



SOUTHWARK CATHEDRAL

Summary of Annual Accounts 2008

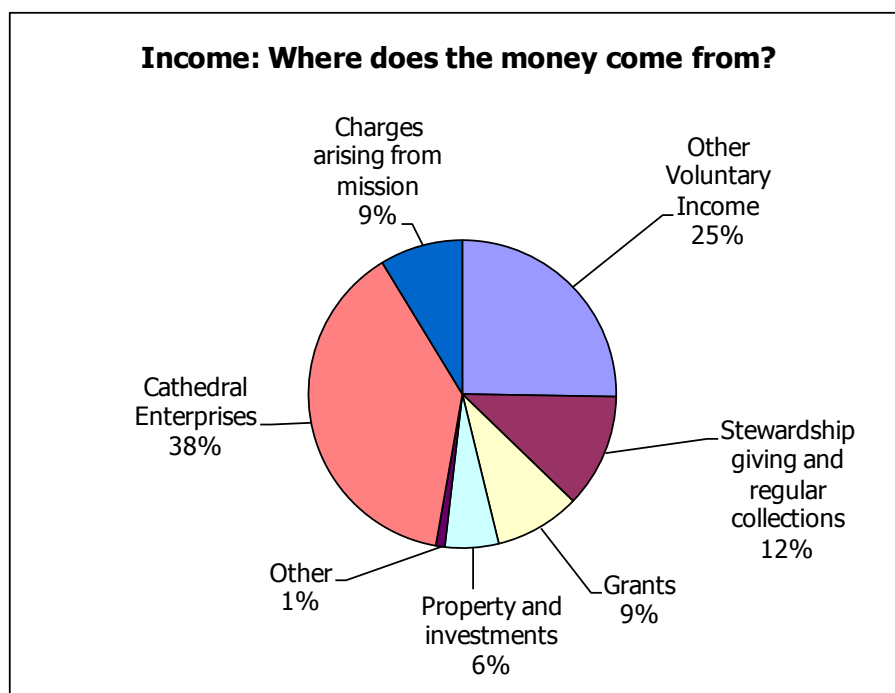
This summary of the Annual Accounts provides a brief overview of the Cathedral's finances in the year to 31st December 2008, some general information on the sources of the Cathedral's income and details of its expenditure. It is not intended to be a comprehensive guide and those requiring more detail should refer to the audited Annual Report and Consolidated Financial Statements, copies of which can be obtained from the Cathedral Office (open Monday to Friday 9.00am to 5.00pm or tel: 020 7367 6700) or from the Cathedral's website at www.southwarkcathedral.org.uk

The figures used in this summary are all taken from the audited Annual Report and Consolidated Financial Statements.

At first glance, the Cathedral had a very good year in 2008 with income exceeding expenditure. Overall, there was a surplus across all funds of £298,296 in 2008 compared with £112,930 in 2007. However, this initially very favourable result needs further explanation. More than £30,000 of this surplus consists of donations towards the Centenary Chairs Appeal which will be spent purchasing new chairs in 2009. £104,000 was given in donations towards the Choir Endowment Fund and £100,000 was received in grants for the roof repair project that was spent in the first quarter of 2009. When considering the unrestricted general funds, which are the primary resource available for the day-to-day running costs of the Cathedral, there was a surplus of £62,605. At a cash flow level, when debt servicing and repayments are included, the final result is a modest surplus of £5,000 on our unrestricted funds. This demonstrates the continued need for careful financial management of the Cathedral's resources and the challenge ahead when attempting to build up a cash reserve from surpluses.

Income explained:

The total income for the Cathedral (including Enterprises and investments) was £1,982,225 in 2008 compared with £1,726,147 in 2007. The increase in income is attributable to large donations toward the roof repair project and Choir Endowment Fund and an increase in voluntary giving. The chart below shows where the money comes from:



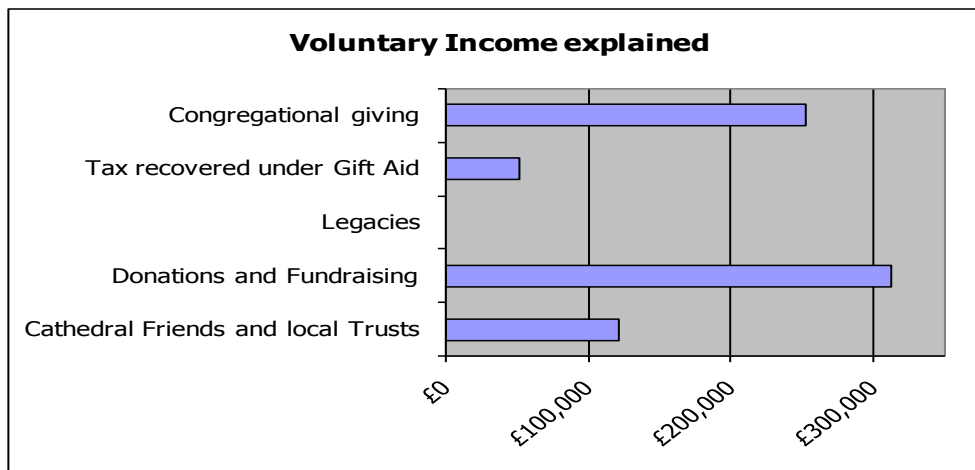
The proportion of income coming from Cathedral Enterprises remained steady at 38%. Stewardship and regular collections income also remained steady at 12% but in cash terms there was a very encouraging increase (16% year on year following a 22% in the previous year) in congregational giving through planned

giving schemes and collections (£236,854 in 2008) to which can be added a further £51,094 in the amount of tax recovered under Gift Aid which continues to demonstrate the huge importance to Cathedral funds of giving through the scheme.

Overall, the analysis of income shows a continued reliance on trading activities to meet the costs of running the Cathedral. The turnover for Southwark Cathedral Enterprises was £763,618 in 2008 (up from £660,128 in 2007) resulting in more than £341,190 being transferred to the Cathedral as a charitable donation. This excellent result was all the more encouraging given that the economy as a whole was beginning to enter a recession. The Board had been conservative in its predictions for profit in 2008 and it is a tribute to the efforts of Enterprises staff that profits actually rose by 25%. It should be noted, however, that the very much harder trading conditions in 2009 will see these results decrease in the year ahead as conference business and refectory income have already been hit by corporate cost cutting. This will inevitably mean that Stewardship and planned giving will assume an increased importance as the second largest source of Cathedral income.

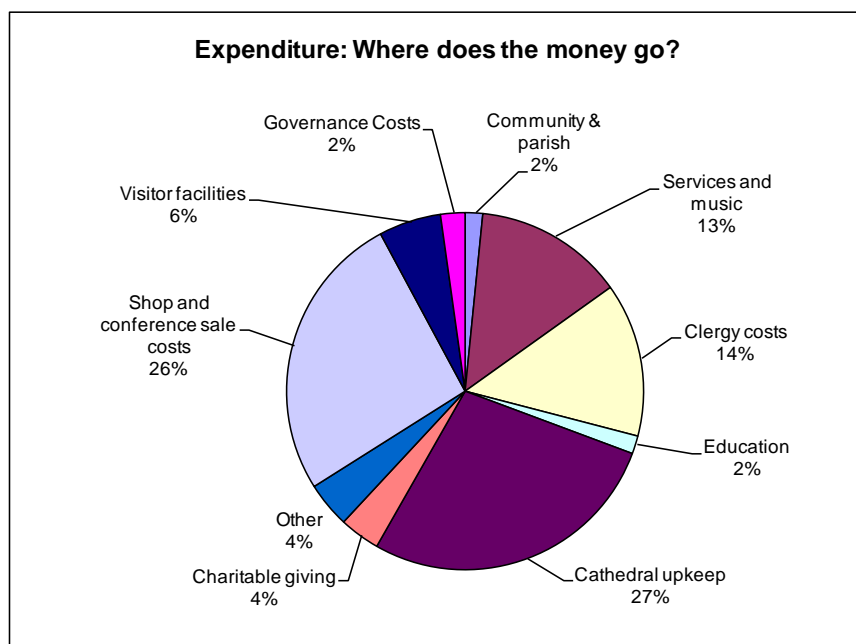
The grants income shown above includes £168,659 from the Church Commissioners that pays the stipends for the Dean, Sub-Dean and Canon Pastor as well as contributing to the salaries of lay staff.

The chart below shows the sources of voluntary income in 2007.



Expenditure explained:

The total expenditure by the Cathedral (including Enterprises) was £1,662,877 in 2008 compared with £1,615,232 in 2007. The chart below shows how the money was spent:

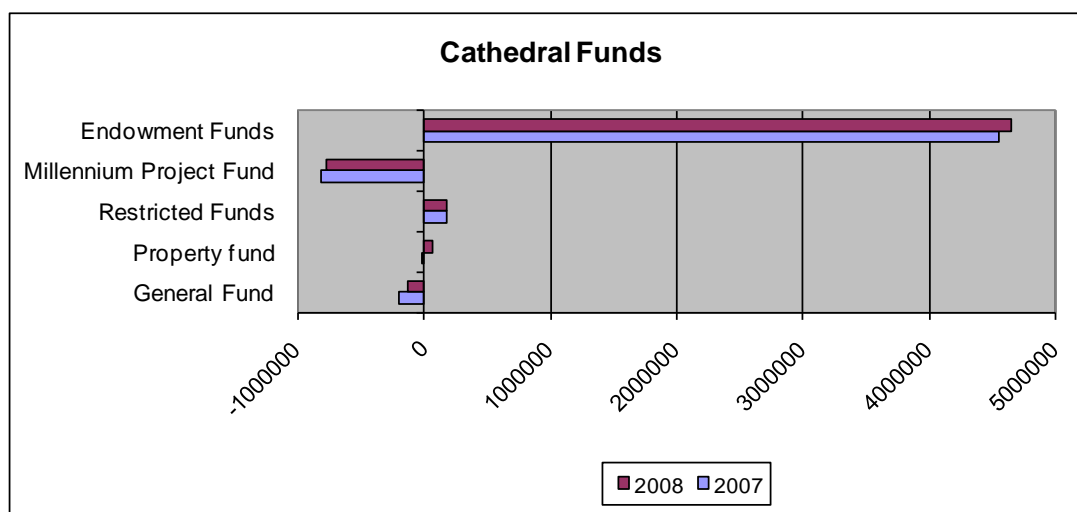


The largest areas of expenditure are Clergy Costs (£231,297), the cost of maintaining the Cathedral and its precincts together with major repair and restoration works (£458,069) and the cost of conference and shop sales (£415,953), the largest part of which covers staff costs and purchasing stock for the Shop. 10% of income from the planned giving scheme is given away for a variety of local, national and international charitable purposes. In 2008, this amounted to £15,731 and is included within the Charitable Giving total in the chart on the previous page.

The Balance Sheet explained:

The balance sheet contained within the full annual report and accounts summarises the total assets of the Cathedral (including Southwark Cathedral Enterprises) at £3,996,380. This figure is made up of the total of endowment, restricted and unrestricted funds.

The chart below shows the status of these different funds at the year end and a comparison with the situation at the end of 2007:



The Millennium Project Fund is a restricted fund but is shown separately in this chart to highlight the fact that it is the only restricted fund in deficit. Other restricted funds have remained steady.

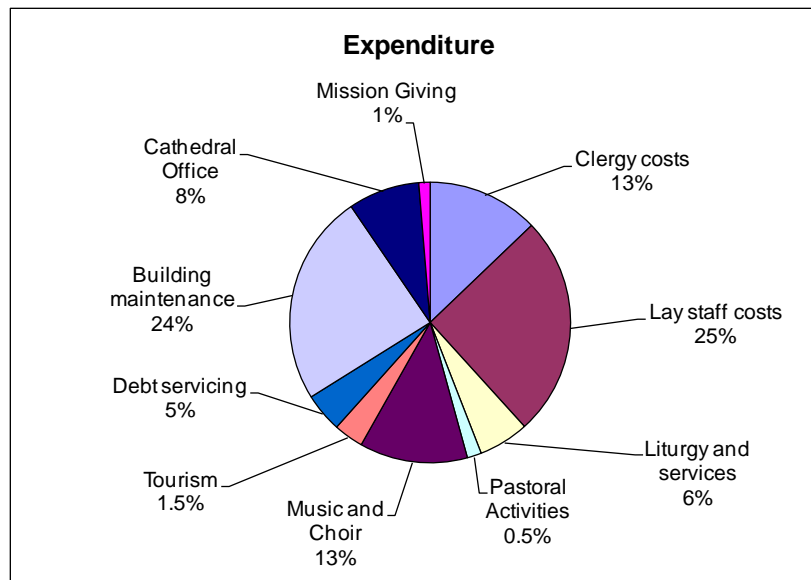
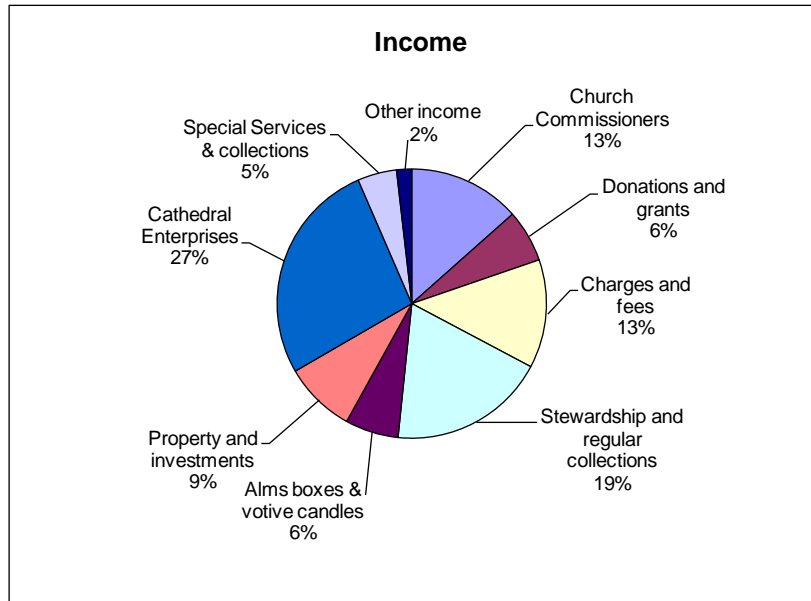
The endowment funds consist of property owned by the Cathedral and assets such as money given for specific purposes from which an income is derived.

The property and general funds are unrestricted funds, the latter currently being in deficit.

It is important to note that the Cathedral and Millennium Buildings (potentially worth a great deal of money and insured for £41.0m) are not included in these accounts and are therefore excluded from the Endowment Funds shown in the chart above and in the balance sheet. The reason they are not included is because we follow the Church Commissioners guidelines for annual accounts that require buildings forming part of the Cathedral precinct to be specifically excluded from the balance sheet. It would be fair to say that if the value of the buildings were to be included in the balance sheet, the financial position of the Cathedral would look considerably better. In other words, the accounts do not reflect all the assets held by the Cathedral.

The General Fund:

The General Fund is the normal operating fund for the Cathedral through which the majority of income and expenditure passes including trading activities (but not major project, restoration and repair work). The annual budget is set by the Finance Committee for this fund. Income for the general fund was £1,255,016 and expenditure £1,208,615 (these figures include the profit transferred from Cathedral Enterprises but not the costs incurred in generating this profit). The charts below show where the money came from and how it was spent:



Conclusion:

The year 2008 continued the success of the previous four years in delivering a balanced budget. This was made possible by a combination of successful trading by Southwark Cathedral Enterprises, increased congregational giving and tight control of expenditure.

The amount spent on servicing the Cathedral's loans is almost £100,000 a year. The challenge remains to re-pay loans and build up a contingency fund equivalent to at least three months expenditure to protect the Cathedral from unexpected increases in expenditure or decreases in income. It is the aim of the Finance Committee to set aside such a fund from surpluses once loans have been re-paid. 2009 looks to be a challenging year ahead but there are grounds for optimism in the longer term.

Matthew J. Knight
Cathedral Administrator
April 2009