



THE LONDON DIOCESAN FUND

Directors' and Trustees' Report and Financial Statements

for the year ended 31st December 2010

Company number: 150856
Charity number: 241083

Glossary

ALMA	Angola, London and Mozambique Association
BLF	Bishop of London's Fund, charity incorporated in 1882
BLMF	Bishop of London's Mission Fund, a designated fund of the LDF
CCLA	CCLA Investment Management Limited
LDBF	London Diocesan Board of Finance, a charitable company
LDBS	London Diocesan Board for Schools, a charitable company
LDF	The London Diocesan Fund, a charitable company
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)
TFL	Trust for London (formerly known as City Parochial Foundation, a charity established by the City of London Parochial Charities Act 1883)

Directors' and Trustees' Report 2010

The directors of the London Diocesan Fund (LDF), who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2010.

Reference and Administrative Details, Trustees and Advisers

Name and registered office

The LDF 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. The LDF was incorporated in England on 29th June 1918.

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 11th May 2011, the date of approval of this report, were:

President and Chairman

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

In 2010 the role of Treasurer and Vice Chairman was changed and split into a Lay Vice Chairman plus a Clerical Vice Chairman.

Treasurer and Vice Chairman

Mr D E Loftus, Diocesan Synod House of Laity (until 22/6/10)

Lay Vice Chairman

Mr D E Loftus, Diocesan Synod House of Laity (from 22/6/10)

Clerical Vice Chairman

The Revd Preb D N C Houlding, Diocesan Synod House of Clergy (from 22/6/10)

Ex Officio

The Bishop of Stepney, the Rt Revd S J Oliver (until 6/7/10)

The Bishop of Kensington, the Rt Revd P G Williams

The Bishop of Edmonton, the Rt Revd P G Wheatley

The Bishop of Willesden, the Rt Revd P A Broadbent

The Bishop of Fulham, the Rt Revd J C Broadhurst (until 31/12/10)

The Archdeacon of London, the Ven D Meara

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 (until 26/9/10), the Ven L J Miller (from 30/11/10)

The Archdeacon of Northolt, the Ven R Treweek

The Dean of St Paul's Cathedral, the Rt Revd Graeme Knowles

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

Mr D Hurst

Mr B O'Donoghue

Ms M Murrell

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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 E D Roberts

Stepney

The Revd G L Warren
The Revd J Blackburn
Mrs C Adekunle
Mrs M Ford
Ms J W Munro
Dr P Rice (*)

Kensington

The Revd Dr A Emerton
The Revd Dr B Mayo
Mrs A Barrett
Mr H A Evans
Mr J P Normand

Edmonton

The Revd Preb C G Pope
Mrs A K Atkins
Ms S J Jones
Mrs A L Ruoff
Mr I R M Woolf

Willesden

The Revd A R Corsie
The Revd M Stone
Mr M A Carmody
Mr J R Dolling
Mr C R Scowen
Mrs S Wright

Nominated by the Bishop of London

The Revd N R Holtam (from 20/1/10)

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 LDF nor a trustee.

Senior staff

The bishops and archdeacons of the diocese exercise day to day control of the LDF. Mr A Brookes is the LDF'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 LDF for the purposes of company law nor are they trustees of the charity.

Director of Property:	Mr M Bye
Director of Finance and Operations:	Mrs H Simmons
Head of HR:	Ms P Bailey
Head of Strategic Development:	Mr M Girt

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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
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).

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 the Bishop of London are members of the Privy Council. They, together with the Bishops of Durham and Winchester, are ex-officio members of the House of Lords. In addition, there are 21 other Bishops who are admitted in order of their consecration.

The Church of England is led and governed by Bishops in Synod. The General Synod makes 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.

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 (NCIs).

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. They are responsible for paying pensions for the clergy accrued before 1997. In addition to the costs of Episcopal administration they also make grants for developments in areas of missionary opportunity.

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. A new fund was established to cover pensionable service after 1997.

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.

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St Paul's Cathedral and Westminster Abbey

St Paul's Cathedral is the mother church of the Diocese of London and legally is constituted as a separate charity. Westminster Abbey is a Royal Peculiar, which means that it falls directly under the jurisdiction of the British monarch, rather than under a Bishop.

The information about General Synod, the Church Commissioners, the Archbishops' Council, St 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 St 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 18 boroughs of London and Surrey mostly north of the River Thames and west of the River Lea in Greater London. It serves 3.9 million people in 277 square miles.



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. There are 24 deaneries.

Each deanery consists of several parishes; there are over 450 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 Diocesan Synod inaugurated on 17th November 1970 and amended from time to time. Lay members are elected by deanery synods, which are comprised of members elected by parish members. Clergy members are similarly

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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 Diocesan Synod meets at least twice per year. Many of the Synod's responsibilities are delegated to the Bishop's Council, which acts as a standing committee.

The Bishop's 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 the Bishop of London. The Council meets at least three times per year.

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

The London Diocesan Fund

The objects for which the LDF is established and for which suitable powers are granted in its constitution 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 LDF is governed by its Constitution which may not be altered or varied without resolution of the Diocesan Synod. The Constitution is regularly reviewed and amended from time to time. Having obtained the Charity Commission's consent revisions were adopted by the Annual General Meeting in 2010 and approved by Diocesan Synod, amending 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 LDF, in the event of its being wound up, such amount as may be required not exceeding £1.

The members of the LDF are trustees of the charity and also its directors for Companies Acts purposes. The Chairman of the LDF is the Bishop of London. The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese of the Church of England.

Statutory functions

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

The LDF has delegated certain powers to its Finance Committee. The Finance Committee meets at least six times each year. The LDF has delegated certain powers to Area Councils. The committees have power to co-opt members, subject to elected and ex-officio members being the majority.

Diocesan Finance Committee (DFC)

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. By a special resolution dated 10th December 1970 its lay membership must be in the majority. The Bishop of London, the archdeacons, the Clerical and Lay Vice Chairmen and the Treasurer of the LDF are *ex officio* members. The DFC makes recommendations to the Council.

Members of the Diocesan Finance Committee:

(also Members of the Bishop's Council)

The Rt Revd and Rt Hon the Lord Bishop
of London R J C Chartres KCVO
The Archdeacon of London, the Ven D Meara
The Archdeacon of Charing Cross, the Ven Dr W M Jacob (Chair)
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 (until 26/9/10),
the Ven L J Miller (from 30/11/10)
The Archdeacon of Northolt, the Ven R Treweek
The Revd Preb D N C Houlding
The Revd Preb C G Pope
The Revd Dr A Emerton (from 27/1/10)
Mr J R Dolling
Mr B O'Donoghue
Mr D E Loftus
Ms J W Munro
Mr E D Roberts
Mr K D Stern
Mr I R M Woolf

(not Members of the Bishop's Council)

The Revd Preb A Roberts
Mr E Wong
Mr D Barton
Mr R Dean
Mr N Manns
Mr R N Perry
Dr S Wilmington
Mr A Garwood-Watkins
Mr D Hunter (from 15/7/10)

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Audit Committee

The Audit Committee is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council and the DFC and from outside these bodies. At least two members (in addition to the chair) are to be from the Bishop's Council and current DFC 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 LDF's operations and has concluded so far that use of the LDF'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.

Members of the Audit Committee:

(also Members of the Bishop's Council)

The Revd J Blackburn (from 9/11/10)
Mr J D Freeman (Chair)
Mr I R M Woolf

(not Members of the Bishop's Council)

Mr N Fletcher
Mr R N Perry

Risk Management

With other organisations, the LDF faces risks to its operations, finances and reputation. The officers consider, evaluate and record the major areas of risk to which the LDF 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 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, is considered by the Council annually.

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.

Related bodies

Under the terms of arrangements made in 1919, the LDF 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
The Ven S J Welch
Mr E D Roberts

Secretary: Mr A Brookes

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

Registered Office: 36 Causton Street, London SW1P 4AU

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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 7th July 1882. The BLF is a registered charity (249021). The Finance Committee of the LDF 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 29th October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

The London Diocesan Board of Finance

President: The Rt Revd and Rt Hon the Lord Bishop of London
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 30th 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 LDF (company number 150856) formed in 1918 specifically empowers the LDF 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 7th June 1926 to amalgamate the functions of the Board of Finance into the LDF, except anything which was unable to be amalgamated because of statutory provisions. The LDBF is a registered charity (249022) and company limited by guarantee (135519).

Objectives, Activities, Achievements and Performance

Activities and objectives

The principal activity of the LDF 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 LDF also provides community space and facilities 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 LDF'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 Trust for London. 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 Charity Commission 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 believe that this report taken as a whole provides evidence of the public benefit of the charity's work in 2010.

In particular, the trustees believe that, by promoting the work of the Church of England in the Diocese of London, the LDF helps to promote the whole mission of the Church, including its pastoral, evangelistic, social and ecumenical aspects, more effectively, both in the Diocese as a 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 LDF 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”);
- 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 in 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, open to the public and many of which are listed buildings (see “serving London and all her people”);
- the provision of public spaces such as church halls as an expression of faith (see “serving London and all her people”).

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.

The London Challenge 2012 sets out seven commitments. 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.

The Seven London Challenge 2012 Commitments are:

1. We are committed to sharing the good news of Jesus Christ in 21st 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.
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 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012
 - increase provision in Church of England Secondary Schools by 2,012 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.

Achievements and Performance

2011-2013 will see completion of the current London Challenge (LC), and the development and launch of its successor.

Work will continue across the seven commitments. Some objectives (creating 2,012 new secondary school places) have been exceeded. Others (e.g. raising £2,012,000 to support mission in London) - are proving challenging in the current environment.

To focus our effort over the final 18 months of the LC, senior staff reset priority work areas, as follows:

- Exploit mission opportunity for growth of church schools and improve church/school links
- Clergy formation and leadership development
- Church planting: increase momentum, learn from experience
- Civil society and social justice engagement
- Improve research and communications (working with NCIs)
- Mission planning in areas of major change e.g. Tottenham Hale
- Financial strategy, including the pattern of support to struggling parishes

I. We are committed to sharing the good news of Jesus Christ in 21st century London.

The Diocese supports over 500 worshipping communities. There are also over 150 chaplaincies in schools, colleges, hospitals, the Met Police, railways, the Olympics, prisons, theatres, the forces, football clubs, Canary Wharf, livery companies, shops and City institutions.

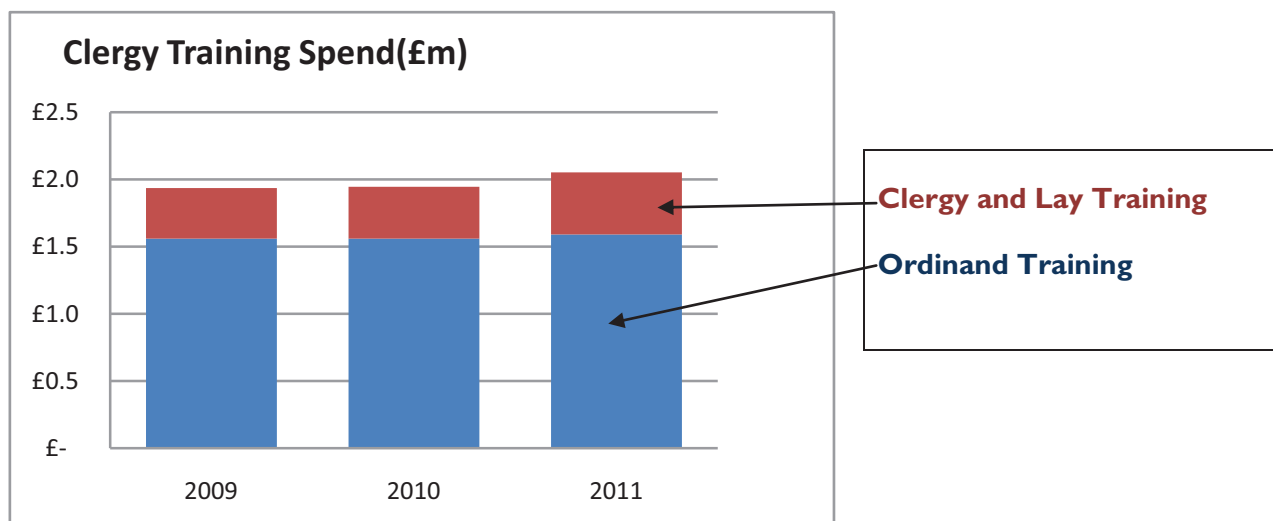
Diocese of London	2007	2008	2009	2010
Electoral Roll	63,434	68,272	70,889	74,074

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

The LDF continues to put a high priority on training and development of both clergy and lay ministers. Around £2m p.a. has again been invested in training new clergy (with over 140 sponsored ordinands), the professional development of around 700 stipendiary and self supporting clergy, and the training, support and development of numerous licensed and commissioned lay ministers.

Amongst new developments in 2010 have been the establishment of an exciting new training programme for Licensed Lay Ministers (Readers) with St Mellitus College, with over 20 people beginning the course in September from across the diocese and coming from a wide variety of parishes and backgrounds. Following a successful pilot in 2009, a new Residential Programme: "Renewing Vision, Renewing Ministry" has been established for clergy seeking to develop their ministries as they approach the final stages of stipendiary ministry. Post ordination training directors from across the Diocese are working together to establish an enhanced programme and framework for curates.

Through 2010 the Training and Development team, together with St Mellitus College, have been actively exploring new ways to develop clergy engagement. As a result, during the course of 2011 they will be proposing a major strategic development for clergy professional development.



The Diocese's Children's Ministry Adviser provides training and support for parishes working with children. This year we have provided an eight session course in children's ministry to develop those working with children in the diocese. Over the year we have been developing a Charter scheme for parishes to help them to improve the welcome they extend to children within their mission action plan. The LDF supports the statutory checking of those who work with both the young and the vulnerable in parishes and elsewhere.

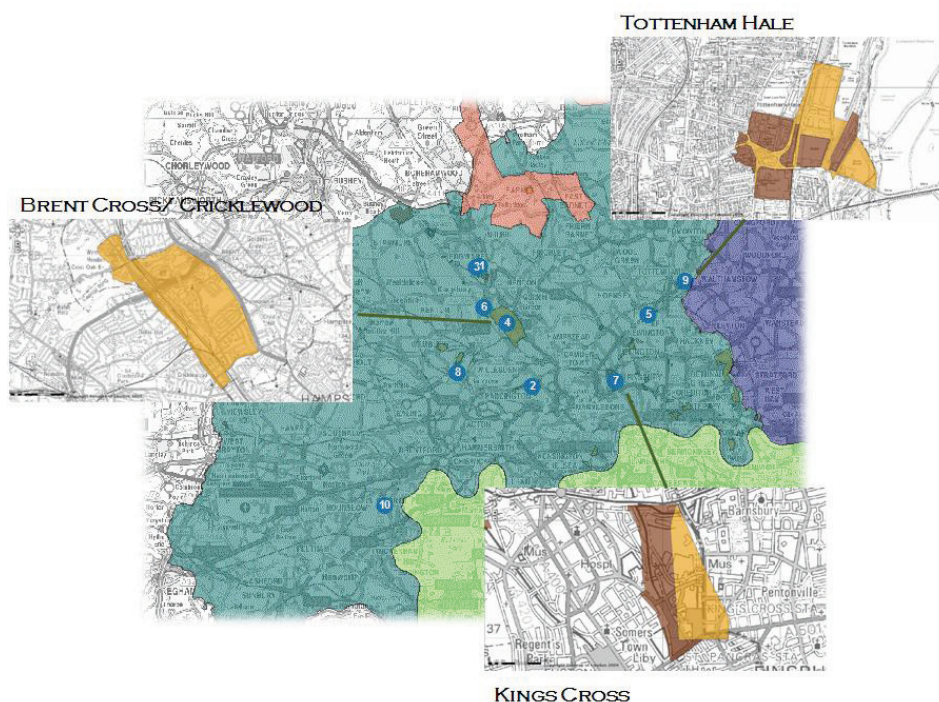
3. We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young.

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 schools encompassing 50,000 pupils and 6,500 staff; the LDF supports its work through grants and provision of benefits in kind. The Board has already achieved the goal of providing an additional 2,012 secondary school places by 2012, following substantial investment over the past five years including Greig City Academy, Haringey, St Mary Magdalene Academy, Islington, Wren Academy, Barnet, Chelsea Academy and the sixth form at Sir John Cass's Foundation and Redcoat CofE School, Stepney. LDBS is now focused on meeting the demand for more primary school places; and the Diocese is supporting St Luke's Church in North Camden which is aiming to be the first Church of England School to open under the Government's Free Schools programme.

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. 2010 has seen the continuation of support through the work of Community Ministry and the deployment of community development workers to areas of need across the diocese. The year has also seen a significant number of developments to ensure that the resources given by past generations and the mechanism of the Common Fund are best used to ensure our commitment to all communities.

In particular the work of Strategic Development has been directed by the Diocesan Strategic Policy Committee to enable both a local and strategic response to the identified areas for investment. The Strategic Development analysis and mapping has been identified by government and General Synod as a method and approach that others should follow. High profile and detailed work on the plans at Kings Cross saw clear information being provided to Bishop's Council to enable it to make robust decisions on the next steps needing to be taken. The work at Tottenham Hale has flourished with the development of a clear vision and plan for the shape of mission and ministry for the future. Work has begun at Cricklewood using the approach developed at Tottenham Hale and will draw on the strengths of the many mission approaches and energy which the Diocese of London has the fortune to have within it.



The strategic approach has also enabled significant match funding from external agencies to be secured to enable local mission and ministry initiatives. These have been further supported by strategically established partnerships with external agencies which provide skills and staffing not otherwise available to parishes.

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

Work has been undertaken this year to understand better how to support parishes in demonstrating God's love in the communities of this great World City. Two particular strands of work stand out.

The first is the survey of what parishes are doing to express that love through service, in short, what we are doing for and with our communities. The last time we did this three years ago we found we had over 650 community focused projects that were actively expressing God's love. Our current work is showing that this commitment has continued through the recession and 2011 will see us analysing the new information to show us how we can best support local responses through strategic resourcing.

The second is an initiative that has been developed, and will be piloted in 2011, 'Project Catalyst'. 'Project Catalyst' is a response to a need which parishes have highlighted, this being how to get hold of funding and skills to develop projects in mission and ministry beyond the initial availability of feasibility funding. It is all too easy for projects to close without help and funding, and thus lose what would be many excellent initiatives across the Diocese. The Church Urban Fund together with other major external funders are financing a pilot in 2011, which will see us testing out with a number of projects how the provision of gap funds and skills to move projects through to launch could work. We hope this will unlock potential in parishes and consequently mission and ministry across the Diocese.

The LDF 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". The previously reported carbon saving of 11.4% from 2005-2008 has reduced to 3.5% from 2005 to 2009. Whilst there was exceptional cold weather during 2009 and 2010 (counter to the global trend), efforts will be redoubled to achieve the target of 20.12% savings by 2012.

Sixty one churches are taking part in Energy-saving Benchmarking. There is also a drive to install solar panels and take advantage of the new Feed-in Tariff (solar panels are now operating at 5 churches). *Home energy surveys* have been carried out for 289 residential properties (60%). Environmental work was presented to a Diocesan Synod meeting where a new Diocesan Environmental Policy was adopted.

6. We are committed to making four Capital Investments: recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012; increase provision in Church of England Secondary Schools by 2,012 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 Chelsea Academy were completed in 2010 and opened by Michael Gove MP; the Lent appeals are being dedicated to projects in Africa. Examples of projects funded by the BLMF 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>.

Diocese of London	2006	2007	2008	2009	2010
All C of E Pupils	46,971	46,723	47,157	47,873	50,014

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

The London Challenge includes a commitment to maintaining a balanced general fund budget and high standards of maintenance for the LDF's buildings, many of which are of architectural and historical importance. In 2010, the LDF was once again able to maintain a balanced budget and the same is planned for 2011 though current economic conditions are likely to make its delivery challenging. Economic challenges that we are specifically affected by include:

- Individuals'/church giving
- Investment returns - interest and rental income
- Government cuts e.g. impact on ordinand training costs
- Increasing demand for community support

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 LDF 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

Both the surplus in 2009 and the deficit in 2010 were less than ½% of General fund income. The trustees consider this to be a 'balanced budget' as described in the London Challenge. The LDF recorded an operating deficit on the General fund of £0.143m (shown as £0.2m on Statement of Financial activities due to rounding of income and expenditure figures). This compares to the surplus of around £0.1m in 2009.

Compared to 2009:

- Incoming resources increased by £1.0m to £29.7m (2009: £28.7m).
- Resources expended increased by £1.3m to £29.9m (2009: £28.6m).

Donations from parishes through Common Fund increased by 2.6% or £0.5m to £19.4m. Incoming resources from other donations and from property remained approximately the same as in 2009, despite the recession in the early part of 2010. The trustees are very grateful to all the donors.

Returns on cash in the banks and from shares reduced by £0.2m or about 18% as bank interest rates remained static at around 0.5%.

Income from Trust for London remained steady at £1.2m whilst the incoming resources from the Church Commissioners decreased by £0.2m as transitional relief for pension contribution changes was phased out.

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There was an increase in the number of clergy sponsored directly by parishes and others and their financial contributions are shown as income, "stipend refunds", in these accounts. These increased to £2.8m.

Resources expended rose with increases in total clergy stipend costs and pension contributions combining with increases in funds spent on clergy housing and grants made to parishes.

Contributions to the national church, the Archbishops' Council, remained steady at £2.1m. 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.

Overall, the careful control of expenditure enabled the LDF to achieve a balanced general fund position in 2010 despite further reductions in investment income and increased clergy pension contributions.

Total Funds (General Fund, Designated, Restricted and Endowment Funds together)

An aggregate deficit across all funds of £4.3m (£2.9m in 2009) was recorded during the year.

Overall incoming resources increased by £0.9m or 3% from £30.5m in 2009 to £31.4m in 2010 mainly because of the continuing generosity of the thousands of people in the parishes in London who support the LDF's work.

Overall resources expended increased by £2.3m or 7% from £33.4m in 2009 to £35.7m in 2010.

The deficit on the general fund (before transfers) 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 were net other recognised gains of £11.7m (2009: £16.9m), principally due to increases in property valuations and realised gains on property of £10.6m (2009: £15.7m), augmented by increases in investment valuations of £1.1m (2009: increase of £1.2m) due to capital value increases on the stock market.

There was a net cash inflow because a greater value of real property was sold than bought despite investment income reducing. Gains of £1.7m (2009: £3.2m) were realised on disposal of property. Depreciation of £2.6m (2009: £2.6m) was charged in the year.

There was, therefore, an increase in assets of £7.4m (2009: £14.0m) for the year to £353.1m (£345.7m in 2009). The substantial majority of this is represented by property used in the LDF's charitable operations, mainly parsonages.

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Property

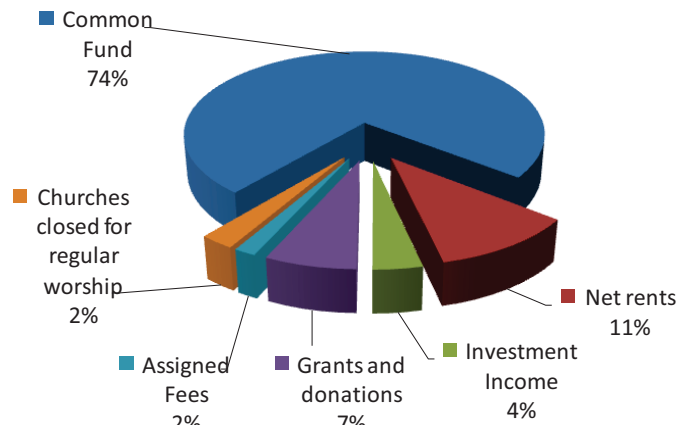
During the year, the property team continued to manage the LDF's properties to provide the best possible service to clergy and maximise the revenue from investment property and from functional property that was temporarily not in operational use.

The budget and outlook for 2011

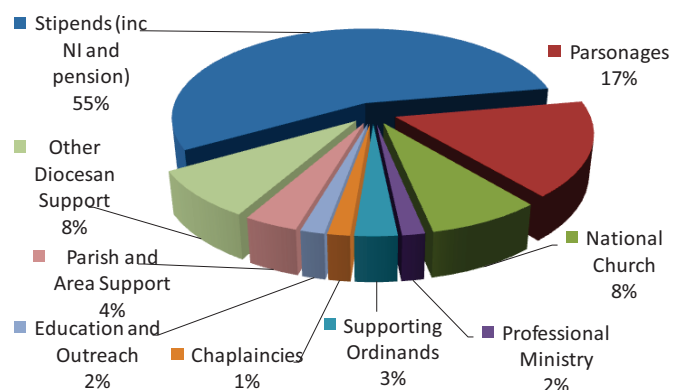
The budget for 2011 was approved by the Bishop's Council and received by the Diocesan Synod in November 2010. It reflects the strategic priorities of the London Challenge 2012 and provides for the following:

- balanced General Fund budget as required by the London Challenge;
- General Fund income up by £0.8m;
- Common Fund up 2.4% to £20.0m;
- continued improvement in how we use property to generate long-term income streams;
- General Fund expenditure up £0.9m;
- support for over 440 stipendiary clergy posts including provision of housing, 3% increase in stipends in 2011;
- we will continue to invest in developing the next generation of clergy;
- funds available to help struggling parishes and individuals through grants and our gutter maintenance programme.

INCOME



EXPENDITURE

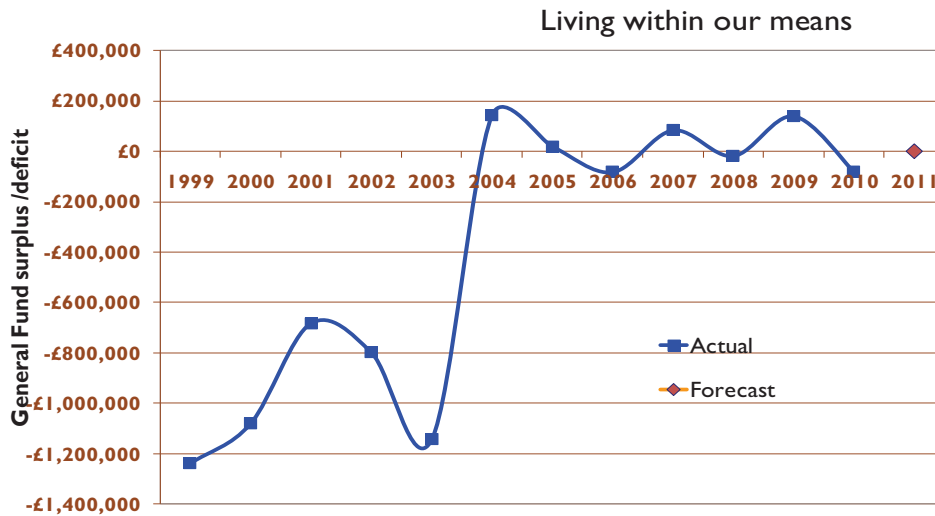


Principal Risks and Uncertainties

The Companies Act 2006 requires the directors to disclose the principal risks and uncertainties facing the company. 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.

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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 than was the case through much of the last 10 years.

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 expenditure.

Under the Ecclesiastical Offices (Terms of Service) Measure the Fund is legally liable for the payment of clergy stipends not less than the National Minimum Stipend (or pro rata if part time) for those posts under Common Tenure. In contrast the Fund's principal income stream, contributions from parishes, is a matter of generosity and shared goals for ministry but is not legally enforceable.

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; and 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

We aim to keep the day by day income and expenditure of the Fund in balance while using designated and restricted funds for the purposes for which they are held. 2011 is the eighth year in a row when we have set a balanced budget for General Funds.

The challenge for the future is to:

- Deliver ministry and services in more effective ways, being at all times innovative;
- Grow and steward our resources.

During 2011 we will continue to fulfil the commitments of the London Challenge 2007-2012. We will begin to develop a new strategic framework for use in the Diocese of London for the period 2013-2017.

Policies and other matters

Investment Policy

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

The LDF keeps investments under its control under regular review and receives periodic guidance from an Investment Advisory Group which comprises investment expertise and from the Property Advisory Group. 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 LDF 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%. Redistribution between asset types to meet these objectives is planned for the first half of 2011.

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 2010 were £2.3m (2009: £2.9m). These equate to about 29 days of general fund expenditure.

Funds with a value of £82.8m (2009: £79.2m) have been designated for particular purposes as described more fully in Note 12a to the accounts.

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Over half of this value, £44.5m (2009: £42.0m), is represented by functional property and the associated parsonage and fund property reserves, which are used to house clergy in support of one of the principal charitable objectives of the LDF. As described in the notes to the accounts, most clergy housing is not owned by the LDF but is nevertheless recognised in the accounts in accordance with Financial Reporting Standard no 5.

About one third of these funds, £26.6m (2009: £25.3m) is represented by investment property which is discussed below.

Some of these funds have been designated to enable loans to be made to further the charitable aims of the LDF. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.2m (2009: £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 £7.5m (2009: £7.8m), is designated for various particular purposes, especially enabling the LDF 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 Property Investments of Unrestricted but Designated Funds

Unrestricted but designated property investments, amounting to £26.6m (2009: £25.3m) of the amounts discussed above, are held for two principal reasons.

One reason is to reduce risks posed by large changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work. The LDF needs to balance the risk 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 LDF. Stipends are paid by the National Church Institutions, which look to the LDF 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. Some clergy have an 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 LDF. On the other hand, the LDF's income consists mainly of voluntary donations by parishioners through their PCCs.

If there was, for any reason, a major decline in parishioners' giving to the Church, the LDF 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 were implemented on 31 January 2011.

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The second reason for holding the designated investments is to ensure an equitable balance of expenditure between generations. Many of the assets used by the LDF 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 LDF's charitable work.

Restricted Funds

Funds with a value of £20.5m (2009: £20.3m) 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 are regarded as restricted expendable endowment funds.

Investment returns

Investment property with a net book value of £79.9m (2009: £75.6m) generated income of £3.6m (2009: £3.6m).

Investments in equities, fixed interest securities and other quoted securities amounted to £16.0m (2009: £15.0m). These include sole trusts, and details are in Note 7 to the financial statements. Gains in value of £1.1m (2009: £1.2m) were recorded and dividends of £0.8m (2009: £0.8m) 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 LDF 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

In July 2010, the General Synod considered and approved a number of changes to clergy pensions. The papers are at <http://www.cofe.anglican.org/about/gensynod/agendas/july2010/>. One major change is that the scheme will from 1 January 2011 be contracted into the second state pension. This change means that both the Fund and clergy will pay greater National Insurance contributions; at the same time, this change helps the Pensions Board to reduce the contribution rate.

The Pensions Board, taking into account the revised legislation and scheme, has decided in principle to reduce the contribution rate to 38.2% from 45% on 1st January 2011. This is subject to agreement by various bodies, notably the Pensions Regulator.

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National Insurance contributions will rise both because of contracting in and government changes in the thresholds. The net effect of these changes taken together and excluding any consequential changes to stipends to compensate clergy for their extra National Insurance contributions is for reduced spending of £0.3m (8%) relative to the 2010 approved budget.

Other Matters

Attention is drawn to note 9b of the financial statements which details the LDF's support of connected charities, for example in the form of grant funding given of £150k (2009: £152k) 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 also spread through educational ministry.

One of the main ways in which the LDF supports the ministry of parishes is through the provision of grants and loans. In 2010, grants to parishes totalled £1,593k (2009: £1,216k).

Members and Members' Interests

The LDF is a charitable company limited by guarantee and its directors and trustees may derive no benefit, income or capital interest in the LDF'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 LDF.

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

Disclosure of information to auditors

Each Trustee who held office at the date of approval of this trustees' report confirms that, so far as he or she is each aware, there is no relevant audit information of which the LDF'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 LDF's auditors are aware of that information. 'Relevant audit information' means information needed by the LDF's auditors in connection with preparing their report. In doing so, the trustees have made enquiries of their fellow directors and of the LDF's auditors, and have taken such other steps (if any) for that purpose, as are required by their duty as a director of the LDF 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.

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Funds Held as Custodian Trustee on Behalf of Others

As noted on page 51 the LDF is custodian trustee for trust assets of £18.9m (2009: £19.1m). Detailed certificates of holdings were sent to parishes and other managing trustees as of 31 December 2010.

Most of these trusts are held on behalf of parishes whose charitable purposes are parallel to those of the LDF. Assets held under these trusts are held separately from those of the LDF.

A statement of the custodian trustees' responsibilities is also found on page 51 together with financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 51 and 55. Because of the large number of such trusts they are not listed separately.

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 any 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 Bishop's Council and Finance Committee Chairman

11 May 2011

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

We have audited the financial statements of the London Diocesan Fund for the year ended 31 December 2010 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 reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 26, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' and Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Alistair Fraser (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

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

11 May 2011

THE LONDON DIOCESAN FUND

Statement of Financial Activities - for the year to 31 December 2010

	Note	Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2010	2009
		£m	£m	£m	£m	£m	£m
Incoming Resources							
Incoming Resources from generated funds							
<i>Voluntary income</i>							
Common Fund		19.4	-	-	-	19.4	18.9
Donations		0.6	-	0.6	-	1.2	1.1
Church Commissioners		0.2	0.3	0.2	-	0.7	0.9
Trust for London		1.2	-	-	-	1.2	1.2
Stipend refunds		2.8	-	-	-	2.8	2.2
<i>Activities for generating funds</i>							
Functional Property Rentals		1.1	-	-	-	1.1	1.0
Assigned Fees		0.4	-	-	-	0.4	0.4
<i>Investment Income</i>							
Dividends and Interest Receivable	10b	0.7	-	0.2	-	0.9	1.1
Investment Property Rentals		3.3	-	0.3	-	3.6	3.6
Other Incoming Resources		-	0.1	-	-	0.1	0.1
Total Incoming Resources		29.7	0.4	1.3	-	31.4	30.5
Resources Expended							
Cost of generating funds							
<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	1.0
Charitable activities							
Ministry		19.5	0.2	0.1	-	19.8	18.9
Education & Outreach		0.6	-	-	-	0.6	0.6
Parish and Area Support Services		1.0	0.1	0.3	-	1.4	1.4
Clergy Housing & Care of Churches		5.1	1.6	-	1.7	8.4	7.5
National Church		2.1	-	-	-	2.1	2.1
Grants to Parishes & Overseas	5	0.2	1.1	0.4	-	1.7	1.3
Governance		0.3	-	-	-	0.3	0.2
Other resources expended		-	-	0.1	-	0.1	0.1
Total Resources Expended	4	29.9	3.0	1.1	1.7	35.7	33.4
Net incoming/(outgoing) resources for year before transfers		(0.2)	(2.6)	0.2	(1.7)	(4.3)	(2.9)
Transfers between funds	12d	(0.4)	4.8	-	(4.4)	-	-
Net incoming/(outgoing) resources for year after transfers		(0.6)	2.2	0.2	(6.1)	(4.3)	(2.9)
Other recognised gains and losses:							
Unrealised gains on investment assets	7	-	0.2	0.2	0.7	1.1	1.2
Unrealised (losses)/gains on property assets	6	-	(0.4)	(0.2)	9.5	8.9	12.5
Realised gains on property assets		-	1.6	-	0.1	1.7	3.2
Net Gains		-	1.4	-	10.3	11.7	16.9
Net movement in funds for the year		(0.6)	3.6	0.2	4.2	7.4	14.0
Balances at 1 January 2010		2.9	79.2	20.3	243.3	345.7	331.7
Balances at 31 December 2010		2.3	82.8	20.5	247.5	353.1	345.7

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 33 to 49 form part of these financial statements.

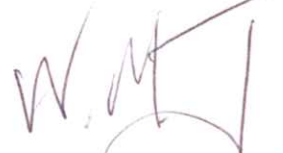
THE LONDON DIOCESAN FUND

Balance Sheet - as at 31 December 2010

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2010 £m	Total 2009 £m
Fixed Assets							
Functional Property	6	-	44.0	1.4	197.8	243.2	241.2
Investment Property	6	-	26.6	12.2	41.1	79.9	75.6
Fixtures, Fittings and Equipment		0.1	-	-	-	0.1	0.1
Investments	7	-	3.2	3.4	9.4	16.0	15.0
		0.1	73.8	17.0	248.3	339.2	331.9
Current Assets							
Debtors	9	2.0	3.8	0.3	-	6.1	4.2
Cash and short term deposits	10a	5.1	12.1	4.3	(0.8)	20.7	17.9
		7.1	15.9	4.6	(0.8)	26.8	22.1
Creditors:							
Amounts falling due within one year	11	2.0	3.8	0.3	-	6.1	4.5
Net Current Assets		5.1	12.1	4.3	(0.8)	20.7	17.6
Total assets less current liabilities		5.2	85.9	21.3	247.5	359.9	349.5
Creditors:							
Amounts falling due after one year	11	2.9	3.1	0.8	-	6.8	3.8
Net Assets		2.3	82.8	20.5	247.5	353.1	345.7
Funds							
General		2.3	-	-	-	2.3	2.9
Designated	12a	-	82.8	-	-	82.8	79.2
Restricted	12b	-	-	20.5	-	20.5	20.3
Endowment	12c	-	-	-	247.5	247.5	243.3
Total Funds		2.3	82.8	20.5	247.5	353.1	345.7

The notes on pages 33 to 49 form part of these financial statements.

The financial statements on pages 29 to 49 were approved, and authorised for issue, by the Diocesan Bishop's Council on 11 May 2011.


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


Mr I R M Woolf
Member of Bishop's Council

THE LONDON DIOCESAN FUND

Summary Income and Expenditure Account - for the year to 31 December 2010

	2010 £m	2009 £m
Non-endowment movements		
Gross income	31.4	30.5
Realised gains	1.6	3.2
Total income	<u>33.0</u>	<u>33.7</u>
Total expenditure	(34.0)	(31.7)
Net income on non-endowment funds before unrealised gains/(losses) and transfers	<u>(1.0)</u>	<u>2.0</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 29, which together with the notes to the financial statements on pages 33 to 49 provides full information on the movement during the year on all the funds of the LDF.

Note of historical cost profits and losses - for the year to 31 December 2010	2010 £m	2009 £m
(Deficit) for the financial year	(4.3)	(2.9)
Realisation of revaluation gains of previous years	1.7	3.2
Historical Cost (loss) / profit for the year	<u>(2.6)</u>	<u>0.3</u>

The notes on pages 33 to 49 form part of these financial statements.

THE LONDON DIOCESAN FUND

Cash Flow Statement - for the year to 31 December 2010

		2010	2009
	Note	£m	£m
Net cash outflow from operating activities	13a	(3.9)	(5.0)
Returns on investments and servicing of finance	13b	5.7	5.8
		<u>1.8</u>	<u>0.8</u>
Capital flows and financial investment	13b	0.9	0.6
Increase in cash in the year		<u>2.7</u>	<u>1.4</u>
 Reconciliation of net cash flow to movement in net debt (see note 13)			
Increase in cash in the year		2.7	1.4
Non cash decrease in debt		0.8	0.4
Movement in net debt in the year		<u>3.5</u>	<u>1.8</u>
Net funds at 1 January		14.1	12.3
Net funds at 31 December	13c	<u>17.6</u>	<u>14.1</u>

The notes on pages 33 to 49 form part of these financial statements.

Notes to the financial statements - for the year ended 31 December 2010

I 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.

I.1 Basis of preparation

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

I.2 Funds

The LDF 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 LDF'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 LDF 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 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.

I.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 2010 (continued)**1.4 Statement of Financial Activities**

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

Income	Explanation
Voluntary Income	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF.
Donations	Gifts from external organisations and individuals.
Church Commissioners	Grant income from the Church Commissioners.
Trust for London	Grant income from Trust for London (formerly 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.
Activities for generating funds	
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.
Investment Income	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment Property rental income	Investment property is let out at market rate. Designated and Glebe investment rental income is receivable within general funds.

Expenditure	Explanation
Cost of generating funds – investment management costs	
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.
Charitable activities	
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 LDF's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
Governance	
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 LDF's trustees.

Notes to the financial statements - for the year ended 31 December 2010 (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 LDF 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 this class of assets.

(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 2010 (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 (2009: 20 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 LDF 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 LDF.

A separate Balance sheet and Statement of Financial Activities is set out on page 52 with supporting notes on pages 53 and 54. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 50 to 54 is found on page 55.

Notes to the financial statements - for the year ended 31 December 2010 (continued)

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

	2010	2009
	£'000	£'000
The (deficit)/surplus for the financial year is stated after charging:		
Depreciation - Functional and Investment Property	2,606	2,625
Depreciation - Fixtures, Fittings and Equipment	25	22
	<u>2,631</u>	<u>2,647</u>
Auditors' Remuneration (including VAT)		
Statutory audit	31	31
Non-Audit Services:		
- Non-statutory review of Custodian Trusts	3	3
	<u>34</u>	<u>34</u>

3 Staff and Clergy Costs

<u>Costs of lay staff</u>	2010	2009
	£'000	£'000
Wages and Salaries	2,024	2,022
Employer's National Insurance	182	175
Employer's Pension Contributions (note 14(a))	414	425
	<u>2,620</u>	<u>2,622</u>

The number of employees employed on diocesan business was 57 (2009: 57). During 2010, 3 extra people (2009: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of employees for statutory purposes was, therefore, 60 (2009: 60).

The Full Time Equivalent average number of people employed on diocesan business was 52 (2009: 53). During 2010, 3 extra people (2009: 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 55 (2009: 56).

	2010	2009
	No.	No.
The number of employees whose emoluments for the year exceeded £60,000 are as follows:		
£100,001-£110,000	1	-
£70,001-£80,000	1	2
£60,001-£70,000	1	1
	<u>1</u>	<u>1</u>

Aggregate employer normal pension contributions for the employees above were £39,004 (2009: £32,488) payable to various pension schemes.

Clergy holding parochial or archidiaconal posts

	2010	2009
	£'000	£'000
Gross stipends	11,715	11,372
Employer's National Insurance	683	644
Employer's Pension Contributions (note 14(b))	4,760	4,065
	<u>17,158</u>	<u>16,081</u>
Average number of total stipendiary clergy posts	<u>517</u>	<u>528</u>
Number of total stipendiary clergy posts at 31 December	<u>525</u>	<u>531</u>

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

Notes to the financial statements - for the year ended 31 December 2010 (continued)

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

	2010 £'000	2009 £'000				
<u>Indirect support costs</u> (allocated below)						
Salary and employment costs	1,158	1,075				
Office costs	282	294				
	<u>1,440</u>	<u>1,369</u>				
Resources Expended	Before allocation of support costs	Direct support costs	Indirect support costs	Total 2010	Total 2009	
	£'000	£'000	£'000	£'000	£'000	
Cost of generating funds						
<i>Investment management costs</i>						
Rental portfolio costs - agent fees	347	-	-	347	298	
Investment Property repairs & maintenance	999	-	42	1,041	995	
Fundraising	2	-	-	2	11	
	<u>1,348</u>	<u>-</u>	<u>42</u>	<u>1,390</u>	<u>1,304</u>	
Charitable activities						
Ministry	19,241	1	555	19,797	18,844	
Education & Outreach	414	4	137	555	566	
Parish & Area Support services	806	248	317	1,371	1,401	
Clergy Housing Property and Care of Churches Costs	5,422	152	220	5,794	4,901	
Clergy Housing Depreciation	2,606	-	-	2,606	2,625	
<i>Clergy Housing & Care of Churches</i>	<u>8,028</u>	<u>152</u>	<u>220</u>	<u>8,400</u>	<u>7,526</u>	
National Church	2,100	-	-	2,100	2,117	
Grants to Parishes & Overseas	1,694	-	48	1,742	1,354	
Governance Costs	-	121	121	242	247	
Other resources expended	105	-	-	105	107	
	<u>33,736</u>	<u>526</u>	<u>1,440</u>	<u>35,702</u>	<u>33,466</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	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2010 £'000	Total 2009 £'000
<u>Grants to Parishes from:</u>						
Diocesan Bishop's Council	-	-	-	-	-	12
Trust for London	201	-	-	-	201	208
Area Pastoral and UPA Funds	-	86	-	-	86	78
Bishop of London's Mission Fund	-	867	-	-	867	415
Funds held for Parish Benefit	-	98	341	-	439	503
	<u>201</u>	<u>1,051</u>	<u>341</u>	<u>-</u>	<u>1,593</u>	<u>1,216</u>
<u>Overseas:</u>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	101	-	101	99
Grant administration allocation	48	-	-	-	48	39
Total	<u>249</u>	<u>1,051</u>	<u>442</u>	<u>-</u>	<u>1,742</u>	<u>1,354</u>

Notes to the financial statements - for the year ended 31 December 2010 (continued)

6 Tangible Fixed Assets - Functional 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	Total £'000	Freehold Property £'000	
At cost or valuation									
At 1 January 2010	71,644	2,327	13,863	1,867	198,435	47,058	247,360	190	335,384
Additions	1,427	1	-	-	155	1,608	1,763	-	3,191
Transfers	3,750	-	-	-	(3,750)	-	(3,750)	-	-
Disposals	(787)	-	-	-	(1,682)	-	(1,682)	(190)	(2,659)
Revaluation	(1,239)	17	(242)	114	6,433	2,806	9,353	-	7,889
At 31 December 2010	74,795	2,345	13,621	1,981	199,591	51,472	253,044	-	343,805
Depreciation									
At 1 January 2010	5,575	170	-	221	11,296	1,327	12,844	34	18,623
Charge for the year	839	26	-	41	1,466	234	1,741	-	2,606
Transfers	71	-	-	-	(71)	-	(71)	-	-
Disposals	(103)	-	-	-	(112)	-	(112)	(34)	(249)
Revaluation	(76)	(22)	-	-	(196)	(1)	(197)	-	(295)
At 31 December 2010	6,306	174	-	262	12,383	1,560	14,205	-	20,685
Net Book Value									
At 31 December 2010	68,489	2,171	13,621	1,719	187,208	49,912	238,839	-	323,120
<i>Split by:</i>									
NBV Functional Property	42,045	2,003	1,400	1,719	187,208	8,843	197,770	-	243,218
NBV Investment Property	26,444	168	12,221	-	-	41,069	41,069	-	79,902
	68,489	2,171	13,621	1,719	187,208	49,912	238,839	-	323,120
Net Book Value									
At 31 December 2009	66,069	2,157	13,863	1,646	187,139	45,731	234,516	156	316,761

Properties are valued in accordance with the accounting policies set out in note 1.
 Net revaluation gains above of £8,184k do not include the impact of the net revaluation in 2010 of the value-linked loans creditor of £752k.

The LDF's major glebe and designated fund investment property were formally revalued on 31 December 2010 by Kemsley Property Consultants.
 The next formal valuation is due by 31 December 2015, with interim year-end valuations being performed in the intervening years by a suitably qualified officer of the LDF.

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

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2010 (continued)

7 Investments

	At 1 January 2010 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2010 £'000
Designated Funds						
M&G Investments	2,760	-	-	202	-	2,962
<u>Designated Trusts</u>						
M&G Investments	252	-	-	18	-	270
	3,012	-	-	220	-	3,232
Restricted Funds						
<u>Sole Trusts</u>						
Listed Investments	20	-	-	-	-	20
M&G Investments	2,493	-	(32)	182	24	2,667
CBF Investment Fund	719	20	(72)	43	10	720
CBF Fixed Interest Securities Fund	9	-	(1)	-	-	8
	3,241	20	(105)	225	34	3,415
Expendable Endowment Funds						
<u>Glebe</u>						
M&G Investments	5,184	-	-	380	-	5,564
Permanent Endowment Funds						
<u>Sole Trusts</u>						
Listed Investments	3	-	-	-	-	3
M&G Investments	2,766	-	-	186	(24)	2,928
CBF Investment Fund	858	-	-	61	(10)	909
CBF Fixed Interest Securities Fund	23	-	-	-	-	23
CBF Property Fund	3	-	-	-	-	3
	3,653	-	-	247	(34)	3,866
Total Fixed Asset Investments	15,090	20	(105)	1,072	-	16,077

Cost or valuation

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

CBF investments are valued by the CCLA.

The historic cost of the investments held at 31 December 2010 is £14,369k (2009: £14,454k).

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.

Notes to the financial statements - for the year ended 31 December 2010 (continued)

8 Investments in subsidiary undertakings

The LDF 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 LDF.

9 Debtors

	General £'000	Designated £'000	Restricted £'000	2010 £'000	2009 £'000
Contributions to the Common Fund	502	-	-	502	305
Rent Receivable	480	-	266	746	744
Prepayments and accrued income	554	48	29	631	264
	<u>1,536</u>	<u>48</u>	<u>295</u>	<u>1,879</u>	<u>1,313</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	2,898	-	2,898	1,673
- Area Council awarded	-	654	-	654	745
	<u>-</u>	<u>3,552</u>	<u>-</u>	<u>3,552</u>	<u>2,418</u>
Loans to individuals	29	150	-	179	186
Other Debtors	422	1	2	425	279
	<u>1,987</u>	<u>3,751</u>	<u>297</u>	<u>6,035</u>	<u>4,196</u>
				2010	2009
<u>Movements in Loans to Parishes:</u>				£'000	£'000
At 1 January				2,418	2,388
Additions (new loans and interest)				2,127	743
Repayments				(993)	(713)
At 31 December				<u>3,552</u>	<u>2,418</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 2010 was £1,400k (2009: £1,028k).

Notes to the financial statements - for the year ended 31 December 2010 (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 2010 other debtors included £9k (2009: £13k) and other creditors included £3k (2009: £3k) in respect of gross salary and employer's National Insurance.

London Diocesan Board for Schools (LDBS)

The LDF and the LDBS 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 LDF and President of the LDBS.

The Archdeacon of Middlesex, trustee of the LDF, served as Chairman of the LDBS during the year.

The Revd Preb G Pope was also a trustee of both the LDF and the LDBS during the year.

Mr I R M Woolf, a trustee of the LDF, is employed by the LDBS.

The LDF makes an annual grant to the work of the LDBS amounting to £150k (2009: £152k). The LDBS is a charitable company (reg. no. 198131). At 31 December 2010 other debtors included £7k for salary and office cost recharges (2009: £nil).

In addition to the grant described above, the LDF makes the following donations in kind to the LDBS. 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:

	2010	2009
	£'000	£'000
Accommodation	104	107
House services and meeting rooms	175	182
	<u>279</u>	<u>289</u>

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

Trustees' Expenses/Remuneration

In 2010 the LDF reimbursed a total of £30k to 12 members of the Bishop's Council (2009: £28k to 11 members). The expenses related mostly to working expenses, for example as Archdeacon, Area Dean or other official. By virtue of their clerical office the LDF 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 16 other members of the clergy in 2010 (Full Time Equivalent: 16) who were members of the Bishop's Council (2009: 18 members; Full Time Equivalent: 18).

	2010	2009
	£'000	£'000
Gross Stipends	356	411
Employer's National Insurance	26	24
Employer's Pension Contribution	134	150
	<u>516</u>	<u>585</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 10 members of Bishop's Council during the year (2009: 14) were housed in parsonages by virtue of their clerical office. Two employees (2009: nil) were housed in a parsonage, though not by virtue of their employment.

A further 8 members of Council (and Finance Committee) (2009: 7) and no employees in holy orders (2009: nil) were housed in properties owned by the London Diocesan Fund.

One member (2009: one) of the Council was contracted by the LDF 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 £6k (2009: £11k).

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 2010 (continued)

10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2010 £'000	2009 £'000
Bank Deposits	3,938	11,968	4,305	(854)	19,357	16,544
Cash at Bank and in hand	1,202	105	-	-	1,307	1,384
	5,140	12,073	4,305	(854)	20,664	17,928

10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2010 £'000	2009 £'000
Dividends	600	13	187	-	800	802
Cash and Deposit interest	102	19	15	-	136	246
Fixed interest investments	-	-	3	-	3	4
Loan interest	34	-	-	-	34	45
	736	32	205	-	973	1,097

11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2010 £'000	2009 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	1,802	-	-	1,802	546
Grants Payable	77	1,687	-	-	1,764	1,350
Other Creditors	857	160	188	1	1,206	1,979
Accruals and deferred income	1,055	191	136	-	1,382	635
	1,989	3,840	324	1	6,154	4,510

Amounts falling due after more one year:

Accruals and deferred income	2,914	-	789	-	3,703	-
Church Commissioners re. Value Linked Loans	-	3,051	-	-	3,051	3,803
	2,914	3,051	789	-	6,754	3,803

£789k of the Restricted creditors above (2009: £803k) 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.

£2,914k of the General fund Accruals and deferred income above (2009: £nil) relates to the residual lease premium for the lease of 13 & 13a North Audley Street, Westminster.

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 Functional 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

Notes to the financial statements - for the year ended 31 December 2010 (continued)

12a Designated Funds

	At 1 January 2010 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2010 £'000
Functional Property	38,645	-	(866)	(609)	3,827	40,997
Investment Property	25,348	-	-	185	1,079	26,612
Parsonage Reserve	2,319	245	(436)	74	201	2,403
Fund Property Reserve	1,041	1,358	(16)	(3)	(1,254)	1,126
Inspection and Maintenance Fund	680	-	(289)	-	-	391
Designated Trusts	2,874	27	(96)	18	-	2,823
Mission Opportunity	593	-	(76)	19	900	1,436
Bishop of London's Mission Fund	928	310	(881)	-	-	357
Clergy Training and Support	951	5	(117)	29	-	868
Area Loan Capital Fund	574	-	-	-	(574)	-
Area Pastoral Funds	685	3	(48)	-	694	1,334
Urban Priority Area (UPA) Funds	103	-	(39)	-	(64)	-
Area Bank Accounts	171	60	(71)	-	(56)	104
Diocesan Loan Capital	4,145	-	-	84	-	4,229
Centrally Sponsored Area Project Reserve	-	-	(73)	-	73	-
Bishop of London's Reserve	4	-	(4)	-	-	-
Strategic Development Reserve	127	18	-	-	-	145
Total Designated Funds	79,188	2,026	(3,012)	(203)	4,826	82,825

Note 12d

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

Functional and Investment Property Functional property (£44.0m) is held to house clergy, supporting one of the principal activities of the LDF. The Value Linked Loans creditor (£3.0m), as described in note 11, is included within this reserve, offsetting the total balance. Investment property (£26.6m) is held to generate income which contributes towards stipend payments and other charitable activities.

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.

Inspection and Maintenance Fund (formerly Quinquennial Fund) The number of parsonage 'quinquennial' maintenance works varies each year even though the total number over a given six (formerly five) year period is approximately 500 (i.e. the number of clergy houses). Each year from December 2010 onwards the budgeted cost of 83 parsonage inspection and maintenance works will be charged to general fund expenditure, with any excess charged to designated funds. Since inspections and maintenance works were carried out on 100 parsonages in 2010, the cost of 17 sets of works - at an average of £17k (£289k) - has been charged to this fund. All necessary works in accordance with the relevant Measure are undertaken.

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. In 2010, £900k was transferred into this fund from the net proceeds of operational properties no longer required.

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 Fund's activity will be curtailed in future years, unless the level of funds available can be topped-up.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2010 (continued)

12a Designated Funds (continued)

Clergy Training and Support	This fund is for providing general clergy training and support. The designated budget holder for the fund is the Bishop of Kensington, assisted by the Director of Ministry.
Area Loan Capital Fund	This fund provides interest free loans to parishes. Decisions on new loans are taken by the Area Councils. The fund has now been combined into the designated Area Pastoral Funds.
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. The fund has been broadened in 2010 to incorporate the Area Loan Capital Fund and the Urban Priority Area Funds.
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. The fund has now been combined into the designated Area Pastoral Funds.
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. The fund was fully utilised at the end of 2010, and has been closed.
Bishop of London's Reserve	This fund is used primarily to meet the costs of an interfaith adviser and Olympic chaplain. The fund was fully utilised at the end of 2010, and has closed, with any future costs for these posts being charged to general funds.
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 2010 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2010 £'000
Sole Trust Expendable Funds	5,367	484	(443)	225	34	5,667
Closed Church Buildings Fund	952	386	(238)	-	-	1,100
Closed Church Buildings Property	13,862	-	-	(241)	-	13,621
BLMF restricted fund	21	34	(44)	-	-	11
Projects restricted funds, incl CUF	50	195	(133)	-	-	112
Bishops' secretaries	27	200	(226)	-	-	1
Environmental fund	25	27	(39)	-	-	13
Total Restricted Funds	20,304	1,326	(1,123)	(16)	34	20,525

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.
Projects restricted funds, incl CUF	This fund comprises a small number of projects including the Church Urban Fund (CUF), for which the LDF receives restricted funding. Income often relates to 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 LDF.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2010 (continued)

I2c Endowment Funds

	At 1 January 2010 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2010 £'000
Expendable Endowment						
Glebe Property Fund	45,730	-	(234)	2,808	1,608	49,912
Glebe Investment Fund	4,775	69	-	380	(752)	4,472
Parsonage House Capital	188,786	-	(1,506)	6,741	(5,094)	188,927
Permanent Endowment						
Sole Trust Permanent Endowment	4,046	-	-	247	(192)	4,101
Total Endowment Funds	243,337	69	(1,740)	10,176	(4,430)	247,412

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 (£8.9m) and investment (£41.0m) 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 transfers represent the winding up of small trusts.

I2d 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	-	(155)	-	155	-	i
Parsonage sales	-	872	-	(872)	-	i
Parsonage re-classifications	-	3,679	-	(3,679)	-	ii
Transfer from General Fund to Investment Property Fund	(430)	430	-	-	-	iii
Trust reclassifications	-	-	34	(34)	-	iv
	(430)	4,826	34	(4,430)	-	

Note 12a

Note 12b

Note 12c

- i. Transfer from or to the Parsonage designated fund for the purchase or sale of parsonages respectively.
- ii. Parsonage re-classifications comprises the transfer of property from parsonage to designated fund operational property.
- iii. The transfer from the General Fund to the Investment Property fund allows the unrestricted investment property to be collated in the accounts and still enables the general 'free' reserves to be maintained at a satisfactory level.
- iv. The transfer from endowment to restricted funds (primarily comprised of investments) relates to the winding up of small trusts, under Charity Commission rules.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2010 (continued)

13 Notes to the cash flow statement

	2010	2009
	Total	Total
	£'000	£'000
a) Reconciliation of operating deficit to operating cash flows		
Operating Deficit	(4,222)	(2,969)
Depreciation charges	2,631	2,647
(Increase) in debtors	(1,839)	(118)
Increase in creditors	5,236	1,165
Investment and Rental Income	(5,699)	(5,755)
	(3,893)	(5,030)
b) Gross Cash Flows		
Returns on investments and servicing of finance		
Dividends and Interest Receivable	973	1,097
Rental Income	4,726	4,658
	5,699	5,755
Capital Expenditure and investment		
Sale of property	4,036	5,665
Purchase of property	(3,191)	(5,148)
Sale of investments	105	181
Purchase of investments	(20)	(35)
	930	663

c) Analysis of Changes in net debt

	At 1 January	Cash	Other	At 31 December
	2010	Flows		2010
Funds	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,384	(77)	-	1,307
Short Term Deposits	16,544	2,813	-	19,357
	17,928	2,736	-	20,664
Debt due after one year	(3,803)	-	752	(3,051)
	14,125	2,736	752	17,613

Notes to the financial statements - for the year ended 31 December 2010 (continued)

14 Pensions

(a) Lay staff pensions

The LDF 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 LDF.

At 31 December 2010 the LDF had 42 active members and 52 deferred pensioner members in the Pension Fund (2009: 45 and 50 members respectively) out of a total of 1,179 active members and 1,513 deferred members (2009: 1,335 and 1,504 members respectively).

The LDF 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 LDF 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.

The LDF'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 2010 (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 LDF. Past service clergy pensions for service before 1st January 1998 are paid by the Church Commissioners at no cost to the LDF.

The LDF is the sponsoring employer for 531 members (2009: 526) of the scheme out of a total membership of approximately 9,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the LDF 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 LDF to account for pension costs on the basis of contributions actually payable to the scheme in the year (see note 3).

A valuation of the Scheme was carried out as at 31 December 2009. This revealed a shortfall of £262m, with assets of £605m and a funding target of £867m, assessed using the following assumptions:

An investment strategy of:

- a) for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets; and
- b) for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets.
- c) Investment returns of 4.4% pa on gilts and 5.9% pa on equities;
- d) RPI inflation of 3.8% pa (and pension increases consistent with this);
- e) Increase in pensionable stipends of 3.8% pa; and
- f) Post-retirement mortality in accordance with 80% of the SINA tables, with allowance for future improvements according to the 'medium cohort' projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

Following the results of the 2006 valuation, the LDF's contribution rate was set at 39.7% of pensionable stipends with effect from 1 April 2008. The contribution rate was subsequently increased to 45% of pensionable stipends with effect from 1 January 2010, reflecting unfavourable investment experience and changes in financial market conditions. Following the valuation of the Scheme as at 31 December 2009, and some agreed changes to benefits, the contribution rate has been set at 38.2% with effect from 1 January 2011.

The next valuation of the Scheme will be due as at 31 December 2012.

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 2010 there were 45 members (2009: 46) 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 2010**

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Financial Statements	52
Notes to the Custodian Trusts Financial Statements	53 - 54
Independent Auditors' Report to the Custodian Trustees of the Funds	55

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 2010.

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 310 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

During the year, there were transfers of £0.4m from the endowment fund to expendable capital. This represents 'small' (as defined by the Charity Commission) custodian trusts where the managing trustees have resolved to release the permanent endowment, allowing capital to be expended in line with the relevant trust purposes. This is in accordance with the Charities Acts 1993 and 2006.

Total incoming resources remained steady from 2009 to 2010, with a marginal decrease of £0.1m.

Custodian trust investments have continued to recover, after significant stock market losses during 2008 and part of 2009, with a gain on investment assets of £0.8m in 2010.

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 £1.2m 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 £0.2m to £18.9m in 2010, with the fall explained by an excess of expenditure over income.

Statement of Custodian Trustees' 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 Bishop's Council and
Finance Committee Chairman

11 May 2011

Financial Statements

Statement of Financial Activities - for the year ended 31 December 2010

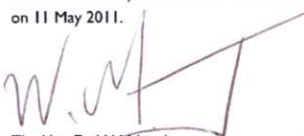
	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2010 £m	Total 2009 £m
Incoming Resources					
Investment Income	-	-	0.2	0.2	0.3
Income direct to Beneficiaries	-	-	0.4	0.4	0.4
Total Incoming Resources	-	-	0.6	0.6	0.7
Resources Expended					
Income paid to Beneficiaries	-	(0.2)	(0.4)	(0.6)	(0.4)
To Objects of the Trusts	(1.0)	(0.7)	(0.5)	(2.2)	(2.4)
Total Resources Expended	(1.0)	(0.9)	(0.9)	(2.8)	(2.8)
Net (Outgoing) Resources before transfers and new resources	(1.0)	(0.9)	(0.3)	(2.2)	(2.1)
Additional New Resources	1.2	-	-	1.2	0.5
Transfers between funds	(0.4)	0.4	-	-	0.0
Net (Outgoing) Resources for the year	(0.2)	(0.5)	(0.3)	(1.0)	(1.6)
Gains on Investment Assets	0.6	0.2	-	0.8	0.9
Net Movement in Funds for the year	0.4	(0.3)	(0.3)	(0.2)	(0.7)
Funds at 1 January 2010	11.7	4.7	2.7	19.1	19.8
Funds at 31 December 2010	12.1	4.4	2.4	18.9	19.1

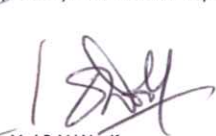
Custodian Trusts Balance Sheet - as at 31 December 2010

	Notes	Total 2010 £m	Total 2009 £m
Assets			
Fixed Asset Investments	2	16.5	16.4
Current Asset Investments	3	2.4	2.7
Net Assets		18.9	19.1
Funds			
Permanent Endowment	2	12.1	11.7
Restricted - Capital	2	4.4	4.7
Restricted - Unexpended Income	3	2.4	2.7
		18.9	19.1

The notes on pages 53 and 54 form part of these accounts.

The non-statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 11 May 2011.


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


Mr I R M Woolf
Member of Bishop's Council

Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2010

I. 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 310 trusts.

The Balance Sheet as at 31 December 2010 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2009 have been provided.

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

As the LDF has no day to day control over their disposition, custodian trusts are not included within the LDF'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 LDF'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 2010 (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2010	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements and Transfers	31 December 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	191	-	(4)	12	(16)	183
M&G Charifund	2,827	109	(275)	202	-	2,863
Investments held by CCLA:						
CBF Fixed Interest	226	25	-	2	(14)	239
CBF Investment Fund	5,540	-	-	386	(200)	5,726
CBF Property Fund	21	-	-	1	-	22
CBF Deposit Fund	2,871	1,138	(770)	-	(138)	3,101
Other Assets/(Liabilities)	1	-	-	-	9	10
	11,677	1,272	(1,049)	603	(359)	12,144

Fixed Asset Investments represented by Expendable Capital

Listed Investments	247	-	(189)	6	16	80
M&G Charifund	824	-	-	60	-	884
Investments held by CCLA:						
CBF Fixed Interest	179	43	(16)	2	14	222
CBF Investment Fund	1,538	-	(225)	109	200	1,622
CBF Deposit Fund	1,826	10	(519)	-	138	1,455
Other Assets/(Liabilities)	61	-	-	-	(1)	60
	4,675	53	(949)	177	367	4,323
Total Fixed Assets	16,352	1,325	(1,998)	780	8	16,467

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

M&G Charifund	133	-	-	8	-	141
Investments held by CCLA:						
CBF Fixed Interest	8	85	-	1	-	94
CBF Investment Fund	130	15	(1)	10	-	154
CBF Deposit Fund	1,639	182	(529)	-	-	1,292
	1,910	282	(530)	19	-	1,681

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA:						
CBF Fixed Interest	10	45	(4)	-	-	51
CBF Investment Fund	59	2	(4)	4	-	61
CBF Deposit Fund	674	41	(108)	-	-	607
	743	88	(116)	4	-	719
Other Assets/(Liabilities)	50	-	-	-	(19)	31
Total Current Assets	2,703	370	(646)	23	(19)	2,431
TOTAL	19,055	1,695	(2,644)	803	(11)	18,898

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 2010 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Custodian Trustees' Responsibilities set out on page 51, the trustees are responsible for the preparation of the non-statutory financial statements which give a true and fair view.

We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the charity's trustees as a body. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of non-statutory financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

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 2010 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Report of the Custodian Trustees is inconsistent in any material respect with the non-statutory financial statements; or
- sufficient accounting records have not been kept; or
- the non-statutory financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Mazars LLP, Chartered Accountants and Statutory auditor

Times House Throwley Way, Sutton, SM1 4JQ

11 May 2011

Mazars LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006