one of its committees. An induction day was held in 2006 with training provided on the role of charity trustees together with an opportunity to meet officers and to learn more about the work of the Representative Body, the Governing Body and the Bench of Bishops. In addition members are offered training tailored to meet specific gaps in knowledge or experience, which might (but need not necessarily) be linked to a member's work with the Representative Body's committees.

Committees

The Representative Body has established five committees – Investment, Property, Human Resources, Audit and the Cathedrals and Churches Commission – each with specific terms of reference and functions delegated by the Representative Body.

Investment Committee

The Investment Committee determines the investment strategy for the Representative Body (within the overall policy objectives of the Representative Body and with advice from their appointed advisers) and is authorised to take all decisions necessary to manage the investments of the Representative Body within this strategy.

Property Committee

The Property Committee has responsibility for policy relating to the Representative Body's non-investment property – Churches, Parsonages, Glebe land, Bishops' Residences and Burial Grounds – and the management of those properties. Its duties are wide-ranging and include authorising the sale and purchase of properties; developing strategies for dealing with redundant church buildings and

churchyards; administering trusts, legacies and bequests; and administering grants for the repair and improvement of properties.

Human Resources Committee

The Human Resources Committee is responsible for developing policies and procedures for clergy and lay staff in line with the specific legislation that applies to each group and good practice. This includes advising the Representative Body on the level of clergy stipends and lay staff salaries and the terms and funding of the pension schemes for clergy and lay staff respectively.

Audit Committee

The Audit Committee works with the Representative Body's external auditors to ensure proper financial reporting practice and compliance with charity accounting requirements. It provides strategic advice on budgetary matters and considers long-term financial forecasts, and from 2007 will have an important role in monitoring the operation of the block grant funding arrangement between the Representative Body and dioceses.

Cathedrals and Churches Commission

The role of the Cathedrals and Churches Commission is to provide expert advice to diocesan courts and advisory groups on applications for major works to cathedral and church buildings as part of the in-house procedure (or faculty procedure) established by the Church in Wales as a condition of the ecclesiastical exemption from local planning controls.

Risk Management

The Representative Body has established an extensive risk register, split into two categories, 'Trustee and Corporate Risks' and 'Departmental Risks'. The risk register identifies the major risks to which the organisation is exposed and

the scope of such risks, and identifies the systems and procedures which have been established to manage and mitigate those risks. The registers are reviewed and updated annually by Senior Management, and scrutinised by the Audit Committee and the Representative Body.

Administration and Staff

The number of posts of the Representative Body at 31 December 2006 (2005 in brackets) was as follows:

	Full time	Part time
Representative Body, Governing Body & Archbishop's Registry	35 (36)	2 (2)
Publications	2 (3)	1 (1)
Bishops' Secretaries	5 (5)	3 (3)
Diocesan Inspectors	6 (6)	0 (0)
Bishops' Advisers (the former Council for Mission and Ministry)	5 (9)	4 (8)
	53 (59)	10 (14)

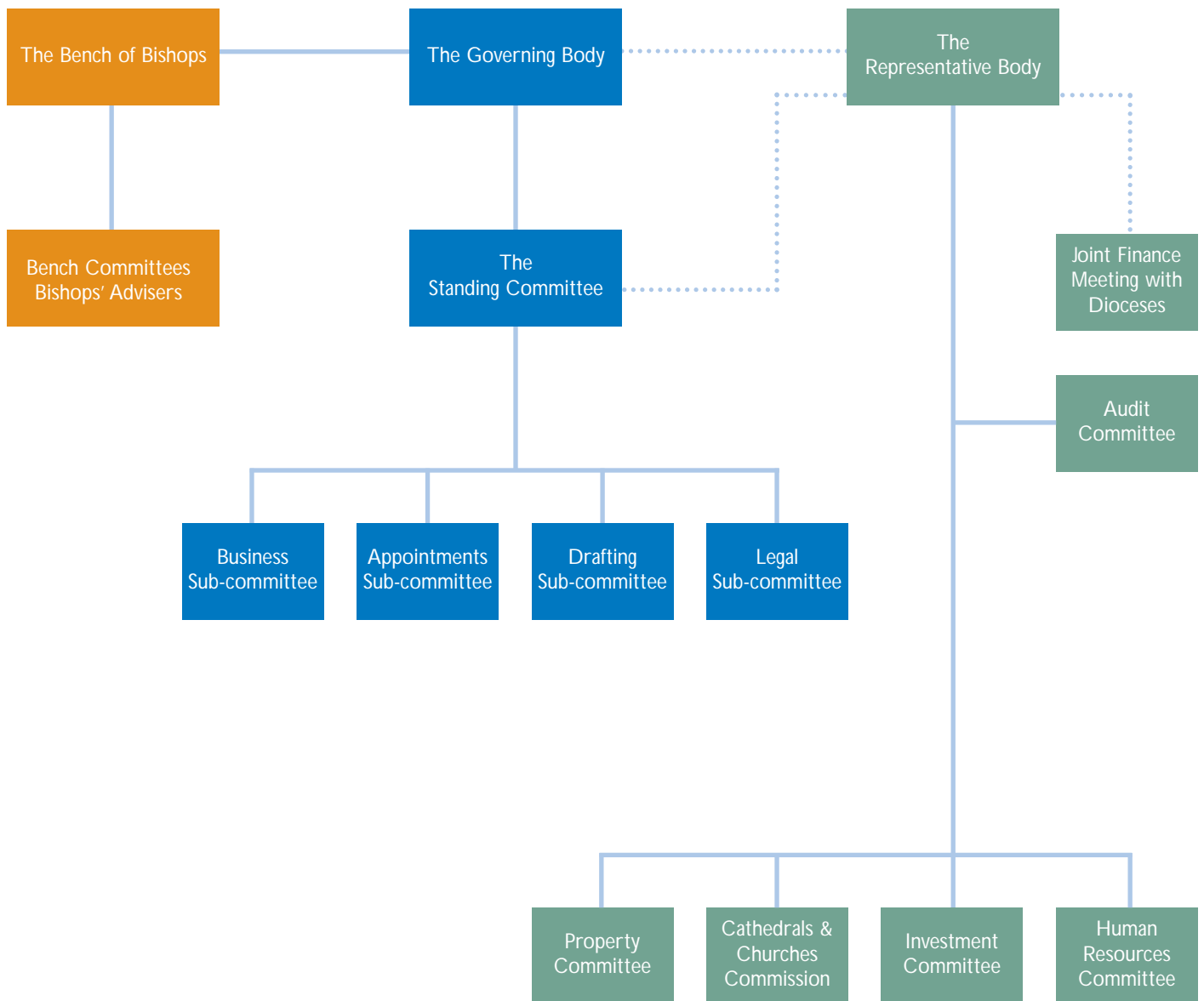
These numbers reflect a reduction from 63 full time and 13 part time staff in 2002.

Salary levels were increased from 1 January 2006 by 3.1%, the same increase as that agreed for clergy. In line with the agreed salary policy staff receiving an appropriate performance evaluation over a two-year period received additional increases. In total these amounted to £7,260.

The administration has continued to change significantly to ensure that the skills of all staff are used in the most effective way to deliver the broad range of activities on behalf of the Representative Body and the wider Church outlined in this Report.

The beginning of 2006 saw the launch of the Bishops' Advisers which replaced the former Council for Mission and Ministry. During the course of the year the Reverend Canon Robert Paterson (Adviser for Church Affairs) and Siôn Brynach (Archbishop's Press Officer) resigned, and Rosemary Richards retired after 16 years' service. Other retirements included John Davies (Diocesan Inspector for Llandaff) and Terry Smith (Publications Officer). The Representative Body is most grateful to all of them for the contribution they have made over many years.

the provincial structure



Statement of Trustees Responsibilities

The trustees are responsible for preparing financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which enable them to ensure that the financial statements comply with the provisions of the Constitution of the Church in Wales. The trustees are responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Representative Body

J M Shirley
Provincial Secretary
39 Cathedral Road
Cardiff
CF11 9XF

7 June 2007

reference and administrative information

Ethical Investment Policy Statement

The following policy statement was adopted by the Governing Body of the Church in Wales in September 2002.

As a Christian Church, we believe it is God's will that our investment management process is implemented according to ethical criteria. In all our activity, we seek to further that active and just "holiness" which makes the love of God concrete and visible in the world.

The Church in Wales is committed to using investments as an ethical means of contributing to the cost of ministry and mission in Wales. Its responsibility in this regard has an ethical dimension in itself. Our aim is to invest directly in successful companies committed to developing their business in the interests of their shareholders, customers, local communities and employees and to implementing:

- responsible employment practices;
- conscientious corporate governance;
- policies that show awareness of environmental impact;
- policies sensitive to the human rights of individuals and communities in which they operate.

The Church in Wales is determined to pursue an investment policy which is transparently ethical. To this end the Church in Wales subscribes to EIRIS, is represented on the Church Investors Group, and has its own Theology of Investment Group, all of which monitor policy in different ways and from different perspectives. Membership of the Church Investors Group is also a means of exercising responsible shareholder influence. The ultimate sanction for companies in clear breach of our ethical policy or those who do not respond positively to expressed concerns is dis-investment. In particular the Church in Wales is concerned about investment in gambling, alcoholic beverages, tobacco products, the proliferation of armaments and pornography. Recognising the moral complexity and ambiguity surrounding each of these areas, we commit ourselves to continuing review of these and other potential ethical concerns.

It is the Church in Wales' policy that we do not normally invest in:

- Any company a significant* part of whose business activity depends upon profit from the production or promotion of gambling, alcoholic beverages or tobacco products;
- Any company whose business involves the proliferation of armaments beyond areas of legitimate defence and local and international peace keeping;
- Any company whose business involves pornography.

* "Significant" is interpreted at present in relation to the areas described as "around ten percent".

Representative Body Membership at 31 December 2006

Chairman and Deputy Chairman

The Lord Rowe-Beddoe DL
(Chairman)

Mr W N H Legge-Bourke
(Deputy Chairman)

Ex Officio Membership

The Most Reverend Dr B C Morgan
Archbishop of Wales

His Honour Judge Philip Price QC
Chairman, Standing Committee

Mr J J Turner
Chairman, St Asaph Diocesan Board of Finance

Mr J E Evison
Chairman, Bangor DBF

Mr J E George
Chairman, St Davids DBF

Mr P R Marshall OBE
Chairman, Llandaff DBF

Mr P E Lea
Chairman, Monmouth DBF

Mr W N H Legge-Bourke
Chairman, Swansea & Brecon DBF

Elected Membership

The Venerable M Squires, Archdeacon of Wrexham
St Asaph

Mr J C Myers
St Asaph

The Venerable M L Williams, Archdeacon of Bangor
Bangor

Mr B A Wynne
Bangor

The Venerable A W Evans, Archdeacon of Carmarthen
St Davids

Mr B L V Richards
St Davids

The Venerable W P Thomas, Archdeacon of Llandaff
Llandaff

Mr G I Moses
Llandaff

The Venerable R G Hackett, Archdeacon of Monmouth
Monmouth

Miss J A Sollis
Monmouth

The Venerable A J R Thomas, Archdeacon of Brecon
Swansea & Brecon

Mr T J P Davenport
Swansea & Brecon

Nominated Membership

The Lord Rowe-Beddoe DL
Mr R D Chegwin
Mr J A Roberts
(One vacancy)

Co-opted Membership

Mr J D Hogg OBE
Mr R P V Rees OBE

Committee Membership at 31 December 2006

(* denotes non-RB member)

Investment Committee

Mr J A Roberts (Chairman)
Mr W N H Legge-Bourke
The Venerable A J R Thomas
Mr P B Kelly*
Mr N V S Paravicini*
Mr R P V Rees (Observer)

Property Committee

Mr R D Chegwin (Chairman)
The Venerable M L Williams
The Venerable A W Evans
The Venerable W P Thomas
The Venerable R G Hackett
The Venerable A J R Thomas
Mr J E George
The Venerable E B Thomas *
Mr P M Jones *
The Very Reverend J D E Davies *
Mr R Davies *

(The Bishop of Swansea and Brecon attends discussions involving Bishops' houses.)

Human Resources Committee

Mr J C Myers (Chairman)
The Right Reverend A E Pierce,*
Bishop of Swansea and Brecon
The Venerable M Squires
Mr T J P Davenport
Miss J A Sollis
Mr B A Wynne
Mrs V Hodges *
The Reverend Canon R L Brown *

Audit Committee

Mr R P V Rees (Chairman)
Mr G I Moses
Mr D W Jenkins *

Cathedrals and Churches Commission

Mr J D Hogg (Chairman)
The Right Reverend A E Pierce,*
Bishop of Swansea and Brecon
(Vice-chairman)
The Venerable E B Thomas *
The Venerable M L Williams
The Venerable A W Evans
The Venerable W P Thomas
The Venerable R G Hackett
The Venerable A J R Thomas
The Very Reverend J W Evans *
Dr G L Worsley *
Mr P G Birkhead *
Mr A Hallum *
Mrs A Burton *
Mr J Orbach *
Mr D Odgers *
Mr R J Silvester *
The Very Reverend R D Fenwick *
The Reverend Canon J H Winston *
Mr B L V Richards
Mr J Knight *

Advisers

Auditors:

PricewaterhouseCoopers LLP (Appointed 16 November 2006)
One Kingsway
Cardiff
CF10 3PW

Bankers:

Lloyds TSB Bank Plc
1 Queen Street
Cardiff
CF10 2AF

Property Advisers:

CB Richard Ellis Investors Limited
64 North Row
London
W1K 7DA

Investment Advisers:

Credit Suisse Asset Management
Beaufort House
One Cabot Square
London
E14 4QJ

Actuaries:

Watson Wyatt Partners
Redcliff Quay
120 Redcliff Street
Bristol
BS1 6HU

Independent Auditors' Report to the Trustees of the Representative Body of the Church in Wales

We have audited the financial statements of the Representative Body of the Church in Wales for the year ended 31 December 2006 which comprise of the Statement of Financial Activities, the Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page 27.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including the opinion, has been prepared for and only for the trustees as a body and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view. We also report to you if, in our opinion, the information given in pages 1 to 31 is not consistent with the financial statements, if the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the information given in pages 1 to 31 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Independent Auditors' Report to the Trustees of the Representative Body of the Church in Wales (continued)

Qualified opinion arising from disagreement about accounting treatment

As indicated in accounting policy 1(c) on page 37, certain properties have not been included in the balance sheet at cost or valuation as required by Financial Reporting Standard 15.

Except for the effects of the departure from Financial Reporting Standard 15, in our opinion the financial statements:

- Give a true and fair view, in accordance with United Kingdom Generally Accepted Practice, of the state of affairs of the Representative Body of the Church in Wales as at 31 December 2006 and of its incoming resources and application of resources in the year then ended.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff, UK

18 June 2007

Statement of Financial Activities

For the Year Ended 31 December 2006

	Notes	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Restated Total Funds 2005 £000
Incoming Resources						
Incoming Resources from Generated Funds						
Voluntary income		25	4	13	42	22
Investment Income	2	17,040	166	7	17,213	15,856
Incoming Resources from Charitable Activities						
Support for Ministry		–	100	–	100	97
Support for Dioceses and Parishes		–	3	–	3	8
Church Property		–	–	8,500	8,500	6,196
Other Incoming Resources		232	–	–	232	253
Total Incoming Resources		17,297	273	8,520	26,090	22,432
Resources Expended						
Costs of Generating Funds						
Investment Management Costs	3	777	–	–	777	735
Charitable Activities						
Support for Ministry	4	13,001	381	8,329	21,711	19,065
Support for Dioceses and Parishes	5	622	120	–	742	682
Other Church Property	6	205	–	131	336	370
Other Financial Support	7	546	6	17	569	545
Communication	8	270	–	–	270	293
Governance Costs	9	643	–	–	643	624
Total Resources Expended		16,064	507	8,477	25,048	22,314
Net incoming / (outgoing) resources before transfers		1,233	(234)	43	1,042	118
Gross Transfers Between Funds						
Clergy Training		(330)	330	–	–	–
Grants		(11)	11	–	–	–
Pension Equalisation Fund	22	(9,465)	9,465	–	–	–
Total Transfers		(9,806)	9,806	–	–	–
Net incoming / (outgoing) resources before Holding Gains and Losses		(8,573)	9,572	43	1,042	118
Holding Gains and Losses						
Gains on investment assets		38,735	627	38	39,400	54,017
Less: Allocation to Clergy Pension Provision	21	(10,768)	–	–	(10,768)	(14,614)
Add: Transfer from Clergy Pension Provision	21	9,465	–	–	9,465	1,700
Actuarial Surplus / (Loss) on Staff Pension Scheme	11	487	–	–	487	(962)
Net Movement in Funds		29,346	10,199	81	39,626	40,259
Reconciliation of Funds:						
Total Funds brought forward	26	275,641	22,755	5,371	303,767	263,508
Total Funds carried forward		304,987	32,954	5,452	343,393	303,767

Balance Sheet

As at 31 December 2006

	Notes	31 December 2006		Restated 31 December 2005	
		£000	£000	£000	£000
Fixed Assets					
Non-investment properties	12	3,982		3,283	
Other tangible assets	13	134		147	
			4,116		3,430
Investments					
Investment Properties	14	41,150		39,740	
Property Unit Trusts	15	27,611		21,839	
Stock Exchange Securities	16	376,262		340,763	
Money market deposits and loans	17	20,315		27,311	
			465,338		429,653
Current Assets					
Debtors	18	1,939		2,220	
Cash at bank and in hand		558		650	
			2,497		2,870
Current Liabilities					
Creditors due within one year	19	(3,142)		(9,928)	
Net Current Liabilities					
			(645)		(7,058)
Total Assets Less Current Liabilities					
			468,809		426,025
Long Term Liabilities					
Clergy Pension Provision	21		(121,370)		(117,770)
Net Assets before Staff Pension Liability					
			347,439		308,255
Defined Benefit Staff Pension Liability	11		(4,046)		(4,488)
Net Assets after Staff Pension Liability					
			343,393		303,767
Capital and Reserves					
General Funds		309,033		280,129	
Pension Reserve		(4,046)		(4,488)	
			304,987		275,641
Designated Funds	22		32,954		22,755
Restricted Funds	23		5,452		5,371
Total Funds					
			343,393		303,767

The financial statements on pages 34 to 49 were approved by the Representative Body on 7 June 2007

Lord Rowe-Beddoe, Chairman

W N H Legge-Bourke, Deputy Chairman

Cash Flow Statement

For the Year Ended 31 December 2006

	31 December 2006		Restated 31 December 2005	
	£000	£000	£000	£000
Net cash flow from continuing operating activities				
Net movement in General Funds		29,346		36,379
Net investment (gains) / losses:				
Stock exchange securities		(32,072)		(44,603)
Investment properties		(6,633)		(7,824)
Freehold ground rents		(27)		(108)
Other tangible fixed assets		(3)		(35)
Staff Retirement Benefit Scheme		(487)		962
Increase in Restricted Funds		43		584
Increase in Designated Funds		9,676		2,511
Increase in Clergy Pension Provision		3,600		14,820
Depreciation		81		77
Fixed Asset write-off		–		11
Staff Retirement Benefit Scheme		45		(5)
Decrease / (increase) in debtors		281		(1,349)
(Decrease) / increase in creditors		(6,786)		7,375
Net cash (outflow) / inflow from operating activities		(2,936)		8,795
Cash Flow Statement				
Net cash flow from continuing operations		(2,936)		8,795
Capital expenditure and investments				
Purchase of non-investment properties		(757)		(445)
Sale of non-investment properties		97		544
Purchase of other tangible fixed assets		(91)		(64)
Sale of other tangible fixed assets		30		21
Purchase of property unit trusts		(2,614)		(10,809)
Sale of property unit trusts		–		556
Sale of investment properties		2,062		618
Purchase of stock exchange securities		(62,688)		(118,384)
Sale of stock exchange securities		59,616		123,273
Sale of glebe		166		159
Sale of freehold ground rents		27		108
(Increase) / decrease in loans to dioceses		(95)		169
Decrease in clergy car loans		–		8
		(4,247)		(4,246)
Management of liquid resources				
Decrease / (increase) in money market deposits		7,091		(4,253)
(Decrease) / increase in cash		(92)		296
Analysis of cash				
Balance at 1 January 2006		650		354
Net cash (outflow) / inflow		(92)		296
Balance at 31 December 2006		558		650

Notes to the Accounts

1. Accounting Policies

The Representative Body is an exempt charity under the Charities Act 1993. Except as described in Note 1(c), the financial statements are prepared in accordance with the Statement of Recommended Practice 2005 (SORP 2005), and applicable accounting standards in the United Kingdom.

The principal accounting policies are set out below, and have been applied consistently, with the exception that the accounting policy regarding the treatment of the Pensions of Clergy and Clergy Widows (ers) has been amended as set out in Note 1(h). The effects of this change in accounting policy have been accounted for as a prior year adjustment (Note 26).

(a) Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention as modified by the annual revaluation of Stock Exchange Securities and Investment Properties.

(b) Income and Expenditure

All revenue expenditure is accrued. Rental income and interest on short-term loans are accrued; the interest and dividends on Stock Exchange Securities are credited on the date of receipt.

(c) Inalienable and Heritage Assets

The Representative Body holds all property and investments vested in it in trust for the use of the Archbishops, Bishops, Clergy and Laity of the Church in Wales. Cathedrals, Episcopal Residences, Churches, Mission Rooms, Parsonage Houses, Burial Grounds, Glebe (excluding Glebe repurchased under the Welsh Church Act 1914) or other land or property which were transferred under the provision of the Welsh Church Acts 1914 to 1945 or were purchased, bequeathed or given to the Representative Body since 31 March 1920 and were held by the Representative Body at the balance sheet date have had no value placed on them.

The present policy with regard to the certain properties not included in the balance sheet, is not in accordance with Financial Reporting Standard 15 "Tangible Fixed Assets" and the requirements of SORP 2005. The Representative Body is in the process of obtaining valuations for parsonage houses, episcopal residences, offices and non-investment properties to enable incorporation of these assets at cost or valuation in the balance sheet in subsequent years.

The Representative Body has created a new Property Database to record its property assets replacing the former Property Register. The new Property Database classifies property differently to the previous Register. Thus there is some difference in the statistics recorded below from previous years. The database confirms the following major assets were held at the 31 December 2006:

Description of Property	Number
Cathedrals	6
Churches (of which 971 are Listed)	1,444
Churchyards	1,216
Episcopal residences	6
Parsonage Houses	716
Offices	1
Church Halls	356
Glebe	323 pieces
Redundant Churches	80 (with a further 130 sold on long leases)
Freehold Ground Rents	140
Other Residential Properties	15

Purchases and sales of parsonage houses are credited to Restricted Funds (Note 23) under the heading of "Diocesan Parsonage Improvement Funds."

(d) Investments

Investment Properties

Investment properties are stated at open market value for existing use based on professional valuations.

Notes to the Accounts

(d) Investments (continued)

Stock Exchange Securities

Stock Exchange Securities are stated at market values based on middle market prices at 31 December 2006. Securities denominated in foreign currency are converted into sterling at rates of exchange ruling at the balance sheet date. Investments sold are marked to market value at the date of sale. Consequently, the Statement of Financial Activities treats all movements as changes in the values of the investment portfolio.

Freehold Ground Rents

By 1969 the proceeds of sales of Freehold Ground Rents exceeded original cost and since that date the value of Freehold Ground Rents has been recorded at a nominal value of £1. Proceeds of sales are shown in the Statement of Financial Activities.

(e) Depreciation

Expenditure on furniture, fixtures and fittings is written off in the period in which the expenditure is incurred. Depreciation is calculated on cost so that assets are written off by equal annual instalments over their estimated useful lives at the following rates:

Motor vehicles	20% p.a.
Office Equipment	33 $\frac{1}{3}$ % p.a.

Freehold and leasehold investment properties are shown at market value and not depreciated.

Non-investment properties are stated at cost and not depreciated. In the opinion of the Representative Body, the remaining useful economic life and residual values of these properties is such that it makes depreciation immaterial. A review has been carried out of these assets and has confirmed that the value is not impaired.

(f) Foreign Currency Conversion

Foreign currencies are converted into sterling at the rate of exchange ruling at the date of the balance sheet except for purchases and sales of securities and remittances during the period which were converted at the actual rate obtaining.

(g) Designated and Restricted Funds

Designated Funds represent monies made available by the Representative Body out of General Funds for the specific purpose designated when the fund is established.

Restricted Funds are those held under the Constitution to which amounts arising from certain transactions must be placed and which may only be used for the purposes specified in the Constitution.

(h) Pensions of Clergy and Clergy Widows(ers)

The Representative Body operates a pension scheme providing defined benefits based on years of service and the current stipend. Such pensions are not funded but are charged to the Clergy Pension Provision as they are paid. The basis of allocation to the Clergy Pension Provision is calculated every three years by qualified actuaries and is shown as a charge in the Statement of Financial Activities so as to spread the pension cost over the normal expected service lives of the clergy in such a way that the charge is a substantially level percentage of current and expected future pensionable payroll.

Following the introduction of FRS17 which was effective for accounting periods beginning on or after 1 January 2005, the trustees have reviewed this accounting policy and changed it such that an interim actuarial valuation is obtained on an annual basis. Any excess/(shortfall) between the Clergy Pension Provision calculated in accordance with the triennial assumptions and the interim valuation is transferred to/(from) a designated fund, such that the balance on the Clergy Pension Provision at the balance sheet date is based on the most up to date actuarial information. Further details are given in Note 21. The effect of this change in accounting policy has been to increase the net assets of the Representative Body at 31 December 2006 by £20,115,000 (2005: £10,650,000) and increase designated funds by the same amount. The net movement in designated funds has been increased by £9,465,000 (2005: £1,700,000).

(i) Staff Retirement Benefit Scheme

A separate defined benefit pension scheme is operated for the staff of the Representative Body. Contributions to the scheme are charged to the Statement of Financial Activities on the basis to spread the costs over the employees' working lives.

The scheme is accounted for under FRS 17, with the annually calculated notional surplus or deficit on the funding of the Scheme shown in the accounts as a separate fund entitled 'Pension Reserve' which is deducted from General Funds in the Balance Sheet.

Details of the Staff Retirement Benefit Scheme are given in Note 11 to the Financial Statements.

2 Investment Income

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Gross income from property	3,356	–	–	3,356	2,947
Income from stock exchange securities:					
UK – Listed	12,030	166	7	12,203	11,458
Overseas – Listed	972	–	–	972	786
Interest from money market deposits and loans	682	–	–	682	665
	17,040	166	7	17,213	15,856

3 Investment Management Costs

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Stock Exchange Advisers	476	–	–	476	437
Investment Property Advisers	153	–	–	153	126
Property Unit Trusts	23	–	–	23	17
Sundry Property	33	–	–	33	68
Support Costs	92	–	–	92	87
	777	–	–	777	735

4 Support for Ministry

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Dignitaries	1,456	–	–	1,456	1,414
Diocesan and Parochial Clergy					
Contribution to Diocesan Maintenance of Ministry	2,010	–	–	2,010	2,671
Contribution to Clergy Council Tax	186	–	–	186	212
Sundry Clergy Benefits	43	–	–	43	43
Clergy Pensions					
Clergy Pension Provision – past service contributions	2,750	–	–	2,750	2,734
Clergy Pension Provision – current contributions	4,611	–	–	4,611	4,248
Clergy Training					
Training of Ordinands	–	381	–	381	391
Grants to Theological Bodies	38	–	–	38	40
Post Ordination Training	22	–	–	22	17
Clergy Property					
Contributions to Diocesan Parsonage Boards	876	–	–	876	846
Diocesan Inspectors costs	254	–	–	254	217
Insurance of Parsonages	125	–	–	125	117
Episcopal Residences	49	–	–	49	57
Provincial Curates Houses	33	–	–	33	44
Diocesan Parsonage Improvements	–	–	8,328	8,328	5,438
Parsonage Houses	–	–	1	1	–
Support Costs	548	–	–	548	576
	13,001	381	8,329	21,711	19,065

Notes to the Accounts

5 Support for Dioceses and Parishes

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Repairs and Extensions to Churches	–	118	–	118	34
Emergency Aid	–	2	–	2	17
Support Costs	622	–	–	622	631
	622	120	–	742	682

6 Other Church Property

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Land Registration	31	–	–	31	28
Redundant Churches	–	–	131	131	164
Support Costs	174	–	–	174	178
	205	–	131	336	370

7 Other Financial Support

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Church in Wales Bodies:					
Cathedral Bodies	152	–	–	152	148
Diocesan and Archdeacons Registrars	107	–	–	107	114
DACs and Cathedrals and Churches Commission	66	–	–	66	59
Disciplinary Tribunal Costs	14	–	–	14	2
Deanery Grant	25	–	–	25	–
Anglican and Ecumenical Bodies:					
CTBI and Cytun	43	–	–	43	51
Anglican Consultative Council	34	–	–	34	32
Commission of Covenanting Churches	13	–	–	13	13
Mission to Seafarers	9	–	–	9	9
World Council of Churches	4	–	–	4	7
Sundry Grants	32	6	17	55	71
Support Costs	47	–	–	47	39
	546	6	17	569	545

8 Communication

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Church in Wales Publications	112	–	–	112	90
Support Costs	158	–	–	158	203
	270	–	–	270	293

9 Support Costs

	Investment Management Costs £000	Support for Ministry £000	Support for Dioceses & Parishes £000	Other Church Property £000	Other Financial Support £000	Communication £000	Governance £000	Total 2006 £000	Total 2005 £000
Secretariat	–	9	19	6	24	5	231	294	304
Human Resources and Office Services	10	115	215	19	5	17	86	467	407
Finance	69	135	62	13	13	1	130	423	389
Property	–	57	70	93	–	–	26	246	262
Legal	5	51	63	29	1	–	50	199	207
Information Technology	8	86	105	14	4	13	50	280	252
Bishops' Advisers	–	95	88	–	–	122	70	375	517
	92	548	622	174	47	158	643	2,284	2,338

Governance costs includes audit fees of £40,000 (2005: £26,000) in respect of the audit of the Representative Body, and £3,000 (2005: £3,000) in respect of the audit of the Staff Retirement Benefit Scheme.

Basis of Allocation

Support costs have been allocated on the basis of an estimated percentage allocation of staff time spent over each charitable activity.

10 Staff Numbers and Remuneration

	2006 £000	2005 £000
Staff Costs		
Salaries	1,528	1,606
Social Security costs	120	126
Pension costs	306	280
	1,954	2,012

The number of employees who received emoluments within the following ranges was:

	2006 Number	2005 Number
£0 to £10,000	5 (*5)	10 (*10)
£10,001 to £20,000	27 (*4)	28 (*1)
£20,001 to £30,000	10	11
£30,001 to £40,000	14	14
£40,001 to £50,000	4	4
£50,001 to £60,000	1	1
£60,001 to £70,000	–	–
£70,001 to £80,000	1	1
	62	69

* Denotes Part-time staff

Two employees earning over £50,000 a year were members of the Staff Retirement Benefit Scheme.

Notes to the Accounts

11 Staff Pensions

The Representative Body of the Church in Wales operates a defined benefit scheme providing benefits for staff it employs directly, based on length of service and final pensionable salaries. The assets of the Scheme are held separately from those of the Representative Body, and are invested in a deposit administration fund with Ecclesiastical Insurance Office Plc.

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The total pension cost for the Representative Body for the Scheme in 2006 was £306,000 (2005: £280,000).

At the date of the last triennial valuation on 31 March 2006, the market value of the assets of the Scheme was £2,494,337. On the basis of the long term assumptions used by the actuary, the Scheme's funding level at 31 March 2006 was 35%, which is equivalent to a deficit of £4.643 million. The contribution rates of the Representative Body and employees during 2006 were 34% and 6% respectively. From 31 March 2007, the employers' contribution rate increased to 37.3%. The valuation used for FRS 17 has been based on the most recent actuarial valuation at 31 March 2006, and updated by Barnett Waddingham to assess the liabilities of the Scheme at 31 December 2006.

The main financial assumptions used by the actuary to calculate the Scheme liabilities under FRS 17 were as follows:

	31/12/06	31/12/05	31/12/04
Rate of increase in salaries	4.5%	5.0%	4.75%
Rate of increase in pension payment – pre 1998 joiners	5.0%	5.0%	5.0%
Rate of increase in pension payment – post 1998 joiners	3.0%	3.0%	2.75%
Discount Rate	5.0%	4.75%	5.25%
Inflation (RPI)	3.0%	3.0%	2.75%
	2006	2005	2004
	£000	£000	£000

The assets in the scheme and the expected rate of return were:

Value at 31 December	2,785	2,294	2,811
Long term rate of return expected at 31 December	6%	6%	6%

The following amounts at 31 December were measured in accordance with the requirements of FRS 17:

Fair value of assets as at 31 December	2,785	2,294	2,811
Present value of scheme liabilities	(6,831)	(6,782)	(6,342)
Net pension liability	(4,046)	(4,488)	(3,531)

Analysis of the amount charged to the Statement of Financial Activities

Current service cost	290	268	310
Past service cost	–	–	–
Total operating charge	290	268	310

Analysis of the amount credited to other finance income / (cost)

Expected return on pension scheme assets	145	149	161
Interest on pension scheme liabilities	(333)	(325)	(333)
Net return	(188)	(176)	(172)

Analysis of amount recognised in net investment gains and losses section of the Statement of Financial Activities

Actual return less expected return on scheme assets	96	(18)	(83)
Experience losses arising on the scheme liabilities	(63)	(39)	–
Impact of changes in the valuation basis	454	(905)	(340)
	487	(962)	(423)

11 Staff Pensions continued

	2006 £000	2005 £000	2004 £000
Analysis of the movement in the financial position			
Deficit in scheme at beginning of the year	(4,488)	(3,531)	(3,110)
Movement in year:			
Employer current service cost	(290)	(268)	(310)
Employer contributions (estimated)	433	444	476
Other financial cost	(188)	(171)	(164)
Actuarial gains / (losses)	487	(962)	(423)
	<u>(4,046)</u>	<u>(4,488)</u>	<u>(3,531)</u>
History of experience gains and losses			
Difference between the expected and actual return on scheme assets:			
Amount (£000)	96	(18)	(83)
Percentage of scheme assets	3%	1%	3%
Experience gains / (losses) on scheme liabilities:			
Amount (£000)	(63)	(39)	–
Percentage of liabilities	1%	1%	0%
Total actuarial gains / (losses):			
Amount (£000)	487	(962)	(423)
Percentage of liabilities	7%	14%	7%

12 Non-Investment Properties

	2006 £000	2005 £000
At 1 January 2006	3,283	3,181
Additions	757	445
Disposals	(58)	(343)
At 31 December 2006	<u>3,982</u>	<u>3,283</u>

Non-investment properties includes properties occupied by ordained staff, provincial curates houses, property for offices and glebe (repurchased under the Welsh Church Act 1914).

Notes to the Accounts

13 Other Tangible Assets

	Office Equipment £000	Motor Vehicles £000	Total £000
Cost			
At 1 January 2006	259	204	463
Additions	19	72	91
Disposals	(1)	(82)	(83)
At 31 December 2006	277	194	471
Depreciation			
At 1 January 2006	209	107	316
Additions	39	42	81
Disposals	(1)	(59)	(60)
At 31 December 2006	247	90	337
Net Book Value			
31 December 2006	30	104	134
31 December 2005	50	97	147

14 Investment Properties

	2006 £000	2005 £000
At 1 January 2006	39,740	35,162
Disposals	(1,958)	(536)
Net increase on revaluation	3,368	5,114
At 31 December 2006	41,150	39,740

Investment properties were valued by DTZ Debenham Tie Leung at 31 December 2006 at £41,150,000 on an open market basis in accordance with the Statement of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors.

15 Property Unit Trusts

	2006 £000	2005 £000
At 1 January 2006	21,839	8,958
Additions	2,614	10,809
Disposals	–	(299)
Net increase on revaluation	3,158	2,371
At 31 December 2006	27,611	21,839

16 Stock Exchange Securities

	2006 £000	2005 £000
Market value at 1 January 2006	340,763	300,597
Additions	62,688	118,384
Disposals	(48,562)	(101,734)
Net increase on revaluation	21,373	23,516
Market value at 31 December 2006 (Note 27)	<u>376,262</u>	<u>340,763</u>
Historical cost at 31 December 2006	<u>286,879</u>	<u>272,753</u>
Unrealised investment gains at 31 December 2006	<u>89,383</u>	<u>68,010</u>
Investment gains calculated on historic cost basis	<u>11,054</u>	<u>21,539</u>
Listed in UK	330,952	300,241
Listed overseas	45,310	40,522
	<u>376,262</u>	<u>340,763</u>

17 Money Market Deposits and Loans

	2006 £000	2005 £000
At 1 January 2006	27,311	23,235
Advances	53,314	56,527
Repayments	(60,310)	(52,451)
At 31 December 2006	<u>20,315</u>	<u>27,311</u>
Comprising:		
Money Market Deposits	14,542	21,633
Diocesan Loans	5,468	5,373
Clergy Car Loan Scheme	305	305
	<u>20,315</u>	<u>27,311</u>

18 Debtors

	2006 £000	2005 £000
Prepayments	176	1,156
Other debtors	138	343
Accrued income	904	721
Amounts due from Stockbrokers	721	–
	<u>1,939</u>	<u>2,220</u>

19 Creditors – due within one year

	2006 £000	2005 £000
Other taxation and social security	407	408
Rents received in advance	415	478
Amounts owed to Special Trusts	1,130	1,057
Other creditors	668	362
Accruals	522	1,764
Amounts due to Stockbrokers	–	5,859
	<u>3,142</u>	<u>9,928</u>

Notes to the Accounts

20 Diocesan Maintenance of Ministry Fund

	31 December 2006		31 December 2005	
	£000	£000	£000	£000
Balance at 1 January 2006		6		–
Allocations:				
Representative Body (Note 4)	2,010		2,671	
Diocesan Boards of Finance	9,241		8,472	
Other Income	10		26	
		11,261		11,169
Less: Payments				
Clergy Stipends	9,049		8,884	
Curates Stipends	1,068		1,121	
National Insurance Contributions	952		947	
Services in vacant incumbencies	84		77	
Sundry expenses and other payments	89		104	
Payments to diocesan officers	27		30	
		(11,269)		(11,163)
Balance at 31 December 2006 (included in creditors)		(2)		6

21 Clergy Pension Provision

	31 December 2006		31 December 2005	
	£000	£000	£000	£000
Balance at 1 January 2006		128,420		111,900
Less: Prior year adjustment (Note 26)		(10,650)		(8,950)
Balance at 1 January 2006 restated		117,770		102,950
Transfer from General Funds:				
Allocation from income	4,611		4,248	
Current year charge (Note 4)	2,750		2,734	
Allocation of net investment gains	10,768		14,614	
		18,129		21,596
Less:				
Pension payments to retired clergy	3,187		3,193	
Pension payments to clergy widows	1,487		1,447	
Gratuity payments of retired clergy	336		293	
Transfer payments	54		143	
		(5,064)		(5,076)
Transfer to General Funds		(9,465)		(1,700)
Balance at 31 December 2006		121,370		117,770

The Clergy Pension Provision has been established in accordance with the advice of our actuaries, Watson Wyatt, to meet liabilities for clergy and clergy widows' pensions and gratuities. The actuarial valuation and basis of annual provision is reviewed every three years.

The actuarial valuation at 31 December 2004 assessed the liability of the Representative Body for past service on the current funding basis at £102.95 million, which represented 27.8% of total funds at that date. Based upon this valuation, the annual transfer from General Funds has comprised 27.8% of total income, reflecting income on the liability for past service, plus 24.3% of total stipends being the contribution for continuing service. A transfer is also made from General Funds comprising 27.8% of net investment gains and losses.

21 Clergy Pension Provision continued

The key financial assumptions used for these calculations are set out below. Changes in the assumptions such as a reduced return on investments can affect the estimated level of provision. The provision accords with the estimate of the actuaries.

Financial assumptions (nominal % pa)

	For Service pre 1 January 2006	For Service post 31 December 2005
Rate of price inflation	3.0%	3.0%
Rate of increase of stipends for clergy in service *	4.0%	4.0%
Rate of increase of pensions	3.5%	3.0%
Rate of investment return (discount rate)	5.1%	5.1%

* Including a 0.5% pa allowance for promotional increases.

Watson Wyatt have reassessed the pension liability as at 31 December 2006, using a discount rate of 5.1% at £121.37 million. The provision has been adjusted to the liabilities and the balance transferred to the Pension Equalisation Fund (Note 22).

22 Designated Funds

	Restated Balance 1 January 2006 £000	Movement in Incoming Resources £000	Outgoing Resources £000	Balance 31 December 2006 £000
Grants for Curates Houses (Funds available to provide grants to parishes to assist in the acquisition of Curates Houses)	70	3	–	73
Repairs and Extensions to Churches (Funds available to parishes)	569	134	118	585
Emergency Aid (Funds available for costs arising due to emergencies)	509	20	2	527
Overseas Aid (Funds available at the discretion of the Bishops to assist in overseas aid)	49	16	3	62
Training of Ordinands (Funds available for training of ordinands)	519	430	381	568
Publications (Funds for publications)	150	–	–	150
Decade of Evangelism	4	–	1	3
Other Purposes (Funds for specific non-recurring purposes)	145	11	1	155
Clergy Retirement Housing Reserve (Capital fund for Clergy Housing Loans)	4,493	104	1	4,596
Church Repairs Capital Reserve (Capital fund for Church Repairs)	4,287	484	–	4,771
Provincial Houses for Curates Reserve (Capital fund for Provincial Curates Houses)	1,310	39	–	1,349
Pension Equalisation Fund (Funds available for Pension Liabilities)	10,650	9,465	–	20,115
	22,755	10,706	507	32,954

Notes to the Accounts

23 Restricted Funds

	Balance 1 January 2006 £000	Movement in Incoming Resources £000	Outgoing Resources £000	Balance 31 December 2006 £000
Redundant Churches (Funds available to contribute to costs arising in the maintenance and safety of redundant churches)	466	51	131	386
Parsonage Houses (Funds available from the sale of parsonage houses to be used for acquisitions of new parsonages in the same parish)	390	45	1	434
Diocesan Parsonage Improvements (Funds available for capital improvements to parsonages and acquisitions of new parsonages)	4,506	8,449	8,328	4,627
Jubilee Fund (Funds available for overseas projects)	9	13	17	5
	5,371	8,558	8,477	5,452

24 Funds Held on Behalf of Others

Special Trusts

The Representative Body of the Church in Wales is the managing and custodian trustee for a number of funds held on trust on behalf of beneficiaries. The aggregate value of these special trusts at 31 December 2006 was £35,011,000 (2005: £31,425,000) and was invested in stock exchange securities and Church in Wales Common Investment Funds.

The income on these funds was £1,426,000 (2005: £1,451,000) and was wholly distributed to beneficiaries.

25 Related Party Transactions

Due to the nature of the Representative Body's operations and its membership being drawn from a wide range of clerical and lay members, it is inevitable that transactions will take place with organisations in which a member of the Representative Body may have an interest. All transactions involving organisations in which a member may have an interest are conducted at arms length.

The most significant transactions are as follows:

- The Bishops, some Stipendiary Clergy and some Diocesan Registrars are members of and in receipt of payment from the Representative Body.

The payment to the Bishops and Stipendiary Clergy are based on the Clergy Stipends set out in Page 10 of this report. The Diocesan Registrars are paid a fee which is a proportion of the salary of a Legal Officer of the Representative Body and a contribution towards secretarial help and office expenditure.

- The six Diocesan Boards of Finance receive an allocation to the Diocesan Maintenance of Ministry Funds totalling £2.008 million and have outstanding loans totalling £4.351 million which have been advanced under the Clergy Retirement Housing Loan Scheme.

26 Prior Year Adjustment

	General Funds 2006 £000	Designated Funds 2006 £000	Restricted Funds 2006 £000	Total Funds 2006 £000	Total Funds 2005 £000
Funds brought forward as reported	275,641	12,105	5,371	293,117	254,558
Prior year adjustment – Pension Equalisation Fund	–	10,650	–	10,650	8,950
Funds restated	275,641	22,755	5,371	303,767	263,508

Further details regarding the prior year adjustment are given in Note 1(h) on page 38.

27 Stock Exchange Securities

	Market Value £000	Market Value %
UK Securities		
Fixed Interest		
British Government	4,688	1.2%
Corporation & Public Boards	1,022	0.3%
Preference	3,813	1.0%
Bonds	49,989	13.3%
Total Fixed Interest	<u>59,512</u>	<u>15.8%</u>
Equities		
Banks	47,648	12.7%
Building & Construction	6,626	1.8%
Diversified Industrials	1,510	0.4%
Electrical	2,621	0.7%
Engineering	3,765	1.0%
Food Producers	13,491	3.6%
General Retailers	22,514	6.0%
Insurance	14,287	3.8%
Leisure, Entertainment & Hotels	5,048	1.3%
Miscellaneous Manufacturing	2,272	0.6%
Mining, Oil & Gas	51,780	13.8%
Office & Commercial Services	6,711	1.8%
Pharmaceuticals	18,720	5.0%
Property	4,276	1.1%
Technology & Telecommunications	22,255	5.9%
Transport	6,031	1.6%
Trusts & Finance	21,101	5.6%
Utilities	20,784	5.5%
Total Equities	<u>271,440</u>	<u>72.1%</u>
TOTAL UK	<u>330,952</u>	<u>88.0%</u>
Foreign Securities:		
United States, Canada & Latin America	12,797	3.4%
Asia	10,343	2.7%
Europe	10,049	2.7%
Australasia	8,305	2.2%
Emerging Markets	3,816	1.0%
TOTAL FOREIGN	<u>45,310</u>	<u>12.0%</u>
TOTAL	<u>376,262</u>	<u>100.0%</u>

Top Twenty Holdings as at 31 December 2006

	£000		£000
BP Plc	18,018	BG Group	6,930
Glaxosmithkline Plc	15,725	Tesco Plc	6,068
Vodafone Group Plc	14,150	Standard Chartered Plc	5,908
HSBC Holdings Plc	13,965	International Power Plc	5,726
Royal Dutch Shell Plc	12,083	Unilever Plc	5,566
Royal Bank of Scotland Group	11,958	Hanson Plc	5,394
Lloyds TSB Group Plc	9,715	Centrica Plc	5,318
CS Smaller C O Class R-INC	8,358	Prudential Plc	5,246
BT Group Plc	7,538	InterContinental Hotel Group	5,048
Anglo American	7,473	Legal & General Group Plc	4,725

Ten Year Review – General Funds

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Income										
Stock Exchange Investments	12,526	11,626	10,875	11,255	11,156	11,824	11,288	12,043	11,213	11,232
Property Income	3,147	2,736	3,018	2,966	3,256	3,081	2,861	2,473	2,053	4,391
Other income	914	918	663	679	749	1,180	1,364	1,630	3,197	2,398
Total Income	16,587	15,280	14,556	14,900	15,161	16,085	15,513	16,146	16,463	18,021
Expenditure										
Clergy Emoluments Clergy and	3,735	4,377	4,765	5,113	5,388	5,762	6,159	6,473	6,541	6,434
Clergy Widows(ers) Pensions	7,381	7,002	6,311	6,238	6,298	5,973	5,771	5,927	5,946	6,314
Clergy Houses	1,368	1,309	1,275	1,171	1,150	1,071	1,063	1,064	1,002	985
	12,484	12,688	12,351	12,522	12,836	12,806	12,993	13,464	13,489	13,733
Provincial Services	1,911	1,821	1,774	1,734	1,743	1,583	1,555	1,406	1,407	1,386
Sundry Grants	840	791	598	1,059	812	1,056	1,100	1,077	940	1,023
Bishops' Advisers/CMMI/ Board of Mission Publications	373	517	532	501	530	540	521*	415	368	360
	112	90	91	78	71	104	117	45	46	86
Total Expenditure	15,720	15,907	15,346	15,894	15,992	16,089	16,286	16,407	16,250	16,588
Surplus / (Deficit)	867	(627)	(790)	(994)	(831)	(4)	(773)	(261)	213	1,433
Reconciliation to the Statement of Financial Activities:										
Net incoming resources before transfers	1,233									
Clergy Training	(330)									
Grants	(11)									
Capital Gifts and Legacies	(25)									
Surplus as above	867									

* Includes approximately £96k representing administrative costs of the former Board of Ministry previously charged to Clergy Emoluments.