



LONDON DIOCESAN FUND

**DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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

Registered charity no: 241083

Eighty-ninth Report

Registered and principal office:

London Diocesan House

36 Causton Street

London

SW1P 4AU

FRIDAY



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COMPANIES HOUSE

GLOSSARY

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

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DIRECTORS' AND TRUSTEES' REPORT 2007 - PREAMBLE

The directors of the company, who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2007.

REFERENCE AND ADMINISTRATIVE DETAILS, TRUSTEES AND ADVISERS

Name and registered office

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

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

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

The members on 15 May 2008 unless otherwise stated, the date of approval of this report, were as follows.

President and Chairman

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

Treasurer and Vice Chairman

Mr D E Loftus

The Chairman of the Finance Committee

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

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

Mr C J Backhouse
Mrs M Ford
Mr S J Jones

Ex officio

The Rt Revd the Bishop of Stepney, S J Oliver
The Rt Revd the Bishop of Kensington, M Colcough (*until 20/4/08*)
The Rt Revd the Bishop of Edmonton, P W Wheatley
The Rt Revd the Bishop of Willesden, P A Broadbent
The Rt Revd the Bishop of Fulham, J C Broadhurst
The Ven the Archdeacon of London, P A Delaney
The Ven the Archdeacon of Charing Cross, Dr W M Jacob
The Ven the Archdeacon of Hackney, Dr L Dennen
The Ven the Archdeacon of Middlesex, S J Welch
The Ven the Archdeacon of Hampstead, M C Lawson
The Ven the Archdeacon of Northolt, R Treweek
The Dean of St Pauls, the Rt Revd Graeme Knowles (*from 1/10/07*)

The Revd Preb D N C Houlding,
Diocesan Synod House of Clergy
Mr D E Loftus, Diocesan Synod House of Laity

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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 B O'Donoghue
Mr K D Stern

Kensington

The Revd A J Watson
The Revd P S Williamson

Mrs P M Cooper
Mr H A Evans
Mrs J Hare
Mr J P Normand

Willesden

The Revd A R Corsie
The Revd P W Stone

Mr M A Carmody
Mr J R Dolling
Mr C R Scowen
Mr D Slater

Stepney

The Revd M L J Saunders
The Revd G L Warren

Mrs C Adekunle
Mr L Humby
Ms J W Munro
Dr P Rice (‡)

Edmonton

The Revd C J P Hobbs
The Revd Preb C G Pope

Mrs A K Atkins
Mrs A L Ruoff
Mr J F Willmer
Mr I R M Woolf

Nominated by the Bishop of London

The Revd N R Holtam (*appointed 12/3/07*)
The Revd Canon D G Meara (*appointed 9/3/07*)
The Revd A D Williams (*appointed 14/3/07, resigned 31/1/08*)
Ms M Murrell (*appointed 9/3/07*)

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

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

Senior staff

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

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**Directors' and Trustees' Report and Financial Statements
for the year ended 31 December 2007**

Professional advisers

Auditors

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

Solicitors

Winckworth Sherwood
The Old Deanery
Dean's Court
London
EC4V 5AA

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

HBOS PLC
The Mound
Edinburgh
EH1 1YZ

Investment Managers

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

CCLA Investment Management Limited
80 Cheapside
London EC2V 6DZ

Communications Consultants

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

CONSTITUTION, STRUCTURE, GOVERNANCE AND MANAGEMENT

Summary information about the structure of the Church of England

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

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

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

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

The three National Church Institutions

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

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

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

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

The Board, which reports to the General Synod, is trustee of a number of pension funds and charitable funds. Whilst the Church has drawn together under the Board its central responsibilities for retirement welfare, the Board works in close cooperation both with the Archbishops' Council and with the Church Commissioners.

Saint Paul's Cathedral and Westminster Abbey

Saint Paul's cathedral is the mother church of the diocese and legally is constituted as a separate charity currently exempt from Charity Commission registration and supervision. Likewise, Westminster Abbey is a separate charity.

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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. In its current form, it covers parts of London mostly north of the River Thames and west of the River Lea in Greater London and Surrey.

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

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

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

The Bishop's Council and Standing Committee ("the Council") consists of up to 30 members elected by Area by the Diocesan Synod; up to three members elected by the House of Laity of the Diocesan Synod; up to 16 *ex officio* members, being mostly bishops and archdeacons; and up to five members nominated by the Bishop of London. The Council meets at least three times per year and may consider matters through correspondence between meetings.

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

The London Diocesan Fund

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

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

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

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- 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 organisation;
- provision for Residences for Curates and Lay Agents, Institutes, Halls, Social Clubs, Refuges and Homes, and the repair and endowment of the same; and
- such other objects, if any, as it may from time to time be found desirable to promote for strengthening the religious or other charitable work of the Church.

The objects prohibit the payment of dividends.

The Fund is governed by a Memorandum and Articles of Association. The articles of association of the Fund may not be altered or varied without resolution of the Diocesan Synod. The memorandum and articles are regularly reviewed and amended from time to time, the last update being in May 2004. It is planned to propose revisions in 2008 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.

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

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

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

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

Finance Committee

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

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

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

Members of the Finance Committee

Members of Council

The Rt Revd and Rt Hon the Lord Bishop of London,
R J C Chartres
The Ven the Archdeacon of London, P A Delaney
The Ven the Archdeacon of Charing Cross, Dr W M Jacob
The Ven the Archdeacon of Hackney, Dr L Dennen
The Ven the Archdeacon of Middlesex, S J Welch
The Ven the Archdeacon of Hampstead, M C Lawson
The Ven the Archdeacon of Northolt, R Treweek
The Revd Preb D N C Houlding
The Revd C J P Hobbs
The Revd Preb C G Pope
Mr C J Backhouse
Mr J R Dolling
Mr B O'Donoghue
Mr D E Loftus
Ms J W Munro
Mr J P Normand
Mr K D Stern
Mr I R M Woolf

Not members of Council

Revd A Roberts
Revd E Wong
Mr D Barton
Mr J Bell
Mr R Dean
Mr N Manns
Mr R N Perry
Dr S Willmington

Audit Committee

The Audit Committee is a sub-committee of the Council set up in 1996. Its terms of reference are regularly reviewed. The latest are dated 1st February 2007. Members are appointed by the Council for three years. Its membership may be drawn from the Council and the Finance Committee and from outside these bodies. At least two members (including the chair) are to be from the Council and current Finance Committee members must be in the minority.

The Committee reviews the systems of internal financial control and the annual accounts prior to submission to the whole Council. The membership is shown in the table below.

Members of the Audit Committee

Members of Council

The Revd O C M Ross
Mr J D Freeman (Chair)
Mr I R M Woolf

Not members of Council

Mr N Fletcher
Mr R N Perry

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Risk Management

With other organisations, the Fund faces risks to its operations, finances and reputation. The officers have considered and evaluated the major areas of risk to which the Fund is exposed, assessing both the likelihood and impact of those risks crystallising. The officers have explained and recorded 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, drawing particular attention to the risk of fraud, is considered by the Council annually. Specific matters are brought to the attention of the Council whenever appropriate and necessary.

Trustee Training

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

Related bodies

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

The Bishop of London's Fund

Patron:	The Most Revd and Rt Hon The Lord Archbishop of Canterbury
President:	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer:	Mr I R M Woolf
Trustees:	The Ven. W M Jacob The Ven. P A Delaney The Ven. S J Welch Mr E D Roberts
Secretary:	K O Robinson
Solicitors:	Winckworth Sherwood, The Old Deanery, Deans Court, London, EC4V 5AA
Office:	36 Causton Street, London SW1P 4AU

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

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The trustees of the BLF are seeking a uniting direction with the Fund in order to give legal effect to the above substance. The trustees of the Fund approved a resolution on 16th May 2005. A uniting direction is made by the Charity Commission to allow two charities to be linked for administrative purposes where it is practical to do so. It may be either for common purposes or for common trusteeship. All material monetary assets relating to the BLF are included within the main Fund accounts.

The London Diocesan Board of Finance

President and Chairman:	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer:	Mr D E Loftus
Trustees:	The trustees of the LDF.
Secretary:	K O Robinson
Solicitors:	Winckworth Sherwood, The Old Deanery, Deans Court, London, EC4V 5AA
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 Dioceses with existing trust bodies (provided they were incorporated under the Companies Acts) were allowed to use these bodies to carry out the functions of the Boards of Finance. Clause 3(c) of the Memorandum of Association of the London Diocesan Fund (company number 150856) formed in 1918 specifically empowers the Fund to carry out (*inter alia*) all of the functions of the London Diocesan Board of Finance. The Articles of Association of the London Diocesan Board of Finance were amended on 7th June 1926 to amalgamate the functions of the Board of Finance into the Fund, excepting anything which was unable to be so amalgamated because of statutory provisions. The LDBF is a registered charity (249022) and a company limited by guarantee (135519).

OBJECTIVES, ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

Activities and objectives

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

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

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

Public Benefit

The trustees believe that this report provides evidence of the public benefit of the charities' work in 2007. As described more fully throughout the report, the Fund provides funds to support ministers of religion in London, to support education in London and to support the maintenance of many buildings including parsonages and churches, many of which form an important part of the historic fabric and architectural heritage of the city. The vast majority is available to the public at large and none are restricted to members of the Church of England. The religious purposes of the Church of England are serious and tend to the moral and spiritual improvement of the public or, in other words, to the cure of souls. The ministers of religion seek to advance and promote the Christian religion amongst the people of London and to sustain their belief in God, in part through the provision of public religious services, open to all, and in part through bearing Christian witness. Accordingly, the trustees believe that the Fund's work is of public benefit

The Five Year Strategic Plan - The London Challenge 2012

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

The London Challenge 2012 sets out seven commitments for 2007 to 2012. It is based on Revelations 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. This also has bulletins describing progress.

The Seven 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 2012 Ambassadors for Jesus Christ under the age of 35 by 2012
 - increase provision in Church of England Secondary Schools by 2012 places by 2012
 - Raise £2,012,000 for development in Africa by 2012 (ALMA)
 - Raise £2,012,000 to support Mission in London by 2012.
7. We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge.

Achievement and Performance

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

The diocese supports traditional ways of being church and encourages the highest standards of worship, witness and service through its over 400 traditional parishes, each with its own clergy. Other methods of sharing the good news are also used, for example the chaplaincies to the work community at Canary Wharf and in the London legal firms and the work in support of the 2012 Olympic and Paralympic games in partnership with neighbouring dioceses. An e-parish with an international membership has been established at www.londoninternetchurch.org.uk Night Prayer is offered every night and selected Bishop of London's lectures are downloadable. New church plants have been undertaken with success in many areas, for example, St Peter's Barge at Canary Wharf and Grace Church in Hackney.

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

The diocese invested over £3m in 2007 in training new clergy. Over 130 ordinands were supported. Readers and other forms of ministry are also supported.

In partnership with the neighbouring Diocese of Chelmsford, St Mellitus College for training clergy was founded in 2007. Its constituent members will initially be the North Thames Ministerial Training Course, which operates across the two dioceses, and the St Paul's Theological Centre (SPTC) based at Holy Trinity Church in Brompton.

Increasing the professional capability of existing clergy and others is being supported through the appointment of and provision of resources for five full time Area Directors of Training and Development. A new training facility has been opened in Hoxton.

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

The Fund supports the work of the London Diocesan Board for Schools, a sister organisation, which provides 131 primary schools, 80 with nursery units or nursery classes; 13 secondary schools, all with sixth forms; and 3 academies. <http://schools.london.anglican.org/Schools/schools.htm>

The Fund also supports the work of 38 chaplains to London's over 250,000 students and 70,000 staff in Higher Education. Many of these posts are also generously supported by the institutions they serve. The Fund also provides funding for children's advisers to support parishes in their work with young people. The Fund supports the statutory checking of those who work with both the young and the vulnerable in parishes and elsewhere.

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

Many parishes in the poorer and more deprived neighbourhoods of London are unable to bear the full costs of ministry and the maintenance of the buildings that serve the local community. Through the mechanism of the Common Fund and by use of resources given by past generations, the Fund supports these parishes.

A full time regeneration consultant has been working to establish where the Fund's resources should be deployed as London develops. With generous support from sponsors, a web site has been developed that brings together a synoptic view of the various development agencies' plans for London. This will be publicly available during 2008. The next step will be to consider the redistribution of resources to meet the longer term needs of our world city.

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

The Fund supports the diocese in implementing the Church of England policy on shrinking its environmental footprint and playing its full part in the debate on ecological matters. The aim is to reduce the diocese's carbon footprint by 20.12% by 2012. The 2005 (base data) and 2006 data have been collected from parishes. To achieve the 20.12% reduction parishes are being encouraged to install low energy light bulbs, purchase electricity from Good Energy and turn their heating thermostats down by 1 °C. Similar measures are being taken in Fund owned properties.

We are committed to achieving FairTrade status for the Diocese. The Global Development Group has raised awareness in parishes and has organised diocesan events. It is hoped to gain the commitment of 60% of parishes to FairTrade by the end of 2008.

St Ethelburga's Centre for Reconciliation and Peace explores inter-faith issues in England and the diocese continues to develop its links with Angola and Mozambique through ALMA.

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

Work is underway on all four of these Capital Investments with new academies being built and the Lent appeals being dedicated to projects in Africa.

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

These commitments include a commitment to maintaining a balanced general fund budget and high standards of maintenance for the Fund's buildings, many of which are of architectural and historical importance. In 2007, the Fund was able to maintain a balanced budget despite the need to increase general fund expenditure by £1m to £26.1m. A balanced budget is planned for 2008: this includes provision for foundation work for strategic development.

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Directors' and Trustees' Report and Financial Statements for the year ended 31 December 2007

Fundraising

The majority of the Fund's income is raised from parishes through Common Fund. Around 99% of the amounts pledged are collected. Parishes are supported in their fundraising by the Fund's finance advisers and other staff. Specific fundraising by parishes is also supported. The Fund encourages donations in the form of legacies either to the Fund or one of the other diocesan charities or to parishes.

The Fund also supports other fundraising activity by associated charities through the donation of time and resources. For example, the Lent appeal in 2007 raised funds for world wide campaigns for the alleviation of suffering caused by human trafficking. Future Lent appeals will focus on providing funds for specific projects and programmes in poor communities in Mozambique and Angola.

Statutory functions

The Fund has responsibility for the management of glebe property and investments to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts and incorporates the functions and responsibilities of the Diocesan Parsonages Board. The trustees are custodian trustees in relation to PCC property.

FINANCIAL PERFORMANCE – “THE BUSINESS REVIEW”

Section 417 of the Companies Act 2006 requires every company to prepare a “business review”. The purpose of the business review is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company). In the case of the Fund the members and directors are the same individuals. This section is intended, when taken with the other sections of this report, to satisfy the requirements of the law and to provide useful information for readers of these accounts. It also takes account of the statement of best practice “Reporting Statement: Operating and Financial Review” issued by the Accounting Standards Board in January 2006

General Fund

The Fund recorded an operating surplus on the General Fund of around £0.1m in the year. This compares to the deficit of around £0.1m in 2006. Both the surplus and the deficit are less than ½% of income.

Incoming resources increased faster than the spending on charitable activities. Incoming resources increased by £1.0m to £26.1m (2006: £25.1m). Resources expended increased by £0.8m to £26.0m (2006: £25.2m).

General Fund income increased mainly because

- of the increased generosity of parishes through Common fund (increase £0.5m or 3%);
- of excellent returns from property, described more fully below (increase £0.5m or 13%);
- extra grants were received from the City Parochial Foundation (£0.1m or 9%);
- of increased donations from the Allchurches Trust and others (£0.03m or 8%); and
- of extra income from bank accounts and investments in the stock market (£0.2m or 18%).

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The General Fund income from the National Church fell sharply (by £0.4m) principally because of a technical matter, namely that grants received in respect of bishops' secretaries of around £¼m are now regarded as restricted income and are shown under that heading. The corresponding expenditure has been charged to the restricted fund.

More clergy were sponsored directly by parishes and others and their financial contributions are shown as income, "stipend refunds", in these accounts. These increased by £0.2m or 11% because of increased numbers and increased stipends and other clergy costs.

Continued excellent results from both investment property and the temporary letting of operational property increased income by about £0.5m. Late in the year, increased inter-bank lending rates enabled better returns to be made from invested funds and overall effective treasury management increased income by £0.2m.

Expenditure increased mainly because of increased pension costs for clergy, increased stipends and increased numbers of clergy. Clergy numbers increased because more were directly sponsored by parishes and others: the core numbers, known as "on Common Fund" clergy have remained broadly constant.

Increased pension contributions for clergy caused extra expenditure of around £½m. In 2006, the Church of England Pensions Board, in response to increasing longevity of the clergy, investment market conditions and new government regulations, increased the rate of contribution by the Fund in respect of clergy pensions by six percentage points from 33.8% to 39.8% of stipends. This represents an increased charge of around £½m for the Fund, depending on the exact mix and number of clergy.

Other general fund expenditure was tightly controlled throughout the year and economies were achieved against budget in many departments. Expenditure on parsonages increased because of rising construction and property maintenance costs and because more clergy moved than in previous years.

Overall, the balance of increased income and constrained expenditure enabled the Fund to mitigate the effect of the increased pension contributions and to record a small surplus on general funds.

Total Funds

An aggregate deficit on all funds of £3.1m (£4.6m in 2006) was recorded during the year and there was a net cash inflow of £0.5m (£0.5m inflow in 2006).

Overall incoming resources increased by 8.3% from £26.3m in 2006 to £28.5m in 2007 because of the generosity of the thousands of people in the parishes in London who support the Fund's work. Income from property rentals and other sources increased significantly. Income from the Church Commissioners fell slightly - it now represents less than 2% of the Fund's income.

Overall outgoing resources increased by 2.4% from £30.9m in 2006 to £31.6m in 2007, increases in expenditure of general, restricted and endowment funds being moderated by reductions in expenditure of designated funds.

The principal reason for the deficit was that the small surplus on the general fund described above was outweighed by the planned expenditure of designated funds for the purposes for which they were established. These purposes were in furthering the ministry and mission of the Church in London and in providing benefits to the people of London.

Some of the support was given to individual projects and individual ministers of religion, notably via the Bishop of London's Mission Fund, other support took the form of provision of housing and other facilities for clergy; 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

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annual report to parishes and on the website.

There was a net cash inflow because some real property was sold. Gains of £2.3m (2006: £6.1m) were realised on disposal of property. Property depreciation of £2.4m (2006: £2.4m) was charged in the year.

There were net other recognised gains of £9.1m (2006: £26.0), principally due to increases in property valuations of £11.0m (2006: £23.2m), offset by falls in investment valuations of £1.9m (2006: increase £2.8m) due to capital value reductions on the stock market.

There was, therefore, an increase in assets of £6.0m (2006: £21.4m) for the year to £324.0m (£318.0m in 2006). The substantial majority of this is represented by property used in the Fund's charitable operations.

Property

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

The budget and outlook for 2008

The budget for 2008 was approved by the Bishop's Council and the Diocesan Synod in November 2007. It reflects the strategic priorities of the London Challenge 2012 and provides for the following.

- Balancing the general fund budget as required by the London Challenge
- Meeting the increased costs of clergy pensions
- Increasing Common Fund by 8.5% compared to the previous year's budget
- Extra, temporary, transitional support of £0.4m from the National Church
- No reduction in clergy supported from the Common Fund and an overall increase in stipendiary clergy, reflecting growing electoral rolls
- Stipends' budget increased by 4%
- Increased spending on maintaining parsonages
- Budget to support strategic developments.

The Common Fund is budgeted to grow by 8.5% in 2008 compared to the budget for 2007, 11% compared to the amount received for 2007 by 31 December 2007. The National Church has recently told the LDF that it will provide an extra £0.4m of funding in transitional relief for 2008 to adapt to the new pension contribution rates. This will be phased out over the next four years. Other income sources are expected in aggregate to grow at 9¼%, because of increased generosity by major benefactors and better use of investment and other assets.

Expenditure is budgeted to grow by 8.2% reflecting increased expenditure on clergy because of greater numbers and higher stipend and other associated costs (mainly taxation, particularly Council tax and National Insurance payments). Expenditure on parsonages will rise reflecting the increased costs of building works in London and to catch up on maintenance works.

The outlook for 2009

The focus in 2009 is expected to be on redistributing the resources of the diocese to meet the London Challenge and to respond to the changing make-up of the population of the world city which the diocese serves. It is expected that the number of clergy supported from the Common Fund will remain at the current level. Financially, there is an aspiration of increasing stipends to preserve their real value. Expenditure other than on stipends is expected to grow in line with the corresponding increase in prices. It is hoped that parishes and others will be sufficiently generous to meet this level of increased expenditure and take account of the gradual removal of the transitional relief provided by the national church institutions.

PLANS FOR FUTURE PERIODS

The diocese and the fund are entering the second year of the five year strategic plan. The objectives will be to continue to develop actions to meet the challenges described in the discussion of the London Challenge 2012 on page 14 above.

Particular emphasis will be laid on expanding the work of the diocese and redistributing resources to meet the changing needs of London and all of its people. A head of strategic development has been appointed to undertake the ground work for future projects in the redevelopment areas of London and to assist with resource distribution.

POLICIES AND OTHER MATTERS

Investment Policy

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

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

The Fund currently operates asset allocation objectives that differ between types of fund. Broadly, they are based upon bands for property and equity that encompass around 80% of assets with cash and bonds forming around 20%. Some redistribution between asset types to meet these objectives is planned for 2008 depending on market conditions.

Reserves Policy and Designated Funds

A review of designated reserves was again undertaken during the year, building on the review that took place in the previous year. The policy will be kept under regular review in the light of changing legal obligations.

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 2007 were £2.7m (2006: £2.6m) and were held as general funds. This equates to about 31 days of expenditure.

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Funds with a value of £82.8m (2006 £80.4m) have been designated for particular purposes as described more fully in Note 11a to the accounts.

- About half of this value is represented by functional property and the associated parsonage reserve, which are used to house clergy in support of one of the principal charitable objectives of the Fund. As described in the notes, most clergy housing is not owned by the Fund but is recognised in the accounts in accordance with FRS 5.
- Over one third of these funds is represented by investment property (and the associated reserve, the Fund Property Reserve, for refurbishment etc.), which is discussed below.
- Some of these funds have been designated to enable loans to be made to further the charitable aims of the fund. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.4m 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 £6.6m (2006: £7.8m), is designated for various particular purposes, especially enabling the Fund to evolve and take advantage of strategic development opportunities. Many of these funds are gradually being exhausted as they are spent for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

Policy on Investments of Unrestricted but Designated Funds

Unrestricted but designated investments, amounting to £32.0m (2006: £28m) of the amounts discussed above, are held for two principal reasons

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

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

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

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Restricted Funds

Funds with a value of £59.6m (2006: £59.1m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 11b to the accounts. Glebe assets, amounting to around 90% of these funds, are required to be used either to house clergy or to provide income to pay stipends. The use of Glebe assets is governed by various Measures as set out in the notes.

Investment returns

Investment property with a net book value of £62.6m (2006: £56.7m) generated income of £3.1m (2006: £2.5m).

Investments in equities, fixed interest securities and other quoted securities amounted to £20.4m (2006: £20.9m). These include sole trusts: details are in Note 6 to the accounts. Losses in value of £1.9m (2006: gains of £2.8m) were recorded and dividends of £0.9m (2006: £0.7m) were received

Pension Scheme

The majority of the employees of the Fund are members of the Church Workers' Pension Scheme. Further details are contained in note 13 to the financial statements.

Other Matters

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

Attention is drawn to note 8b of the financial statements which details the Fund's support of connected charities e.g. in the form of support given of £165,000 (£160,000 in 2006) to the London Diocesan Board for Schools and with reference to other support in respect of accommodation and office support. This is to ensure that the Diocese of London both fulfils its statutory education responsibilities and its desire that the Gospel of Christ is spread through educational ministry as through other ministries.

Members and Members' Interests

The Fund is a charitable company limited by guarantee and its trustees may derive no benefit, income or capital interest in the Fund's financial affairs other than reimbursement of out of pocket expenses. Note 8b to the financial statements shows expenses reimbursed to Council members. For information this note also shows the amounts paid to the clerical members of Council for their stipend. This is paid to them as Ministers of Religion in the Diocese rather than as Directors or Trustees of the Fund.

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

Disclosure of information to auditors

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

Change of auditors

This year is the first year that Mazars LLP has undertaken the audit of the accounts. The trustees would like to place on record their thanks to KPMG for their professionalism in undertaking the audit for so many years.

Trusts

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

FUNDS HELD AS CUSTODIAN TRUSTEE ON BEHALF OF OTHERS

As noted on page 48 the Fund is custodian trustee for trust assets of £24.5m (£25.2m in 2006). Detailed certificates of holdings were sent to parishes and other managing trustees as of 31st December 2007.

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

A statement of the custodian trustees' responsibilities is also found on page 48 together with financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 49 and 52. 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).

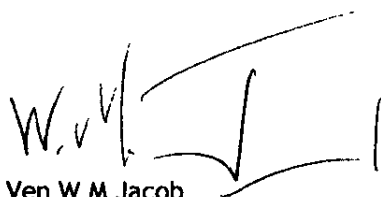
The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period.

In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.



Handwritten signature of Ven W M Jacob in black ink.

Ven W M Jacob

15 May 2008

Member of Council and Finance Committee Chairman

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 2007 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, the Note of Historical Cost Profits and Losses, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of trustees and auditors

As described in the statement of trustees' and directors' responsibilities, the trustees, who are also the directors of the London Diocesan Fund for the purposes of company law, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' and Trustees' Report is consistent with the financial statements. We also report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the company is not disclosed.

We read the Directors' and Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

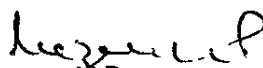

THE LONDON DIOCESAN FUND (A company limited by guarantee)

**Directors' and Trustees' Report and Financial Statements
for the year ended 31 December 2007**

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charity's affairs as at 31st December 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
 - the financial statements have been properly prepared in accordance with the Companies Act 1985;
- and
- the information given in the Directors' and Trustees' Report is consistent with the financial statements.


Mazars LLP
Chartered Accountants
Registered Auditor
18 May 2008


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

THE LONDON DIOCESAN FUND

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Statement of Financial Activities for the year to 31 December 2007

		Unrestricted funds		Restricted Funds	Endowment Funds	Total 2007	Total 2006
		General £m	Designated £m	£m	£m	£m	£m
Incoming Resources	Note						
Incoming Resources from generated funds							
<i>Voluntary income</i>							
Common Fund		17.0	-	-	-	17.0	16.5
Donations		0.4	0.2	0.4	-	1.0	0.6
Church Commissioners		0.1	0.3	0.2	-	0.6	0.7
City Parochial Foundation		1.2	-	-	-	1.2	1.1
Stipend refunds		1.8	-	-	-	1.8	1.7
<i>Activities for generating funds</i>							
Functional Property Rentals		1.0	0.1	-	-	1.1	1.0
Assigned Fees		0.4	-	-	-	0.4	0.4
<i>Investment Income</i>							
Dividends and Interest Receivable	9b	1.4	0.4	0.3	-	2.1	1.7
Investment Property Rentals		2.8	-	0.3	-	3.1	2.5
Other Incoming Resources		-	-	0.2	-	0.2	0.1
Total Incoming Resources		26.1	1.0	1.4	-	28.5	26.3
Resources Expended							
Cost of generating funds							
<i>Investment management costs</i>							
Rental portfolio costs - agent fees		0.3	-	-	-	0.3	0.2
Investment Property repairs & maintenance		1.1	-	0.2	-	1.3	0.4
Charitable activities							
Ministry		16.6	0.2	-	-	16.8	15.8
Education & Outreach		0.4	-	-	-	0.4	0.5
Parish and Area Support Services		1.2	0.1	0.2	-	1.5	1.6
Clergy Housing & Care of Churches		4.0	1.3	0.3	1.3	6.9	8.0
National Church		1.8	-	-	-	1.8	1.8
Grants to Parishes & Overseas	4	0.4	1.2	0.7	-	2.3	2.2
Governance Costs		0.2	-	-	-	0.2	0.2
Other resources expended		-	0.1	-	-	0.1	0.2
Total Resources Expended	2, 3	26.0	2.9	1.4	1.3	31.6	30.9
Net incoming/(outgoing) resources for year before transfers		0.1	(1.9)	-	(1.3)	(3.1)	(4.6)
Transfers between funds	11d	-	0.4	(0.5)	0.1	-	-
Net incoming/(outgoing) resources for year after total transfers		0.1	(1.5)	(0.5)	(1.2)	(3.1)	(4.6)
Other recognised gains and losses:							
Unrealised (losses)/gains on investment assets	6	-	(0.4)	(1.1)	(0.4)	(1.9)	2.8
Unrealised gains on property assets	5	-	2.1	2.0	4.6	8.7	17.1
Realised gains/(losses) on investment assets		-	-	-	-	-	-
Realised gains on property assets		-	2.2	0.1	-	2.3	6.1
Net Gains		-	3.9	1.0	4.2	9.1	26.0
Net movement in funds for the year		0.1	2.4	0.5	3.0	6.0	21.4
Balances at 1 January 2007		2.6	80.4	59.1	175.9	318.0	296.6
Balances at 31 December 2007		2.7	82.8	59.6	178.9	324.0	318.0

All incoming and outgoing resources relate to continuing operations

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

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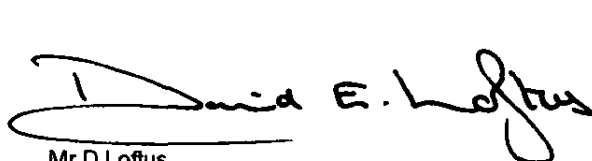
Balance Sheet at 31 December 2007

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2007 £m	Total 2006 £m
Fixed Assets							
Functional Property	5	-	39.4	8.8	173.8	222.0	221.4
Investment Property	5	-	27.3	35.3	-	62.6	56.7
Investments	6	-	4.1	11.6	4.7	20.4	20.9
		-	70.8	55.7	178.5	305.0	299.0
Current Assets							
Debtors	8a	1.3	3.7	0.1	-	5.1	6.2
Cash and short term deposits	9a	2.7	12.6	4.1	0.4	19.8	19.3
		4.0	16.3	4.2	0.4	24.9	25.5
Creditors:							
Amounts falling due within one year	10	1.3	2.4	0.3	-	4.0	4.6
Net Current Assets		2.7	13.9	3.9	0.4	20.9	20.9
Total Assets less current liabilities		2.7	84.7	59.6	178.9	325.9	319.9
Creditors:							
Amounts falling due after one year	10	-	1.9	-	-	1.9	1.9
		2.7	82.8	59.6	178.9	324.0	318.0
Funds							
General		2.7	-	-	-	2.7	2.6
Designated	11a	-	82.8	-	-	82.8	80.4
Restricted	11b	-	-	59.6	-	59.6	59.1
Endowment	11c	-	-	-	178.9	178.9	175.9
		2.7	82.8	59.6	178.9	324.0	318.0

The financial statements on pages 27 to 46 were approved by the Diocesan Bishop's Council on 15 May 2008



Ven W M Jacob
Member of Council and
Finance Committee Chairman



Mr D Loftus
Member of Council

The notes on pages 31 to 46 form part of these accounts

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Summary Income and Expenditure Account - 31 December 2007

	2007 £m	2006 £m
Non-capital movements		
Gross income	28 5	26 3
Realised gains	2 3	6 1
Transfers to endowment funds	(0 1)	2 5
Total income	<u>30 7</u>	<u>34 9</u>
Total expenditure	(30 3)	(29 6)
Net income on income funds before unrealised gains/(losses)	<u>0 4</u>	<u>5 3</u>

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

All incoming and outgoing resources relate to continuing operations

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 27, which together with the notes to the Accounts on pages 31 to 46 provides full information on the movement during the year on all the funds of the London Diocesan Fund

	2007 £m	2006 £m
Note of historical cost profits and losses		
(Deficit) for the financial year	(3 1)	(4 6)
Realisation of revaluation gains of previous years	2 3	6 1
Historical Cost (loss)/profit for the year	<u>(0 8)</u>	<u>1 5</u>

The notes on pages 31 to 46 form part of these accounts

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Cash Flow Statement - 31 December 2007

	Note	2007 Total £m	2006 Total £m
Net cash outflow from operating activities	12	(6 6)	(6 8)
Returns on investments and servicing of finance	12	<u>6 4</u> (0 2)	<u>5 3</u> (1 5)
Capital inflow and financial investment	12	<u>0 7</u>	<u>2 0</u>
Cash inflow before use of Financing		<u>0 5</u>	<u>0 5</u>
Increase in cash in the period		<u>0 5</u>	<u>0 5</u>
Reconciliation of net cash flow to movement in net debt (see note 12)			
Increase in cash in the period		0 5	0 5
Cash flow arising from (increase)/decrease in debt		<u>-</u>	<u>-</u>
Movement in net debt in the period		<u>0 5</u>	<u>0 5</u>
Net funds at 1 January		17 4	16 9
Net funds at 31 December		<u>17 9</u>	<u>17 4</u>

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Notes to the financial statements for the year ended 31 December 2007

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice, Accounting and Reporting by Charities (2005) and the Diocesan Annual Report and Financial Statements Guide (2006).

The accounts comply with the Charities Act 1993 and the Companies Act 1985. A summary of the principal accounting policies, which have been applied consistently except as stated, is set out below.

1.1 Basis of preparation

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

1.2 Funds

The Fund has various types of fund for which it is responsible and which require separate disclosure. Note 11 shows the balances and movements on each fund together with details of their uses. Page 20 of the Trustees' report gives an overview of the Fund's Reserves Policy

Unrestricted Funds

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

(a) General Funds

(b) Designated Funds (note 11a)

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

Restricted Funds (note 11b)

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

Endowment Funds (note 11c)

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.

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1.3 Taxation status

The Fund is a registered charity and as such is able to take advantage of exemptions granted under section 505 ICT Act 1988. It is not liable to corporation tax on charitable income or income from charitable activities.

1.4 Statement of Financial Activities

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

Income	Explanation
Voluntary Income	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF.
Donations	Gifts from external organisations.
Church Commissioners	Grant income from the Church Commissioners.
City Parochial Foundation	Grant income from the City Parochial Foundation.
Stipend refunds	Stipend refunds are payments 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 rate to generate additional income. Designated and Glebe functional rental income is receivable within general funds. Rental income from redundant churches 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 LDF 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.
Investment Property rental income	Investment property is let out at market rate. Designated and Glebe investment rental income is receivable within general funds.

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<u>Expenditure</u>	<u>Explanation</u>
Cost of generating funds - investment management costs	
Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the investment 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 and pensions.
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	Clergy Housing represents the repairs, maintenance, depreciation and other property costs associated with the functional property portfolio.
National Church	The London Diocese's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
Governance Costs	
Governance Costs	Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to those costs associated with charitable activities and fund raising. Governance costs include the costs of Diocesan Synod and the cost of legal advice provided to the Trustees in their capacity as the Fund's trustees.

1.5 Tangible Fixed Assets

Property

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

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

FRS 5 requires the accounting treatment to follow the substance of arrangements rather than their strict legal form. Accordingly the Council considers 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) **Redundant churches and Burial Grounds:** These classes of assets are held at nil value in the accounts as the Council believes that the cost of a practical valuation is onerous compared to the additional benefits to be gained. The LDF is unable to sell or change the use of any of these assets without reference to external organisations such as the Church Commissioners. These restrictions, together with the inherent difficulties of applying conventional property valuation methods, are all significant factors in the adoption of this valuation approach for these classes of asset.

The trustees are considering a proposal to change the valuation of redundant churches such that this class of asset is valued at suitable multiples of annual rental income where this is

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significant. Where this approach is not applicable, the asset would be held at nil value in the books. The preliminary work necessary to make a final decision on the change is underway

- (c) 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.

Depreciation

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

- Leaseholds : over term of lease
- Freehold, Glebe : 50 years
- Benefice Houses : 150 years

Fixtures, fittings and equipment additions under £10k are written off fully in the year of purchase. Items over £10k are capitalised and depreciated over 5 years.

1.6 Investments

Investment Property

Freehold properties held for investment purposes have been included at the Council's 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. This is kept under review in light of changing market conditions. Investment Property is not depreciated.

Other Investments

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

1.7 Custodian Trusts

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

A separate balance sheet and statement of financial activities is set out on page 49 with supporting notes on pages 50 and 51. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 48 to 51 is found on page 52.

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

The surplus/(deficit) for the financial year is stated after charging	2007 £'000	2006 £'000
Depreciation	2,412	2,365
Auditors' Remuneration (including VAT)		
Audit	32	38
Non-Audit Services		
- Review of Custodian Trusts	4	6
	<u>36</u>	<u>44</u>

3a Staff and Clergy Costs

<u>Costs of lay staff (not parochial or sector clergy)</u>	2007 £'000	2006 £'000
Wages and Salaries	1,890	1,788
Employer's National Insurance	158	147
Employer's Pension (note 13(a))	439	442
	<u>2,487</u>	<u>2,377</u>

The Full Time Equivalent average number of people employed on diocesan business was 54 (2006 55). During 2007, 4 extra people (2006 2) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 58 (2006 57).

The number of employees employed on diocesan business was 58 (2006 59). During 2007, 4 extra people (2006 2) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of employees for statutory purposes was, therefore, 62 (2006 61).

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

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

Aggregate employer pension contributions for the employees above were £36,009 (2006 £42,107) payable to a defined benefit scheme (Church Workers Pension Fund)

Clergy holding parochial or archdiaconal posts

	2007 £'000	2006 £'000
Gross stipends	10,511	9,971
Employer's National Insurance	610	590
Employer's Pension (note 13(b))	3,821	3,093
	<u>14,942</u>	<u>13,654</u>
Average number of total stipendiary clergy posts	<u>532</u>	<u>532</u>
Number of total stipendiary clergy posts at 31 December	<u>538</u>	<u>537</u>

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

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3b Governance Costs and the allocation of Support Costs between Charitable Activities

	2007 £'000	2006 £'000
<u>Indirect support costs (allocated below)</u>		
Salary and employment costs	859	908
Office costs	178	242
	<u>1,037</u>	<u>1,150</u>

Resources Expended	Before allocation of support costs £'000	Direct support costs £'000	Indirect support costs £'000	2007 £'000	2006 £'000
Cost of generating funds					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	315	-	-	315	170
Investment Property repairs & maintenance	1,107	105	35	1,247	423
	<u>1,422</u>	<u>105</u>	<u>35</u>	<u>1,562</u>	<u>593</u>
Charitable activities					
Current Ministry	11,791	15	344	12,150	11,593
Clergy Pensions	3,701	-	-	3,701	3,000
Other Ministry	915	-	-	915	1,207
<i>Ministry</i>	<u>16,407</u>	<u>15</u>	<u>344</u>	<u>16,766</u>	<u>15,800</u>
Education & Outreach	341	3	102	446	505
Pansh & Area Support	958	225	282	1,465	1,556
Clergy Housing Property and Care of Churches Costs	3,633	704	219	4,556	5,593
Clergy Housing Depreciation	2,412	-	-	2,412	2,365
<i>Clergy Housing</i>	<u>6,045</u>	<u>704</u>	<u>219</u>	<u>6,968</u>	<u>7,958</u>
National Church	1,811	-	-	1,811	1,793
Grants to Panshes & Overseas	2,206	-	46	2,252	2,245
Governance Costs	-	202	9	211	195
Other resources expended	132	-	-	132	227
	<u>29,322</u>	<u>1,254</u>	<u>1,037</u>	<u>31,613</u>	<u>30,872</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.

4 Grants Payable

Funding source (notes 11 a, b & c)	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2007 £'000	Total 2006 £'000
<u>Grants to Panshes</u>						
City Parochial Foundation	387	-	-	-	387	477
Area Pastoral and UPA Funds	-	254	-	-	254	272
Bishop of London's Mission Fund	-	773	-	-	773	855
Funds for Pansh Benefit	-	136	408	1	545	480
	<u>387</u>	<u>1,163</u>	<u>408</u>	<u>1</u>	<u>1,959</u>	<u>2,084</u>
<u>Overseas</u>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	247	-	247	150
Grant administration allocation	46	-	-	-	46	11
Total	<u>433</u>	<u>1,163</u>	<u>655</u>	<u>1</u>	<u>2,252</u>	<u>2,245</u>

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5 Tangible Assets and Investment Property

	Designated Funds			Restricted Funds	Endowment Funds			Combined Total £'000
	Freehold Property £'000	Long Leasehold Property £'000	Fixtures, Fittings & Equipment £'000		Leasehold Benefice Houses £'000	Expendable Freehold Benefice Houses £'000	Permanent Freehold Property £'000	
At cost or valuation								
At 1 January 2007	67,849	862	-	43,184	2,645	174,933	172	289,645
Additions	928	76	7	771	-	636	-	2,418
Transfers	(441)	441	-	(501)	-	501	-	-
Disposals	(682)	(234)	-	(404)	-	(1,018)	-	(2,338)
Revaluation	1,747	262	-	1,937	(483)	4,995	6	8,464
At 31 December 2007	69,401	1,407	7	44,987	2,162	180,047	178	298,189
Depreciation								
At 1 January 2007	3,261	82	-	862	189	7,123	22	11,539
Charge for the year	845	25	-	212	43	1,283	4	2,412
Transfers	(14)	14	-	(41)	-	41	-	-
Disposals	(51)	-	-	-	-	(62)	-	(113)
Revaluation	(32)	(14)	-	(71)	-	(41)	-	(158)
At 31 December 2007	4,009	107	-	962	232	8,344	26	13,680
Net Book Value								
At 31 December 2007	65,392	1,300	7	44,025	1,930	171,703	152	284,509
NBV Functional Property								
NBV Investment Property	38,261	1,140	7	8,735	1,930	171,703	152	221,928
	27,131	160	-	35,290	-	-	-	62,581
	65,392	1,300	7	44,025	1,930	171,703	152	284,509
Net Book Value								
At 31 December 2006	64,588	780	-	42,322	2,456	167,810	150	278,106

The Fund's major glebe and designated fund investment property were formally revalued on 31/12/05 by Atisreal

The next formal valuation is due 31/12/10, with interim year-end valuations being performed in the intervening years by the Property Accountant

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

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

There are no assets in the course of construction within Glebe and Benefice Houses at 31 December 2007 (2006 Nil)

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6 Investments

	01/01/07 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Transfers £'000	31/12/07 £'000
General Funds						
M&G Investments	71	-	-	-	(71)	-
Designated Funds						
Treasury Stock	71	-	(71)	-	-	-
M&G Investments	4,107	-	(61)	(380)	71	3,737
Designated Trusts						
M&G Investments	-	388	(4)	(42)	-	342
	4,178	388	(136)	(422)	71	4,079
Restricted Funds						
Glebe						
M&G Investments	7,790	-	-	(763)	-	7,027
Sole Trusts						
Listed Investments	20	-	-	(1)	-	19
M&G Investments	4,012	11	(14)	(392)	-	3,617
CBF Investment Fund Shares	890	13	(19)	21	-	905
CBF Fixed Interest Securities Fund	14	1	(8)	-	-	7
	12,726	25	(41)	(1,135)	-	11,575
Endowment Funds						
Sole Trusts						
Listed Investments	4	-	-	-	-	4
M&G Investments	2,829	1,184	(15)	(402)	-	3,596
CBF Investment Fund Shares	1,048	3	(1)	26	-	1,076
CBF Fixed Interest Securities Fund	42	-	-	-	-	42
CBF Property Fund	4	-	(1)	-	-	3
	3,927	1,187	(17)	(376)	-	4,721
Total Fixed Asset Investments	20,902	1,600	(194)	(1,933)	-	20,375

Cost or valuation

Cost represents the cost or market value at the date of gift or transfer to the Fund

Central Board of Finance (CBF) investments are valued by the CCLA

Investment information:

The 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.

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7 Investments in subsidiary undertakings

The London Diocesan Fund owns 100% of the issued share capital of a subsidiary undertaking, Causton Street Farms Limited (registration number 2788104). The company has been dormant since 1 January 2005. The subsidiary is excluded from consolidation because it is not material to the financial statements of the Diocese.

8a Debtors

	General £'000	Designated £'000	Restricted £'000	2007 £'000	2006 £'000
Contributions to the Common Fund	487	-	-	487	463
Rent Receivable	483	340	61	884	722
Prepayments and accrued income	56	1	3	60	134
	<u>1,026</u>	<u>341</u>	<u>64</u>	<u>1,431</u>	<u>1,319</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	2,397	-	2,397	2,709
- Area Council awarded	-	745	-	745	815
	<u>-</u>	<u>3,142</u>	<u>-</u>	<u>3,142</u>	<u>3,524</u>
Loans to individuals	16	174	-	190	193
Other Debtors	263	-	5	268	1,144
	<u>1,305</u>	<u>3,657</u>	<u>69</u>	<u>5,031</u>	<u>6,180</u>

	2007 £'000	2006 £'000
<u>Movements in Loans to Parishes</u>		
At 1 January	3,524	4,540
Additions (new loans and interest)	678	759
Repayments	(1,060)	(1,775)
At 31 December	<u>3,142</u>	<u>3,524</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 Bank of England base rate depending upon the rules in force when the loan was awarded. No interest was charged on other loans.

8b 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 2007 other debtors included £191k (2006 £237k) and other creditors included £22k (2006 £30k) in respect of gross salary and employer's National Insurance.

London Diocesan Board for Schools:

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

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

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

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

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

The London Diocesan Fund makes an annual grant to the work of this Board amounting to £165k (2006 £160k). The Board is a charitable company (reg no 198131). At 31 December 2007 other debtors included £5k for salary and office cost recharges (2006 Nil).

The London Diocesan Fund makes the following donations in kind to the London Diocesan Board for Schools. These relate to office space and provision of house services e.g. reception, cleaning, utilities, IT and payroll support etc. The estimated values of such services is:

	2007 £'000	2006 £'000
Accommodation	89	89
House services	92	83
	<u>181</u>	<u>172</u>

The accommodation cost relates to rent. A rent review is scheduled every five years. The next review is due in 2009.

Other:

The Ven P A Delaney a trustee of the London Diocesan Fund is a trustee of the City Parochial Foundation, a post he held during 2006 and 2007.

Trustees' Expenses/Remuneration

In 2007 the London Diocesan Fund reimbursed a total of £18k to 8 members (2006 £24k to 11) of the Bishop's Council. The expenses related mostly to working expenses e.g. as Archdeacon, Area Dean or other official. By virtue of their clerical office the Diocese is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council, along with national insurance and costs associated with housing. The stipends, national insurance and pension of Bishops is borne and funded by the Church Commissioners. The following was paid to 17 other members of the clergy in 2007 (Full Time Equivalent 16) who were members of the Bishop's Council (2006 19, Full Time Equivalent 13).

	2007 £'000	2006 £'000
Stipend	367	279
Employers NI	22	17
Pension	135	89
	<u>524</u>	<u>385</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 14 members of Bishop's Council during the year (2006 14) were housed in parsonages by virtue of their clerical office. No clergy employees (2006 1) was housed in a parsonage.

A further 7 members of Council (and Finance Committee) (2006 7) and 2 clergy employees (2006 1) were housed in properties owned by the London Diocesan Fund.

Declarations of Interest

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

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9 Cash and short term Investments

a) Balances	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2007 £'000	2006 £'000
Central Board of Finance Deposits	76	2,041	1,992	353	4,462	6,030
Halifax Bank of Scotland Deposit	1,630	10,431	2,153	-	14,214	12,506
Cash at Bank and in hand	984	136	-	-	1,120	800
	<u>2,690</u>	<u>12,608</u>	<u>4,145</u>	<u>353</u>	<u>19,796</u>	<u>19,336</u>

b) Investment Income Analysis	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2007 £'000	2006 £'000
Dividends	712	14	182	-	908	684
Cash and Deposit interest	538	375	136	-	1,049	897
Fixed interest investments	6	-	3	-	9	9
Loan interest	145	-	-	-	145	137
Total	<u>1,401</u>	<u>389</u>	<u>321</u>	<u>-</u>	<u>2,111</u>	<u>1,727</u>

10 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2007 £'000	2006 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	518	-	-	518	882
Grants Payable	197	1,737	197	-	2,131	2,258
Other Creditors	590	89	38	-	717	804
Accruals and deferred income	535	14	53	-	602	679
	<u>1,322</u>	<u>2,358</u>	<u>288</u>	<u>-</u>	<u>3,968</u>	<u>4,623</u>

Amounts falling due after more one year:

Church Commissioners re value linked loans	-	1,887	-	-	1,887	1,887
Total	<u>1,322</u>	<u>4,245</u>	<u>288</u>	<u>-</u>	<u>5,855</u>	<u>6,510</u>

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

Value linked loans are shown at the original amounts borrowed from the Commissioners, with the property purchased shown at depreciated insurance value within fixed assets. The trustees are considering changing the way the loan and corresponding asset are shown, taking account of new legislation.

THE LONDON DIOCESAN FUND

(A company limited by guarantee)

11a Designated Funds

	01/01/07	Incoming Resources	Outgoing Resources	Unrealised Gains	Transfers	31/12/07
	£'000	£'000	£'000	£'000	£'000	£'000
Designated Funds						
Functional Property	38,947	-	(871)	(347)	(208)	37,521
Investment Property	24,534	-	-	2,404	352	27,290
Parsonage Reserve	1,037	1,119	(235)	-	321	2,242
Fund Property Reserve	3,548	1,336	(32)	-	(145)	4,707
Designated Trusts	1,586	80	(136)	(41)	-	1,489
Mission Opportunity	2,096	-	(107)	(139)	-	1,850
Bishop of London's Mission Fund	999	415	(773)	-	-	641
Clergy Training and Support	1,282	-	(72)	(85)	30	1,155
Area Loan Capital Fund	603	10	-	-	-	613
Area Pastoral Funds	684	39	(243)	-	72	552
Urban Priority Area Funds	103	6	(21)	-	4	92
Area Bank Accounts	93	140	(96)	-	-	137
Diocesan Loan Capital	4,550	-	(1)	(136)	-	4,413
Centrally Sponsored Area Project Reserve	167	8	(167)	-	-	8
Bishop of London's Reserve	131	33	(131)	(6)	-	27
Audit, Systems & Other Improvements	1	-	(1)	-	-	-
School Academy Grant Liability	73	2	-	(15)	-	60
Total Designated Funds	80,434	3,188	(2,886)	1,635	426	82,797
					Note 11d	

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

Designated Fund Property	Functional property (£39m) is held to house clergy, supporting one of the principal activities of the Fund. The Value Linked Loans creditor, as described in note 10, is included within this reserve. Investment property (£27m) 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.
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 will be necessary in implementing Diocesan mission and ministry policy.
Bishop of London's Mission Fund (BLMF)	This fund is used for significant Diocesan wide mission initiatives. Each application is assessed on a case-by-case basis by the BLMF board, an internal committee chaired by the Bishop of London. The BLMF does not fund capital projects.

THE LONDON DIOCESAN FUND

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11a Designated Funds (continued)

Clergy Training and Support	This fund is for providing general clergy training and support
Area Loan Capital Fund	This fund provides interest free loans to parishes. Decisions on new loans are taken by the Area Councils
Area Pastoral Funds	This represents funds for each of the five Episcopal Areas which can be used for Area specific projects. Decisions on the use of the funds are taken by Area Councils
Urban Priority Area Funds	This represents funds for each of the five Episcopal Areas which can be used for building and other projects relating to Urban Priority Areas. Decisions on the use of the funds are taken by Area Councils
Area Bank Accounts	These are the Kensington and Willesden Area bank accounts which are used to directly support each of these Areas
Diocesan Loan Capital	A £4.5m loan capital fund was set up in 2005 to provide loans to parishes with individual loans granted not normally exceeding £200k. Requests from parishes are first considered by the Loans Monitoring Group (LMG), a sub-committee of the Finance Committee before being voted on at full Finance Committee level
Centrally Sponsored Area Project Reserve	This fund is used to fund (a) Asbestos monitoring and removal (b) Gutter clearing for Diocesan Supported Parishes and (c) Land registration costs
Bishop of London's Reserve	This fund will be used primarily to meet London Challenge 2012 launch costs, Senior Staff training and the costs of an Interfaith adviser and Olympic chaplain
Audit, Systems & Other Improvements	This fund is used to meet significant one-off costs relating to audit driven, system and other improvements. The fund was closed at the end of 2007
School Academy Grant Liability	This fund was set up to meet the cost of a £300k grant to St Mary Magdalene Academy Trust. All of the £300k grant had been paid across as at 31/12/07. The surplus remaining represents investment gains that had accumulated during the fund's existence and was transferred to the general fund in 2008

11b Restricted Funds

	01/01/07	Incoming Resources	Outgoing Resources	Unrealised Gains	Transfers	31/12/07
	£'000	£'000	£'000	£'000	£'000	£'000
Glebe Property Fund	42,322	-	(212)	2,008	(93)	44,025
Glebe Investment Fund	9,373	269	(25)	(763)	(367)	8,487
Sole Trust Expendable Funds	6,716	633	(608)	(371)	-	6,370
Redundant Churches Fund	630	307	(239)	-	(76)	622
Replacement Church Projects	45	3	(48)	-	-	-
BLMF restricted fund	6	43	(26)	-	-	23
Total	59,092	1,255	(1,158)	874	(536)	59,527

Note 11d

Restricted Funds

Glebe Property Fund	This represents the net book value of glebe property with movements shown in note 5. 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 (£9m) and investment (£35m) 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. The treatment of glebe funds as restricted as opposed to expendable endowment will be reviewed in light of subsequent legislation
Sole Trust 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 11c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example
Redundant churches	This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for redundant church rental income and maintenance expenses. The DPA is governed by the Pastoral Measure 1983 as amended by subsequent legislation
Replacement Church projects	This fund represents monies held to provide a new place of worship usually from the proceeds of the previous site under section 46 of the Pastoral Measure. This fund was closed at the end of 2007
BLMF restricted Fund	This fund deals with donations to the Bishop of London's Mission Fund (see note 11a) which are to be held under the terms of reference of the BLMF only or indicate other specific restrictions

THE LONDON DIOCESAN FUND

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11c Endowment Funds

	01/01/07	Incoming Resources	Outgoing Resources	Unrealised Gains	Transfers	31/12/07
	£'000	£'000	£'000	£'000	£'000	£'000
Parsonage House Capital	170,266	-	(1,327)	4,553	140	173,632
Sole Trust Permanent Endowment	5,602	-	(4)	(371)	-	5,227
Total	175,868	-	(1,331)	4,182	140	178,859
Note 11d						

Parsonage House Capital This fund represents the net book value of Benefice Houses (see note 5)

Sole Trust Permanent Endowment This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 11b) The £4k of outgoing resources represents depreciation on Permanent Endowment Freehold Property (see note 5)

11d Transfer Between Funds - Detailed Breakdown of Movements

Statement of Financial Activities analysed

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Notes
Parsonage additions	-	(636)	-	636	-	1
Parsonage sales	-	956	-	(956)	-	2
Property reclassifications	-	-	(460)	460	-	3
Burial Ground Sale Proceeds	-	76	(76)	-	-	4
Clergy Conferences	(30)	30	-	-	-	
	(30)	426	(536)	140	-	
	Note 11a		Note 11b	Note 11c		

1. Transfer from the Parsonage reserve for the building/purchase of parsonages

2. Sale proceeds of parsonages are credited to the Parsonages reserve within designated funds

3. Reclassifications of properties - from time to time properties may be reclassified as a result of legal advice

4. As a policy, Burial Ground sale proceeds allocated to the Diocesan Pastoral Account (DPA) are split between the Area Pastoral and Urban Priority Area (UPA) funds within designated funds

THE LONDON DIOCESAN FUND

(A company limited by guarantee)

12 Notes to the cash flow statement

	2007 Total Funds £'000	2006 Total Funds £'000
Note 1: Reconciliation of operating deficit to operating cash flows		
Operating Deficit	(3,141)	(4,581)
Depreciation charges	2,412	2,365
Decrease in debtors	1,149	584
(Decrease)/increase in creditors	(655)	86
Investment and Rental Income	(6,359)	(5,283)
	<u>(6,594)</u>	<u>(6,829)</u>

Note 2 : Gross Cash Flows

Returns on investments and servicing of finance

Dividends and Interest Receivable	2,111	1,727
Rental Income	4,248	3,556
	<u>6,359</u>	<u>5,283</u>

Capital Expenditure and Investment

Sale of property	4,518	8,558
Purchase of property	(2,418)	(7,428)
Sale of investments	195	961
Purchase of investments	(1,600)	(39)
	<u>695</u>	<u>2,052</u>

Note 3: Analysis of Changes in net debt

	01/01/07 £'000	Cash Flows £'000	31/12/07 £'000
Funds			
Cash at bank and in hand	800	320	1,120
Short Term Deposits	18,536	140	18,676
	<u>19,336</u>	<u>460</u>	<u>19,796</u>
Debt due within one year	-	-	-
Debt due after one year	(1,887)	-	(1,887)
	<u>(1,887)</u>	<u>-</u>	<u>(1,887)</u>
	<u>17,449</u>	<u>460</u>	<u>17,909</u>

THE LONDON DIOCESAN FUND

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13 Pensions

(a) Lay staff

The London Diocesan Fund participates in the Church of England Defined Benefit Scheme section of the Church Workers Pension Fund, a pension scheme administered by the Church of England Pensions Board to provide benefits based on total pensionable salaries. The assets of the Pension Fund are held separately from those of the London Diocesan Fund.

At 31 December 2007 the London Diocesan Fund had 54 active members and 46 deferred pensioner members in the Pension Fund (2006: 54 and 50 members respectively).

The London Diocesan Fund is unable to identify its share of the underlying assets and liabilities as each employer is exposed to actuarial risks associated with the current and former employees of other entities participating in the defined benefit scheme. Paragraph 9(b) of FRS17 requires the London Diocesan Fund to account for pension costs on the basis of contributions actually payable to the scheme in the year (see note 3(a)).

A triennial valuation of the Pension Fund was carried out as at 31st December 2004 and the scheme was shown to be in deficit. The London Diocesan Fund's contribution rate was increased from 21.02% to 25.78% of gross pensionable salary with effect from 1 January 2006. The new rate represents the future service contribution plus an amount to eliminate the deficit over 10 years (or average future service, if less).

(b) Clergy

From 1 January 1998, Diocesan clergy became members of the new Church of England Funded Pensions Scheme. This scheme provides the part of their pension that relates to pensionable service *after* 1 January 1998. The scheme's assets are held separately from those of the London Diocesan Fund. Past service clergy pensions, for service *before* 1 January 1998, are paid by the Church Commissioners at no cost to the Diocese.

The London Diocesan Fund employs 525 members of the scheme out of a total membership of approximately 10,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the London Diocesan Fund is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. Paragraph 9(b) of FRS17 requires the London Diocesan Fund to account for pension costs on the basis of contributions actually payable to the scheme in the year (see note 3(a)).

Following the results of the 2003 triennial valuation, the London Diocesan Fund's contribution rate increased from 29.5% to 33.8% of pensionable stipends with effect from 1 April 2005. The new rate represented the future service contribution plus an amount to eliminate the deficit over 15 years (or average future service, if less).

As a result of a subsequent informal review of the Scheme's funding position, the London Diocesan Fund's contribution rate increased again to 39.8% of pensionable stipends with effect from 1 January 2007 as an interim measure, pending the results of the next formal valuation of the Scheme as at 31 December 2006.

The 31 December 2006 valuation revealed a shortfall of £141m, with assets of £468m and a funding target of £609m, assessed using the assumptions below. The 31 December 2003 shortfall was £91m.

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

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

14 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 2007 there were 53 members (2006: 47) 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 is 54.

THE LONDON DIOCESAN FUND

(A company limited by guarantee)

**The following pages do not form part of the statutory accounts
of the London Diocesan Fund for 31 December 2007**

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Notes to the Custodian Trusts Financial Statements	50 - 51
Independent Auditors' Report to the Custodian Trustees	52

THE LONDON DIOCESAN FUND

(A company limited by guarantee)

Report of the Custodian Trustees

The Council of the London Diocesan Fund, acting as Custodian Trustees, present the report and non-statutory financial statements for the year ended 31 December 2007

Legal Status

Under the 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 330 separate trusts.

Certain title and trust deeds are held in the name of the Bishop of London's Fund. This is a body that pre-existed the formation of the London Diocesan Fund in 1918 and in which property and capital were vested. For day to day purposes, its activities have been subsumed into the London Diocesan Fund since 1 January 1918, as noted on page 12.

Review of the Year

The overall value of funds held by the London Diocesan Fund as custodian trustee fell by £0.7m to £24.5m in 2007.

Total incoming resources rose by £0.3m to £1.2m in 2007. This reflected an increase in investment income, generated primarily from the general upward trend in investment returns.

At £3.6m, total resources expended were £1.6m higher than in 2006. This was primarily due to a £1.5m increase in resources expended to objects of trusts. This represents routine expenditure from the trust funds, as permitted by the individual trust's governing documents. The increase was owing to an increase in income expenditure of £0.2m, an increase in expendable capital expenditure of £1.8m and a decrease in Permanent Endowment expenditure of £0.5m.

The increase in expendable capital expenditure related primarily to the transfer of trust funds not required to be held by the LDF to beneficiaries of £1.1m, and also an increase in building project expenditure from two trusts of £0.7m during 2007 compared to 2006. The decrease in Permanent Endowment expenditure was due to the completion of a building project in 2006 for which expenditure in 2006 had been £0.5m.

Additional new resources of £1.9m were received during the year. Of this, £1.0m related to one new trust resulting from the sale of a church hall.

The losses on investment assets of £0.2m reflect the decrease in the value of equity holdings, resulting from a downturn in the stockmarkets during 2007.

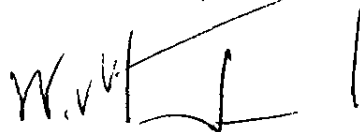
Statement of Custodian Trustee's responsibilities

The Charities Act 1993 requires 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 Act 1993. In preparing these financial statements in accordance with the Charities Act 1993, 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 Act 1993. 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.



Ven W M Jacob
Member of Council and
Finance Committee Chairman

15 May 2008

Custodian Trusts Balance Sheet at 31 December 2007

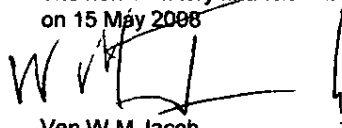
	Notes	Market Value 2007 £m	Market Value 2006 £m
Assets			
Fixed Asset Investments	2	21.0	21.9
Current Asset Investments	3	3.5	3.3
Net Assets		<u>24.5</u>	<u>25.2</u>
Funds			
Permanent Endowment	2	14.1	12.0
Non Permanent Capital	2	6.9	9.9
Unexpended Income	3	3.5	3.3
		<u>24.5</u>	<u>25.2</u>

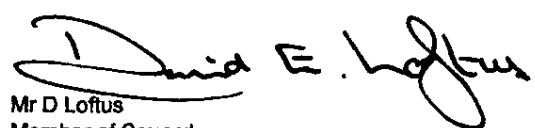
The notes on pages 50 and 51 form part of these accounts

Statement of Financial Activities for the year ended 31 December 2007

	Endowment Fund £m	Expendable Capital £m	Unexpended Income £m	Total 2007 £m	Total 2006 £m
Incoming Resources					
Donations	-	-	0.1	0.1	-
Investment Income	-	-	0.6	0.6	0.5
Income direct to Beneficiaries	-	-	0.5	0.5	0.4
Total Incoming Resources	-	-	1.2	1.2	0.9
Resources Expended					
Income paid to Beneficiaries	-	-	(0.5)	(0.5)	(0.4)
Transfer to Managing Trustees	-	-	-	-	-
To Objects of the Trusts	(0.1)	(2.5)	(0.5)	(3.1)	(1.6)
Total Resources Expended	(0.1)	(2.5)	(1.0)	(3.6)	(2.0)
Net (Outgoing)/Incoming Resources	(0.1)	(2.5)	0.2	(2.4)	(1.1)
Additional New Resources	1.2	0.7	-	1.9	2.9
Transfer between Funds	1.1	(1.1)	-	-	-
Net Incoming/(Outgoing) Resources for the year	2.2	(2.9)	0.2	(0.5)	1.8
(Losses)/Gains on Investment Assets	(0.1)	(0.1)	-	(0.2)	1.5
Net Movement in Funds for the year	2.1	(3.0)	0.2	(0.7)	3.3
Funds at 1 January 2007	12.0	9.9	3.3	25.2	21.9
Funds at 31 December 2007	<u>14.1</u>	<u>6.9</u>	<u>3.5</u>	<u>24.5</u>	<u>25.2</u>

The non statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 15 May 2008


Ven W M Jacob
Member of Council and
Finance Committee Chairman


Mr D Loftus
Member of Council

Notes to the Custodian Trusts Financial Statements

1. Principal 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 330 trusts.

The Balance Sheet at 31 December 2007 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2006 have been provided.

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

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

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

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

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

b Fund Balances

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

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

c Investment Income

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

d Other Income and Expenditure

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

Expenditure shown under transfer to managing trustees represents transfers of assets back to the sole trusteeship of managing trustees. Such transfers are agreed between the London Diocesan Fund as custodian trustee and the applicable managing trustees.

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.

Unlisted investments in Notes 2 and 3 are comprised primarily of M&G Charfund Income units.

Notes to the Custodian Trusts Financial Statements (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2007	Additions	Disposals	Transfers	Revaluation	Other Asset / Liability Movements	31 December 2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	208	-	-	-	5	-	213
Unlisted Investments	2,553	14	(1)	1,046	(303)	-	3,309
Investments held by the Central Board of Finance							
Fixed Interest	267	6	-	-	(4)	-	269
Investment Fund Shares	6,417	240	(19)	69	155	-	6,862
Property Fund	31	-	-	-	(2)	-	29
Deposit Fund	2,531	1,201	(362)	-	-	-	3,370
Other (Liabilities)/Assets	(61)	-	-	-	-	61	-
	<u>11,946</u>	<u>1,461</u>	<u>(382)</u>	<u>1,115</u>	<u>(149)</u>	<u>61</u>	<u>14,052</u>

Fixed Asset Investments represented by Expendable Capital

Listed Investments	306	122	(137)	-	(18)	-	273
Unlisted Investments	2,284	-	-	(1,046)	(121)	-	1,117
Investments held by the Central Board of Finance							
Fixed Interest	205	-	-	-	(3)	-	202
Investment Fund Shares	2,544	46	(166)	(69)	58	-	2,413
Deposit Fund	3,727	1,441	(2,309)	-	-	-	2,859
Other Assets/(Liabilities)	855	-	-	-	-	(805)	50
	<u>9,921</u>	<u>1,609</u>	<u>(2,612)</u>	<u>(1,115)</u>	<u>(84)</u>	<u>(805)</u>	<u>6,914</u>
Total Fixed Assets	21,867	3,070	(2,994)	-	(233)	(744)	20,886

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

Listed Investments	96	10	-	-	(1)	-	105
Unlisted Investments	163	-	-	-	(5)	-	158
Investments held by the Central Board of Finance							
Fixed Interest	8	-	-	-	-	-	8
Investment Fund Shares	136	8	(4)	-	3	-	143
Deposit Fund	1,928	350	(285)	-	-	-	1,993
	<u>2,331</u>	<u>368</u>	<u>(289)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>2,407</u>

Current Asset investments represented by Unexpended Income from Expendable Capital Assets

Investments held by the Central Board of Finance							
Fixed Interest	13	-	-	-	-	-	13
Investment Fund Shares	40	1	-	-	1	-	42
Deposit Fund	906	343	(240)	-	-	-	1,009
	<u>959</u>	<u>344</u>	<u>(240)</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1,064</u>
Other Assets	77	-	-	-	-	(37)	40
Total Current Assets	3,387	712	(629)	-	(2)	(37)	3,611
TOTAL	25,234	3,782	(3,523)	-	(235)	(781)	24,477

THE LONDON DIOCESAN FUND

(A company limited by guarantee)

INDEPENDENT AUDITORS' REPORT TO THE CUSTODIAN TRUSTEE OF THE FUNDS

We have audited the financial statements of the Funds for the year ended 31 December 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Fund's Custodian trustee, as a body, in accordance with sections 43 and 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the Fund's Custodian trustee those matters we are required to state to it 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 Funds and the Funds' Custodian trustee as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Custodian trustee and auditors

As described in the Statement of Custodian Trustee's Responsibilities, the Custodian trustee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, Funds have not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Custodian trustee's remuneration and transactions with the Funds is not disclosed.

We read the Report of the Custodian trustee and consider the implications for our report if we become aware of any apparent misstatement or material inconsistency with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Funds' affairs as at 31 December 2007 and of their incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.



Mazars LLP
Chartered Accountants
Registered Auditors

15 May 2008

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