

**PORTSMOUTH ROMAN CATHOLIC DIOCESE
PRIESTS' RETIREMENT FUND**

(Registered Charity Number: 1061194)

**TRUSTEES' REPORT
AND
FINANCIAL STATEMENTS**

31 DECEMBER 2007

haysmacintyre
Chartered Accountants
Registered Auditors
London

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

LEGAL AND ADMINISTRATIVE DETAILS

BOARD OF TRUSTEES

Bishop Crispian Hollis (Chairman)
Mr Peter Burns
Mr Francis Davis Appointed 3 May 2007
Mgr Canon Nicholas France
Miss Catherine Hargaden
Mgr Vincent Harvey VG
Rev Provost Gerard Hetherington
Rev Canon Richard Hind
Rev Canon David Hopgood
Mr Peter Hancock
Mrs Sheila Hughes
Mgr Thomas McGrath VG
Mr Iain McGrory
Mgr John Nelson VG
Mr Kevin Ryan
Mrs Elizabeth Slinn
Mr John Williams Resigned 22 February 2007

SECRETARY TO THE TRUSTEES

Rev Stephen D Morgan

MANAGEMENT BOARD

Rev Canon David Mahy (Chairman)
Mrs Bernadette Brunning
Mr Michael Etherington
Mr Sean Hayes
Mrs Claire McKenna
Mr David Morgan
Mgr John Nelson
Rev Canon Paul Townsend

PRINCIPAL OFFICE

St Edmund House
Edinburgh Road
Portsmouth PO1 3QA

CHARITY REGISTRATION NO.

1061194

GOVERNING INSTRUMENT

Trust Deed dated 12 December 1996

AUDITORS

haysmacintyre
Fairfax House
15 Fulwood Place
London WC1V 6AY

SOLICITORS

Blake Laphorn Tarlo Lyons
Harbour Court
Compass Road
North Harbour
Portsmouth
PO6 4ST

PRINCIPAL BANKERS

Lloyds TSB Bank Plc
2-4 Palmerston Road
Southsea PO5 3QH

INVESTMENT MANAGERS

Black Rock Investment Managers
33 King William Street
London EC4R 9AS

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

TRUSTEES' ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The Trustees present their Report together with the financial statements of Portsmouth Roman Catholic Diocese Priests' Retirement Fund for the year ended 31 December 2007, which are prepared in accordance with the Statement of Recommended Practice 2005.

GOVERNING INSTRUMENT

Portsmouth Roman Catholic Diocese Priests' Retirement Fund is a registered charity. It is registered with the Charity Commission under number 1061194. The Fund is governed by its trust deed dated 12 December 1996.

OBJECTS AND POLICY

The Fund's Trust Deed states its principal objects to be ".....the relief of retired Diocesan Priests or those Priests who are no longer able to carry out their pastoral duties of the Roman Catholic Church for whom the Roman Catholic Diocese of Portsmouth has a responsibility under Canon Law for the provision of housing maintenance and general charitable support."

In fulfilment of the objectives of the Trust, it is the policy of the Fund to undertake the following:

- Provision for accommodation of retired priests is made, taking into account their views, needs and capabilities. They may be accommodated at subsidised rents in properties owned by the Fund. For Priests requiring residential or nursing home care, finance is provided by the Fund. Grants may also be paid to some retired Priests to supplement their income. All payments are at the discretion of the Trustees and are reviewed regularly.
- The Trustees seek appropriate professional advice when buying or selling properties. All properties are held for the direct charitable purposes.

ORGANISATION

The trust deed states that the administrative provisions set out and referred to in the certificate of incorporation of Portsmouth Roman Catholic Diocesan Trustees Registered shall apply.

In accordance with the Trust Deed the Trustees have established a Management Board, consisting of a chairman and seven other members, to consider the needs of beneficiaries and the application of resources. The members of the Management Board are appointed by the Trustees.

ACTIVITIES AND ACHIEVEMENTS

The Management Board advises the Trustees on the optimum long term strategy for the Fund. It is intended that a considerable degree of flexibility will be needed to provide for the varied needs of individual Priests. Two clear principles have been established:-

- Sympathetically to respond to personal needs.
- To conserve the resources of the Fund for the demands for future years.

During 2007, one property was bought and two were sold by the Fund. Letting of the Fund-owned and rented properties is on the basis that the only maintenance for which the retired Priest is responsible, is interior decorations. However, if, when the property is purchased, it is in need of interior redecoration, the Fund meets the cost of carrying out this work.

Also, the Fund has leased from the Diocesan Trust four properties, previously occupied as presbyteries, paying the open market rental, duly discounted to allow for the absence of agents' fees, bad debts and voids.

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

TRUSTEES' ANNUAL REPORT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

ACTIVITIES AND ACHIEVEMENTS (CONTINUED)

During the year a rental of £262 (2006:£251) per month was charged to the retired Priest, or £392 (2006:£376) per month if the accommodation is of sufficient size for his housekeeper who has retired with him. The rental is significantly lower than would have to be paid on the open market, but should be sufficient to meet, on a year by year basis, the cost to the Fund of repairs and decorations and the insurance of the building. The rent is being increased each year by the percentage increase in the Retail Price Index. The retired Priest is responsible for furnishing the house and for the running expenses. He may however apply to the Fund for a grant, if for some reason he cannot afford this expenditure.

It is the aim of the board to provide the retired Priest with the accommodation that he chooses, within certain guidelines, in an area of his choice. However, normally, only properties situated within the Diocese are purchased. If a retired Priest wishes to live elsewhere, he may choose to rent his accommodation, and this may also be an alternative within the Diocese. If the rental payable is in excess of what would be charged for a house provided by the Fund, the retired Priest could be entitled to a grant from the Fund for the excess.

In addition, there were five (2006 four) Priests in Homes for the Elderly and the Fund made contributions totalling £57,762 (2006:£47,660) towards their residential fees. Furthermore, grants have been made for specific purposes to Priests residing both in the UK and in Ireland. It is the policy of the fund to make grants to retired priests to top up their income to a minimum level of £12,000 (2006:£11,500) per annum. Applications for support approved during the year amounted to £65,022 (2006:£71,782). The Priests' Retirement Fund pays the cost of a private health care scheme attributable to priests who have retired. The amount charged in these accounts is £21,562 (2006:£21,660).

FINANCIAL REVIEW

The Statement of Financial Activities on page 6 shows a deficit of net incoming resources of £(119,083) (2006:£62,948). Included within that deficit is a loss of £(81,079) (2006:£94,350) on the revaluation / disposal of the freehold properties held by the Fund at the end of the previous year, leaving a deficit in cash resources in the year of £(38,004) (2006: £(31,402)). This followed a decision by the Trustees to adopt a policy of annual revaluation of the freehold properties owned by the Fund. At 31 December 2007 the Trustees considered the property values in the light of current market conditions. In addition, during the year, there has been a gain of £142,175 (2006:£212,612) in the value of the investment assets of the Fund.

At 31 December 2007, the Fund had total Reserves of £4,908,227 (2006: £4,885,135) of which £ 1,347,103 (2006:£1,564,500) is represented by tangible fixed property assets which are necessary for the proper functioning of the Fund, and £2,651,988 (2006:£2,509,813) by Investments. The balance of £ 909,136 (2006:£810,822) is held to finance the year's expenditure and to contribute towards the purchase of additional properties for occupation by retired Priests.

RESERVES POLICY AND ASSET COVER FOR FUNDS

The Trustees consider that the amounts available as free funds to be an appropriate level of funding for anticipated activities. In 2002, the Trustees initiated a special review to assess the future demands for retirement properties and grants based on experience over the previous five years. The conclusion was that the Fund should be able to finance the increasing costs for the foreseeable future, unless there were to be a sustained downturn in the combined investment return. It is the intention of the Trustees to carry out a further review in 2008.

INVESTMENT POWERS AND PERFORMANCE

The Fund's investments are held in Common Investment Funds. The investment policy is determined by an Investments Committee which meets on a quarterly basis to monitor investments and to discuss their performance with the Investment Managers. The investment managers are also instructed that their choice of investments must take into account the ethical position of the Catholic Church, and this is monitored. The current benchmarks are set with the overall long term objective of protecting the value of those investments. The performance of the investments in 2007 was a positive return of 2.5% against a benchmark of 0%. This followed a decision in 2006 to transfer the managed investment portfolio into the new 'Charifaith' Fund launched by the Investment Managers with an active input of ethical advice to ensure that investment is made in a manner that is informed by Catholic teaching.

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

TRUSTEES' ANNUAL REPORT (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

RISK ASSESSMENT

The Trustees' approach to risk assessment has involved delegation to the Management Board of the responsibility to manage strategically its various activities. Salient matters and issues are then reviewed and actioned by the Trustees and its relevant committees.

CONNECTED CHARITY

Portsmouth Diocesan Trust (Registered Charity Number 246871) is a connected charity of the Portsmouth Roman Catholic Diocese Priests' Retirement Fund. The transactions between those connected charities are shown in note 5 to the financial statements.

FUTURE PLANS

The Trustees plan for the future is that, whenever a priest of the Diocese agrees with the Bishop that he will retire from active ministry, there will be sufficient resources available to support that priest with suitable accommodation together with the means to deal with health issues and day to day support. It is not the Trustees' intention at this time to seek additional funds for this purpose, unless the periodical review highlights a problem.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees of the Fund are required to prepare for each financial year accounts which give a true and fair view of the state of affairs of the Fund and of the incoming resources and application of resources of the Fund for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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 the going concern basis unless it is inappropriate to presume that this basis applies.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with statutory requirements and with the Trust Deed dated 12 December 1996. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Trustees on 3 July 2008 and signed as authorised on their behalf by:

Rt Rev Crispian Hollis

(Trustee)

Mr Iain McGrory

(Trustee)

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF
PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND**

We have audited the financial statements of Portsmouth Roman Catholic Diocese Priests' Retirement Fund for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet, and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the Fund's trustees, as a body, in accordance with the regulations made under the Charities Act 1993. Our audit work has been undertaken so that we might state to the Fund's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities the Fund's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the Fund 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 Trustees' Report 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 whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Fund's affairs as at 31 December 2007 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

haysmacintyre
Chartered Accountants
Registered Auditors
2008.

Fairfax House
15 Fulwood Place
London WC1V 6AY

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2007

		Unrestricted Funds	
	Notes	2007 £	2006 £
INCOMING RESOURCES			
Voluntary income			
Gift aid (gross)		31,344	32,306
Covenants (gross)		1,836	680
Donations and legacies		19,649	20,784
Activities for generating funds			
Interest receivable		34,886	32,787
Investment Income		55,376	59,880
Rent receivable		45,357	49,416
Other incoming resources			
Gain / (Loss) on revaluation and disposal of freehold properties	2	(81,079)	94,350
		107,369	290,203
RESOURCES EXPENDED			
Charitable Expenditure			
Premises and equipment costs		71,442	80,129
Grants		122,784	119,442
Healthcare costs		21,562	21,660
Governance Costs			
		10,664	6,024
	1	226,452	227,255
Net Incoming Resources			
		(119,083)	62,948
Gains on investment assets		142,175	212,612
Net Movement In Funds			
		23,092	275,560
Fund Balance Brought Forward at 1 January 2007			
		4,885,135	4,609,575
Fund Balance Carried Forward at 31 December 2007			
		£4,908,227	£4,885,135

The notes of pages 8 to 10 form part of these financial statements.

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	2007		2006	
		£	£	£	£
TANGIBLE FIXED ASSETS					
Freehold property	2	1,347,103		1,564,500	
Investments	3	2,651,988		2,509,813	
			3,999,091		4,074,313
CURRENT ASSETS					
Debtors					
- Income tax recoverable		5,383		5,642	
- Prepayments/Accrued income		33,811		31,686	
		39,194		37,328	
Cash at bank and in hand		881,871		787,508	
		921,065		824,836	
CREDITORS: amounts falling due within one year					
Interest free loans		(2,800)		(8,800)	
Other creditors		(9,129)		(5,214)	
		(11,929)		(14,014)	
NET CURRENT ASSETS			909,136		810,822
TOTAL ASSETS			<u>£4,908,227</u>		<u>£4,885,135</u>
REPRESENTED BY:					
Funds - unrestricted			<u>£4,908,227</u>		<u>£4,885,135</u>

Approved by the Trustees on

and signed as authorised on their behalf by:

Rt Rev Crispian Hollis
(Trustee)

Rev Canon Richard M D Hind
(Trustee)

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 DECEMBER 2007

The financial statements have been prepared in accordance with the Charities (Accounts and Reports) Regulations, the Statement of Recommended Practice "Accounting by Charities" SORP 2005 (issued in March 2005) and applicable accounting standards issued by UK accountancy bodies. Following the adoption of the new SORP certain comparative figures have been restated. The particular accounting policies adopted are described below. They are prepared on the historical cost basis of accounting as modified to include the revaluation of fixed assets including investments and free hold properties which are carried at market value.

Legacies and Donations

Legacies and donations are recognised when receivable or when the Fund becomes legally entitled to them and they can reasonably be measured in financial terms. Receipts of property, investments or other gifts in kind are included at market value.

Income

Income from Gift Aid and covenants is shown gross of tax reclaimed.

Expenditure

Charitable expenditure consists of all expenditure directly relating to the objects of the Fund. Certain central costs, which cannot be directly allocated, are apportioned between direct charitable expenditure and governance costs on the basis of the Trustees' estimate of the time spent on the relevant functions.

Governance costs comprise the costs of running the Fund, including strategic planning for its future development, also external audit, any legal advice, and all the costs of complying with constitutional and statutory requirements, such as the costs of Trustees' meetings and of preparing statutory accounts and satisfying public accountability.

Fixed Assets

Depreciation is provided at the following rates per annum in order to write off the cost of each asset, less any estimated residual value, over its useful economic life.

Freehold Buildings 2% on cost or valuation

No depreciation is provided on freehold land.

Freehold property is now held at open market value. A revaluation is performed each year and the movement from the prior year value is accounted for within the statement of financial activities.

Gains and Losses

Gains/losses on investments are calculated as the difference between opening market value and closing market value after adjusting for additions and disposals during the period. No distinction is made between realised and unrealised gains in the financial statements.

Fund Accounting

Unrestricted funds comprise accumulated surpluses and deficits on general funds. They are available for use at the discretion of the Trustees in furtherance of the general charitable objectives.

Cash Flow Statement

The Fund qualifies for exemption from "Financial Reporting Standard No 1 - Cash Flow Statements" as a small reporting entity and a cash flow statement has therefore not been prepared.

Grants

Grants are charged to the statement of financial activities in the year in which the grant is awarded.

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

1. RESOURCES EXPENDED

	Depreciation £	Grants £	Other Direct Costs £	2007 Total £	2006 Total £
Analysis of Costs					
Charitable Expenditure	15,279	122,784	77,725	215,788	221,231
Governance	-	-	10,664	10,664	6,024
	<u>£15,279</u>	<u>£122,784</u>	<u>£88,389</u>	<u>£226,452</u>	<u>£227,255</u>

Grants comprise:

Grants to Individuals

(number of grants 25 - (2006 - 26))

2007	2006
£122,784	£119,442

Included in Governance Costs is:

Auditors remuneration

2007 £	2006 £
1,469	1,469

2. FREEHOLD PROPERTY

COST / VALUATION

At 1 January 2007

Additions

Disposals (at valuation)

Revaluation

At 31 December 2007

**Freehold Land
and Buildings
£**

1,564,500

192,103

(346,500)

(63,000)

1,347,103

DEPRECIATION

At 1 January 2007

Charge for the year

Eliminated on revaluation / disposal

At 31 December 2007

-

15,279

(15,279)

-

NET BOOK VALUE

At 31 December 2007

At 31 December 2006

£1,347,103

£1,564,500

The properties were re-valued by the trustees on an open market value basis as at 31 December 2007.

PORTSMOUTH ROMAN CATHOLIC DIOCESE PRIESTS' RETIREMENT FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 31 DECEMBER 2007

3. INVESTMENTS	2007	2006
	£	£
Balance at 1 January 2007	2,509,813	2,297,199
Revaluation gains	142,175	212,614
	<u>£2,651,988</u>	<u>£2,509,813</u>
	2007	2006
	£	£
Common Investment Fund	2,651,988	2,509,183
Portfolio bank accounts	-	-
	<u>£2,651,988</u>	<u>£2,509,183</u>

All quoted investments (other than cash) are quoted on a recognised UK Stock Exchange or are valued by reference to investments listed on a recognised Stock Exchange

Included in the above investments the following represent more than 5% of the total value of investments.

Charifaith Distribution Units 100%

4. TRANSACTIONS WITH TRUSTEES

No remuneration was paid to the Trustees nor were any expenses reimbursed.

5. CONNECTED CHARITY

The Portsmouth Diocesan Trust (registered charity number 246871) is a connected charity of the Portsmouth Roman Catholic Diocese Priests' Retirement Fund. Its principal address is:-

St Edmund House
Edinburgh Road
Portsmouth
PO1 3QA

During the year, rents amounting to £32,271 (2006: £39,427) were paid in respect of properties owned by the Diocesan Trust.

A balance of £Nil (2006: £Nil) was due to the Portsmouth Diocesan Trust from the Fund at 31 December 2007.