



## THE LONDON DIOCESAN FUND

DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

A company limited by guarantee and registered in England no: 150856

Registered charity no: 241083

Ninety-First Report

Registered and principal office:

London Diocesan House

36 Causton Street

London

SW1P 4AU

## **Glossary**

ALMA	Angola, London and Mozambique Association
BLF	Bishop of London's Fund, incorporated in 1882.
BLMF	Bishop of London's Mission Fund, a designated fund.
CBF Deposits	The CBF Church of England Deposit Fund, established by the Church Funds Investment Measure 1958, was formerly the Central Board of Finance
CCLA	CCLA Investment Management Limited. Known as Church, Charity and Local Authority Fund Managers Limited before 1994.
CPF	City Parochial Foundation, a charity established by the City of London Parochial Charities Act, 1883.
FRS	Financial Reporting Standard.
ICTA	Income and Corporation Taxes Act 1988 (c. 1).
LDBF	London Diocesan Board of Finance, a charitable company.
LDBS	London Diocesan Board for Schools, a charitable company.
LDF	London Diocesan Fund.
LLP	Limited liability partnership
Measure	A law applying solely to the Church of England.
PCC	Parochial Church Council.
PLC	Public limited company
SORP	Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005) Charity Commission.
The Council	The Bishop's Council and Standing Committee.
The Fund	London Diocesan Fund.

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## Directors' and Trustees' Report 2009 - preamble

The directors of the company, who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2009.

## Reference and Administrative Details, Trustees and Advisers

### Name and registered office

The London Diocesan Fund is a company limited by guarantee and registered in England (no: 150856). It is a registered charity (no: 241083). Its registered and principal office is at London Diocesan House, 36 Causton Street, London, SW1P 4AU.

### Directors, Trustees and Members of the Diocesan Bishop's Council

All members of the Bishop's Council and Standing Committee, described more fully below, are, except where specifically noted, directors of the company for the purposes of the Companies Acts and are Trustees under charity law.

The members on 12 May 2010, the date of approval of this report, were as follows.

#### President and Chairman

The Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO

#### Treasurer and Vice Chairman

Mr D E Loftus, Diocesan Synod House of Laity

#### The Chairman of the Finance Committee

The Ven the Archdeacon of Charing Cross, Dr W M Jacob

#### Ex officio

The Bishop of Stepney, the Rt Revd S J Oliver

The Bishop of Kensington, the Rt Revd P G Williams (*from 25/3/09*)

The Bishop of Edmonton, the Rt Revd P W Wheatley

The Bishop of Willesden, the Rt Revd P A Broadbent

The Bishop of Fulham, the Rt Revd J C Broadhurst

The Archdeacon of London, the Ven P A Delaney (*until 1/6/09*), the Ven D Meara (*from 4/7/09*)

The Archdeacon of Charing Cross, the Ven Dr W M Jacob

The Archdeacon of Hackney, the Ven Dr L Dennen (*until 1/4/10*)

The Archdeacon of Middlesex, the Ven S J Welch

The Archdeacon of Hampstead, the Ven M C Lawson

The Archdeacon of Northolt, the Ven R Treweek

The Dean of St Pauls, the Rt Revd Graeme Knowles

The Revd Preb D N C Houlding, Diocesan Synod House of Clergy

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**Elected by The House of Laity, Diocesan Synod (3 seats)**

Mr C J Backhouse (*until 19/11/09*)

Mr D Hurst (*from 19/11/09*)

Mr B O'Donoghue

Ms M Murrell

The following members were elected by the various Areas.

**Two Cities**

The Revd O C M Ross

The Revd W T Taylor

Mr S C Finch

Mr J D Freeman

Mr K D Stern

Mr D Roberts (*from 14/10/09*)

**Kensington**

The Revd P S Williamson (*until 22/12/09*)

The Revd A Emerton (*from 21/9/09*)

The Revd Dr B Mayo (*from 22/12/09*)

Mrs A Barrett (*from 14/10/09*)

Mrs P M Cooper (*until 14/10/09*)

Mr H A Evans

Mrs J Hare (*until 14/10/09*)

Mr J P Normand

**Willesden**

The Revd A R Corsie

The Revd P Stone (*until 14/10/09*)

The Revd M Stone (*from 14/10/09*)

Mr M A Carmody

Mr J R Dolling

Mr C R Scowen

Mr D Slater (*until 14/10/09*)

Mrs S Wright (*from 21/9/09*)

**Stepney**

The Revd M L J Saunders (*until 22/12/09*)

The Revd G L Warren

The Revd J Blackburn (*from 22/12/09*)

Mrs C Adekunle

Mrs M Ford

Mr L Humby (*until 21/9/09*)

Ms J W Munro

Dr P Rice (‡)

**Edmonton**

The Revd C J P Hobbs (*until 21/9/09*)

The Revd Preb C G Pope

Mrs A K Atkins

Mr S J Jones

Mrs A L Ruoff

Mr J F Willmer (*until 14/10/09*)

Mr I R M Woolf

**Nominated by the Bishop of London**

The Revd N R Holtam

For convenience, members are shown in the categories in which they are currently appointed. They may previously have served as members in a different capacity.

‡ Dr P Rice is a member of the Bishop's Council and Standing Committee but is not a director of the Fund nor a trustee.

### Senior staff

The bishops and archdeacons of the Diocese exercise day to day control of the Fund. Mr Andy Brookes is the Fund's Chief Executive and General Secretary. He also acts as secretary to the Bishop's Council though he is not a member. Some senior staff members have the title director in their job titles but they are not directors of the Fund for the purposes of company law nor are they trustees of the charity.

### Professional advisers

#### Auditors

Mazars LLP  
Times House  
Throwley Way  
Sutton, Surrey  
SM1 4JQ

#### Solicitors

Winckworth Sherwood  
Minerva House  
5 Montague Close  
London  
SE1 9BB

#### Insurers

Ecclesiastical Insurance Group PLC  
Beaufort House  
Brunswick Road  
Gloucester  
GL1 1JZ

#### Bankers

Barclays Bank PLC  
Knightsbridge Business Centre  
P O Box 32014  
London  
NW1 2ZG

Lloyds Banking Group PLC  
(Bank of Scotland plc)  
The Mound  
Edinburgh  
EH1 1YZ

#### Investment Managers

M&G Securities Limited  
Laurence Pountney Hill  
London  
EC4R 0HH

CCLA Investment Management Ltd  
80 Cheapside  
London  
EC2V 6DZ

#### Communications Consultants

Luther Pendragon Limited  
3 Priory Court,  
Pilgrim Street  
London  
EC4V 6DR

## **Constitution, structure, governance and management**

### **Summary information about the structure of the Church of England**

The Church of England is organised as two provinces; each led by an archbishop (Canterbury for the Southern Province and York for the Northern). Each province comprises dioceses, of which there are 42 in England.

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

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

The Church of England is episcopally-led (there are over 100 bishops including Diocesan Bishops and Assistant and Suffragan Bishops). It is governed by an elected General Synod as its legislative and deliberative body at national level, making decisions on matters of doctrine, the holding of church services and relations with other churches. General Synod passes measures which, if accepted by Parliament, have the effect of acts of Parliament. It is made up of three groups or houses of members: the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually to consider legislation for the broader good of the Church.

### **The three National Church Institutions**

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

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

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

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

The Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement

welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

### **Saint Paul's Cathedral and Westminster Abbey**

Saint Paul's cathedral is the mother church of the Diocese and legally is constituted as a separate charity. Likewise, the Dean and Chapter of the Collegiate Church of Saint Peter in Westminster (Westminster Abbey) are, by virtue of its Foundation document, the Charter of 21<sup>st</sup> May 1560, constituted as a body corporate with perpetual succession.

The information about General Synod, the Church Commissioners, the Archbishops' Council, Saint Paul's Cathedral and Westminster Abbey is included as background only. The financial transactions of these bodies do not form part of these financial statements.

### **The Diocese of London**

The Diocese of London was founded in Roman times and was re-founded in 604 by Saint Mellitus. It is one of the 44 dioceses of the Church of England (42 in England, plus the Diocese of Europe and the Diocese of Sodor & Man). In its current form, it covers parts of London mostly north of the River Thames and west of the River Lea in Greater London and Surrey.

The Diocese is led by the Bishop of London. He has delegated certain powers to four Area bishops, the Bishops of Edmonton, Kensington, Stepney and Willesden, and a Suffragan, the Bishop of Fulham. There is an archdeacon for each of these four areas. There is also one archdeacon for the City of London and one for the City of Westminster, these two archdeaconries forming the Two Cities area which is led by the Bishop of London personally. Each archdeaconry is subdivided into deaneries.

Each deanery consists of several parishes; there are over 400 parishes in the Diocese. The Parochial Church Council (PCC) is the elected governing body of an individual parish. The PCC is made up of the incumbent as chair, the churchwardens and a number of elected and *ex officio* members. Each PCC is a corporate body and a separate charity. PCCs are responsible, *inter alia*, for the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements.

The statutory governing body of the Diocese is its Synod, which is an elected body with representation from all parts of the Diocese. It is governed by Standing Orders approved by the Synod inaugurated on 17<sup>th</sup> November 1970 and amended from time to time. Lay members are elected by deanery synods, which are in turn comprised of members elected by parish members. Clergy members are similarly elected by the clergy in deanery synods. The bishops and archdeacons of the Diocese are *ex officio* members. In addition, a small number of members may be co-opted or nominated. The Synod meets at least twice per year. The Diocesan Synod considers the annual expenditure budget. Many of the Synod's responsibilities are delegated to the Bishop's Council, which acts as a standing committee.

The Bishop's Council and Standing Committee ("the Council") consists of up to 30 members elected by Area by the Diocesan Synod; up to three members elected by the House of Laity of the Diocesan Synod; up to 16 *ex officio* members, being mostly bishops and archdeacons; and up to five members nominated by

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the Bishop of London. The Council meets at least three times per year and may consider matters through correspondence between meetings.

The Diocese conducts its financial affairs through a number of corporate bodies. The main body is the London Diocesan Fund ("the Fund") described more fully below.

#### **The London Diocesan Fund**

The London Diocesan Fund ("the Fund") is a company limited by guarantee that was incorporated in England on 29<sup>th</sup> June 1918. Its registered number is 150856 and its registered address is at 36 Causton Street, London, SW1P 4AU. Its certificate of incorporation notes that it is licensed to omit the word "limited" from its title. It is a registered charity number 241083.

The objects for which The London Diocesan Fund is established and for which suitable powers are granted in the memorandum of association are, in summary, as follows:

To promote and assist the work and objects of the Church of England for the advancement of the Christian religion in the Diocese of London, and in particular to organise and provide funds for the following departments of the Church's work:

- maintenance of the Clergy generally, including Bishops Suffragan, Incumbents, Assistant Curates and Clergy;
- erection and repair and endowment of Churches, Church Buildings, Schools, Mission Buildings, and Residences for Incumbents;
- training of candidates for the Ministry, Clerical and Lay;
- provision of Scripture Readers and other Lay Agents;
- provision of Pensions for the Clergy, and Lay Agents; provision for widows, orphans and dependents of the Clergy, and for necessitous Clergy;
- assistance towards endowment whether for Incumbencies or Curacies;
- religious education of the young;
- provision of expenses of Diocesan and central organisations;
- provision for Residences for Curates and Lay Agents, Institutes, Halls, Social Clubs, Refuges and Homes, and the repair and endowment of the same; and
- such other objects, if any, as it may from time to time be found desirable to promote for strengthening the religious or other charitable work of the Church.

The objects prohibit the payment of dividends.

The Fund is governed by a Memorandum and Articles of Association. The Articles of Association of the Fund may not be altered or varied without resolution of the Diocesan Synod. The Memorandum and Articles are regularly reviewed and amended from time to time, the last update being in May 2004. Having obtained the Charity Commission's prior consent revisions will be proposed to the Annual General Meeting in 2010 to amend the objects and the articles in part to reflect the Companies Act 2006, Charities Act 2006 and other changes. The articles specifically give authority to members of the clergy to participate in decisions where they may have an interest through virtue of the holding of clerical office.

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Every member of the Council is a member of the company unless they decline to take membership. Each member undertakes to contribute to the assets of the Fund, in the event of its being wound up, such amount as may be required not exceeding £1.

The members of the Fund are trustees of the charity and also its directors for the purposes of the Companies Acts. Trustees receive induction and other training as appropriate to their needs. The Chairman of the Fund is the Bishop of London. The members elect a Treasurer, who is the Vice-Chairman.

In effect, the Council acts as a committee of the Diocesan Synod and undertakes the management of the Synod's financial affairs as well as pursuing its own charitable objectives through the Fund. The Fund also acts as custodian trustee and as agent to other boards, committees and trusts within the Diocese of London of the Church of England.

The Fund has delegated certain powers to its Finance Committee, described more fully below. The Finance Committee meets about five times each year. The Fund has also delegated certain powers to five Area Councils. The committees have power to co-opt members, subject to elected and ex-officio members being always in the majority. Day to day operational matters are delegated to the officers.

#### **Finance Committee**

The Finance Committee is a sub-committee of the Council. Its membership comprises laity and clergy. By a special resolution dated 10<sup>th</sup> December 1970 its lay membership must be in the majority. The Bishop of London, the archdeacons and the Treasurer of the Fund are *ex officio* members.

The Finance Committee makes recommendations to the Council. In addition, for urgent or low value transactions, it can take immediate decisions.

The committee is chaired by the Ven. Dr W M Jacob, Archdeacon of Charing Cross and its members at the time of this report are shown in the table below.

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**Members of the Finance Committee**

***Members of Council***

The Rt Revd and Rt Hon the Lord Bishop of London,  
R J C Chartres KCVO  
The Archdeacon of London, the Ven P A Delaney (*until  
1/6/09*), the Ven D Meara (*from 4/7/09*)  
The Archdeacon of Charing Cross, the Ven Dr W M Jacob  
The Archdeacon of Hackney, the Ven Dr L Dennen (*until  
1/4/10*)  
The Archdeacon of Middlesex, the Ven S J Welch  
The Archdeacon of Hampstead, the Ven M C Lawson  
The Archdeacon of Northolt, the Ven R Treweek  
The Revd Preb D N C Houlding  
The Revd Preb C G Pope  
The Revd Dr Andrew Emerton  
Mr C J Backhouse (*from 31/12/09*)  
Mr J R Dolling  
Mr B O'Donoghue  
Mr D E Loftus  
Ms J W Munro  
Mr J P Normand (*until 31/12/09*)  
Mr D Roberts  
Mr K D Stern  
Mr I R M Woolf

***Not members of Council***

Revd A Roberts  
Revd E Wong  
Mr D Barton  
Mr J Bell (*until 27/2/09*)  
Mr R Dean  
Mr N Manns  
Mr R N Perry  
Dr S Willmington  
Mr A Garwood-Watkins

**Audit Committee**

The Audit Committee is a sub-committee of the Council set up in 1996. Its terms of reference are regularly reviewed. The latest are dated 11th November 2008. Members are appointed by the Council for three years. Its membership may be drawn from the Council and the Finance Committee and from outside these bodies. At least two members (including the chair) are to be from the Council and current Finance Committee members must be in the minority.

The Committee reviews the systems of internal financial control. Each year it considers the need for internal audit of the Fund's operations and has concluded so far that use of the Fund's charitable funds to establish an internal audit capability would be disproportionate to the risks. It reviews the annual accounts prior to submission to the whole Council.

The membership is shown in the table below.

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**Members of the Audit Committee**

**Members of Council**

The Revd O C M Ross (*until 31/12/09*)  
Mr J D Freeman (Chair)  
Mr I R M Woolf

**Not members of Council**

Mr N Fletcher  
Mr R N Perry

**Risk Management**

With other organisations, the Fund faces risks to its operations, finances and reputation. The officers consider, evaluate and record the major areas of risk to which the Fund is exposed, assessing both the likelihood and impact of those risks crystallising. The officers explain and record the measures in place to manage and mitigate these risks. The totality of the identified risks are reviewed and assessed in an annual cycle. The process of identification and assessment of risk, the risks so identified and the measures for mitigation are reviewed at least annually by the Audit Committee. The results are recorded in a risk register, which is available for inspection by all directors and trustees. As part of new directors' and trustees' induction details of the risk management process and risks are provided. A formal report on risk management, drawing particular attention to the risk of fraud, is considered by the Council annually. Specific matters are brought to the attention of the Council whenever appropriate and necessary.

**Trustee Training**

The Trustees review the knowledge, skills and experience of the trustees and provide appropriate training sessions to address their needs. New Trustees are provided with a handbook outlining their main responsibilities. Dedicated training sessions have been provided for all Trustees, for example on finance and budgeting and directors' duties following the implementation of the Companies Act 2006 and on the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009. Other training is provided as necessary.

**Related bodies**

Under the terms of arrangements made in 1919, the Fund incorporates the functions of the London Diocesan Board of Finance and the Bishop of London's Fund of which brief details are given below.

**The Bishop of London's Fund**

Patron: The Most Revd and Rt Hon The Lord Archbishop of Canterbury

President: The Rt Revd and Rt Hon the Lord Bishop of London

Treasurer: Mr I R M Woolf

The president and treasurer are *ex officio* trustees.

Other Trustees: The Ven. Dr W M Jacob

The Ven. D Meara

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The Ven. S J Welch

Mr E D Roberts

Secretary: Mr A Brookes

Solicitors: Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB

Office: 36 Causton Street, London SW1P 4AU

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of Charity Commissioners for England and Wales under the Charitable Trustees Incorporations Act on 7<sup>th</sup> July 1882. The BLF is a registered charity (249021). The Finance Committee of the London Diocesan Fund constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF and a separate legal seal is kept. For day-to-day purposes and in accordance with a special resolution of 29<sup>th</sup> October 1918, its activities are subsumed into the London Diocesan Fund, with which it shares common objectives.

The majority of the BLF's assets were transferred to the Fund in the last century.

#### **The London Diocesan Board of Finance**

President and Chairman: The Rt Revd and Rt Hon the Lord Bishop of London

Treasurer: Mr D E Loftus

Trustees: The trustees of the LDF.

Secretary: Mr A Brookes

Solicitors: Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB

Office: 36 Causton Street, London SW1P 4AU

The London Diocesan Board of Finance was registered in England as a company limited by guarantee on 30<sup>th</sup> April 1914. The Diocesan Boards of Finance Measure 1925 provided that every Diocese in the Church of England should have a Diocesan Board of Finance. It stipulated however that those Dioceses with existing trust bodies (provided they were incorporated under the Companies Acts) were allowed to use these bodies to carry out the functions of the Boards of Finance. Clause 3(c) of the Memorandum of Association of the London Diocesan Fund (company number 150856) formed in 1918 specifically empowers the Fund to carry out (*inter alia*) all of the functions of the London Diocesan Board of Finance. The Articles of Association of the London Diocesan Board of Finance were amended on 7<sup>th</sup> June 1926 to amalgamate the functions of the Board of Finance into the Fund, excepting anything which was unable to be so amalgamated because of statutory provisions. The LDBF is a registered charity (249022) and a company limited by guarantee (135519).

## Objectives, Activities, Achievements and Performance

### Activities and objectives

The principal activity of the Fund is to serve and support the parishes and people within the Diocese in their mission of proclaiming the gospel of Jesus Christ. It does this operationally through the payment and housing of parish clergy and chaplaincies and support to their ministry. The Fund also provides facilities and amenities to the wider population of London and to visitors to the city.

Ministry and associated costs, including property, therefore account for the great majority of the Fund's ongoing expenditure. This is financed principally via the collection of voluntary income from the parishes, termed "Common Fund". This is supplemented by rental and investment income.

Grants are received from a number of sources including the Church Commissioners and the City Parochial Foundation. Grants are awarded to parishes by the Area Councils and to mission initiatives by the Bishop of London's Mission Fund (BLMF).

### Public Benefit

The trustees have a statutory duty under the Charities Act 2006 (s 4(6) c50) to have regard to the guidance issued from time to time by the Charity Commission. The trustees have read the guidance *Charities and Public Benefit* and the supplementary guidance in *The Advancement of Religion for the Public Benefit* and have had regard to it in making relevant decisions. The trustees have also read *Analysis of the Law underpinning "the Advancement of Religion for the Public Benefit"* published by the Charity Commission.

The trustees believe that this report taken as a whole provides evidence of the public benefit of the charity's work in 2009.

In particular, the trustees believe that, by promoting the work of the Church of England in the Diocese of London, the Fund helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects, more effectively, both in the Diocese as whole and in its individual parishes and that in doing so it provides a benefit to the public by:

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

The principal public benefits of the Fund (for the narrow purposes of secular charity law) are the advancement of the Christian religion by supporting ministers of religion and others who lead, encourage and support members of the various and diverse communities of the world city of London by and in:

- the provision of public rituals and ceremonies (see "sharing the good news of Jesus Christ in 21st century London");

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- the cure of souls and the moral and spiritual improvement of the public (see “sharing the good news of Jesus Christ in 21st century London”);
- the provision of comfort to the bereaved (see “expressing God’s love in our World City”);
- contributing towards a better society, by promoting social cohesion and social capital, for example by supporting matrimony (see “sharing the good news of Jesus Christ in 21st century London”);
- contributing to the spiritual and moral education of children (see for example “telling the story of Jesus Christ afresh for this generation and especially for the young”);
- carrying out, as a practical expression of religious beliefs, other activities (such as advancing education or conflict resolution, or relieving poverty), which may also be charitable (see for example “serving London and all her people”);
- contributing to good mental and physical health; aiding the prevention of ill health, speeding recovery and fostering composure in the face of ill health (see “sharing the good news of Jesus Christ in 21st century London”);
- the provision and maintenance of sacred spaces, principally churches and churchyards , which are open to the public and many of which are listed buildings (see “serving London and all her people”);
- the provision of other public spaces such as church halls as an expression of faith (see “serving London and all her people”).

These public benefits are delivered through the implementation of the five year strategic plan –The London Challenge 2012.

**The Five Year Strategic Plan - The London Challenge 2012**

The London Challenge, which was first launched in January 2002, focused the London Diocese on some common strategic objectives for the five years finishing in December 2006. The London Challenge has been refreshed with clear objectives for the period 2007-2012. It was re-launched at Saint Paul’s Cathedral on 8<sup>th</sup> February 2007.

The London Challenge 2012 sets out seven commitments for 2007 to 2012. It is based on Revelation 21, creating a “holy city, the new Jerusalem”. Each commitment has greater detail, which is available on the Diocesan web site at [www.london.anglican.org](http://www.london.anglican.org). This also has bulletins describing progress.

The Seven Commitments are:

1. We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London.
2. We are committed to equipping the servants of Jesus Christ.
3. We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young.
4. We are committed to serving London and all her people.

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5. We are committed to expressing God's love in our World City.
6. We are committed to making four Capital Investments
  - recruit and train 2012 Ambassadors for Jesus Christ under the age of 35 by 2012
  - increase provision in Church of England Secondary Schools by 2012 places by 2012
  - Raise £2,012,000 for development in Africa by 2012 (ALMA)
  - Raise £2,012,000 to support Mission in London by 2012.
7. We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge.

**Achievement and Performance**

1. We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London.

The Diocese supports traditional ways of being church and encourages the highest standards of worship, witness and service through more than 400 traditional parishes, each with its own clergy. Other methods of sharing the good news are also used. For example, there are chaplaincies to the work communities at Canary Wharf and in the London legal firms and we support the chaplain to the 2012 Olympic and Paralympic games in partnership with neighbouring dioceses. The London Internet Church ([www.londoninternetchurch.org.uk](http://www.londoninternetchurch.org.uk)), an e-parish with an international membership, offers night prayer every night and selected Bishop of London's lectures are downloadable.

2. We are committed to equipping the servants of Jesus Christ.

The Fund invested over £2m in 2009 in training new clergy and in the professional development of over 700 diocesan clergy. Over 140 ordinands were supported as well as over 250 readers and many other forms of ministry.

In partnership with the neighbouring Diocese of Chelmsford, St Mellitus College is becoming established as a major national provider of ministerial training and is planning to launch a new training scheme for readers and other licensed lay ministers in the Diocese in 2010.

New structures have been put in place to co-ordinate training and development and the Bishop of Kensington now holds the ministry portfolio for the Diocese. Dr Neil Evans has become the Diocesan Director of Ministry Development.

3. We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young.

The educational work of the Diocese is led by the London Diocesan Board for Schools, a separate company and charity, which champions and supports 149 primary and secondary schools attended by around 50,000 children and young people; the Fund supports its work through grants and provision of benefits in kind. Over 70% of those schools are rated "Good" or "Outstanding" by school inspectors of the Government's Office for Standards in Education, Children's Services and Skills (Ofsted). Schools in the Diocese have already achieved the goal of providing an additional 2,012 places by 2012, following substantial investment over the past five years, with over £50m spent in 2009. However more investment is required to meet the

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growing demand for primary school places in many London boroughs and a number of development possibilities are being explored.

The Fund also supports the work of 38 chaplains to London's over 250,000 students and 70,000 staff in higher education. Many of these posts are also generously supported by the institutions they serve.

The Diocese's Children's Ministry Adviser provides training and support for parishes working with children. Grants from the Bishop of London's Mission Fund enabled the production of resources for use at Easter and Christmas to support parishes' presentation of the Christian story at these times of year. Many parishes found them to be a highly innovative way of presenting the stories. The Fund supports the statutory checking of those who work with both the young and the vulnerable in parishes and elsewhere.

After three very effective years of collaboration with the Children's Society the diocesan Youth Strategy was launched in February 2009. It has grown out of experiences across the Diocese and several consultations held in the Episcopal Areas in 2007. The strategy encourages the growth of more involvement by the parishes in work with young people through good practice, extensive networking, training and the development of youth participation. The Children's Society will continue to work with the Diocese to help root the strategy and the Diocese plans to provide £150,000 over three years to enable this.

4. We are committed to serving London and all her people.

We continue to work to ensure that we remain present in all our communities — particularly amongst the poor. In 2009 there were a number of significant developments in ensuring that the resources given by past generations and the mechanism of the Common Fund are best used to that end. For example, we have supported five community development workers.

Building on the successful implementation of the Dioceses, Pastoral and Mission Measure 2007, the Strategic Development department has rolled out its mapping and analysis tools to the Diocese, making them available to all clergy and lay members through web access. The analysis which has been carried out through the detailed mapping has allowed and assisted the Bishop's Council in prioritising areas both for investment and redistribution. Using this information and set of priorities, the Diocesan Strategic Policy Committee is coordinating the planned approach to the areas for investment and redistribution. The last year has seen significant progress in terms of those priority areas, with specific focus on London Central and Tottenham Hale.

5. We are committed to expressing God's love in our World City.

The Fund supports the Diocese in "...implementing the Church of England policy on shrinking its environmental footprint and playing its full part in the debate on ecological matters". Analysis of annual returns and audits from 2005 to 2008 shows a carbon saving of 11.4% so far, against a target of 20.12% by 2012.

Parishes are encouraged to turn thermostats down by 1°C; a church benchmarking scheme is being developed; professional audits of energy, carbon, water and waste are in progress for churches in the Two Cities Area (others may opt in), and home energy surveys with minor upgrades to parsonages; a generic study of churches in other areas has commenced; our head office at 36 Causton Street has been audited, and granted a 'C' rated (A - G) 'draft' Display Energy Certificate (DEC). Paper supplies to our offices in Causton Street are now 100% recycled. User-friendly advisory leaflets and presentations have been

published on the diocesan website; advice on low-energy light bulb supplies has been made available. The Diocese's arrangement with 'Good Energy', an energy supply company, for renewable electricity has been extended to gas for domestic customers.

We are committed to achieving Fairtrade status for the Diocese and the Fund supports this work. The Global Development Group has raised awareness in parishes and has organised diocesan events. To reach Fairtrade Diocese status only another 47 churches need to use Fairtrade tea and coffee and 25% of the participating churches need to apply for a Fairtrade Church certificate.

St Ethelburga's Centre for Reconciliation and Peace explores inter-faith issues in England and the Diocese continues to develop its links with Angola and Mozambique through ALMA. The 2009 Lent Appeal 'Living Water' exceeded its target by raising £63,500 before Gift Aid. The Fund aids this work by providing administrative and other support.

6. We are committed to making four Capital Investments: recruit and train 2012 Ambassadors for Jesus Christ under the age of 35 by 2012; increase provision in Church of England Secondary Schools by 2012 places by 2012; Raise £2,012,000 for development in Africa by 2012 (ALMA); and raise £2,012,000 to support Mission in London by 2012.

Work is underway on all four Capital Investments. New buildings for one academy are planned to be completed in 2010; the Lent appeals are being dedicated to projects in Africa. Examples of projects funded by the Mission Fund are showcased in 'London Mission', a film to raise awareness of the Mission Fund and to assist the fund raisers. 'London Mission' can be viewed at <http://bit.ly/London-Mission>.

7. We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge.

These commitments include a commitment to maintaining a balanced general fund budget and high standards of maintenance for the Fund's buildings, many of which are of architectural and historical importance. In 2009, the Fund was able to maintain a balanced budget, though only by reducing expenditure and delaying parsonage quinquennial works. A balanced budget is planned for 2010 though current economic conditions may make its delivery more than usually hazardous. Financial matters are discussed in more detail elsewhere in this report.

## **Fundraising**

The majority of the Fund's income is raised from parishes through Common Fund. Generally, over 97% of the amounts pledged are collected. Parishes are supported in their fundraising by the Fund's finance advisers and other staff. Specific fundraising by parishes is also supported. The Fund encourages donations in the form of legacies either to the Fund or one of the other diocesan charities or to parishes.

The Fund also supports other fundraising activity by associated charities though the donation of time and resources.

### **Statutory functions**

The Fund has responsibility for the management of glebe property and investments to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board. The trustees are custodian trustees in relation to PCC property. The Diocesan Synod has appointed the Council as the Diocesan Mission and Pastoral Committee and, as such, it acts principally through the Diocesan Strategic Policy Committee and the Area Councils, which have delegated powers. All funds held under the Dioceses, Pastoral and Mission Measure 2007 are included in the Fund's accounts.

### **Financial performance – “The Business Review”**

Section 417 of the Companies Act 2006 requires every company to prepare a “business review”. The purpose of the business review is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).

In the case of the Fund the members and directors are the same individuals. This section is intended, when taken with the other sections of this report, to satisfy the requirements of the law and to provide useful information for readers of these accounts. It also takes account of the statement of best practice “Reporting Statement: Operating and Financial Review” issued by the Accounting Standards Board in January 2006 and various regulations made through statutory instrument.

#### **General Fund**

The Fund recorded an operating surplus on the General Fund of around £0.1m in the year. This compares to the deficit of around £0.02m in 2008. (This latter amount was rounded to £0.0m in the 2008 Statement of Financial Activities). Both the surplus in 2009 and the deficit in 2008 are less than ½% of income. The trustees consider this to be a “balanced budget” as described in the London Challenge.

Compared to 2008:

- Incoming resources decreased by £0.2m to £28.7m (2008: £28.9m).
- Resources expended on ordinary activities increased by £0.5m to £28.6m (2008: £28.1m).
- However, including the contribution to the Church Workers' pension scheme in 2008 discussed below, total resources expended decreased by £0.3m to £28.6m (2008: £28.9m).

The greatest recession for many years affected London's economy in 2009. General Fund income decreased slightly as increases from parishes through Common Fund were outweighed by decreases in grants received and in lower returns from investments in cash deposits and shares.

Donations from parishes through Common Fund increased by just less than 4% or £0.7m to £18.9m. Incoming resources from other donations and from property remained approximately the same as in 2008, despite the recession. The trustees are very grateful to all the donors.

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Returns on cash in the banks and from shares reduced by £0.7m or about 47% as bank interest rates fell from around 6% to 0.6% and companies reduced dividends because of the recession.

Income from the City Parochial Foundation reduced by £0.1m or about 10%<sup>1</sup> because of the recession and the incoming resources from the Church Commissioners decreased by a similar amount and percentage as transitional relief for pension contribution changes was phased out.

Roughly the same number of clergy were sponsored directly by parishes and others and their financial contributions are shown as income, "stipend refunds", in these accounts. These remained broadly constant at about £2.2m.

Resources expended on ordinary activities increased by £0.5m or around 2%. Increases in clergy stipends and pension contributions were mitigated by reduced giving of grants to parishes and needy clergy and reduced expenditure on maintaining parsonages.

Clergy stipends were increased by 3% in 2009. Contribution rates for clergy pensions increased from about 40% to 45% in April 2009. Total expenditure on clergy pensions rose from £3.7m in 2008 to £3.9m in 2009, an increase of £0.2m or 6%, reflecting the increased rates for the part year. Clergy pension issues are discussed more fully elsewhere. At around 530, the number of clergy has remained broadly constant.

Contributions to the national church, the Archbishops' Council, increased by £0.2m or around 10%. The major part of these donations funds the training of new clergy.

Other general fund expenditure was very tightly controlled throughout the year and economies were achieved against budget in many departments. Expenditure on parsonages and care of churches was reduced by £0.5m or just less than 10% to try to balance income and expenditure. All the necessary quinquennial inspections of parsonages were undertaken but around 20% of the work that was scheduled for 2009 was deferred.

Grants to needy parishes and clergy were reduced by £0.2m or around 50% to reflect the reductions in income.

Following an actuarial review of the Church Workers' Defined Benefit Scheme as at 31st December 2007, the Church of England Pension Board informed the Fund that the Fund was required to pay an additional £0.83m to remedy a deficit in respect of London lay employees' previous service. This amount was paid in full in 2008. There was no equivalent payment in 2009. For transparency in disclosure and to make comparison between years easier, this amount is shown separately in the accounts.

Overall, the painful reductions in expenditure enabled the Fund to achieve a balanced general fund position in 2009 despite significant reductions in investment income and substantially increased clergy pension contributions.

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<sup>1</sup> Please note that the percentages are calculated on the amounts before rounding and may differ from that calculated from the rounded amounts.

## **Total Funds**

An aggregate deficit on all funds of £2.9m (£3.1m in 2008) was recorded during the year and there was a net cash inflow of £1.4m (£3.3m outflow in 2008).

Overall incoming resources decreased by £0.5m or 1% from £31.0m in 2008 to £30.5m in 2009 because the continuing generosity of the thousands of people in the parishes in London who support the Fund's work was outweighed by reductions in income from banks and investments.

Overall outgoing resources on ordinary activities (that is excluding the special lay pensions contribution) increased by £0.1m or 1% from £33.3m in 2008 to £33.4m in 2009. Increases in expenditure of general, restricted and endowment funds outweighed reductions in expenditure of designated funds. The reductions in expenditure of designated funds meant that fewer and less valuable grants were given to mission and other activities.

Taking account of the lay pensions contributions in 2008, total expenditure was £0.7m less than in 2008.

The surplus on the general fund was minimal. For some designated funds expenditure exceeded income as these funds were spent for the furtherance of the ministry and mission of the church in London and providing benefit to the people of the city.

Some of the support was given to individual projects and individual clergy, notably via the Bishop of London's Mission Fund; other support took the form of provision of housing and other facilities for clergy; and some took the form of loans and grants to parochial church councils and church schools. More details of these activities are in the notes to the accounts and further information is available in the annual report to parishes and on the website.

There was a net cash inflow because a greater value of real property was sold than bought despite interest and dividends received almost halving. Other creditors rose by over £1m. £0.8m of this arose from the granting of a 112 year lease on Saint Mark's Church in North Audley Street, Westminster, a church no longer used for regular public worship; further information is in note 11 regarding creditors. Gains of £3.2m (2008: £3.5m) were realised on disposal of property. Depreciation of £2.6m (2008: £2.5m) was charged in the year.

There were net other recognised gains of £16.9m (2008: £10.8m), principally due to increases in property valuations and realised gains on property of £15.7m (2008: £17.1m), augmented by increases in investment valuations of £1.2m (2008 : fall of £6.3m) due to capital value increases on the stock market.

There was, therefore, an increase in assets of £14.0m (2008: £7.7m) for the year to £345.7m (£331.7m in 2008). The substantial majority of this is represented by property used in the Fund's charitable operations, mainly parsonages.

## Property

During the year, the property team continued to manage the estate to provide the best possible service to clergy and maximise the revenue from investment property and from functional property that was temporarily not in operational use. As described above a number of works arising from parsonage quinquennial inspections were deferred to future years to reduce costs and achieve the balanced general fund.

## The budget and outlook for 2010

The budget for 2010 was approved by the Bishop's Council in November 2009 and received by the Diocesan Synod in December 2009. It reflects the strategic priorities of the London Challenge 2012 and provides for the following:-

- Balanced budget as required by the London Challenge
- No reduction in clergy numbers, providing additional income can be secured
- Common Fund pledges up 3%
- No increase in stipends in 2010
- Continuing to support London Challenge strategic developments

The global recession in 2009 has affected organisations of all types and on all scales. In November 2009 the Governor of the Bank of England said, "The UK economy is facing a prolonged period of balance sheet adjustment. That will not be achieved in a few quarters. The banking system is reducing its leverage from extraordinarily high levels. Until that has taken place the supply of credit to households and businesses will be impeded. Those same households and businesses are re-evaluating their own financial positions – looking to build up their savings in the face of uncertain incomes and profits".<sup>2</sup>

The Fund has not been immune to this. Rental and dividend returns have fallen sharply and are only recovering slowly. Interest rates have fallen to a tenth of their pre-recession level. In contrast parishes have been generous and the Common Fund is budgeted to grow by 3% in 2010. At the time of preparing the budget total incoming resources were expected to fall by about 1% overall.

Expenditure on clergy stipends is budgeted to grow by 3% mainly because of an increase in the contribution rate to the Church of England Funded Pensions Scheme<sup>3</sup> to 45%. After allowing for reduced expectations for income and rising pension costs, meeting the London Challenge Commitment of a balanced General Fund budget required either reductions totalling £1.3 million to be identified from the amounts that would have been budgeted had previous years' levels of activity been continued or for

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<sup>2</sup> Bank of England November 2009 Inflation report

<sup>3</sup> Pensions Measure (1997) no 1 section 1 (1) b

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equivalent amounts of extra income to be raised. This represents a reduction in expenditure of 4.9% when compared with the expected cost in 2010 of the level of activity that had been planned for 2009.

With reluctance, the trustees have set budget reductions across the majority of the Fund's operations. In all cases, the hope is that activity levels can be maintained through a mixture of additional income and efficiency savings. Clergy stipend budgets have been reduced by 2.5%, equivalent to 10 full-time clergy posts in 2010. Expenditure on property is planned to be reduced by 6.4% mainly through delays in the completion on works arising from quinquennial inspections of parsonages. Spending on parish and Area support is budgeted to fall by 20% mainly by a reduction in the funds made available for Area Grants. Across the rest of the controllable areas of the General Fund, budget reductions equivalent to 7.9% have been planned.

Throughout the year the Trustees will continue to monitor economic developments and their effects upon the Fund and take appropriate action. However, there can be no guarantee that any action that may be taken will be sufficient to mitigate in totality the effects of any reductions in income that may occur. It is not expected that these changes in income will affect the Fund's ability to be considered as a going concern.

### **The outlook for 2011**

The outlook for the Fund in 2011 depends in part upon the wider economic outlook. The Fund relies for most of its income on donations from parishes. In turn they rely upon the generosity of the faithful people of London. Their material prosperity depends upon the economy of London and the country and world as a whole. We hope that the views of some forecasters may be proved correct and that the economy and employment recovers in 2010. At the moment, we plan to continue to seek to serve the people of London without major retrenchment. However, our ability to be able to realise that ambition depends primarily upon the generosity of our supporters.

### **Principal Risks and Uncertainties**

The Companies Act 2006<sup>4</sup> requires the directors to disclose the principal risks and uncertainties facing the company. The section below describes these risks and uncertainties. It should not be seen as comprehensive. The Fund's process for managing these risks and uncertainties is described in an earlier section. Active programmes are in place to mitigate each identified principal risk.

The main risks to the Fund's income are that parishes will not be able to donate as generously as they have pledged or would wish. A one percent decrease in Common Fund contributions would mean a reduction in income of about £0.2m. The general economic environment makes this more likely.

The principal risks on expenditure are that there may be additional pension deficits to be funded; that the costs of training ordinands may rise further; there may be unanticipated property maintenance expenditure; that council or other taxes may rise more than expected; or that there may be unanticipated extraordinary expenditure.

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<sup>4</sup> Section 417(3)b

Other identified major risks include: that it may be not possible to insure adequately churches no longer used for regular public worship; that the risk of flooding will increase significantly due to climate change and insurance premia will rise in response; that hostile news media reports may adversely impact the work of the Fund; that safeguarding procedures for children and vulnerable adults prove inadequate.

The LDF's management will keep the risks under review and ensure that proportionate mitigation strategies are in place.

## **Plans for Future Periods**

As the economy continues to recover from the recession we shall continue to review regularly our longer term plans taking account of changing expectations.

Work on strategic development is described on page 17. Through the work of Strategic Development, areas of potential resource redistribution have been identified. These are currently being evaluated to allow for their release and reallocation to ensure the Diocese continues to serve London and all her people. Alongside this, significant progress has been made in planning for where those resources should be allocated and how mission and ministry can be promoted in these areas of change. Particular attention is being paid to drawing in additional external resources, through partnership working, to facilitate our mission and ministry work.

As a result of the strategy work that has been undertaken, in February 2010 the Bishop's Council approved the initial evaluation of options for creating a central London hub, including a new centre of mission, in the King's Cross redevelopment area near the centre of the Diocese. A proposed new building would include premises to support Christian mission to the residents, students, workers and travellers at King's Cross, new diocesan offices and commercial property to generate income. The costs of buying a lease and constructing a suitable building are not yet known nor have the potential sources of income to support it been investigated and established.

## **Policies and other matters**

### **Investment Policy**

The Fund holds investments on its own behalf and as Ecclesiastical Custodian Trustee for parishes under the Parochial Church Councils (Powers) Measure 1956.

The Fund keeps investments under its control under regular review and receives periodic guidance from an Asset Strategy Group which comprises both investment and property expertise. The main investment objective is to seek the maximum return over the long term, taking into account both income and capital appreciation, with minimum risk to the real value of the assets. Targets set for the strategic allocation of assets between different classes of investment reflect the Trustees' views on the appropriate balance to be struck between returns and risks.

The Fund currently operates asset allocation objectives that differ between types of fund. Broadly, they are based upon bands for property and equity that encompass around 80% of assets with cash and bonds forming around 20%. Some redistribution between asset types to meet these objectives is planned for 2010 depending on market conditions.

### **Reserves Policy and Designated Funds**

A review of designated reserves was again undertaken during the year. The policy will be kept under regular review in the light of changing financial market conditions, which affect both the resources available and the calls upon them.

General reserves are held specifically to finance working capital requirements to the extent that expenditure (principally stipends, salaries and property costs) is not matched by simultaneous receipt of Common Fund and investment income. Funds are held in liquid deposits paying commercial rates of interest. The policy is that general reserves equivalent to approximately one month's expenditure should be held in cash or near cash form for this purpose. General reserves at 31st December 2009 were £2.9m (2008: £2.3m). These equate to about 37 days of general fund expenditure. A transfer of £0.5m from the Mission Opportunities Fund, a designated fund, was made during the year to maintain the level of funds required by the policy. These funds were held as general funds.

Funds with a value of £79.2m (2008 £76.4m) have been designated for particular purposes as described more fully in Note 12a to the accounts.

About half of this value, £41.0m (2008 £39.9m), is represented by functional property and the associated parsonage reserve, which are used to house clergy in support of one of the principal charitable objectives of the Fund. As described in the notes to the accounts, most clergy housing is not owned by the Fund but is recognised in the accounts in accordance with FRS 5.

About one third of these funds, £26.4m (2008 24.7m) is represented by investment property (and the associated reserve, the Fund Property Reserve, for refurbishment etc.), which is discussed below.

Some of these funds have been designated to enable loans to be made to further the charitable aims of the fund. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.1m (2008: £4.1m) is the major example. It is used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed.

The remainder of the designated funds, with a value of £7.7m (2008: £7.8m), is designated for various particular purposes, especially enabling the Fund to evolve and take advantage of strategic development opportunities. Many of these funds are gradually being exhausted as they are spent for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

### **Policy on Investments of Unrestricted but Designated Funds**

Unrestricted but designated property investments, amounting to £25.3m (2008: £24.2m) of the amounts discussed above, are held for two principal reasons.

One principal reason is to reduce risks posed by large external changes in the environment in which the Fund operates and to protect the Fund from insolvency or serious disruption to its work. One major risk for the Fund is the balance between the short term nature of income and the long term continuing needs of clergy. Clergy are office holders and are not employed by the Fund. Stipends are paid by the National Church Institutions, which look to the Fund to recompense them for the clergy in the Diocese. Clergy are entitled to receive a basic stipend and, in practice, receive an enhanced stipend. This entitlement for many incumbents continues until they reach the age of seventy. For some, it is a lifetime entitlement. Clergy may have a legitimate expectation that they will continue to receive the enhanced stipend for as long as their entitlement to stipend continues. This represents a long term moral, but not legal, obligation for the Fund. On the other hand, the Fund's income consists mainly of voluntary donations by parishioners through their PCCs. If there was, for any reason, a major decline in parishioners' empathy to the Church, the Fund might be left with a major imbalance between income and expenditure. If Common Fund income were to fall by a half, selling the unrestricted investments would make up the shortfall for between two and three years.

With the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 (2009 no 1) and regulations made under section 2 of that measure, office holders holding a stipendiary post will be entitled to receive a stipend not less than the National Minimum Stipend. The Measure and Regulations are expected to be implemented during 2011.

The second reason for holding the designated investments is to ensure an equitable balance of expenditure between generations. There is a balance to be struck between providing for future generations and benefiting people today. Many of the assets used by the Fund today were provided by past generations and there is a need to provide assets for future generations.

All assets, except operational properties used mainly for housing parish clergy, are invested with the aim of producing income to support the Fund's charitable work.

### **Restricted Funds**

Funds with a value of £20.3m (2008: £16.0m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 12b to the accounts.

Glebe assets, which were in previous years treated as restricted income funds, are now regarded as restricted expendable endowment funds and both the 2008 and 2009 accounts show them in this way.

### **Investment returns**

Investment property with a net book value of £75.6m (2008: £66.6m) generated income of £3.6m (2008: £3.5m).

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Investments in equities, fixed interest securities and other quoted securities amounted to £15.0m (2008: £14.0m). These include sole trusts: details are in Note 7 to the accounts. Gains in value of £1.2m (2008: losses of £6.3m) were recorded and dividends of £0.8m (2008: £1.0m) were received. The increase in value of investments in shares, which are held through investment funds, was broadly in line with the increase in the value of FTSE all-share index.

### **Valuation of real property assets**

The majority of the real property assets are held for the long term use of the Fund and are valued in the accounts at insurance value. The market value of the property might differ substantially from its insurance value. In the directors' and trustees' opinion, given the intention to hold the properties in the long term and taking account of paragraph 2(1) of Schedule 7 to The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the difference is not of such significance as to require the attention of the members of the company to be drawn to it and this report therefore does not indicate the difference with such degree of precision.

### **Pension Schemes**

The majority of the employees of the Fund are members of the Church Workers' Pension Scheme. The Fund was notified by the scheme's trustee, the Church of England Pensions Board, of a deficit of £0.8m in 2008 and paid this amount to the trustee. No equivalent amounts were paid in 2009. Further details are contained in note 14a to the financial statements.

Employees were consulted about the closure of this scheme to new employees in late 2008. Having considered the results of this consultation, the Fund introduced a commercially provided, defined contribution scheme for new employees in April 2009. The existing scheme will continue for employees already enrolled in that scheme. In the short and medium term, there is not expected to be a material effect on the Fund's financial position as a result of this change.

The provision of pensions for clergy is explained in note 14b.

### **Other Matters**

It is the Council's opinion that the Fund's assets are available and adequate to fulfil the obligations of the charity.

Attention is drawn to note 9b of the financial statements which details the Fund's support of connected charities e.g. in the form of support given of £289,000 (£198,000 in 2008) to the London Diocesan Board for Schools and with reference to other support in respect of accommodation and office support. This is to ensure that the Diocese of London both fulfils its statutory education responsibilities and its desire that the Gospel of Christ is spread through educational ministry as through other ministries.

### **Members and Members' Interests**

The Fund is a charitable company limited by guarantee and its directors and trustees may derive no benefit, income or capital interest in the Fund's financial affairs other than reimbursement of out of pocket expenses. Note 9b to the financial statements shows expenses reimbursed to Council members. For information this note also shows the amounts paid to the clerical members of Council for their stipend. This is paid to them as Ministers of Religion in the Diocese rather than as Directors or Trustees of the Fund.

The Synodical Secretary maintains a register of declarations of interest. All trustees have access to it.

### **Disclosure of information to auditors<sup>5</sup>**

Each Trustee who held office at the date of approval of this trustees' report confirms that, so far he or she is each aware, there is no relevant audit information of which the Fund's auditors are unaware, and that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information. "Relevant audit information" means information needed by the Fund's auditors in connection with preparing their report. In doing so, the trustees have made enquiries of their fellow directors and of the Fund's auditors for that purpose, and have taken such other steps (if any) for that purpose, as are required by their duty as a director of the Fund to exercise reasonable care, skill and diligence.

### **Trusts**

The Council has adopted a programme of work encompassing risk and investment management reviews of all trust holdings. Trusts with small balances, typically less than £10,000, are gradually being closed as permitted under Charity Commission guidelines and following consultation with beneficiaries. The capital funds are remitted to the designated beneficiaries to be used in accordance with the terms of the trust. This is being done because the costs of administration are disproportionate to the income being received.

### **Funds Held as Custodian Trustee on Behalf of Others**

As noted on page 54 the Fund is custodian trustee for trust assets of £19.1m (£19.8m in 2008). Detailed certificates of holdings were sent to parishes and other managing trustees as of 31<sup>st</sup> December 2009.

Most of these trusts are held on behalf of parishes whose charitable purposes in the advancement of religion are parallel to those of the Fund. Assets held under these trusts are held separately from those of the Fund. A team of three people, led by a qualified accountant reporting to the Director of Finance and Operations, administers these funds separately from those of the Fund.

A statement of the custodian trustees' responsibilities is also found on page 54 together with financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 54 and 58. Because of the large number of such trusts they are not listed separately.

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<sup>5</sup> Companies Act 2006 Section 418 (2)

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## **Statement of trustees' and directors' responsibilities in respect of the Trustees' Annual Report and the Financial Statements**

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

Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period.

In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ⊗ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the charity will continue in its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charitable company and to prevent and detect fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

  
Ven W M Jacob  
Member of Council and Finance Committee Chairman

12 May 2010

## Independent auditors' report to the members of the London Diocesan Fund

We have audited the financial statements of London Diocesan Fund for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, the note of Historical Cost Profits and Losses, the Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Directors' and Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' and Trustees' Responsibilities.

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 our opinion, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with those financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Directors' and 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 of

Directors' and Trustees' Report and Financial Statements  
for the year ended 31 December 2009

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 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 of the state of the charity's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- ⊗ the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- ⊗ the financial statements have been prepared in accordance with the Companies Act 2006; and
- ⊗ the information given in the Directors' and Trustees' Report is consistent with the financial statements.



**Mazars LLP, Chartered Accountants (Statutory auditor)**

**Alistair Fraser (Senior statutory auditor)**

Times House Throwley Way, Sutton, SM1 4JQ

12 May 2010

# THE LONDON DIOCESAN FUND

(A company limited by guarantee)

## Statement of Financial Activities - for the year to 31 December 2009

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2009	2008
		£m	£m	£m	£m	£m	£m
<b>Incoming Resources</b>							
<b>Incoming Resources from generated funds</b>							
<i>Voluntary income</i>							
Common Fund		18.9	-	-	-	18.9	18.2
Donations		0.6	0.1	0.4	-	1.1	1.1
Church Commissioners		0.4	0.3	0.2	-	0.9	1.0
City Parochial Foundation		1.2	-	-	-	1.2	1.3
Stipend refunds		2.2	-	-	-	2.2	2.2
<i>Activities for generating funds</i>							
Functional Property Rentals		0.9	0.1	-	-	1.0	1.1
Assigned Fees		0.4	-	-	-	0.4	0.4
<i>Investment Income</i>							
Dividends and Interest Receivable	10b	0.8	0.1	0.2	-	1.1	2.2
Investment Property Rentals		3.3	-	0.3	-	3.6	3.5
<b>Other Incoming Resources</b>		-	0.1	-	-	0.1	-
<b>Total Incoming Resources</b>		<b>28.7</b>	<b>0.7</b>	<b>1.1</b>	<b>-</b>	<b>30.5</b>	<b>31.0</b>
<b>Resources Expended</b>							
<b>Cost of generating funds</b>							
<i>Investment management costs</i>							
Rental portfolio costs - agent fees		0.3	-	-	-	0.3	0.3
Investment Property repairs & maintenance		0.8	-	-	0.2	1.0	1.4
Fundraising		-	-	-	-	-	-
<b>Charitable activities</b>							
Ministry		18.7	0.1	0.1	-	18.9	17.8
Education & Outreach		0.6	-	-	-	0.6	0.5
Parish and Area Support Services		1.1	0.1	0.2	-	1.4	1.5
Clergy Housing & Care of Churches		4.6	1.1	0.3	1.5	7.5	7.7
National Church		2.1	-	-	-	2.1	1.9
Grants to Parishes & Overseas	5	0.2	0.5	0.6	-	1.3	1.8
<b>Governance</b>		0.2	-	-	-	0.2	0.2
<b>Other resources expended</b>		-	0.1	-	-	0.1	0.2
<b>Total Resources Expended</b>	4	<b>28.6</b>	<b>1.9</b>	<b>1.2</b>	<b>1.7</b>	<b>33.4</b>	<b>33.3</b>
<b>Net incoming/(outgoing) resources for year before transfers and pension deficit payments</b>		<b>0.1</b>	<b>(1.2)</b>	<b>(0.1)</b>	<b>(1.7)</b>	<b>(2.9)</b>	<b>(2.3)</b>
Pension Deficit Payments	14a	-	-	-	-	-	(0.8)
Transfers between funds	12d	0.5	(1.8)	(0.2)	1.5	-	-
<b>Net incoming/(outgoing) resources for year after transfers and pension deficit payments</b>		<b>0.6</b>	<b>(3.0)</b>	<b>(0.3)</b>	<b>(0.2)</b>	<b>(2.9)</b>	<b>(3.1)</b>
<b>Other recognised gains and losses:</b>							
Unrealised gains/(losses) on investment assets	7	-	0.2	0.3	0.7	1.2	(6.3)
Unrealised gains on property assets	6	-	2.5	4.2	5.8	12.5	13.6
Realised gains/(losses) on investment assets		-	-	-	-	-	-
Realised gains on property assets		-	3.1	0.1	-	3.2	3.5
<b>Net Gains</b>		<b>-</b>	<b>5.8</b>	<b>4.6</b>	<b>6.5</b>	<b>16.9</b>	<b>10.8</b>
<b>Net movement in funds for the year</b>		<b>0.6</b>	<b>2.8</b>	<b>4.3</b>	<b>6.3</b>	<b>14.0</b>	<b>7.7</b>
Balances at 1 January 2009		2.3	76.4	16.0	237.0	331.7	324.0
<b>Balances at 31 December 2009</b>		<b>2.9</b>	<b>79.2</b>	<b>20.3</b>	<b>243.3</b>	<b>345.7</b>	<b>331.7</b>

All incoming and expended resources relate to continuing operations.

There is no difference between the net incoming resources for the financial year and their historical cost equivalent.

The notes on pages 36 to 52 form part of these financial statements.

THE LONDON DIOCESAN FUND


(A company limited by guarantee)

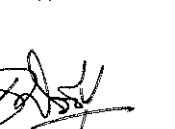
Balance Sheet - as at 31 December 2009

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2009 £m	Total 2008 £m
<b>Fixed Assets</b>							
Functional Property	6	-	42.4	1.4	197.4	241.2	238.0
Investment Property	6	-	25.8	12.5	37.3	75.6	66.6
Fixtures, Fittings and Equipment		0.1	-	-	-	0.1	0.1
Investments	7	-	3.0	3.2	8.8	15.0	14.0
		<b>0.1</b>	<b>71.2</b>	<b>17.1</b>	<b>243.5</b>	<b>331.9</b>	<b>318.7</b>
<b>Current Assets</b>							
Debtors	9	1.2	2.6	0.4	-	4.2	4.0
Cash and short term deposits	10a	2.8	11.1	4.2	(0.2)	17.9	16.5
		4.0	13.7	4.6	(0.2)	22.1	20.5
<b>Creditors:</b>							
Amounts falling due within one year	11	1.2	1.9	1.4	-	4.5	3.3
<b>Net Current Assets</b>							
		2.8	11.8	3.2	(0.2)	17.6	17.2
<b>Total assets less current liabilities</b>							
		<b>2.9</b>	<b>83.0</b>	<b>20.3</b>	<b>243.3</b>	<b>349.5</b>	<b>335.9</b>
<b>Creditors:</b>							
Amounts falling due after one year	11	-	3.8	-	-	3.8	4.2
<b>Net Assets</b>							
		<b>2.9</b>	<b>79.2</b>	<b>20.3</b>	<b>243.3</b>	<b>345.7</b>	<b>331.7</b>
<b>Funds</b>							
General		2.9	-	-	-	2.9	2.3
Designated	12a	-	79.2	-	-	79.2	76.4
Restricted	12b	-	-	20.3	-	20.3	16.0
Endowment	12c	-	-	-	243.3	243.3	237.0
<b>Total Funds</b>		<b>2.9</b>	<b>79.2</b>	<b>20.3</b>	<b>243.3</b>	<b>345.7</b>	<b>331.7</b>

The notes on pages 36 to 52 form part of these financial statements.

The financial statements on pages 32 to 52 were approved, and authorised for issue, by the Diocesan Bishop's Council on 12 May 2010

  
The Ven Dr W M Jacob  
Member of Council and  
Finance Committee Chairman

  
Mr I R M Woolf  
Member of Council

## THE LONDON DIOCESAN FUND

(A company limited by guarantee)

### Summary Income and Expenditure Account - for the year to 31 December 2009

	2009 £m	2008 £m
<b>Non-endowment movements</b>		
Gross income	30.5	31.0
Realised gains	3.2	3.3
<b>Total income</b>	<u>33.7</u>	<u>34.3</u>
Total expenditure (excluding deficit payments)	(31.7)	(31.6)
Pension Deficit Payments	-	(0.8)
<b>Total expenditure</b>	<u>(31.7)</u>	<u>(32.4)</u>
<b>Net income on income funds before unrealised gains/(losses) and transfers</b>	<u>2.0</u>	<u>1.9</u>

There was no income from non-charitable trading activity in the year.

All incoming and expended resources relate to continuing operations.

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 32, which together with the notes to the financial statements on pages 36 to 52 provides full information on the movement during the year on all the funds of the London Diocesan Fund.

<b>Note of historical cost profits and losses</b>	2009 £m	2008 £m
(Deficit) for the financial year	(2.9)	(3.1)
Realisation of revaluation gains of previous years	3.2	3.5
Historical Cost profit for the year	<u>0.3</u>	<u>0.4</u>

The notes on pages 36 to 52 form part of these financial statements.

THE LONDON DIOCESAN FUND

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**Cash Flow Statement - for the year to 31 December 2009**

		<b>2009</b>	<b>2008</b>
	Note	<b>Total</b>	<b>Total</b>
		<b>£m</b>	<b>£m</b>
<b>Net cash outflow from operating activities</b>	13a	(5.0)	(6.9)
<b>Returns on investments and servicing of finance</b>	13b	5.8	6.8
		<u>0.8</u>	<u>(0.1)</u>
<b>Capital flows and financial investment</b>	13b	0.6	(3.4)
Cash inflow/(outflow) before use of Financing		<u>1.4</u>	<u>(3.5)</u>
Financing	13b	-	0.2
<b>Increase/(decrease) in cash in the year</b>		<u>1.4</u>	<u>(3.3)</u>
<b>Reconciliation of net cash flow to movement in net debt (see note 13)</b>			
<b>Increase/(decrease) in cash in the year</b>		1.4	(3.3)
Cash flow arising from (increase) in debt		-	(0.2)
Non cash decrease/(increase) in debt		0.4	(2.1)
Movement in net debt in the period		<u>1.8</u>	<u>(5.6)</u>
Net funds at 1 January		12.3	17.9
<b>Net funds at 31 December</b>	13c	<u>14.1</u>	<u>12.3</u>

The notes on pages 36 to 52 form part of these financial statements.

## Notes to the financial statements - for the year ended 31 December 2009

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) and the Diocesan Annual Report and Financial Statements Guide (v4. 2009).

The accounts comply with the Charities Acts 1993 and 2006; and the Companies Act 2006. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

#### 1.1 Basis of preparation

The Fund prepares its annual financial statements on the historical cost basis of accounting as adjusted for the revaluation of investments, investment properties and functional properties.

#### 1.2 Funds

The Fund has various types of fund for which it is responsible and which require separate disclosure. Note 12 shows the balances and movements on each fund together with details of their uses. The Trustees' report gives an overview of the Fund's Reserves Policy.

##### Unrestricted Funds

Unrestricted funds arise from all the accumulated surpluses and deficits in the provision of general charitable activities.

(a) General Funds

(b) Designated Funds (note 12a)

The latter are funds earmarked by the London Diocesan Fund Trustees for a specific purpose. The Trustees have discretion over the purpose and use of the funds. They can be re-allocated or otherwise undesignated without reference to outside agencies.

##### Restricted Funds (note 12b)

These are funds subject to specific conditions imposed by the donor or by the specific terms of a trust deed or other legal measure. Income and expenditure on restricted income funds is taken directly to those funds in the Statement of Financial Activities except to the extent that income is freely available for the general purposes of the LDF.

##### Endowment Funds (note 12c)

Permanent endowment capital must be held permanently whereas expendable endowment capital can be used but only in certain circumstances. Income arising is included in general or restricted funds depending on the terms of the trust instrument.

#### 1.3 Taxation status

The Fund is a registered charity and as such is able to take advantage of exemptions granted under the relevant tax legislation including part 10 of the Income and Taxes Act 2007. It is not liable to corporation tax on charitable income or income from charitable activities.

**Notes to the financial statements - for the year ended 31 December 2009 (continued)**

**1.4 Statement of Financial Activities**

All income and expenditure is accounted for on an accruals basis with the exception that dividends and interest income are credited to the relevant fund on a receipts basis.

<u>Income</u>	<u>Explanation</u>
<b>Voluntary Income</b>	
Common Fund	Contributions paid by the parishes in the Diocese of London to the Fund.
Donations	Gifts from external organisations and individuals.
Church Commissioners	Grant income from the Church Commissioners.
City Parochial Foundation	Grant income from the City Parochial Foundation.
Stipend refunds	Stipend refunds are amounts received in respect of clergy involved in largely local initiatives, financed directly by parishes or other institutions.
<b>Activities for generating funds</b>	
Functional Property rental income	Functional property is usually held to house clergy. Where property is not used for this purpose in the short-term, it is let out at market rates to generate additional income. Designated and Glebe functional rental income is receivable within general funds. Rental income from closed church buildings is accounted for within restricted funds.
Assigned fees	Assigned fees are statutory charges for weddings and funerals. They are initially paid to the incumbent and then legally transferred by the incumbent to the Fund to be set against the overall stipends bill. They are not additional income to the basic stipend.
<b>Investment Income</b>	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis.
Investment Property rental income	Investment property is let out at market rate. Designated and Glebe investment rental income is receivable within general funds.

<u>Expenditure</u>	<u>Explanation</u>
<b>Cost of generating funds – investment management costs</b>	
Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
<b>Charitable activities</b>	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education & Outreach	Annual grant to the Board for Schools in London plus direct costs related to children's ministry, community ministry and social justice.
Parish and Area Support Services	Costs associated with the Areas including office costs, senior clergy expenses and the costs of advisers.
Clergy Housing & Care of Churches	Clergy Housing & Care of Churches represents the repairs, maintenance, depreciation and other property costs associated with the functional property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department.
National Church	The London Diocese's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
<b>Governance Costs</b>	
Governance Costs	Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to those costs associated with charitable activities and fund raising. Governance costs include the costs of Diocesan Synod and the cost of legal advice provided to the Trustees in their capacity as the Fund's trustees.

**Notes to the financial statements - for the year ended 31 December 2009 (continued)**

**1.5 Tangible Fixed Assets**

Property

All functional property is held at depreciated replacement cost and investment property at market value. Assets in the course of construction are held at cost.

**(a) Benefice Houses**

The London Diocesan Fund is formally responsible for the maintenance and repair of such parsonages and has some jurisdiction over their future use or potential sale, but legal title is vested in the incumbent.

FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. Accordingly the Trustees consider it appropriate to treat such properties as expendable endowment fund assets valued at insurance value. It is considered that this approximates, once depreciated, to depreciated replacement cost.

**(b) Burial Grounds**

Burial grounds are held at £nil value in the accounts as the Trustees believe that the cost of a practical valuation is onerous compared to the additional benefits to be gained. The Fund is unable to sell or change the use of any of these assets without reference to external organisations such as the Church Commissioners. These restrictions, together with the inherent difficulties of applying conventional property valuation methods, are all significant factors in the adoption of this valuation approach for these classes of asset.

**(c) Closed Church Buildings**

Church buildings closed for regular public worship (hereafter referred to as 'Closed Church Buildings', and formerly known as Redundant Churches) are valued at suitable multiples of annual rental income where this is significant. Where this approach is not applicable, the asset is held at £nil value in the books.

**(d) Assets in the course of construction and major capital projects**

Property costs over £10k are capitalised where there has been significant enhancement to the underlying assets. In practice, all major capital projects are capitalised.

**(e) Fixtures, fittings and equipment**

Fixtures, fittings and equipment additions under £10k are written off fully in the year of purchase. Items over £10k are capitalised.

Depreciation

Fixed assets are depreciated over their useful economic life. Depreciation is charged on the following types of assets, over their expected lives as follows:

Benefice Houses	150 years
Freehold properties	50 years
Leasehold properties	Lease Term
Fixtures, fittings and equipment	4 years

**Notes to the financial statements - for the year ended 31 December 2009 (continued)**

**1.6 Investments**

Investment Property

The Trustees' policy is that freehold properties held for investment purposes have been included at the Trustees' best estimate of market value. Only major items of glebe and designated fund property held for investment purposes are valued. Other properties are included at a capital multiple of 20 years' rental (2008: 17 years' rental). This is kept under review in light of changing market conditions of both property values and rental incomes. Investment Property is not depreciated.

Other Investments

Investments are stated at market value calculated by reference to the mid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

**1.7 Custodian Trusts**

Trusts where the Fund acts as Custodian Trustee with no control over the management or use of the funds are not included in the Balance sheet or Statement of Financial Activities of the Fund.

A separate Balance sheet and Statement of Financial Activities is set out on page 55 with supporting notes on pages 56 and 57. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 53 to 57 is found on page 58.

# THE LONDON DIOCESAN FUND

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## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 2 Surplus/(Deficit) on Income and Expenditure for the financial year

The surplus/(deficit) for the financial year is stated after charging:	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation	2,625	2,508
Auditors' Remuneration (including VAT)		
Audit	31	34
Non-Audit Services		
- Review of Custodian Trusts	3	4
	<u>34</u>	<u>38</u>

### 3 Staff and Clergy Costs

<u>Costs of lay staff (not parochial or sector clergy)</u>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Wages and Salaries	2,022	1,964
Employer's National Insurance	175	168
Employer's Pension Contribution (note 14(a))	425	426
(excludes one off deficit contribution of £830k in 2008 as described in note 14(a))	<u>2,622</u>	<u>2,558</u>

The number of employees employed on diocesan business was 57 (2008: 59). During 2009, 3 extra people (2008: 5) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of employees for statutory purposes was, therefore, 60 (2008: 64).

The Full Time Equivalent average number of people employed on diocesan business was 53 (2008: 56). During 2009, 3 extra people (2008: 5) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 56 (2008: 61).

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

£80,001-£90,000	-	1
£70,001-£80,000	2	2
£60,001-£70,000	1	-
	<u>1</u>	<u>-</u>

The previously highest paid employee left the Fund in September 2009, hence the movement in these bandings.

Aggregate employer normal pension contributions for the employees above were £32,488 (2008: £37,273) payable to a defined benefit scheme (Church Workers Pension Fund).

#### Clergy holding parochial or archdiaconal posts

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Gross stipends	11,372	10,752
Employer's National Insurance	644	619
Employer's Pension Contribution (note 14(b))	4,065	3,838
	<u>16,081</u>	<u>15,209</u>
Average number of total stipendiary clergy posts	<u>528</u>	<u>529</u>
Number of total stipendiary clergy posts at 31 December	<u>531</u>	<u>532</u>

Clergy posts above include Common Fund clergy, off-Common Fund clergy and chaplains.

# THE LONDON DIOCESAN FUND

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## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 4 Governance Costs and the allocation of Support Costs between Charitable Activities

	2009 £'000	2008 £'000				
<u>Indirect support costs</u> (allocated below)						
Salary and employment costs	1,075	935				
Office costs	294	232				
	<u>1,369</u>	<u>1,167</u>				
<b>Resources Expended</b>	<b>Before allocation of support costs</b>	<b>Direct support costs</b>	<b>Indirect support costs</b>	<b>2009</b>	<b>2008</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
<b>Cost of generating funds</b>						
<i>Investment management costs</i>						
Rental portfolio costs - agent fees	298	-	-	298	300	
Investment Property repairs & maintenance	950	-	45	995	1,400	
Fundraising	11	-	-	11	-	
	<u>1,259</u>	<u>-</u>	<u>45</u>	<u>1,304</u>	<u>1,700</u>	
<b>Charitable activities</b>						
Ministry	18,306	3	535	18,844	17,800	
Education & Outreach	423	4	139	566	500	
Parish & Area Support	822	272	307	1,401	1,500	
Clergy Housing Property and Care of Churches Costs	4,564	151	186	4,901	5,192	
Clergy Housing Depreciation	2,625	-	-	2,625	2,508	
<i>Clergy Housing</i>	<u>7,189</u>	<u>151</u>	<u>186</u>	<u>7,526</u>	<u>7,700</u>	
National Church	2,117	-	-	2,117	1,900	
Grants to Parishes & Overseas	1,315	-	39	1,354	1,802	
<b>Governance Costs</b>	-	129	118	247	210	
<b>Other resources expended</b>	107	-	-	107	200	
	<u>31,538</u>	<u>559</u>	<u>1,369</u>	<u>33,466</u>	<u>33,312</u>	

Indirect support costs are allocated based on Full Time Equivalent (FTE) staff numbers as administrative costs primarily consist of salary and employment costs, subject to a de minimis threshold. Office costs that are incurred are directly attributable to the staff employed and are also analysed on this basis. Finally, residual administration costs are apportioned in proportion to expenditure.

### 5 Grants to Parishes & Overseas

Funding source (notes 12 a, b & c)	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2009 £'000	Total 2008 £'000
<u>Grants to Parishes from:</u>						
Diocesan Bishop's Council	-	12	-	-	12	131
City Parochial Foundation	208	-	-	-	208	437
Area Pastoral and UPA Funds	-	78	-	-	78	56
Bishop of London's Mission Fund	-	415	-	-	415	423
Funds held for Parish Benefit	-	22	465	16	503	629
	<u>208</u>	<u>527</u>	<u>465</u>	<u>16</u>	<u>1,216</u>	<u>1,676</u>
<u>Overseas:</u>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	99	-	99	80
Grant administration allocation	39	-	-	-	39	46
<b>Total</b>	<u>247</u>	<u>527</u>	<u>564</u>	<u>16</u>	<u>1,354</u>	<u>1,802</u>

# THE LONDON DIOCESAN FUND

(A company limited by guarantee)

## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 6 Tangible Fixed Assets and Investment Property

	Unrestricted - Designated Funds		Restricted Funds	Expendable Endowment Funds				Permanent Endowment	Combined Total £'000
	Freehold Property £'000	Long Leasehold Property £'000	Closed Church Property £'000	Leasehold Benefice Houses £'000	Freehold Benefice Houses £'000	Glebe Property £'000	Freehold Property £'000		
<b>At cost or valuation</b>									
At 1 January 2009	70,820	1,480	9,709	2,368	191,935	44,264	190	320,766	
Additions	979	-	-	1,195	1,616	1,358	-	5,148	
Transfers	(674)	191	-	(2,126)	3,785	(1,176)	-	-	
Disposals	(1,242)	-	(5)	-	(1,278)	-	-	(2,525)	
Revaluation	1,761	656	4,159	430	2,377	2,612	-	11,995	
At 31 December 2009	71,644	2,327	13,863	1,867	198,435	47,058	190	335,384	
<b>Depreciation</b>									
At 1 January 2009	4,803	123	-	279	9,695	1,195	30	16,125	
Charge for the year	878	26	-	37	1,460	220	4	2,625	
Transfers	(75)	21	-	(95)	237	(88)	-	-	
Disposals	(31)	-	-	-	(96)	-	-	(127)	
Revaluation	-	-	-	-	-	-	-	-	
At 31 December 2009	5,575	170	-	221	11,296	1,327	34	18,623	
<b>Net Book Value</b>									
At 31 December 2009	66,069	2,157	13,863	1,646	187,139	45,731	156	316,761	
<i>Split by:</i>									
NBV Functional Property	40,458	1,989	1,398	1,646	187,139	8,459	156	241,245	
NBV Investment Property	25,611	168	12,465	-	-	37,272	-	75,516	
	66,069	2,157	13,863	1,646	187,139	45,731	156	316,761	
<b>Net Book Value</b>									
At 31 December 2008	66,017	1,357	9,709	2,089	182,240	43,069	160	304,641	

Properties are valued in accordance with the accounting policies in note 1 of these accounts.

The Fund's major glebe and designated fund investment property were formally revalued on 31 December 2005 by Atisreal.

The next formal valuation is due 31 December 2010, with interim year-end valuations being performed in the intervening years by a suitably qualified Officer of the Fund.

Benefice and all functional houses are carried at depreciated insurance value which is a reasonable equivalent of depreciated replacement cost.

# THE LONDON DIOCESAN FUND

(A company limited by guarantee)

## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 7 Investments

	At 1 January 2009 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2009 £'000
<b>Designated Funds</b>						
M&G Investments	2,535	-	-	225	-	2,760
<u>Designated Trusts</u>						
M&G Investments	231	-	-	21	-	252
	<u>2,766</u>	<u>-</u>	<u>-</u>	<u>246</u>	<u>-</u>	<u>3,012</u>
<b>Restricted Funds</b>						
<u>Sole Trusts</u>						
Listed Investments	19	-	-	-	1	20
M&G Investments	2,315	8	(46)	203	13	2,493
CBF Investment Fund	683	27	(122)	65	66	719
CBF Fixed Interest Securities Fund	-	-	(10)	-	19	9
	<u>3,017</u>	<u>35</u>	<u>(178)</u>	<u>268</u>	<u>99</u>	<u>3,241</u>
<b>Expendable Endowment Funds</b>						
<u>Glebe</u>						
M&G Investments	<u>4,761</u>	<u>-</u>	<u>-</u>	<u>423</u>	<u>-</u>	<u>5,184</u>
<b>Permanent Endowment Funds</b>						
<u>Sole Trusts</u>						
Listed Investments	4	-	-	-	(1)	3
M&G Investments	2,572	-	(7)	214	(13)	2,766
CBF Investment Fund	858	-	(7)	73	(66)	858
CBF Fixed Interest Securities Fund	43	-	-	(1)	(19)	23
CBF Property Fund	3	-	-	-	-	3
	<u>3,480</u>	<u>-</u>	<u>(14)</u>	<u>286</u>	<u>(99)</u>	<u>3,653</u>
Total Fixed Asset Investments	<u>14,024</u>	<u>35</u>	<u>(192)</u>	<u>1,223</u>	<u>-</u>	<u>15,090</u>

### Cost or valuation

Additions represent the cost or market value at the date of gift or transfer to the Fund.

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2009 is £14,454k (2008: £14,587k).

### Investment information

The vast majority of M&G Investments relate to M&G Charifund. This investment fund's stated objective is to provide a high and growing income while protecting capital from inflation. The policy is to invest in equities and convertible stocks, to provide a yield about 60% higher than that of the FTSE All-Share Index.

The CBF Investment Fund provides facilities exclusively for Church of England parishes, dioceses and other church charitable trusts to invest capital for the long term. It is invested mainly in equities with a wide diversification of good quality holdings in the United Kingdom and overseas. The investment fund aims at steady income and capital appreciation to provide long-term protection from inflation.

# THE LONDON DIOCESAN FUND

(A company limited by guarantee)

## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 8 Investments in subsidiary undertakings

The London Diocesan Fund owns 100% of the issued share capital of a subsidiary undertaking, Causton Street Farms Limited (registration number 2768104). The company has been dormant since 1 January 2005. The subsidiary is excluded from consolidation because it is not material to the financial statements of the Diocese.

### 9 Debtors

	General £'000	Designated £'000	Restricted £'000	2009 £'000	2008 £'000
Contributions to the Common Fund	305	-	-	305	492
Rent Receivable	418	28	298	744	579
Prepayments and accrued income	158	-	106	264	151
	<u>881</u>	<u>28</u>	<u>404</u>	<u>1,313</u>	<u>1,222</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	1,673	-	1,673	1,656
- Area Council awarded	-	745	-	745	732
	<u>-</u>	<u>2,418</u>	<u>-</u>	<u>2,418</u>	<u>2,388</u>
Loans to individuals	35	151	-	186	202
Other Debtors	278	-	1	279	266
	<u>1,194</u>	<u>2,597</u>	<u>405</u>	<u>4,196</u>	<u>4,078</u>

	2009 £'000	2008 £'000
<u>Movements in Loans to Parishes:</u>		
At 1 January	2,388	3,142
Additions (new loans and interest)	743	664
Repayments	<u>(713)</u>	<u>(1,418)</u>
At 31 December	<u>2,418</u>	<u>2,388</u>

During the year, interest on Diocesan Bishop's Council (Finance Committee) loans to parishes was charged at a rate of 1% or 2% above the Bank of England base rate depending upon the rules in force when the loan was awarded. No interest was charged on other loans.

Certain loans to parishes fall due after more than one year and the total of these as at 31 December 2009 was £1,028k (2008: £1,042k).

**Notes to the financial statements - for the year ended 31 December 2009 (continued)****9b Related Parties****Payroll Services**

These are undertaken on behalf of a number of local church-based projects whereby the Fund acts as a payroll agent. At 31 December 2009 other debtors included £13k (2008: £129k) and other creditors included £3k (2008: £24k) in respect of gross salary and employer's National Insurance.

**London Diocesan Board for Schools**

The London Diocesan Fund and the London Diocesan Board for Schools are separate charities but various Diocesan bodies appoint the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities.

The Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO is President and Chairman of the London Diocesan Fund and President of the London Diocesan Board for Schools.

The Archdeacon of Middlesex, trustee of the London Diocesan Fund, served as Chairman of the London Diocesan Board for Schools during the year.

Mr C J Backhouse and The Revd Preb G Pope were also trustees of both the London Diocesan Fund and the London Diocesan Board for Schools during the year.

Mr I R M Woolf, a trustee of the London Diocesan Fund, is employed by the London Diocesan Board for Schools.

The London Diocesan Fund makes an annual grant to the work of this Board amounting to £152k (2008: £158k). The Board is a charitable company (reg. no. 198131). At 31 December 2009 other debtors included £nil for salary and office cost recharges (2008: £6k).

In addition to the grant described above, the London Diocesan Fund makes the following donations in kind to the London Diocesan Board for Schools. These relate to office space and provision of house services including reception, cleaning, utilities, IT and payroll support. The estimated value of such services is:

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Accommodation	107	89
House services and meeting rooms	182	109
	<u>289</u>	<u>198</u>

The accommodation cost relates to rent. A rent review is scheduled every five years. The next review is due in 2014.

**Other**

The Ven P A Delaney a trustee of the London Diocesan Fund for part of 2009 is a trustee of the City Parochial Foundation, a post he held during 2008 and 2009.

**Trustees' Expenses/Remuneration**

In 2009 the London Diocesan Fund reimbursed a total of £28k to 11 members (2008: £26k to 10 members) of the Bishop's Council. The expenses related mostly to working expenses e.g. as Archdeacon, Area Dean or other official. By virtue of their clerical office the Diocese is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council, along with national insurance and costs associated with housing. The stipends, national insurance and pension of Bishops is borne and funded by the Church Commissioners. The following was paid to 18 other members of the clergy in 2009 (Full Time Equivalent: 18) who were members of the Bishop's Council (2008: 18 members; Full Time Equivalent: 17).

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Gross Stipends	411	423
Employer's National Insurance	24	25
Employer's Pension Contribution	150	137
	<u>585</u>	<u>585</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 14 members of Bishop's Council during the year (2008: 14) were housed in parsonages by virtue of their clerical office. No employee (2008: nil) was housed in a parsonage.

A further 7 members of Council (and Finance Committee) (2008: 7) and no employees in holy orders (2008: 3) were housed in properties owned by the London Diocesan Fund.

One member (2008: one) of the Council was contracted by the Fund during the year to carry out management accounting services. These services were carried out on an arms-length basis. The value of these services was £11k (2008: £28k).

**Declarations of Interest**

The Synodical Secretary maintains a register of declarations of interest. All Trustees and Senior Officers have access to these records.

Notes to the financial statements - for the year ended 31 December 2009 (continued)

10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2009 £'000	2008 £'000
CBF Deposits	1,630	10,917	4,169	(172)	16,544	14,731
Lloyds Banking Group Deposits (Bank of Scotland)	-	-	-	-	-	169
Cash at Bank and in hand	1,213	171	-	-	1,384	1,575
	<u>2,843</u>	<u>11,088</u>	<u>4,169</u>	<u>(172)</u>	<u>17,928</u>	<u>16,475</u>

10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2009 £'000	2008 £'000
Dividends	598	13	191	-	802	1,022
Cash and Deposit interest	149	64	33	-	246	1,089
Fixed interest investments	-	-	4	-	4	4
Loan interest	45	-	-	-	45	129
	<u>792</u>	<u>77</u>	<u>228</u>	<u>-</u>	<u>1,097</u>	<u>2,244</u>

11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2009 £'000	2008 £'000
<b>Amounts falling due within one year:</b>						
Parish Loans Payable	-	546	-	-	546	354
Grants Payable	86	1,264	-	-	1,350	1,508
Other Creditors	633	111	1,235	-	1,979	857
Accruals and deferred income	487	11	137	-	635	604
	<u>1,206</u>	<u>1,932</u>	<u>1,372</u>	<u>-</u>	<u>4,510</u>	<u>3,323</u>

**Amounts falling due after more one year:**

Church Commissioners re. Value Linked Loans	-	3,803	-	-	3,803	4,225
	<u>-</u>	<u>3,803</u>	<u>-</u>	<u>-</u>	<u>3,803</u>	<u>4,225</u>

£803k of the Restricted Other Creditors above (2008: £nil) relates to the residual lease premium for the lease of St Mark's Church in North Audley Street, Westminster. In accordance with United Kingdom Generally Accepted Accounting Practice, this balance is being released as income to the Statement of Financial Activities evenly over the 112 year period of the lease term.

Value Linked Loans due to the Church Commissioners become repayable when the house on which they are secured is sold. They are concessionary loans made by the Church Commissioners for onward lending to parishes, usually for housing of assistant clergy. The properties purchased with Value Linked Loans are held within Designated Fund Property.

Value Linked Loans are shown in the accounts at the depreciated insurance value of the property bought with the loan.

# THE LONDON DIOCESAN FUND

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## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 12a Designated Funds

	At 1 January 2009 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2009 £'000
Functional Property	38,952	-	(904)	829	(232)	38,645
Investment Property	24,198	-	-	1,580	(430)	25,348
Parsonage Reserve	927	2,987	-	33	(1,628)	2,319
Fund Property Reserve	485	282	(55)	97	232	1,041
Quinquennial Fund	250	-	-	-	430	680
Designated Trusts	2,822	53	(22)	21	-	2,874
Mission Opportunity	1,083	-	(31)	41	(500)	593
Bishop of London's Mission Fund	1,035	317	(424)	-	-	928
Clergy Training and Support	964	-	(50)	37	-	951
Area Loan Capital Fund	574	-	-	-	-	574
Area Pastoral Funds	608	10	(78)	2	143	685
Urban Priority Area (UPA) Funds	94	2	-	-	7	103
Area Bank Accounts	164	61	(54)	-	-	171
Diocesan Loan Capital	4,062	-	(12)	95	-	4,145
Centrally Sponsored Area Project Reserve	-	-	(165)	-	165	-
Bishop of London's Reserve	65	32	(93)	-	-	4
Strategic Development Reserve	120	-	(6)	-	13	127
<b>Total Designated Funds</b>	<b>76,403</b>	<b>3,744</b>	<b>(1,894)</b>	<b>2,735</b>	<b>(1,800)</b>	<b>79,188</b>

Note 12d

#### Designated Fund Descriptions (refer to the Trustees' report for information regarding the Fund's reserves policy)

Functional and Investment Property	Functional property (£42.4m) is held to house clergy, supporting one of the principal activities of the Fund. The Value Linked Loans creditor (£3.8m), as described in note 11, is included within this reserve, offsetting the total balance. Investment property (£25.8m) is held to generate income which contributes towards stipend payments and other charitable activities. A transfer of investment property (£430k) was made to the general fund reserves during the year.
Parsonage and Fund Property Reserves	The Parsonage and Fund Property reserves are used for the purchase and refurbishment of Parsonage and Fund Property respectively. When a property is sold, the sale proceeds are credited to the relevant fund.
Quinquennial Fund	The number of parsonage quinquennial maintenance works varies each year even though the total number over a given five year period is approximately 500 (i.e. the number of clergy houses). Each year from 2009 onwards the budgeted cost of 100 parsonage quinquennials will be charged to general fund expenditure, with any excess charged to designated funds. The £430k transfer from general funds in 2009 (2008: £250k transfer from general funds) is designed to provide a cushion for future years.
Designated Trusts	This fund represents proceeds arising from the sale of parish-based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish based development or replacement facility.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy. £500k was transferred from this fund to the general fund reserves in the year.
Bishop of London's Mission Fund (BLMF)	This fund is used for significant Diocesan-wide mission initiatives. Each application is assessed on a case-by-case basis by the BLMF board, an internal committee chaired by the Bishop of London. The BLMF does not fund capital projects.

# THE LONDON DIOCESAN FUND

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## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 12a Designated Funds (continued)

Clergy Training and Support	This fund is for providing general clergy training and support.
Area Loan Capital Fund	This fund provides interest free loans to parishes. Decisions on new loans are taken by the Area Councils.
Area Pastoral Funds	This represents funds for each of the five Episcopal Areas which can be used for Area specific projects. Decisions on the use of the funds are taken by Area Councils.
Urban Priority Area Funds	This represents funds for each of the five Episcopal Areas which can be used for building and other projects relating to Urban Priority Areas. Decisions on the use of the funds are taken by Area Councils.
Area Bank Accounts	These are the Kensington and Willesden Area bank accounts which are used to directly support each of these Areas.
Diocesan Loan Capital	A £4.5m loan capital fund was set up in 2005 to provide loans to parishes with individual loans granted not normally exceeding £200k. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the Finance Committee before being voted on at full Finance Committee level.
Centrally Sponsored Area Project Reserve	This fund is used to fund (a) Asbestos monitoring and removal (b) Gutter clearing for Diocesan Supported Parishes and (c) Land registration costs.
Bishop of London's Reserve	This fund is used primarily to meet Senior Staff training and the costs of an interfaith adviser and Olympic chaplain.
Strategic Development Reserve	This fund is to finance work to inform and assist in the strategic deployment of the Fund's resources to further the mission and ministry of the church in London.

### 12b Restricted Funds

	At 1 January 2009 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2009 £'000
Sole Trust Expendable Funds	5,093	474	(574)	268	106	5,367
Closed Church Buildings Fund	1,140	429	(307)	-	(310)	952
Closed Church Buildings Property	9,709	-	-	4,158	(5)	13,862
BLMF restricted fund	24	55	(58)	-	-	21
CUF restricted funds	47	6	(8)	5	-	50
Bishops' secretaries	22	204	(199)	-	-	27
Environmental fund	-	55	(30)	-	-	25
<b>Total Restricted Funds</b>	<b>16,035</b>	<b>1,223</b>	<b>(1,176)</b>	<b>4,431</b>	<b>(209)</b>	<b>20,304</b>

Note 12d

#### Restricted Funds

Sole Trust Expendable Funds	This fund comprises some 100 restrictive Trusts which are held for specific parish or diocesan purposes. These Trusts are consolidated with the main LDF accounts as the LDF acts as Sole Trustee and therefore has control. The permanent endowment element is disclosed in note 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading.
Closed Church Buildings Fund	This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for Closed Church Buildings rental income and maintenance expenses. Income from the rental of churches no longer used for public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is governed by the Pastoral Measure 1983 as amended by subsequent legislation.
Closed Church Buildings Property	This fund represents the net book value of Closed Church Buildings property (see note 6)
BLMF restricted Fund	This fund deals with donations to the Bishop of London's Mission Fund (see note 12a) which are held under the terms of reference of the BLMF only or indicate other specific restrictions.
Church Urban Fund (CUF)	This fund shows the aggregate match funding received in relation to a number of BLMF and other projects.
Bishops' secretaries	This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.
Environmental fund	This shows the restricted funding towards various environment projects carried out by the Diocese.

# THE LONDON DIOCESAN FUND

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## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 12c Endowment Funds

	At 1 January 2009 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2009 £'000
<b>Expendable Endowment</b>						
Glebe Property Fund	43,069	-	(220)	2,881	-	45,730
Glebe Investment Fund	5,723	17	(31)	(934)	-	4,775
Parsonage House Capital	184,329	-	(1,497)	4,326	1,628	188,786
<b>Permanent Endowment</b>						
Sole Trust Permanent Endowment	3,885	-	(19)	286	(106)	4,046
<b>Total Endowment Funds</b>	<b>237,006</b>	<b>17</b>	<b>(1,767)</b>	<b>6,559</b>	<b>1,522</b>	<b>243,337</b>

*Note 12d*

Glebe Property Fund	This represents the net book value of glebe property with movements shown in note 6. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property, the fund is split between functional (£8.4m) and investment (£37.3m) property.
Glebe Investment Fund	This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is only used to fund clergy stipend payments.  The use of Glebe assets detailed above is governed by the Diocesan Stipends Fund Measure (1953) and the Endowments and Glebe Measure 1976.
Parsonage House Capital	This fund represents the net book value of Freehold and Leasehold Benefice Houses (see note 6).
Sole Trust Permanent Endowment	This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 12b). Part of the resources expended represents depreciation on Permanent Endowment Freehold Property and the winding up of small trusts.

### 12d Transfer Between Funds - Detailed Breakdown of Movements

Statement of Financial Activities transfers analysed:

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Parsonage additions	-	(2,810)	-	2,810	-	<i>i</i>
Parsonage sales	-	1,182	-	(1,182)	-	<i>i</i>
Closed Church buildings:						
- to Area Pastoral Funds	-	143	(143)	-	-	<i>ii</i>
- to UPA Funds	-	7	(7)	-	-	<i>ii</i>
- to Centrally Sponsored Area projects	-	165	(165)	-	-	<i>ii</i>
Release from Mission Opportunity Fund	500	(500)	-	-	-	<i>iii</i>
Transfer underspend on Quinquennial budget	(430)	430	-	-	-	<i>See note 12a</i>
Transfer from Investment Property Fund to General Fund	430	(430)	-	-	-	
Transfer underspend on Strategic Development budget	(13)	13	-	-	-	
Trust reclassifications	-	-	106	(106)	-	<i>iv</i>
	<b>487</b>	<b>(1,800)</b>	<b>(209)</b>	<b>1,522</b>	<b>-</b>	
		<i>Note 12a</i>	<i>Note 12b</i>	<i>Note 12c</i>		

*i.* Transfer from or to the Parsonage designated fund for the purchase or sale of parsonages respectively.

*ii.* As a policy, closed church buildings sale proceeds allocated to the Diocesan Pastoral Account (DPA) are split between the Area Pastoral and Urban Priority Area (UPA) funds within designated funds, or in line with other directions from Bishop's Council.

*iii.* The transfer from Mission Opportunity funds to general funds of £500k enables the general 'free' reserves to be maintained at a satisfactory level.

*iv.* The transfer from endowment to restricted funds of £106k (primarily comprised of investments with some cash) relates to the winding up of small trusts, under Charity Commission rules.

# THE LONDON DIOCESAN FUND

(A company limited by guarantee)

## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 13 Notes to the cash flow statement

	2009 Total Funds £'000	2008 Total Funds £'000
<b>a) Reconciliation of operating deficit to operating cash flows</b>		
Operating Deficit	(2,969)	(2,938)
Depreciation charges	2,625	2,508
(Increase)/Decrease in debtors	(118)	953
Increase/(Decrease) in creditors	1,187	(645)
Investment and Rental Income	(5,755)	(6,791)
	<u>(5,030)</u>	<u>(6,913)</u>
<b>b) Gross Cash Flows</b>		
<b>Returns on investments and servicing of finance</b>		
Dividends and Interest Receivable	1,097	2,244
Rental Income	4,658	4,547
	<u>5,755</u>	<u>6,791</u>
<b>Capital Expenditure and investment</b>		
Sale of property	5,665	4,676
Purchase of property	(5,148)	(8,045)
Sale of investments	181	832
Purchase of investments	(35)	(827)
	<u>663</u>	<u>(3,364)</u>
<b>Financing</b>		
New Value Linked Loans	-	165
	<u>-</u>	<u>165</u>

### c) Analysis of Changes in net debt

Funds	At 1 January 2009 £'000	Cash Flows £'000	Other £'000	At 31 December 2009 £'000
Cash at bank and in hand	1,575	(191)	-	1,384
Short Term Deposits	14,900	1,644	-	16,544
	<u>16,475</u>	<u>1,453</u>	<u>-</u>	<u>17,928</u>
Debt due within one year	-	-	-	-
Debt due after one year	(4,225)	-	422	(3,803)
	<u>(4,225)</u>	<u>-</u>	<u>422</u>	<u>(3,803)</u>
	<u>12,250</u>	<u>1,453</u>	<u>422</u>	<u>14,125</u>

**Notes to the financial statements - for the year ended 31 December 2009 (continued)**

**14 Pensions**

**(a) Lay staff pensions**

The London Diocesan Fund participates in the Church of England Defined Benefit Scheme (DBS), part of the Church Workers Pension Fund. The non-contributory scheme provides benefits based on final pensionable salaries. The Church of England Pensions Board is the trustee and administers the Pension Fund. The assets of the Pension Fund are held separately from those of the London Diocesan Fund.

At 31 December 2009 the London Diocesan Fund had 45 active members and 50 deferred pensioner members in the Pension Fund (2008: 49 and 48 members respectively) out of a total of 1,335 active members and 1,504 deferred members (2008: 1,504 and 1,432 members respectively).

The London Diocesan Fund is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. Paragraph 9(b) of FRS 17 requires the London Diocesan Fund to account for pension costs on the basis of contributions actually payable to the scheme in the year (see note 3).

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

The division of the Scheme into sub-pools is notional and is for the purpose of calculating ongoing contributions. They do not alter the fact that the assets of the Scheme are held as a single trust fund out of which all the benefits are to be provided. From time to time, a notional premium is transferred from employers' sub-pools to the Life Risk Pool and all pensions and death benefits are paid from the Life Risk Pool.

If following an actuarial valuation of the Life Risk Pool there is a surplus or deficit in the pool and the Actuary so recommends, further transfers may be made from the Life Risk Pool to the employers' sub-pools, or vice versa. The amounts to be transferred (and their allocation between the sub-pools) will be settled by the Church of England Pensions Board on the advice of the Actuary.

A valuation of the DBS is carried out once every three years, the most recent being as at 31st December 2007. In this valuation, the Life Risk Section was shown to be in deficit by £5.5m and some £4.4m was notionally transferred from the employers' sub-pools to the Life Risk Pool. Of this, £128,600 was deducted from the London DBF sub-pool. This increased the employer's contributions that would otherwise have been payable.

The completed service section of the DBS (active and deferred members) was found to be in deficit at 31st December 2007. The deficit amounted to £830k and a one off payment was made in 2008 to settle this liability (see Statement of Financial Activities).

The London Diocesan Fund's contribution rate was changed from 25.78% to 25.40% of gross pensionable salary with effect from 1 January 2009.

## Notes to the financial statements - for the year ended 31 December 2009 (continued)

### 14 Pensions (continued)

#### (b) Clergy Pensions

From 1st January 1998, Diocesan clergy became members of the Church of England Funded Pensions Scheme (CEFPS). This non-contributory scheme provides benefits based on national minimum stipends. The Church of England Pensions Board is the trustee and administers the Pension Scheme. The scheme provides pensions that relate to pensionable service after 1st January 1998. The scheme's assets are held separately from those of the London Diocesan Fund. Past service clergy pensions for service before 1st January 1998 are paid by the Church Commissioners at no cost to the London Diocesan Fund.

The London Diocesan Fund is the sponsoring employer for 526 members (2008: 524) of the scheme out of a total membership of approximately 10,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the London Diocesan Fund is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. Paragraph 9(b) of FRS 17 requires the London Diocesan Fund to account for pension costs on the basis of contributions actually payable to the scheme in the year (see note 3).

The 31 December 2006 valuation revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the assumptions below:

- An investment strategy of: a nil allocation to gilts for the next 10 years, increasing linearly to reach 30% after 20 years; and the balance of the assets in equities;
- Investment returns of 4.25% pa on gilts and 5.75% pa on equities;
- RPI inflation of 3.1% pa (and pension increases consistent with this);
- Increase in pensionable stipends 4.6% pa; and
- Post-retirement mortality in accordance with the PA00 tables, adjusted so that members are assumed to be two years younger than they actually are, with allowance for future improvements according to the "medium cohort" projections, and subject to a minimum annual improvement in mortality rates of 1% for males and 0.5% for females.

Taking account of the results of that valuation, as well as some agreed changes to benefits, the contribution rate from 1st April 2008 onwards was 39.7% of pensionable stipends.

The contribution rate was subsequently increased to 45.0% of pensionable stipends with effect from 1st January 2010, reflecting unfavourable investment experience and changes in financial market conditions.

In 2009, the Archbishops appointed a task group to consider amendments to the scheme to improve affordability. Their proposals include contracting the scheme into the second state pension and reducing the rate of accrual of future benefits. The General Synod considered these proposals in February 2010. A formal consultation with members is to be undertaken and the General Synod plan to consider in July 2010 whether the scheme's rules should be amended.

A new valuation of the Scheme is being carried out as at 31st December 2009 and later in 2010 the Pensions Board will consider the future contribution rate, taking account of any amendments to the rules of the scheme and actuarial and other advice.

### 15 Members' Liability

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2009 there were 46 members (2008: 52) who are liable to contribute £1 each in the event of the company being wound up. The maximum number of members permitted by the Memorandum and Articles of Association is 54.

**The following pages do not form part of the statutory financial statements  
of the London Diocesan Fund for the year ended 31 December 2009**

<b>Contents</b>	<b>Page</b>
Report of the Custodian Trustees	54
Financial Statements	55
Notes to the Custodian Trusts Financial Statements	56 - 57
Independent Auditors' Report to the Custodian Trustees of the Funds	58

## Report of the Custodian Trustees

The Council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical law, presents the report and non-statutory financial statements for the year ended 31 December 2009.

### Legal Status

Under the Parochial Church Council (PCC) Powers Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. It also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of approximately 320 separate trusts. Land and building assets held as custodian trustee are not shown.

Certain title and trust deeds are held in the name of the Bishop of London's Fund. This is a corporate body that pre-existed the formation of the London Diocesan Fund in 1918 and in which some property and capital were vested. For day to day purposes, its activities have been subsumed into the London Diocesan Fund since 1 January 1918.

### Review of the Year

Total incoming resources declined by £0.4m from £1.1m in 2008 to £0.7m in 2009. This is due to a fall in interest rates and dividend distributions during the recession.

The stock market has recovered in part during 2009, after significant stock market losses during 2008. Consequently, custodian trust investments had unrealised gains in value of £0.9m.

Funds continue to be expended in line with the purposes for which they were intended, with some £2.8m expended for charitable purposes during the period under review.

Additional new resources of £0.5m were received during the year in the form of new trusts.

The overall value of funds held by the London Diocesan Fund as custodian trustee fell by £0.7m to £19.1m in 2009, with the majority of the fall explained by an excess of expenditure over income.


### Statement of Custodian Trustee's responsibilities

The Charities Acts 1993 and 2006 require managing trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the funds and of their incoming resources and application of resources, including their income and expenditure.

The Custodian Trustees have chosen to prepare these statements in accordance with the Charities Acts 1993 and 2006. In preparing these financial statements in accordance with the Charities Acts 1993 and 2006, the Custodian Trustees are required to:

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements.

The Custodian Trustees are responsible for keeping proper accounting records with respect to the transactions and the financial position of the funds and to enable them to ensure that the financial statements comply with the Charities Acts 1993 and 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the funds and to prevent and detect fraud and other irregularities.

  
The Ven Dr W M Jacob  
Member of Council and  
Finance Committee Chairman

12 May 2010

## Financial Statements

### Statement of Financial Activities - for the year ended 31 December 2009

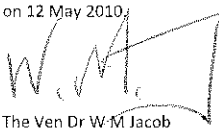
	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2009 £m	Total 2008 £m
<b>Incoming Resources</b>					
Investment Income	-	-	0.3	0.3	0.6
Income direct to Beneficiaries	-	-	0.4	0.4	0.5
<b>Total Incoming Resources</b>	<b>-</b>	<b>-</b>	<b>0.7</b>	<b>0.7</b>	<b>1.1</b>
<b>Resources Expended</b>					
Income paid to Beneficiaries	-	-	(0.4)	(0.4)	(0.5)
To Objects of the Trusts	(0.2)	(1.3)	(0.9)	(2.4)	(1.9)
<b>Total Resources Expended</b>	<b>(0.2)</b>	<b>(1.3)</b>	<b>(1.3)</b>	<b>(2.8)</b>	<b>(2.4)</b>
<b>Net (Outgoing) Resources before new resources</b>	<b>(0.2)</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>(2.1)</b>	<b>(1.3)</b>
Additional New Resources	-	0.4	0.1	0.5	0.5
<b>Net (Outgoing) Resources for the year</b>	<b>(0.2)</b>	<b>(0.9)</b>	<b>(0.5)</b>	<b>(1.6)</b>	<b>(0.8)</b>
Gains/(Losses) on Investment Assets	0.7	0.2	-	0.9	(3.9)
<b>Net Movement in Funds for the year</b>	<b>0.5</b>	<b>(0.7)</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(4.7)</b>
Funds at 1 January 2009	11.2	5.4	3.2	19.8	24.5
<b>Funds at 31 December 2009</b>	<b>11.7</b>	<b>4.7</b>	<b>2.7</b>	<b>19.1</b>	<b>19.8</b>


### Custodian Trusts Balance Sheet - as at 31 December 2009

Assets	Notes	Market Value 2009 £m	Market Value 2008 £m
Fixed Asset Investments	2	16.4	16.6
Current Asset Investments	3	2.7	3.2
<b>Net Assets</b>		<b>19.1</b>	<b>19.8</b>
<b>Funds</b>			
Permanent Endowment	2	11.7	11.2
Restricted - Capital	2	4.7	5.4
Restricted - Unexpended Income	3	2.7	3.2
		<b>19.1</b>	<b>19.8</b>

The notes on pages 56 and 57 form part of these accounts.

The non-statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 12 May 2010.

  
The Ven Dr W-M Jacob  
Member of Council and  
Finance Committee Chairman

  
Mr I R M Woolf  
Member of Council

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2009

### 1. Accounting Policies

These non-statutory financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom and the Statement of Recommended Practice, 'Accounting and Reporting by Charities'. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

#### a. Basis of Preparation

Under the PCC (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. The London Diocesan Fund also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 320 trusts.

The Balance Sheet as at 31 December 2009 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2008 have been provided.

The financial statements have been prepared on a basis consistent with figures included in the London Diocesan Fund's Balance Sheet. As custodian trustee, the Fund prepares these financial statements on the historical cost basis of accounting, adjusted for the revaluation of investments.

As the Fund has no day to day control over their disposition, custodian trusts are not included within the Fund's main figures.

A cash flow statement has not been prepared as the custodian trustee considers that each custodian trust meets the criteria of a 'small' company for this purpose.

A specific trust bank account is maintained for trust transactions. Each trust has its own designated investment ledger and account codes.

It is the Fund's policy that where possible all income should go direct to the beneficiaries.

#### b. Fund Balances

All funds are subject to the specific conditions imposed by the donor or by the terms of the trust deed or other applicable legal measure. The expendable capital funds and unexpended income are classified as restricted funds. Endowment funds are funds subject to the condition that they be held as permanent capital.

Income and expenditure on restricted funds are taken directly to the appropriate fund except to the extent that income is freely available to the managing trustees; and unexpended income from endowment assets is carried forward as a restricted fund.

#### c. Investment Income

Dividend and interest income is accounted for on a receipts basis, primarily quarterly. Rental income is accounted for on an accruals basis.

#### d. Other Income and Expenditure

Additional capital represents capital introduced to an existing custodian trust, or the creation of a new trust.

Expenditure on objects of the trusts represents the spending of capital and income in line with the terms of the trust deed or other applicable governing document.

#### e. Investments

Investments are stated at market value, calculated by reference to the mid market value at 31 December. Realised and unrealised gains or losses on investments in the year are credited to the appropriate funds.

Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2009 (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2009	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements	31 December 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	182	16	(16)	9	-	191
M&G Charifund	2,583	1	-	243	-	2,827
Investments held by CCLA:						
CBF Fixed Interest	284	-	(48)	(10)	-	226
CBF Investment Fund	5,107	23	(65)	475	-	5,540
CBF Property Fund	22	-	-	(1)	-	21
CBF Deposit Fund	3,062	43	(234)	-	-	2,871
Other Assets/(Liabilities)	1	-	-	-	-	1
	<u>11,241</u>	<u>83</u>	<u>(363)</u>	<u>716</u>	<u>-</u>	<u>11,677</u>

Fixed Asset Investments represented by Expendable Capital

Listed Investments	240	1	(1)	7	-	247
M&G Charifund	757	-	-	67	-	824
Investments held by CCLA:						
CBF Fixed Interest	208	-	(21)	(8)	-	179
CBF Investment Fund	1,736	6	(335)	131	-	1,538
CBF Deposit Fund	2,499	479	(1,152)	-	-	1,826
Other Assets/(Liabilities)	(62)	-	-	-	123	61
	<u>5,378</u>	<u>486</u>	<u>(1,509)</u>	<u>197</u>	<u>123</u>	<u>4,675</u>
<b>Total Fixed Assets</b>	<b><u>16,619</u></b>	<b><u>569</u></b>	<b><u>(1,872)</u></b>	<b><u>913</u></b>	<b><u>123</u></b>	<b><u>16,352</u></b>

3. Current Asset Investments represented by Unexpended Income from Permanent Endowment Assets

M&G Charifund	136	-	(14)	11	-	133
Investments held by CCLA:						
CBF Fixed Interest	8	-	-	-	-	8
CBF Investment Fund	104	15	-	11	-	130
CBF Deposit Fund	1,957	195	(513)	-	-	1,639
	<u>2,205</u>	<u>210</u>	<u>(527)</u>	<u>22</u>	<u>-</u>	<u>1,910</u>

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA:						
CBF Fixed Interest	12	-	(2)	-	-	10
CBF Investment Fund	25	28	-	6	-	59
CBF Deposit Fund	916	114	(356)	-	-	674
	<u>953</u>	<u>142</u>	<u>(358)</u>	<u>6</u>	<u>-</u>	<u>743</u>
Other Assets/(Liabilities)	13	-	-	-	37	50
<b>Total Current Assets</b>	<b><u>3,171</u></b>	<b><u>352</u></b>	<b><u>(885)</u></b>	<b><u>28</u></b>	<b><u>37</u></b>	<b><u>2,703</u></b>
<b>TOTAL</b>	<b><u>19,790</u></b>	<b><u>921</u></b>	<b><u>(2,757)</u></b>	<b><u>941</u></b>	<b><u>160</u></b>	<b><u>19,055</u></b>

### Independent auditors' report to the Custodian Trustees of the Funds

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2009 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The non-statutory financial statements have been prepared under the accounting policies set out therein.

#### Respective responsibilities of trustees and auditors

The trustees' responsibilities for preparing the Report of the Custodian Trustees and the non-statutory financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Custodian Trustees' Responsibilities.

We have been appointed as auditors in accordance with the Charities Acts 1993 and 2006 and report in accordance with regulations made under that Act. Our responsibility is to audit the non-statutory financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including our opinion, has been prepared for and only for the charity's members as a body. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the non-statutory financial statements give a true and fair view and are prepared in accordance with the Charities Acts 1993 and 2006. We also report to you if, in our opinion, the information given in the Report of the Custodian Trustees is not consistent with those non-statutory financial statements, if the charity has not kept sufficient accounting records, if the charity's non-statutory financial statements are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

We read the Report of the Custodian Trustees 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 non-statutory 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 non-statutory 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 non-statutory financial statements.

#### Opinion

In our opinion:

- the non-statutory financial statements give a true and fair view of the state of the charity's affairs as at 31 December 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the non-statutory financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the non-statutory financial statements have been prepared in accordance with the Charities Acts 1993 and 2006.



**Mazars LLP, Chartered Accountants and Statutory auditors**  
Times House Throwley Way, Sutton, SM1 4JQ

12 May 2010