

THE LONDON DIOCESAN FUND

DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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

Registered charity no: 241083

Ninetieth Report

Registered and principal office:
London Diocesan House
36 Causton Street
London
SW1P 4AU



THE LONDON DIOCESAN FUND (A company limited by guarantee)

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Glossary

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

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Directors' and Trustees' Report 2008 - 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 2008.

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 14 May 2009, the date of approval of this report, were as follows.

President and Chairman

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

Treasurer and Vice Chairman

Mr D E Loftus

The Chairman of the Finance Committee

The Archdeacon of Charing Cross,
Ven 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 Bishop of Stepney, Rt Revd S J Oliver

The Bishop of Kensington,
Rt Revd M Colcough (*until 20/4/08*)
P G Williams (*from 25/3/09*)

The Bishop of Edmonton, Rt Revd P W Wheatley
The Bishop of Willesden, Rt Revd P A Broadbent
The Bishop of Fulham, Rt Revd J C Broadhurst

The Archdeacon of London, Ven P A Delaney
The Archdeacon of Charing Cross, Ven Dr W M Jacob
The Archdeacon of Hackney, Ven Dr L Dennen
The Archdeacon of Middlesex, Ven S J Welch
The Archdeacon of Hampstead, Ven M C Lawson
The Archdeacon of Northolt, Ven R Treweek

The Dean of St Pauls, Rt Revd Graeme Knowles

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 (*until 8/10/08*)
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
The Revd Canon D G Meara
The Revd A D Williams (*until 31/1/08*)
Ms M Murrell

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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Professional advisers

Auditors	Mazars LLP Times House Throwley Way Sutton, Surrey SM1 4JQ	
Solicitors	Winckworth Sherwood Minerva House 5 Montague Close London SE1 9BB	
Insurers	Ecclesiastical Insurance Group PLC Beaufort House Brunswick Road Gloucester GL1 1JZ	
Bankers	Barclays Bank PLC Knightsbridge Business Centre P O Box 32014 London NW1 2ZG	Lloyds Banking Group PLC (Bank of Scotland plc) The Mound Edinburgh EH1 1YZ
Investment Managers	M&G Securities Limited Laurence Pountney Hill London EC4R 0HH	CCLA Investment Management Ltd 80 Cheapside London EC2V 6DZ
Communications Consultants	Luther Pendragon Limited 3 Priory Court, Pilgrim Street London EC4V 6DR	

Constitution, structure, governance and management

Summary information about the structure of the Church of England

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

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

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

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

The three National Church Institutions

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

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

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

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

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

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

Saint Paul's Cathedral and Westminster Abbey

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

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 of these four areas. There is also one archdeacon for the City of London and one for the City of Westminster, these two archdeacons forming the Two Cities area which is led by the Bishop of London personally. Each archdeaconry is subdivided into deaneries.

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

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

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

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

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

The London Diocesan Fund

The London Diocesan Fund ("the Fund") is a company limited by guarantee that was incorporated in England on 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:

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

The objects prohibit the payment of dividends.

The Fund is governed by a Memorandum and Articles of Association. The articles of association of the Fund may not be altered or varied without resolution of the Diocesan Synod. The memorandum and articles are regularly reviewed and amended from time to time, the last update being in May 2004. It is planned to propose revisions in 2009 to reflect the Companies Act 2006, Charities Act 2006 and other changes. The articles specifically give authority to members of the clergy to participate in decisions where they may have an interest through virtue of the holding of clerical office.

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

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

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

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

Finance Committee

The Finance Committee is a sub-committee of the Council. Its membership comprises laity and clergy. By a special resolution dated 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.

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 Lord Bishop of London, Rt Revd and Rt Hon
R J C Chartres
The Archdeacon of London, Ven P A Delaney
The Archdeacon of Charing Cross, Ven Dr W M Jacob
The Archdeacon of Hackney, Ven Dr L Dennen
The Archdeacon of Middlesex, Ven S J Welch
The Archdeacon of Hampstead, Ven M C Lawson
The Archdeacon of Northolt, Ven 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 (*until 27/2/09*)
Mr R Dean
Mr N Manns
Mr R N Perry
Dr S Willmington

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Audit Committee

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

The Committee reviews the systems of internal financial control 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

Risk Management

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

Trustee Training

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

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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
Other 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, Minerva House, 5 Montague Close, London, SE1 9BB
Office:	36 Causton Street, London SW1P 4AU

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of Charity Commissioners for England and Wales under the Charitable Trustees Incorporations Act on 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.

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

The London Diocesan Board of Finance

President and Chairman:	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer:	Mr D E Loftus
Trustees:	The trustees of the LDF.
Secretary:	K O Robinson
Solicitors:	Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB
Office:	36 Causton Street, London SW1P 4AU

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

The trustees believe that this report taken as a whole provides evidence of the public benefit of the charity's work in 2008.

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

- the provision of public rituals and ceremonies (see "sharing the good news of Jesus Christ in 21st century London");
- the cure of souls and the moral and spiritual improvement of the public (see "sharing the good news of Jesus Christ in 21st century London");
- the provision of comfort to the bereaved (see "expressing God's love in our World City");
- contributing towards a better society, by promoting social cohesion and social capital, for example by supporting matrimony (see "sharing the good news of Jesus Christ in 21st century London");
- contributing to the spiritual and moral education of children (see for example "telling the story of Jesus Christ afresh for this generation and especially for the young");

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- carrying out, as a practical expression of religious beliefs, other activities (such as advancing education or conflict resolution, or relieving poverty), which may also be charitable (see for example "serving London and all her people");
- contributing to good mental and physical health; aiding the prevention of ill health, speeding recovery and fostering composure in the face of ill health (see "sharing the good news of Jesus Christ in 21st century London");
- the provision and maintenance of sacred spaces, principally churches and churchyards, which are open to the public and many of which are listed buildings (see "serving London and all her people");
- the provision of other public spaces such as church halls as an expression of faith (see "serving London and all her people").

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

The Five Year Strategic Plan - The London Challenge 2012

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

The London Challenge 2012 sets out seven commitments for 2007 to 2012. It is based on Revelation 21, creating a "holy city, the new Jerusalem". Each commitment has greater detail, which is available on the Diocesan web site at www.london.anglican.org. 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)

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- 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 more than 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 where night prayer is offered every night and selected Bishop of London's lectures are downloadable.

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

The Diocese invested over £2m in 2008 in training new clergy and in the professional development of over 650 diocesan clergy. Over 130 ordinands were supported as well as over 250 Readers and many other forms of ministry.

In partnership with the neighbouring Diocese of Chelmsford, St Mellitus College is becoming established as a major national provider of ministerial training and is increasingly involved in training Readers and other lay ministers in the Diocese.

New structures were put in place to co-ordinate training and development, new 'training courses' pages were added to the website, and a review of the funding of training and budgetary management was undertaken in 2008. An Area Director of Training and Development (ADTD) was appointed for the Two Cities giving the full complement of five ADTDs for the five Episcopal Areas.

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

The educational work of the Diocese is led by the London Diocesan Board for Schools which champions and supports 148 primary and secondary schools attended by over 48,000 children and young people; the Fund supports its work through donations and provision of benefits in kind. Over 70% of those schools are rated "Good" or "Outstanding" by school inspectors of the Government's Office for Standards in Education, Children's Services and Skills (Ofsted). The drive to increase the number of places in Church secondary schools in London saw the opening of the Wren Church of England Academy in Barnet, which took in its first group of students in September 2008; when it is full it will provide places for 1000 students. Contracts were also signed for the building of the new Chelsea Church of England Academy which will open its doors to students in September 2009; it too will provide another 1000 places. With expansions planned at other secondary schools, we are well on track to meet and exceed our goal of more than 2012 additional secondary places by 2012.

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

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

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

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

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

The newly established Strategic Development function has introduced and implemented the Dioceses, Pastoral and Mission Measure 2007, and launched the publicly available map of development and change in London. The map of development change that the Diocese now holds, and is using, is also being consulted by London Boroughs, the Greater London Authority and central government departments. Together the new pastoral process and the information on development change will inform and allow 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.

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.

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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. New academies are being built; the Lent appeals are being dedicated to projects in Africa; and a fund raising film has been produced by the Bishop of London's Mission Fund in preparation for the appointment of a dedicated fund raiser.

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 2008, the Fund was able to maintain a balanced budget after undertaking all necessary parsonage quinquennial works and despite the need to make additional provision for lay employees' pensions. A balanced budget is planned for 2009 though current economic conditions may make its delivery more than usually hazardous.

Fundraising

The majority of the Fund's income is raised from parishes through Common Fund. Over 98% 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.

Statutory functions

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

Financial performance – "The Business Review"

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

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

General Fund

The Fund recorded an operating deficit on the General Fund of around £0.02m in the year. (This is rounded to £0.0m in the Statement of Financial Activities on page 30). This compares to the surplus of around £0.1m in 2007. Both the deficit in 2008 and the surplus in 2007 are less than ½% of income. Spending on charitable activities, including the additional pension contributions discussed below, increased faster than incoming resources. Incoming resources increased by £2.8m to £28.9m (2007: £26.1m). Resources expended on ordinary activities increased by £2.1m to £28.1m (2006: £26.0m). Including the contribution to the pension scheme discussed in detail elsewhere, resources expended increased by £2.9m to £28.9m (2006: £26.0m).

General Fund income increased mainly because

- of the increased generosity of parishes through Common fund (increase £1.2m or 7%);
- of excellent returns from property, described more fully below (increase £0.4m or 10%);
- of extra grants received from the City Parochial Foundation (£0.1m or 12%); and
- of extra income from bank accounts and investments in the stock market (£0.1m or 11%¹).

The General Fund income from the National Church (Church Commissioners) increased to £0.4m from £0.1m because of transitional relief for increased clergy pension payments.

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 £0.4m or 21% 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 £0.4m. 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 from dividends and interest receivable by £0.1m.

¹ The percentages in this section are calculated on the exact amounts and may differ from those calculated on the rounded amounts shown in the financial statements.

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Expenditure increased mainly because of 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.

Following an actuarial review of the Church Workers' Defined Benefit Scheme as at 31st December 2007, the Church of England Pension Board informed the Fund that the Fund was required to pay £0.83m to remedy a deficit in respect of London lay employees' previous service. The outstanding increases in income set out above enabled this amount to be paid in full in 2008. There was no equivalent payment in the previous year and a similar payment is not expected in 2010. For transparency in disclosure and to make comparison between years easier, this amount is shown separately in the accounts.

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; because more clergy moved than in previous years; and because the outstanding works arising from quinquennial inspections were all completed in the year.

Overall, the balance of increased income and managed expenditure enabled the Fund to mitigate most of the effect of the increased pension contribution and to record a small deficit on general funds.

Total Funds

An aggregate deficit on all funds of £3.1m (£3.1m in 2007) was recorded during the year and there was a net cash outflow of £3.3m (£0.5m inflow in 2007).

Overall incoming resources increased by 9.5% from £28.5m in 2007 to £31.2m in 2008 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. As described above, income from the Church Commissioners also increased in 2008.

Overall outgoing resources increased by 5.3% from £31.6m in 2007 to £33.3m in 2008, increases in expenditure of general and endowment funds being moderated by reductions in expenditure of designated and restricted funds.

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

Some of the support was given to individual projects and individual 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 annual report to parishes and on the website.

There was a net cash outflow because a greater value of real property was bought than sold. The new property was mostly for new parsonages. Gains of £3.5m (2007: £2.3m) were realised on disposal of property. Depreciation of £2.5m (2007: £2.4m) was charged in the year.

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There were net other recognised gains (including the property gains described above) of £10.8m (2007: £9.1m), principally due to increases in property valuations and realised gains on property of £17.1m (2007: £11.0m), offset by falls in investment valuations of £6.3m (2007: fall of £1.9m) due to capital value reductions on the stock market. During the year, redundant churches to a value of £9.7m were recognised as assets for the first time; previously, redundant churches had been valued at nil value. This and changes to the accounting treatment of value linked loans are explained in more detail in note 16 to the accounts.

There was, therefore, an increase in assets of £7.7m (2007: £6.0m) for the year to £331.7m (£324.0m in 2007). The substantial majority of this is represented by property used in the Fund's charitable operations, mainly parsonages.

Property

During the year, the property team continued to manage the estate to provide the best possible service to clergy and maximise the revenue from investment property and from functional property that was temporarily not in operational use. All the works arising from parsonage quinquennial inspections were completed in the year.

The budget and outlook for 2009

The budget for 2009 was approved by the Bishop's Council and the Diocesan Synod in November and December 2008. It reflects the strategic priorities of the London Challenge 2012 and provides for the following

- Balanced budget as required by the London Challenge
- No reduction in clergy numbers
- Common Fund up 5%
- A budget for a 4% increase in stipends
- Increased spending on maintaining parsonages
- Continuing to support London Challenge strategic developments

The Common Fund is budgeted to grow by 5% in 2009 compared to the budget for 2008. At the time of preparing the budget total incoming resources were expected to grow by about 5.4%.

Expenditure is budgeted to grow by about 5.3% reflecting increased expenditure on clergy because of higher stipend and other associated costs (mainly taxation, particularly Council Tax and National Insurance payments). Expenditure on parsonages is budgeted to rise because of increased expenditure on maintenance works arising from quinquennial inspections and greater movement of clergy. Expenditure on training new clergy is budgeted to rise significantly: this is reflected in substantially increased payment to the Archbishops' Council (vote 1) for training ordinands and increased support costs for students.

The budget was prepared in October 2008. It was a time of exceptional turmoil in financial markets. The Governor of the Bank of England said at the time "Since August 2007, the industrialised world has been

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engulfed by financial turmoil. And, following the failure of Lehman Brothers on 15 September, an extraordinary, almost unimaginable, sequence of events began which culminated a week or so ago in the announcements around the world of a recapitalisation of the banking system. It is difficult to exaggerate the severity and importance of those events. Not since the beginning of the First World War has our banking system been so close to collapse.”²

Since then the UK economy has been confirmed as being in recession. A number of companies have failed and others have reduced or cancelled dividends. As a response the Bank of England has reduced interest rates. Both the dividend reductions and interest rate reductions have an adverse effect upon the Fund's income from investments and its receipts from donors. Some action has been taken to reduce costs to mitigate the adverse effects and more is under consideration.

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

The outlook for 2010

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

Plans for Future Periods

In view of the present uncertainty, we continue to review regularly our longer term plans in the light of current circumstances and changing expectations. Work on strategic development is described on page 18. We plan to use the results of this work to determine how best to allocate and position our resources to take account of how we expect London to look in the future. A new committee of the Council has been set up to guide this work (see page 18) and we expect it to make tangible progress during 2009.

² Speech by the Governor of the Bank Of England at Leeds on 21 October 2008

Policies and other matters

Investment Policy

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

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

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

Reserves Policy and Designated Funds

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

General reserves are held specifically to finance working capital requirements to the extent that expenditure (principally stipends, salaries and property costs) is not matched by simultaneous receipt of Common Fund and investment income. Funds are held in liquid deposits paying commercial rates of interest. The policy is that general reserves equivalent to approximately one month's expenditure should be held in cash or near cash form for this purpose. General reserves at 31st December 2008 were £2.3m (2007: £2.7m) and were held as general funds. This equates to about 29 days of general fund expenditure.

Funds with a value of £76.4m (2007 £82.8m) have been designated for particular purposes as described more fully in Note 12a 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 to the accounts, most clergy housing is not owned by the Fund but is recognised in the accounts in accordance with FRS 5.

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

Some of these funds have been designated to enable loans to be made to further the charitable aims of the fund. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.1m (2007: £4.4m) is the major example. It is used mainly to

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provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed.

The remainder of the designated funds, with a value of £7.8m (2007: £6.6m), is designated for various particular purposes, especially enabling the Fund to evolve and take advantage of strategic development opportunities. Many of these funds are gradually being exhausted as they are spent for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

Policy on Investments of Unrestricted but Designated Funds

Unrestricted but designated property investments, amounting to £24.2m (2007: £32.0m) 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 three 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.

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

Restricted Funds

Funds with a value of £16.0m (2007: £59.6m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 12b to the accounts.

Glebe assets, which were previously treated as restricted income funds, are now regarded as restricted expendable endowment funds as described more fully in the note 16(c) to the accounts.

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Investment returns

Investment property with a net book value of £66.6m (2007: £62.6m) generated income of £3.5m (2007: £3.1m).

Investments in equities, fixed interest securities and other quoted securities amounted to £14.0m (2007: £20.4m). These include sole trusts: details are in Note 7 to the accounts. Losses in value of £6.3m (2007: losses of £1.9m) were recorded and dividends of £1.0m (2007: £0.9m) were received. The reduction in value of investments in shares, which are held through investment funds, was broadly in line with the fall in the value of FTSE all-share index.

By mid May 2009, the value of investments in shares had declined further; many companies had announced reduced or suspended dividends; the Bank of England has reduced its rate to ½%; and the value of investment properties was likely to have reduced. Note 17 to the accounts describes these post balance sheet events.

Valuation of real property assets

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

Pension Schemes

The majority of the employees of the Fund are members of the Church Workers' Pension Scheme. The Fund was notified by the scheme's trustee, the Church of England Pensions Board, of a deficit of £0.8m in 2008 and paid this amount to the trustee. Further details are contained in note 14 to the financial statements.

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

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

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Other Matters

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

Attention is drawn to note 9b of the financial statements which details the Fund's support of connected charities e.g. in the form of support given of £158,000 (£165,000 in 2007) to the London Diocesan Board for Schools and with reference to other support in respect of accommodation and office support. This is to ensure that the Diocese of London both fulfils its statutory education responsibilities and its desire that the Gospel of Christ is spread through educational ministry as through other ministries.

Members and Members' Interests

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

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

Disclosure of information to auditors

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

Trusts

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

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Funds Held as Custodian Trustee on Behalf of Others

As noted on page 56 the Fund is custodian trustee for trust assets of £19.8m (£24.5 in 2007). Detailed certificates of holdings were sent to parishes and other managing trustees as of 31st December 2008.

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 56 together with financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 57 and 60. Because of the large number of such trusts they are not listed separately.

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

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

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

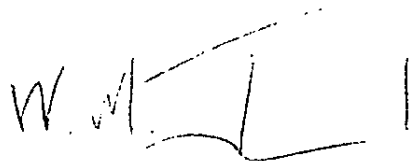
The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the excess of expenditure over income for that period.

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

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

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



Ven W M Jacob
Member of Council and Finance Committee Chairman

14 May 2009

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 31st December 2008 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.

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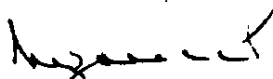
**Directors' and Trustees' Report and Financial Statements
for the year ended 31 December 2008**

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 charity's affairs as at 31st December 2008 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
19 May 2009

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

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Statement of Financial Activities for the year to 31 December 2008

		Unrestricted funds		Restricted Funds	Endowment Funds	Total 31/12/08	Total 31/12/07
		General £m	Designated £m	£m	£m	£m	£m
Incoming Resources							
	Note						
Incoming Resources from generated funds							
<i>Voluntary income</i>							
Common Fund		18.2	-	-	-	18.2	17.0
Donations		0.6	0.1	0.4	-	1.1	1.0
Church Commissioners		0.5	0.3	0.2	-	1.0	0.6
City Parochial Foundation		1.3	-	-	-	1.3	1.2
Stipend refunds		2.2	-	-	-	2.2	1.8
<i>Activities for generating funds</i>							
Functional Property Rentals		0.9	0.2	-	-	1.1	1.1
Assigned Fees		0.4	-	-	-	0.4	0.4
<i>Investment income</i>							
Dividends and Interest Receivable	10b	1.5	0.3	0.4	-	2.2	2.1
Investment Property Rentals		3.3	-	0.2	-	3.5	3.1
Other Incoming Resources		-	-	-	-	-	0.2
Total Incoming Resources		28.9	0.9	1.2	-	31.0	28.5
Resources Expended							
Cost of generating funds							
<i>Investment management costs</i>							
Rental portfolio costs - agent fees		0.3	-	-	-	0.3	0.3
Investment Property repairs & maintenance		0.9	0.3	0.1	0.1	1.4	1.3
Fundraising		-	-	-	-	-	-
Charitable activities							
Ministry		17.5	0.2	0.1	-	17.8	16.8
Education & Outreach		0.5	-	-	-	0.5	0.4
Parish and Area Support Services		1.2	0.1	0.2	-	1.5	1.5
Clergy Housing & Care of Churches		5.1	1.0	-	1.6	7.7	6.9
National Church		1.9	-	-	-	1.9	1.8
Grants to Parishes & Overseas	5	0.5	0.7	0.6	-	1.8	2.3
Governance		0.2	-	-	-	0.2	0.2
Other resources expended		-	0.2	-	-	0.2	0.1
Total Resources Expended	4	28.1	2.5	1.0	1.7	33.3	31.6
Net incoming/(outgoing) resources for year before transfers and pension deficit payments		0.8	(1.6)	0.2	(1.7)	(2.3)	(3.1)
Pension Deficit Payments		(0.8)	-	-	-	(0.8)	-
Net incoming/(outgoing) resources for year before transfers		(0.0)	(1.6)	0.2	(1.7)	(3.1)	(3.1)
Transfers between funds	12d	(0.4)	(1.4)	(52.7)	54.5	-	-
Net incoming/(outgoing) resources for year after total transfers		(0.4)	(3.0)	(52.5)	52.8	(3.1)	(3.1)
Other recognised gains and losses:							
Unrealised (losses) on investment assets	7	-	(1.3)	(1.3)	(3.7)	(6.3)	(1.9)
Unrealised gains/(losses) on property assets	6, 16	-	(4.9)	9.7	8.8	13.6	8.7
Realised gains/(losses) on investment assets		-	-	-	-	-	-
Realised gains on property assets		-	2.8	0.5	0.2	3.5	2.3
Net Gains		-	(3.4)	8.9	5.3	10.8	9.1
Net movement in funds for the year		(0.4)	(6.4)	(43.6)	58.1	7.7	6.0
Balances at 1 January 2008		2.7	82.8	59.6	178.9	324.0	318.0
Balances at 31 December 2008		2.3	76.4	16.0	237.0	331.7	324.0

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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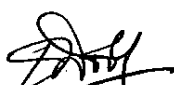
Balance Sheet at 31 December 2008

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 31/12/2008 £m	Total 31/12/2007 £m
Fixed Assets							
Functional Property	6	-	43.1	1.2	193.7	238.0	222.0
Investment Property	6	-	24.2	8.5	33.9	66.6	62.6
Fixtures, Fittings and Equipment		0.1	-	-	-	0.1	-
Investments	7	-	2.8	3.0	8.2	14.0	20.4
		<u>0.1</u>	<u>70.1</u>	<u>12.7</u>	<u>235.8</u>	<u>318.7</u>	<u>305.0</u>
Current Assets							
Debtors	9	1.1	2.6	0.3	-	4.0	5.1
Cash and short term deposits	10a	2.5	9.6	3.2	1.2	16.5	19.8
		<u>3.6</u>	<u>12.2</u>	<u>3.5</u>	<u>1.2</u>	<u>20.5</u>	<u>24.9</u>
Creditors:							
Amounts falling due within one year	11	1.4	1.7	0.2	-	3.3	4.0
Net Current Assets		<u>2.2</u>	<u>10.5</u>	<u>3.3</u>	<u>1.2</u>	<u>17.2</u>	<u>20.9</u>
Total Assets less current liabilities		<u>2.3</u>	<u>80.6</u>	<u>16.0</u>	<u>237.0</u>	<u>335.9</u>	<u>325.9</u>
Creditors:							
Amounts falling due after one year	11	-	4.2	-	-	4.2	1.9
		<u>2.3</u>	<u>76.4</u>	<u>16.0</u>	<u>237.0</u>	<u>331.7</u>	<u>324.0</u>
Funds							
General		2.3	-	-	-	2.3	2.7
Designated	12a	-	76.4	-	-	76.4	82.8
Restricted	12b	-	-	16.0	-	16.0	59.6
Endowment	12c	-	-	-	237.0	237.0	178.9
		<u>2.3</u>	<u>76.4</u>	<u>16.0</u>	<u>237.0</u>	<u>331.7</u>	<u>324.0</u>

The financial statements on pages 31 to 54 were approved by the Diocesan Bishop's Council on 14 May 2009



Ven W M Jacob
Member of Council and
Finance Committee Chairman



Mr I R M Woolf
Member of Council

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Summary Income and Expenditure Account - 31 December 2008

	2008 £m	2007 £m
<u>Non-endowment movements</u>		
Gross income	31.0	28.5
Realised gains	3.3	2.3
Total income	<u>34.3</u>	<u>30.8</u>
Total expenditure (excluding deficit payments)	(31.6)	(30.3)
Pension Deficit Payments	(0.8)	0.0
Total expenditure	<u>(32.4)</u>	<u>(30.3)</u>
Net income on income funds before unrealised gains/(losses) and transfers	<u>1.9</u>	<u>0.5</u>

In 2008 £54.5m [2007: £0.1m] was transferred to endowments largely due to the reclassification of glebe funds (see note 12d and 16(c)).

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 31, which together with the notes to the Accounts on pages 35 to 54 provides full information on the movement during the year on all the funds of the London Diocesan Fund.

	2008 £m	2007 £m
Note of historical cost profits and losses		
(Deficit) for the financial year	(3.1)	(3.1)
Realisation of revaluation gains of previous years	3.5	2.3
Historical Cost (loss)/profit for the year	<u>0.4</u>	<u>(0.8)</u>

The notes on pages 35 to 54 form part of these accounts.

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Cash Flow Statement - 31 December 2008

		31/12/08	31/12/07
	Note	Total	Total
		£m	£m
Net cash outflow from operating activities	13	(6.9)	(6.6)
Returns on investments and servicing of finance	13	<u>6.8</u>	<u>6.4</u>
		(0.1)	(0.2)
Capital outflow and financial investment	13	(3.4)	0.7
Cash outflow before use of Financing		<u>(3.5)</u>	<u>0.5</u>
Financing	13	0.2	-
(Decrease)/increase in cash in the period		<u>(3.3)</u>	<u>0.5</u>
Reconciliation of net cash flow to movement in net debt (see note 13)			
(Decrease)/increase in cash in the period		(3.3)	0.5
Cash flow arising from (increase)/decrease in debt		(0.2)	-
Non cash (increase)/decrease in debt	16(b)	<u>(2.1)</u>	<u>-</u>
Movement in net debt in the period		(5.6)	0.5
Net funds at 1 January		17.9	17.4
Net funds at 31 December	13	<u>12.3</u>	<u>17.9</u>

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Notes to the financial statements for the year ended 31 December 2008

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

1.1 Basis of preparation

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

1.2 Funds

The Fund has various types of fund for which it is responsible and which require separate disclosure. Note 12 shows the balances and movements on each fund together with details of their uses. Page 23 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 12a)

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

Restricted Funds (note 12b)

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

Endowment Funds (note 12c)

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

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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, national insurance and pension contributions.
Education & Outreach	Annual grant to the Board for Schools in London plus direct costs related to children's ministry, community ministry and social justice.
Parish and Area Support Services	Costs associated with the Areas including office costs, senior clergy expenses and the costs of advisers.
Clergy Housing	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) Burial Grounds

Burial grounds 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.

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(c) Redundant Churches

Redundant Churches are valued at suitable multiples of annual rental income where this is significant. Where this approach is not applicable, the asset is held at nil value in the books.

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

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

(e) Fixtures, fittings and equipment

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

Depreciation

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

Benefice Houses	150 years
Freehold properties	50 years
Leasehold properties	Lease Term
Fixtures, fittings and equipment	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 17 years' rental [2007: 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 57 with supporting notes on pages 58 and 59. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 55 to 59 is found on page 60.

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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:

	2008 £'000	2007 £'000
Depreciation	2,508	2,412
Auditors' Remuneration (including VAT)		
Audit	34	32
Non-Audit Services		
- Review of Custodian Trusts	4	4
	<u>38</u>	<u>36</u>

3 Staff and Clergy Costs

Costs of lay staff (not parochial or sector clergy)

	2008 £'000	2007 £'000
Wages and Salaries	1,964	1,890
Employer's National Insurance	168	158
Employer's Normal Pension Contribution (note 14(a))	426	439
(excludes one off deficit contribution of £830k in 2008 as described in note 14(a))	<u>2,558</u>	<u>2,487</u>

The number of employees employed on diocesan business was 59 (2007: 58). During 2008, 5 extra people (2007: 4) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of employees for statutory purposes was, therefore, 64 (2007: 62).

The Full Time Equivalent average number of people employed on diocesan business was 56 (2007: 54). During 2008, 5 extra people (2007: 4) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 61 (2007: 58).

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

£80,001-£90,000	1	1
£70,001-£80,000	2	-
£60,001-£70,000	-	2

Aggregate employer normal pension contributions for the employees above were £37,273 (2007: £36,009) payable to a defined benefit scheme (Church Workers Pension Fund).

Clergy holding parochial or archdiaconal posts

	2008 £'000	2007 £'000
Gross stipends	10,752	10,511
Employer's National Insurance	619	610
Employer's Pension (note 14(b))	3,838	3,821
	<u>15,209</u>	<u>14,942</u>
Average number of total stipendiary clergy posts	<u>529</u>	<u>532</u>
Number of total stipendiary clergy posts at 31 December	<u>532</u>	<u>538</u>

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

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

	2008 £'000	2007 £'000			
<u>Indirect support costs</u> (allocated below)					
Salary and employment costs	935	859			
Office costs	232	178			
	<u>1,167</u>	<u>1,037</u>			
Resources Expended	Before allocation of support costs	Direct support costs	Indirect support costs	2008	2007
	£'000	£'000	£'000	£'000	£'000
Cost of generating funds					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	300	-	-	300	315
Investment Property repairs & maintenance	1,350	-	50	1,400	1,247
Fundraising	-	-	-	-	-
	<u>1,650</u>	<u>-</u>	<u>50</u>	<u>1,700</u>	<u>1,562</u>
Charitable activities					
Ministry	17,351	-	449	17,800	16,766
Education & Outreach	366	4	130	500	446
Parish & Area Support	1,000	227	273	1,500	1,465
Clergy Housing Property and Care of Churches Costs	4,799	184	209	5,192	4,556
Clergy Housing Depreciation	2,508	-	-	2,508	2,412
<i>Clergy Housing</i>	<u>7,307</u>	<u>184</u>	<u>209</u>	<u>7,700</u>	<u>6,968</u>
National Church	1,900	-	-	1,900	1,811
Grants to Parishes & Overseas	1,754	-	46	1,800	2,252
Governance Costs	-	200	10	210	211
Other resources expended	200	-	-	200	132
	<u>31,528</u>	<u>615</u>	<u>1,167</u>	<u>33,310</u>	<u>31,613</u>

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

5 Grants Payable

Funding source (notes 12 a, b & c)	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2008 £'000	Total 2007 £'000
<u>Grants to Parishes from:</u>						
Diocesan Bishops Council	-	131	-	-	131	-
City Parochial Foundation	437	-	-	-	437	387
Area Pastoral and UPA Funds	-	56	-	-	56	254
Bishop of London's Mission Fund	-	423	-	-	423	773
Funds held for Parish Benefit	-	87	528	14	629	545
	<u>437</u>	<u>697</u>	<u>528</u>	<u>14</u>	<u>1,676</u>	<u>1,959</u>
<u>Overseas:</u>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	80	-	80	247
Grant administration allocation	46	-	-	-	46	46
Total	<u>483</u>	<u>697</u>	<u>608</u>	<u>14</u>	<u>1,802</u>	<u>2,252</u>

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6 Tangible Assets and Investment Property

	Designated Funds		Restricted Funds	Expendable Endowment Funds				Permanent Endowment	Combined Total £'000
	Freehold Property £'000	Long Leasehold Property £'000	Total £'000	Redundant Church Property £'000	Leasehold Benefice Houses £'000	Freehold Benefice Houses £'000	Glebe Property £'000	Total £'000	Freehold Property £'000
At cost or valuation									
At 1 January 2008	69,408	1,407	70,815	-	2,162	180,047	44,987	227,196	178
Additions	4,873	-	4,873	-	-	2,472	671	3,143	-
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(622)	(9)	(631)	-	-	(499)	(17)	(516)	-
Revaluation	(2,839)	82	(2,757)	9,709	206	9,915	(1,377)	8,744	-
At 31 December 2008	70,820	1,480	72,300	9,709	2,368	191,935	44,264	238,567	12
									190
									320,766
Depreciation									
At 1 January 2008	4,009	107	4,116	-	232	8,344	962	9,538	26
Charge for the year	853	17	870	-	47	1,354	233	1,634	4
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(19)	(1)	(20)	-	-	(3)	-	(3)	-
Revaluation	(40)	-	(40)	-	-	-	-	-	-
At 31 December 2008	4,803	123	4,926	-	279	9,695	1,195	11,169	-
									30
									16,125
Net Book Value									
At 31 December 2008	66,017	1,357	67,374	9,709	2,089	182,240	43,069	227,398	160
									304,641
NBV Functional Property									
NBV Investment Property	41,978	1,198	43,176	1,188	2,089	182,240	9,226	193,555	160
	24,039	159	24,198	8,521	-	-	33,843	33,843	-
	66,017	1,357	67,374	9,709	2,089	182,240	43,069	227,398	160
									304,641
Net Book Value									
At 31 December 2007	65,399	1,300	66,699	-	1,930	171,703	44,025	217,658	152
									284,509

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

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.

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

During 2008 the valuation of redundant churches was changed to better reflect the value of these assets to the organisation. Further details can be found in note 16a.

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7 Investments

	01/01/08 £'000	Additions £'000	Disposals £'000	Revaluation £'000	Transfers £'000	31/12/08 £'000
Designated Funds						
M&G Investments	3,737	508	(542)	(1,168)	-	2,535
Designated Trusts						
M&G Investments	342	-	-	(111)	-	231
	<u>4,079</u>	<u>508</u>	<u>(542)</u>	<u>(1,279)</u>	<u>-</u>	<u>2,766</u>
Restricted Funds						
Sole Trusts						
Listed Investments	19	-	-	-	-	19
M&G Investments	3,617	-	(204)	(1,098)	-	2,315
CBF Investment Fund Shares	905	23	(14)	(229)	(2)	683
CBF Fixed Interest Securities Fund	7	-	(7)	-	-	-
	<u>4,548</u>	<u>23</u>	<u>(225)</u>	<u>(1,327)</u>	<u>(2)</u>	<u>3,017</u>
Expendable Endowment Funds						
Glebe						
M&G Investments	7,027	-	-	(2,266)	-	4,761
Permanent Endowment Funds						
Sole Trusts						
Listed Investments	4	-	-	-	-	4
M&G Investments	3,596	213	(112)	(1,125)	-	2,572
CBF Investment Fund Shares	1,076	83	(16)	(287)	2	858
CBF Fixed Interest Securities Fund	42	-	-	1	-	43
CBF Property Fund	3	-	-	-	-	3
	<u>4,721</u>	<u>296</u>	<u>(128)</u>	<u>(1,411)</u>	<u>2</u>	<u>3,480</u>
Total Fixed Asset Investments	<u>20,375</u>	<u>827</u>	<u>(895)</u>	<u>(6,283)</u>	<u>-</u>	<u>14,024</u>

Cost or valuation

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

CBF investments are valued by the CCLA.

Investment information:

The vast majority of M&G investments relate to M&G Charifund. This investment fund's stated objective is to provide a high and growing income while protecting capital from inflation. The policy is to invest in equities and convertible stocks, to provide an income 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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8 Investments in subsidiary undertakings

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

9 Debtors

	General £'000	Designated £'000	Restricted £'000	31/12/08 £'000	31/12/07 £'000
Contributions to the Common Fund	492	-	-	492	487
Rent Receivable	320	55	204	579	884
Prepayments and accrued income	127	-	24	151	60
	<u>939</u>	<u>55</u>	<u>228</u>	<u>1,222</u>	<u>1,431</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	1,656	-	1,656	2,397
- Area Council awarded	-	732	-	732	745
	<u>-</u>	<u>2,388</u>	<u>-</u>	<u>2,388</u>	<u>3,142</u>
Loans to individuals	29	173	-	202	190
Other Debtors	162	-	104	266	268
	<u>1,130</u>	<u>2,616</u>	<u>332</u>	<u>4,078</u>	<u>5,031</u>

<u>Movements in Loans to Parishes:</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
At 1 January	3,142	3,524
Additions (new loans and interest)	664	678
Repayments	<u>(1,418)</u>	<u>(1,060)</u>
At 31 December	<u>2,388</u>	<u>3,142</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.

Some loans fall due after more than one year but the amount involved is not material enough to warrant separate disclosure on the face of the balance sheet.

9b Related Parties

Payroll Services:

These are undertaken on behalf of a number of local church based projects whereby the Fund acts as a payroll agent. At 31 December 2008 other debtors included £129k (2007: £191k) and other creditors included £24k (2007: £22k) 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 £158k (2007: £165k). The Board is a charitable company (reg. no. 198131). At 31 December 2008 other debtors included £6k for salary and office cost recharges (2007: £5k).

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

	2008 £'000	2007 £'000
Accommodation	89	89
House services	109	92
	<u>198</u>	<u>181</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 2007 and 2008.

Trustees' Expenses/Remuneration

In 2008 the London Diocesan Fund reimbursed a total of £26k to 10 members (2007: £18k to 8) of the Bishop's Council. The expenses related mostly to working expenses e.g. as Archdeacon, Area Dean or other official. By virtue of their clerical office the Diocese is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council, along with national insurance and costs associated with housing. The stipends, national insurance and pension of Bishops is borne and funded by the Church Commissioners. The following was paid to 18 other members of the clergy in 2008 (Full Time Equivalent: 17) who were members of the Bishop's Council (2007:17; Full Time Equivalent: 16).

	2008 £'000	2007 £'000
Stipend	423	367
Employers NI	25	22
Pension	137	135
	<u>585</u>	<u>524</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 (2007: 14) were housed in parsonages by virtue of their clerical office. No employee (2007:nil) was housed in a parsonage.

A further 7 members of Council (and Finance Committee) (2007: 7) and 3 employees in holy orders (2007: 2) 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.

THE LONDON DIOCESAN FUND

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10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	31/12/08 £'000	31/12/07 £'000
CBF Deposits	928	9,413	3,183	1,207	14,731	4,462
Lloyds Banking Group Deposits (Bank of Scotland)	169	-	-	-	169	14,214
Cash at Bank and in hand	1,407	168	-	-	1,575	1,120
	<u>2,504</u>	<u>9,581</u>	<u>3,183</u>	<u>1,207</u>	<u>16,475</u>	<u>19,796</u>

10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	31/12/08 £'000	31/12/07 £'000
Dividends	778	18	226	-	1,022	908
Cash and Deposit interest	640	300	149	-	1,089	1,049
Fixed interest investments	-	-	4	-	4	9
Loan interest	129	-	-	-	129	145
Total	<u>1,547</u>	<u>318</u>	<u>379</u>	<u>-</u>	<u>2,244</u>	<u>2,111</u>

11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	31/12/08 £'000	31/12/07 £'000
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Amounts falling due within one year:

Parish Loans Payable	-	354	-	-	354	518
Grants Payable	213	1,286	9	-	1,508	2,131
Other Creditors	725	69	63	-	857	717
Accruals and deferred income	470	-	134	-	604	602
	<u>1,408</u>	<u>1,709</u>	<u>206</u>	<u>-</u>	<u>3,323</u>	<u>3,968</u>

Amounts falling due after more one year:

Church Commissioners re value linked loans	-	4,225	-	-	4,225	1,887
Total	<u>1,408</u>	<u>5,934</u>	<u>206</u>	<u>-</u>	<u>7,548</u>	<u>5,855</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 in the accounts, as discussed in note 16b, at the depreciated insurance value of the property bought with the loan.

THE LONDON DIOCESAN FUND

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12a Designated Funds

	01/01/08	Incoming Resources	Outgoing Resources	Unrealised Gains/(Losses)	Transfers	31/12/08
	£'000	£'000	£'000	£'000	£'000	£'000
Designated Funds						
Functional Property	37,521	-	(870)	(1,745)	4,046	38,952
Investment Property	27,290	-	-	(3,145)	53	24,198
Parsonage Reserve	2,242	935	(80)	(192)	(1,978)	927
Fund Property Reserve	4,707	684	(329)	(478)	(4,099)	485
Quinquennial Fund	-	-	-	-	250	250
Designated Trusts	1,489	1,594	(86)	(111)	(64)	2,822
Mission Opportunity	1,850	3	(104)	(166)	(500)	1,083
Bishop of London's Mission Fund	641	354	(460)	-	500	1,035
Clergy Training and Support	1,155	-	(109)	(112)	30	964
Area Loan Capital Fund	613	-	(39)	-	-	574
Area Pastoral Funds	552	38	(48)	-	66	608
Urban Priority Area Funds	92	6	(8)	-	4	94
Area Bank Accounts	137	116	(89)	-	-	164
Diocesan Loan Capital	4,413	-	(131)	(220)	-	4,062
Centrally Sponsored Area Project Reserve	8	-	(78)	-	70	-
Bishop of London's Reserve	27	2	(88)	-	124	65
School Academy Grant Liability	60	-	-	-	(60)	-
Strategic Development Reserve	-	-	-	-	120	120
Total Designated Funds	82,797	3,732	(2,519)	(6,169)	(1,438)	76,403
					Note 12d	

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

Designated Fund Property	Functional property (£43.1m) is held to house clergy, supporting one of the principal activities of the Fund. The Value Linked Loans creditor, as described in note 11, is included within this reserve. Investment property (£24.2m) 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.
Quinquennial Fund	The number of parsonage quinquennial maintenance works varies each year even though the total number over a given five year period is approximately 500 (i.e. the number of clergy houses). Each year from 2009 onwards the cost of 100 parsonage quinquennials will be charged to general fund expenditure, with any excess charged to designated funds. The £250k transfer in 2008 from general funds is designed to provide a cushion for future years.
Designated Trusts	This fund represents proceeds arising from the sale of parish-based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case-by-case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish based development or replacement facility.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy.
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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12a Designated Funds (continued)

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

12b Restricted Funds

	01/01/08	Incoming Resources	Outgoing Resources	Unrealised Gains	Transfers	31/12/08
	£'000	£'000	£'000	£'000	£'000	£'000
Sole Trust Expendable Funds	8,370	679	(627)	(1,327)	(2)	5,093
Redundant Churches Fund	622	767	(109)	-	(140)	1,140
Redundant Church Property	-	-	-	9,709	-	9,709
BLMF restricted fund	23	57	(56)	-	-	24
CUF restricted funds	-	114	(67)	-	-	47
Bishops' secretaries	-	212	(190)	-	-	22
Reclassification of glebe funds (see 12c and 16c)	52,511	-	-	-	(52,511)	-
Total	59,528	1,829	(1,049)	8,382	(52,653)	16,035

Note 12d

Restricted Funds

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 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading.
Redundant Churches Fund	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.
Redundant Church Property	This fund represents the net book value of redundant church property (see note 6 and 16a)
BLMF restricted Fund	This fund deals with donations to the Bishop of London's Mission Fund (see note 12a) which are held under the terms of reference of the BLMF only or indicate other specific restrictions.
Church Urban Fund (CUF)	This fund shows the aggregate match funding received in relation to a number of BLMF and other projects.
Bishops' secretaries	This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.

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12c Endowment Funds

	01/01/08	Incoming Resources	Outgoing Resources	Unrealised Gains	Transfers	31/12/08
	£'000	£'000	£'000	£'000	£'000	£'000
Expendable Endowment						
Glebe Property Fund	-	-	(233)	(1,377)	44,679	43,089
Glebe Investment Fund	-	192	(35)	(2,266)	7,832	5,723
Parsonage House Capital	173,632	-	(1,402)	10,121	1,978	184,329
Permanent Endowment						
Sole Trust Permanent Endowment	5,227	83	(27)	(1,400)	2	3,885
Total	178,859	275	(1,697)	5,078	54,491	237,008

Note 12d

Glebe Property Fund	This represents the net book value of glebe property with movements shown in note 6. Rental income from glebe property is credited to general funds where it is used to fund clergy stipend payments. As with Designated Fund Property, the fund is split between functional (£9.2m) and investment (£33.8m) property.
Glebe Investment Fund	This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is only used to fund clergy stipend payments. The use of Glebe assets detailed above is governed by the Diocesan Stipends Fund Measure (1953) and the Endowments and Glebe Measure 1976.
Parsonage House Capital	This fund represents the net book value of Benefice Houses (see note 6).
Sole Trust Permanent Endowment	This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 12b). The £27k of outgoing resources represents depreciation on Permanent Endowment Freehold Property (see note 6) and winding up small trusts.

12d Transfer Between Funds - Detailed Breakdown of Movements

Statement of Financial Activities analysed:

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Reclassify glebe funds	-	-	(52,511)	52,511	-	See note 16c
Parsonage additions	-	(2,473)	-	2,473	-	I
Parsonage sales	-	495	-	(495)	-	I
Redundant Church Proceeds	-	140	(140)	-	-	II
Release of designated funds	124	(124)	-	-	-	III
Transfer to Bishop of London Reserve	(124)	124	-	-	-	IV
Creation of Parsonage Quinquennial Fund	(250)	250	-	-	-	See note 12a
Area Clergy Training	(30)	30	-	-	-	
Conferences sinking fund	-	-	-	-	-	
Transfer underspend on Strategic Development budget	(120)	120	-	-	-	
Trust reclassifications	-	-	(2)	2	-	
	(400)	(1,438)	(52,653)	54,491	-	
	Note 12a	Note 12b	Note 12c			

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

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

III. The School Academy Grant fund and a designated trust were released to general funds during the period as their designations had become obsolete.

IV. The trustees passed a resolution to designate additional funds for the Bishop of London's reserve, details of which are given in note 12a.

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13 Notes to the cash flow statement

	2008 Total Funds £'000	2007 Total Funds £'000
Note 1: Reconciliation of operating deficit to operating cash flows		
Operating Deficit	(2,938)	(3,141)
Depreciation charges	2,508	2,412
Decrease in debtors	953	1,149
(Decrease)/increase in creditors	(645)	(655)
Investment and Rental Income	(6,791)	(6,359)
	<u>(6,913)</u>	<u>(6,594)</u>
Note 2 : Gross Cash Flows		
Returns on investments and servicing of finance		
Dividends and Interest Receivable	2,244	2,111
Rental Income	4,547	4,248
	<u>6,791</u>	<u>6,359</u>
Capital Expenditure and investment		
Sale of property	4,676	4,518
Purchase of property	(8,045)	(2,418)
Sale of investments	832	195
Purchase of investments	(827)	(1,600)
	<u>(3,364)</u>	<u>695</u>
Financing		
New Value Linked Loans	165	-
	<u>165</u>	<u>-</u>

Note 3: Analysis of Changes in net debt

	01/01/08 £'000	Cash Flows £'000	Other £'000	31/12/08 £'000
Funds				
Cash at bank and in hand	1,120	455	-	1,575
Short Term Deposits	18,676	(3,776)	-	14,900
	<u>19,796</u>	<u>(3,321)</u>	<u>-</u>	<u>16,475</u>
Debt due within one year	-	-	-	-
Debt due after one year	(1,887)	(165)	(2,173)	(4,225)
	<u>(1,887)</u>	<u>(165)</u>	<u>(2,173)</u>	<u>(4,225)</u>
	<u>17,909</u>	<u>(3,486)</u>	<u>(2,173)</u>	<u>12,250</u>

THE LONDON DIOCESAN FUND

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14 Pensions

(a) Lay Staff Pensions

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

At 31 December 2008 the London Diocesan Fund had 49 active members and 48 deferred pensioner members in the Pension Fund (2007: 54 and 46 members respectively) out of a total of 1,504 active members and 1,432 deferred members.

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).

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

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

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

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

The completed service section of the DBS (active and deferred members) was found to be in deficit at 31st December 2007. The deficit amounted to £830,000 and a one off payment has been made to settle this liability (see Statement of Financial Activity on page 31).

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

14 Pensions (continued)

(b) Clergy Pensions

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

The London Diocesan Fund is the sponsoring employer for 524 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).

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

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

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

15 Members' Liability

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2008 there were 52 members (2007: 53) 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.

16 Refinement of accounting policies

(a) Redundant Church Valuations

In previous financial years, redundant churches were valued at nil within the financial statements owing to the inherently difficult nature of valuing this class of property. However, in light of a number of redundant churches being developed and let out commercially in recent times, and to reflect better the underlying financial position, the trustees have decided to refine the existing valuation basis to allow redundant church assets to be recognised within the books of account where those assets generate significant rental income. Redundant churches are valued in the 2008 statutory accounts at suitable multiples of annual rental income where this is significant. Where this approach is not applicable, the asset is held at nil value in the books.

The effect in the 2008 statutory accounts has been to recognise £9.7m of redundant church assets which have been brought onto the balance sheet through property unrealised gains (see note 6). This class of asset has been treated as restricted as, if sold, two-thirds of the sale proceeds are credited to the Redundant Churches restricted fund (see note 12b), and one-third is required to be given to the Churches Conservation Trust, an external organisation. A summary of the effect of this adjustment on the financial statements is shown below:

	2008 £'000
Statement of Financial Activities	
Restricted Fund Property Unrealised Gains	9,709
Balance Sheet	
Restricted Fund Functional Property	1,188
Restricted Fund Investment Property	8,521
	<u>9,709</u>

(b) Value Linked Loan Assumptions

Value Linked Loans are amounts borrowed from the Church Commissioners which become repayable when the house on which they are secured is sold (see note 11). 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.

In previous financial statements, value linked loans were shown at the original amounts borrowed from the Commissioners, with the property purchased shown at depreciated insurance value within fixed assets. Given that the full sale proceeds on any disposal are payable to the Commissioners, the trustees decided that the accounting policy should be refined such that the Value Linked Loan creditor would match the corresponding property asset net book value at all times. This treatment would mean that the Fund would not show an overall *net* asset for this class of property. A summary of the effect of this adjustment on the financial statements is shown below:

	2008 £'000
Statement of Financial Activities	
Designated Fund Property Unrealised Loss	(2,173)
Balance Sheet	
Increase in Designated Fund Value Linked Loan Creditor	<u>2,173</u>

16 Refinement of accounting policies (continued)

(c) Glebe restricted fund treatment

In previous financial statements, glebe funds were treated as restricted income funds. Following advice from the Fund's auditors, a detailed review of the relevant legislation and to maintain consistency with other dioceses, glebe funds have been transferred from restricted income to restricted expendable endowments.

The glebe fund opening balance of £52.5m was transferred on 1 January 2008 to restricted expendable endowments as shown in note 12d. The consequence of treating glebe funds as expendable endowment had the following effect on the financial statements:

	2008 £'000	2008 £'000
Glebe opening balance transferred 1 January 2008 from restricted income to restricted expendable endowment		52,511
SoFA endowment column movements		
Investment Property repairs & maintenance expenditure	(61)	
Clergy Housing & Care of Churches expenditure	(207)	
Unrealised losses on property assets	(1,377)	
Unrealised losses on investment assets	(2,266)	
Realised gains on property assets	<u>192</u>	(3,719)
Closing Glebe fund balance within expendable endowments as at 31 December 2008		<u>48,792</u>
Comprised of:		
Functional Property		9,224
Investment Property		33,843
Investments		4,761
Cash and short term deposits		964
		<u>48,792</u>

17 Post Balance Sheet Events

(a) Value of Investment Property (see note 6)

We believe that the value of investment properties has fallen further since the year-end as the recession continues but not to a level materially below the aggregate book value shown in the accounts.

(b) Value of Equity Investments (see note 7)

By mid May 2009, the value of investments in shares had declined further with many companies announcing reduced or suspended dividends. Our major investments in M&G Charifund had declined in value by 7% by mid-May 2009.

**The following pages do not form part of the statutory accounts
of the London Diocesan Fund for 31 December 2008**

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Report of the Custodian Trustees

The Council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical law, presents the report and non-statutory financial statements for the year ended 31 December 2008.

Legal Status

Under the Parochial Church Council (PCC) Powers Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. It also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the financial assets of approximately 330 separate trusts. Land and building assets held as custodian trustee are not shown.

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

Review of the Year

Total incoming resources remained steady from 2007 to 2008 with only a marginal increase shown on page 57.

The lack of credit available to companies as a result of the difficulties in the banking sector and the slip of the US, UK and other major economies into recession caused significant stock market losses during the year. Consequently, custodian trust investments fell in value by £3.9m.

Funds continue to be expended in line with the purposes for which they were intended, with some £2.4m expended for charitable purposes during the period under review.

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

The overall value of funds held by the London Diocesan Fund as custodian trustee fell by £4.7m to £19.8m in 2008, with the majority of the fall explained by stock market losses and an excess of expenditure over income.

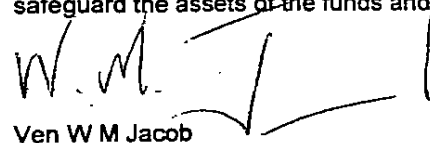
Statement of Custodian Trustee's responsibilities

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

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

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

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



Ven W M Jacob
Member of Council and
Finance Committee Chairman

14 May 2009

Statement of Financial Activities for the year ended 31 December 2008

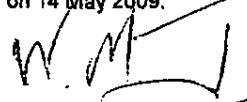
	Endowment Fund £m	Expendable £m	Unexpended Income £m	Total 2008 £m	Total 2007 £m
Incoming Resources					
Donations	-	-	-	-	0.1
Investment Income	-	-	0.6	0.6	0.6
Income direct to Beneficiaries	-	-	0.5	0.5	0.5
Total Incoming Resources	-	-	1.1	1.1	1.2
Resources Expended					
Income paid to Beneficiaries	-	-	(0.5)	(0.5)	(0.5)
To Objects of the Trusts	(0.4)	(0.6)	(0.9)	(1.9)	(3.1)
Total Resources Expended	(0.4)	(0.6)	(1.4)	(2.4)	(3.6)
Net (Outgoing)/Incoming Resources	(0.4)	(0.6)	(0.3)	(1.3)	(2.4)
Additional New Resources	0.3	0.1	0.1	0.5	1.9
Transfer between Funds	-	-	-	-	-
Net (Outgoing)/Incoming Resources for the year	(0.1)	(0.5)	(0.2)	(0.8)	(0.5)
Gains/(Losses) on Investment Assets	(2.8)	(1.0)	(0.1)	(3.9)	(0.2)
Net Movement in Funds for the year	(2.9)	(1.5)	(0.3)	(4.7)	(0.7)
Funds at 1 January 2008	14.1	6.9	3.5	24.5	25.2
Funds at 31 December 2008	11.2	5.4	3.2	19.8	24.5


Custodian Trusts Balance Sheet at 31 December 2008

	Notes	Market Value 2008 £m	Market Value 2007 £m
Assets			
Fixed Asset Investments	2	16.6	21.0
Current Asset Investments	3	3.2	3.5
Net Assets		19.8	24.5
Funds			
Permanent Endowment	2	11.2	14.1
Non Permanent Capital	2	5.4	6.9
Unexpended Income	3	3.2	3.5
		19.8	24.5

The notes on pages 58 and 59 form part of these accounts

The non statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 14 May 2009.


 Ven W M Jacob
 Member of Council and
 Finance Committee Chairman


 Mr I R M Woolf
 Member of Council

Notes to the Custodian Trusts Financial Statements

1. Accounting Policies

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

a. Basis of Preparation

Under the PCC (Powers) Measure 1956, the London Diocesan Fund acts as custodian trustee of parish buildings and land. The London Diocesan Fund also acts as custodian trustee for monies held on specific trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 330 trusts.

The Balance Sheet at 31 December 2008 has been prepared, together with a Statement of Financial Activity, which analyses the movement in funds. Comparative figures for 2007 have been provided.

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

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

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

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

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

b. Fund Balances

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

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

c. Investment Income

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

d. Other Income and Expenditure

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

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

e. Investments

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

Notes to the Custodian Trusts Financial Statements (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2008	Additions	Disposals	Revaluation	Other Asset / Liability Movements	31 December 2008
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	213	-	(3)	(28)	-	182
M&G Charifund Investments	3,309	299	-	(1,025)	-	2,583
Investments held by CCLA:						
CBF Fixed Interest	269	6	-	9	-	284
CBF Investment Fund Shares	6,861	-	(4)	(1,750)	-	5,107
CBF Property Fund	29	-	-	(7)	-	22
CBF Deposit Fund	3,371	21	(330)	-	-	3,062
Other Assets/(Liabilities)	-	-	-	-	1	1
	14,052	326	(337)	(2,801)	1	11,241

Fixed Asset Investments represented by Expendable Capital

Listed Investments	275	-	-	(35)	-	240
M&G Charifund Investments	1,117	-	-	(360)	-	757
Investments held by CCLA:						
CBF Fixed Interest	202	-	-	6	-	208
CBF Investment Fund Shares	2,413	-	(82)	(595)	-	1,736
CBF Deposit Fund	2,860	110	(471)	-	-	2,499
Other Assets/(Liabilities)	49	-	-	-	(111)	(62)
	6,916	110	(553)	(984)	(111)	5,378
Total Fixed Assets	20,968	436	(890)	(3,785)	(110)	16,619

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

Listed Investments	104	22	(126)	-	-	-
M&G Charifund Investments	158	88	(75)	(35)	-	136
Investments held by CCLA:						
CBF Fixed Interest	8	-	-	-	-	8
CBF Investment Fund Shares	143	17	(24)	(32)	-	104
CBF Deposit Fund	1,992	351	(386)	-	-	1,957
	2,405	478	(611)	(67)	-	2,205

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA:						
CBF Fixed Interest	12	-	-	-	-	12
CBF Investment Fund Shares	42	3	(12)	(8)	-	25
CBF Deposit Fund	1,008	234	(326)	-	-	916
	1,062	237	(338)	(8)	-	953
Other Assets	41	-	-	-	(28)	13
Total Current Assets	3,508	715	(949)	(75)	(28)	3,171
TOTAL	24,476	1,151	(1,839)	(3,860)	(138)	19,790

INDEPENDENT AUDITORS' REPORT TO THE CUSTODIAN TRUSTEES OF THE FUNDS

We have audited the financial statements of the Custodian Funds for the year ended 31 December 2008 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 charity's trustees, as a body, in accordance with the Charities Acts 1993 and 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities on page 56, the custodian trustees are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK 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 Acts 1993 and 2006. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if 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 directors' remuneration and other transactions is not disclosed.

We read the other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the funds' affairs as at 31 December 2008 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Charities Acts 1993 and 2006.


Mazars LLP
Chartered Accountants
Registered Auditor

12 May 2009

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