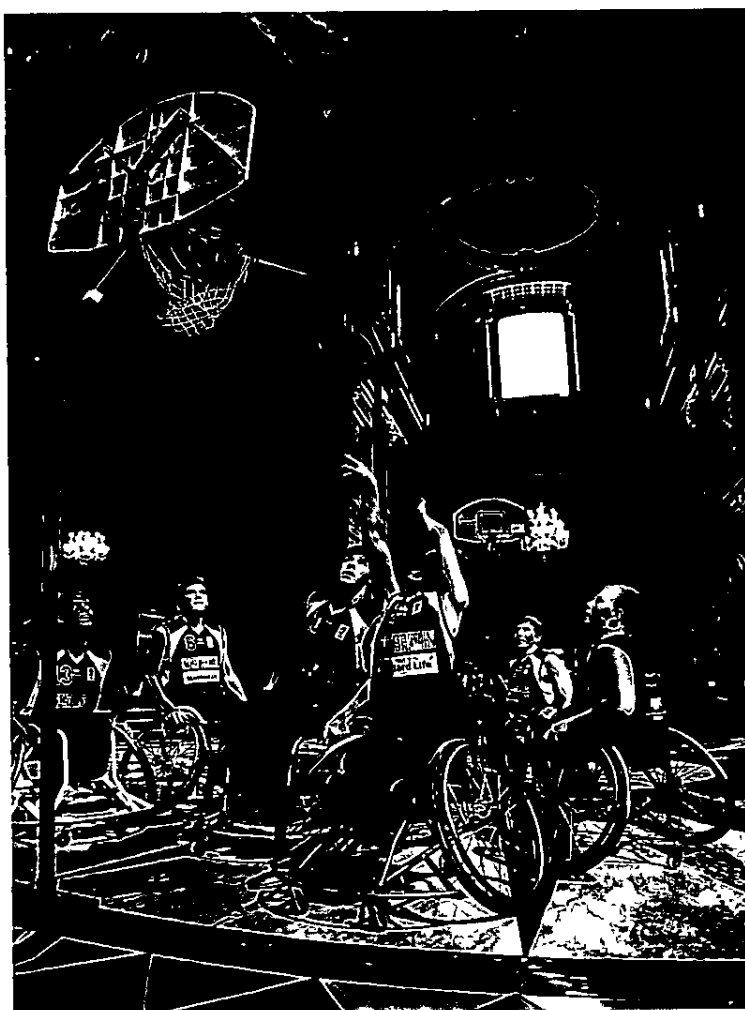




## THE LONDON DIOCESAN FUND

### Directors' and Trustees' Report and Financial Statements for the year ended 31<sup>st</sup> December 2012



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## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
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### **Directors' and Trustees' Report 2012**

The directors of the London Diocesan Fund (LDF), who are also trustees, present their report together with the audited financial statements for the year ended 31 December 2012

**Name and registered office.** The LDF is a company limited by guarantee and registered in England (150856) It is a registered charity (241083) Its registered and principal office is at London Diocesan House, 36 Causton Street, London, SW1P 4AU. The LDF was incorporated in England on 29th June 1918

**Directors, Trustees and Members of the Diocesan Bishop's Council:** All members of the Bishop's Council and Standing Committee, 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 16th May 2013, the date of approval of this report, were

#### **President and Chairman**

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

#### **Lay Vice Chairman**

Mr D E Loftus, Diocesan Synod House of Laity (until 1/12/12)

Mr J P Normand, Diocesan Synod House of Laity (from 1/12/12)

#### **Clerical Vice Chairman**

The Revd Preb D N C Houlding, Diocesan Synod House of Clergy (until 1/12/12)

The Revd Preb L A Moses, Diocesan Synod House of Clergy (from 1/12/12)

#### **Ex Officio**

The Bishop of Stepney, the Rt Revd A Newman

The Bishop of Kensington, the Rt Revd P G Williams

The Bishop of Edmonton, the Rt Revd P G Wheatley

The Bishop of Willesden, the Rt Revd P A Broadbent

The Bishop of Fulham, the Rt Revd J M R Baker (from 13/2/13)

The Archdeacon of London, the Ven D G Meara

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

The Archdeacon of Hackney, the Ven R Treweek

The Archdeacon of Middlesex, the Ven S J Welch

The Archdeacon of Hampstead, the Ven L J Miller

The Archdeacon of Northolt, the Ven D J Green (from 1/4/13)

The Dean of St Paul's Cathedral, the Rt Revd G P Knowles (until 31/1/12)

The Dean of St Paul's Cathedral, the Very Revd Dr D J Ison (from 25/5/12)

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

Mr D Hurst (until 16/11/12)

Mr N K Challis (from 16/11/12)

Mr B O'Donoghue (until 16/11/12)

Mr D W Richards (from 16/11/12)

Ms M Murrell (until 16/11/12)

Mrs A L Ruoff (from 16/11/12)

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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 (until 16/11/12)  
Mr J D Freeman (until 16/11/12)  
Mr K D Stern (until 16/11/12)  
Mr E D Roberts  
Mr A Garwood-Watkins (from 20/9/12)  
Ms D R Buggs (from 20/9/12)  
Mr B O'Donoghue (from 20/9/12)

### Stepney

The Revd R J Hudson-Wilkin (from 5/2/13)  
The Revd G L Warren (until 16/11/12)  
The Revd J Blackburn  
Mrs C Adekunle (until 16/11/12)  
Mrs M Ford  
Ms J W Munro  
Dr P Rice (\*)  
Mrs C T Sosanya (from 14/1/13)

### Kensington

The Revd R G Rainford (from 12/10/12)  
The Revd Dr A Emerton  
The Revd Dr B Mayo (until 16/11/12)  
Mrs A Rainford  
Mr H A Evans  
Mr J P Normand (until 16/11/12)  
Mr M J A Brough (from 20/9/12)  
Mr D E Loftus (from 20/9/12)

### Edmonton

The Revd C Hobbs (from 12/10/12)  
The Revd Preb C G Pope  
Mrs A K Atkins (until 30/1/12)  
Mr S J Jones (until 16/11/12)  
Mrs A L Ruoff (until 16/11/12)  
Mr I R M Woolf  
Mr R N Andrewes (from 12/10/12)  
Dr C Ward (from 12/10/12)  
Mr N Wildish (from 12/10/12)

### Willesden

The Revd A R Corsie (until 16/11/12)  
The Revd M Stone (until 16/11/12)  
The Revd N P Henderson (from 12/10/12)  
The Revd M Talbot (from 12/10/12)  
Mr M A Carmody (until 16/11/12)  
Mr J R Dolling  
Mr C R Scowen  
Mrs S Wright (until 16/11/12)  
Ms S M Cooper (from 20/9/12)  
Mrs A J Rollin (from 14/1/13)

### Nominated by the Bishop of London

The Revd K S Swthinbank (until 16/11/12)

Members are shown in the categories in which they are currently appointed. They may previously have served as members in a different capacity. \*Dr P Rice is a member of the Bishop's Council and Standing Committee but is not a director of the LDF nor a trustee.

### Senior staff

The bishops and archdeacons of the diocese exercise day to day control of the LDF. Mr Andrew Brookes is the LDF's Chief Executive and General Secretary. He also acts as secretary to the Bishop's Council.

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Some Senior Management Group (SMG) members have the title director in their job titles but they are not directors of the LDF for the purposes of company law nor are they trustees of the charity. SMG comprises

Head of HR	Ms Paula Bailey
Chief Executive and General Secretary	Mr Andrew Brookes
Director of Property	Mr Michael Bye
Director of Strategic Development	Mr Matthew Girt
Director of Finance and Operations	Mrs Helen Simmons

### Professional advisers

<b>Auditors</b>	Mazars LLP Times House Throwley Way Sutton, Surrey SM1 4JQ	<b>Solicitors</b>	Winckworth Sherwood Minerva House 5 Montague Close London SE1 9BB
<b>Insurers</b>	Ecclesiastical Insurance Group PLC Beaufort House Brunswick Road Gloucester, GL1 1JZ	<b>Bankers</b>	Barclays Bank PLC Knightsbridge Business Centre P O Box 32014 London, NW1 2ZG
<b>Communications Consultants</b>	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 in two provinces (Canterbury and York) each led by an archbishop. Each province comprises dioceses, of which there are 42 in England. Each diocese is divided into parishes. Each parish is overseen by a priest (the incumbent, usually called a vicar or rector).

Her Majesty the Queen, who is the Supreme Governor of the Church of England, appoints archbishops, bishops and deans of cathedrals on the advice of the Prime Minister. The two archbishops and the Bishop of London are members of the Privy Council. They, together with the Bishops of Durham and Winchester, are

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ex-officio members of the House of Lords. In addition, there are 21 other bishops who are admitted to the House in order of their length of service as diocesan bishops.

The Church of England is led and governed by Bishops in Synod. The doctrine of the Church of England is to be found in its articles and formularies. The final approval by General Synod of any canon, regulation, form of service or amendment thereof conclusively determines that the Synod is of the opinion that it is neither contrary to, nor indicative of any departure from, the doctrine of the Church of England in any essential matter. General Synod passes Measures which, if accepted by Parliament, have the effect of Acts of Parliament. It is made up of three groups (houses) – the Houses of Bishops, of Clergy and of Laity, and meets in London or York at least twice annually.

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

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

The Archbishops' Council was established in 1999 to co-ordinate, promote, aid and further the mission of the Church of England. It gives a sense of direction to the Church nationally and supports the Church locally by acting as a policy discussion forum.

The Church Commissioners manage the historic assets of the Church of England. They are responsible for paying pensions for the clergy accrued before 1997. In addition to the costs of episcopal administration they also make grants for developments in areas of missionary opportunity.

The Church of England Pensions Board was established by the Church Assembly (the General Synod's predecessor) in 1926 as the Church of England's pensions authority and to administer the pension scheme for the clergy. It has since been given wider powers, in respect of discretionary benefits and accommodation both for retired stipendiary clergy and for widows and widowers of those who have served in that ministry, and to administer pension schemes for lay employees of Church organisations. A new fund was set up to cover pensionable service after 1997.

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

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

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

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

### **The Diocese of London**

The Diocese of London was founded in Roman times and was re-founded in 604 by St Mellitus. In its current form, it covers 18 boroughs in Greater London and Surrey, north of the River Thames and west of the River Lea. It serves 3.9 million people in 277 square miles.

The Diocese is led by the Bishop of London. He has delegated certain powers to four Area bishops, the Bishops of Edmonton, Kensington, Stepney and Willesden, and a Suffragan, the Bishop of Fulham. There is an archdeacon for each of these four areas. There is also one archdeacon for the City of London and one for the City of Westminster, these two archdeaconries forming the Two Cities area which is led by the Bishop of London personally. Each archdeaconry is subdivided into deaneries. There are 24 deaneries.

Each deanery consists of several parishes, there are over 400 parishes in the Diocese. The Parochial Church Council (PCC) is the governing body of an individual parish. The PCC is made up of the incumbent as chair, the churchwardens and a number of other ex officio and elected 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 (DS), which is largely an elected body with representation from all parts of the Diocese. It is governed by Standing Orders approved by the DS inaugurated on 17<sup>th</sup> November 1970 and amended from time to time. Lay members are elected by the members of deanery synods, which consist mainly 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 DS meets at least twice per year. Many of the DS's responsibilities are delegated to the Bishop's Council, which acts as a standing committee.

The Bishop's Council consists of up to 30 members elected by the members of the DS in each Area, up to 3 members elected by the House of Laity of the DS, up to 16 ex officio members, mostly bishops and archdeacons, and up to 5 members nominated by the Bishop of London. The Council meets at least 3 times per year.

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

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### **The London Diocesan Fund**

The objects for which the LDF is established and for which suitable powers are granted in its constitution are, in summary, as follows

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

- maintenance of the Clergy generally, including Bishops Suffragan, Incumbents, and Assistant Curates,
- 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 Readers and other Lay Ministers,
- provision of Pensions for the Clergy, and Lay Ministers, 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 Ministers, Institutes, Halls, Social Clubs, Refuges and Homes, and the repair and endowment of the same, and
- such other objects, if any, as it may from time to time be found desirable to promote for strengthening the religious or other charitable work of the Church.

The LDF is governed by its Constitution which may be altered or varied by a resolution of the DS. The Constitution is regularly reviewed and amended from time to time. With the Charity Commission's consent revisions were adopted by the Annual General Meeting in 2010 and approved by DS. The articles give specific authority to members of the clergy to participate in decisions where they may have an interest through virtue of their holding clerical office.

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

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

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### Statutory functions

The LDF has responsibility for management of glebe assets (historic endowments given to provide stipends for parochial clergy, owned and managed by LDF under the Endowments and Glebe Measure 1976) to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts, and also incorporates the responsibilities of the Diocesan Parsonages Board. The trustees are custodians of PCC property. The DS has appointed the Bishop's Council as Diocesan Mission and Pastoral Committee. The Council has delegated its powers principally to the Diocesan Strategic Policy Committee and Area Councils. Funds held under the Dioceses, Pastoral and Mission Measure 2007 are included in these accounts.

The LDF has delegated certain powers to its Finance Committee. The LDF has also delegated certain powers to Area Councils. The committees have power to co-opt members, subject to elected and ex officio members being the majority. The London Diocesan Board for Schools (LDBS) is a separate legal entity and oversees the Church of England schools in the diocese.

### Diocesan Finance Committee (DFC)

The DFC is a sub-committee of the Bishop's Council. Its membership comprises laity and clergy. The DFC meets at least six times each year. By a special resolution dated 10th December 1970 its lay membership must be in the majority. The Bishop of London, the archdeacons, the Clerical and Lay Vice Chairmen and the Treasurer of the LDF are ex officio members. The DFC makes recommendations to the Council on matters in connection with finance, investment, property and staff business of the LDF.

### Members of the Diocesan Finance Committee:

#### (also Members of the Bishop's Council)

The Rt Revd and Rt Hon the Lord Bishop  
of London Dr R J C Chartres KCVO  
The Archdeacon of London, the Ven D G Meara  
The Archdeacon of Charing Cross, the Ven Dr W M Jacob (Chair)  
The Archdeacon of Hackney, the Ven R Treweek  
The Archdeacon of Middlesex, the Ven S J Welch  
The Archdeacon of Hampstead, the Ven L J Miller  
The Archdeacon of Northolt, the Ven D J Green (from 1/4/13)  
The Revd Preb D N C Houlding (until 31/12/12)  
The Revd Preb L A Moses (from 1/1/13)  
Mr J P Normand (from 1/1/13)  
The Revd C J P Hobbs (from 1/1/13)  
The Revd Preb C G Pope  
Ms D R Buggs (from 1/1/13)  
Mr B O'Donoghue (until 31/12/12)  
Ms J W Munro

#### (not Members of the Bishop's Council)

The Revd Preb A Roberts  
Mr E Wong  
Mr D Barton  
Mr R Dean  
Mr N Manns  
Mr R N Perry  
Dr S Willmington  
Mr D Hunter

Mr J R Dolling  
The Revd Dr A Emerton  
Mr A Garwood-Watkins  
Mr D E Loftus  
Mr D W Richards (from 1/1/13)  
Mr K D Stern (until 31/12/12)  
Mr E D Roberts (until 31/12/12)  
Mr I R M Woolf



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### **Audit Committee**

The Audit Committee is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for 3 years. Its membership may be drawn from the Council and the DFC and from outside these bodies. At least 2 members (in addition to the chair) are to be from the Bishop's Council and current DFC members must be in the minority. The Committee ensures that proper regard is taken of statutory and regulatory obligations and best practice, and also reviews the systems of internal financial control. The 2012 review highlighted that the LDF does not yet have a formal anti-bribery policy, this will be rectified in 2013.

#### **Members of the Audit Committee:**

##### **(also Members of the Bishop's Council)**

The Revd J Blackburn

Mr J D Freeman (Chair) (until 10/12/12)

Mr E D Roberts (Chair) (from 22/1/13)

Mr I R M Woolf

Mr N K Challis (from 22/1/13)

##### **(not Members of the Bishop's Council)**

Mr D Bawtree (from 22/1/13)

Mr R N Perry

### **Risk Management**

Like other organisations, the LDF faces risks to its operations, finances and reputation. The Senior Management Group, in consultation with the Archdeacons, consider, evaluate and record the major areas of risk to which the LDF is exposed, assessing both the likelihood and impact of those risks crystallising, together with the measures in place to manage and mitigate these risks. The process of identification and assessment of risk, the risks identified and the measures for mitigation are reviewed at least annually by the Audit Committee. The risk register is available for inspection by all directors and trustees. As part of new directors' and trustees' induction details of the risk management process is provided. A formal report on risk management is considered by the Council annually.

### **Principal Risks and Uncertainties**

The main risks to the LDF's income are that parishes will be unable to donate as generously as they have pledged or would wish. A one percent decrease in Common Fund contributions would mean a reduction in income of about £0.2m. The general economic environment makes this more likely than was the case through much of the last decade.

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

Under the Ecclesiastical Offices (Terms of Service) Measure 2009 the LDF is legally liable for the payment of clergy stipends not less than the National Minimum Stipend (or pro rata if part time) for those posts under Common Tenure. Under Common Tenure there are detailed rules similar to normal employment law on

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grievances, holidays, discipline procedures, capability, etc. In addition, clergy have the right to receive, and the LDF has an obligation to pay, stipends. In contrast the LDF's principal income stream, contributions from parishes, is a matter of generosity and shared goals for ministry, but is not legally enforceable.

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

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

### Trustee Training

The trustees review their knowledge, skills and experience and provide appropriate training sessions to address their needs. New trustees are provided with a handbook outlining their main responsibilities. A new trustee induction session was introduced in 2012.

### Related bodies

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

#### The Bishop of London's Fund (BLF)

Patron	The Most Revd and Rt Hon the Lord Archbishop of Canterbury
President	The Rt Revd and Rt Hon the Lord Bishop of London
Treasurer	Mr I R M Woolf

The president and treasurer are *ex officio* trustees.

Other Trustees	The Ven Dr W M Jacob The Ven D G Meara The Ven S J Welch Mr E D Roberts
Secretary	Mr A Brookes
Solicitors	Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB
Registered Office	36 Causton Street, London SW1P 4AU

The Bishop of London's Fund was established in 1863 and was incorporated by the Board of the Charity Commissioners for England and Wales under the Charitable Trustees Incorporation Act 1872 on 7<sup>th</sup> July 1882. The BLF is a registered charity (249021). The Finance Committee of the LDF constitutes its Executive Committee. Certain title and trust deeds are in the name of the BLF, which has its own separate legal seal. For day-to-day purposes and in accordance with a special resolution of 29<sup>th</sup> October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

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### **The London Diocesan Board of Finance (LDBF)**

President	The Rt Revd and Rt Hon the Lord Bishop of London
Chairman	The Rt Revd and Rt Hon the Lord Bishop of London
Trustees	The Trustees of the LDF
Secretary	Mr A Brookes
Solicitors	Winckworth Sherwood, Minerva House, 5 Montague Close, London, SE1 9BB
Office	36 Causton Street, London SW1P 4AU

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

### **Principal activities**

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

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

Grants are received from a number of sources including the Church Commissioners and the Trust for London (previously 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) which is a designated fund within the LDF.

### **Public Benefit of activities**

The trustees have a statutory duty under the Charities Act 2011 to have regard to the guidance issued from time to time by the Charity Commission. The trustees have read the Charity Commission guidance *Charities and Public Benefit* and the supplementary guidance in *The Advancement of Religion for the Public Benefit* and have regard to them in making relevant decisions.

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The trustees believe that this report taken as a whole provides evidence of the public benefit of the charity's work in 2012

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

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

The principal public benefits of the LDF are the advancement of the Christian religion by supporting ministers of religion and others who lead, encourage and support members of the various and diverse communities of the world city of London by and in

- the provision of public worship and ceremonies (see below "sharing the good news of Jesus Christ in 21st century London" as part of The London Challenge 2012),
- 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 marriage (see "sharing the good news of Jesus Christ in 21st century London"),
- contributing to the spiritual and moral education of children (see for example "telling the story of Jesus Christ afresh for this generation and especially for the young"),
- carrying out, as a practical expression of religious belief, 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 poor health, speeding recovery from poor health (see "sharing the good news of Jesus Christ in 21st century London"),
- the provision and maintenance of sacred spaces, principally churches and churchyards, open to the public and many of which are listed buildings (see "serving London and all her people"),
- the provision of public spaces such as church halls as an expression of faith (see "serving London and all her people")

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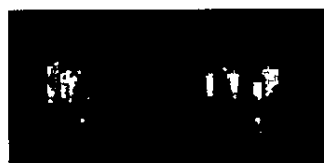
### Renewing the Vision for serving Jesus Christ in this great city - from London Challenge 2012 to Capital Vision 2020.

The London Challenge (LC), 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 was refreshed with clear objectives for the period 2007-2012 which concluded in 2012 with a formal review.

#### The Seven London Challenge 2012 Commitments are:

- 1 We are committed to sharing the good news of Jesus Christ in 21<sup>st</sup> century London
- 2 We are committed to equipping the servants of Jesus Christ
- 3 We are committed to telling the story of Jesus Christ afresh for this generation and especially for the young
- 4 We are committed to serving London and all her people
- 5 We are committed to expressing God's love in our World City
- 6 We are committed to making four Capital Investments
  - recruit and train 2,012 Ambassadors for Jesus Christ under the age of 35 by 2012
  - increase provision in Church of England Secondary Schools by 2,012 places by 2012
  - raise £2,012,000 for development in Africa by 2012 (ALMA)
  - raise £2,012,000 to support mission in London by 2012.
- 7 We are committed to generating the resources in finance and property to enable the church to respond adequately to the London Challenge

#### Review of performance against commitments



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

Over the period of the Challenge this remained a priority with an added impetus to church planting with 19 plants or restarts occurring during the period of the London Challenge. A number of new mid week congregations have also been started along with many other innovative approaches such as Messy Church and Cafe Church.

*Photos left: St Francis Church, Dalgarno Way, Ladbroke Grove, a church planted in 2010. In 2012 the LDF successfully helped St Francis' Church bid for funding from the Church Commissioners for a new children's worker.*

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

Recommendations from a Training Review in 2006 have now been fully implemented across the diocese. Focus on leadership has increased with a visit to Willow Creek leadership summit in Chicago and the creation of the Kensington Riverside leadership course. The Renewing Vision, Renewing Ministry residential programme has become an established area of development. The first one-day clergy study summit was held in September 2012, bringing together all the Diocese's licensed clergy to explore ministry in a world city.



Over the period of the challenge we retained and ordained 70% (191) of the 274 men and women trained in the Diocese in the last 5 years. 83 Licensed Lay Ministers (LLMs) have been admitted and licensed or given Permission to Officiate (PTO) in the last five years of whom 76 are still in post. More action is needed to ensure that leadership reflects the range of church membership both in diversity of ethnic background and age.

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

The Diocese launched the Children's Charter in 2011, a scheme designed to help parishes become more welcoming places to children. 40 parishes have signed up to date. Training for children's workers has been provided across the diocese, both basic skills courses and a year-long academy course. In partnership with the Children's Society, youth work has been supported, promoted and resourced over the period of the Challenge.

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In 2011 London Diocesan Board for Schools, launched a new company, Grow Education Partners which provides school improvement, training and support for all schools in London including community schools LDBS also works with a number of London Boroughs to improve the quality of the teaching of religious education and collective worship in schools

Three new Church of England secondary schools and a primary school have opened during the period of the Challenge and 2 new schools will be opening in 2013



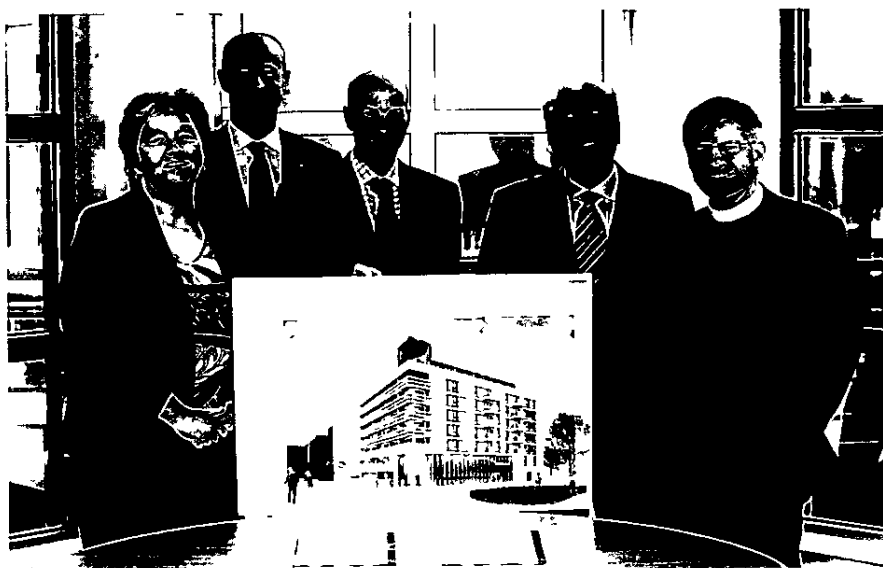
*Photo. Breaking ground on 30 November 2012 for the William Perkin C of E High School in Greenford*

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

During the period of London Challenge we have maintained and even expanded our presence throughout the Diocese. One success has been maintaining stipendiary clergy numbers in a very challenging economic environment. Our strategic approach has enabled us to identify areas of development change. In Tottenham Hale we have developed a vision and begun implementing the first new church to be built in a new place in London for 40 years. The strategic approach has also enabled significant matched funding from external agencies to be secured for mission and ministry initiatives and strengthened relationships and reputation with public authorities.

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*Photo: Members of the LDF team with the building plans for Tottenham Hale*

The Olympic mobiliser worked successfully with 145 parishes to make the most of the opportunity of the Olympics, and consideration of the legacy is ongoing



*Photo: Church volunteers hand out water at the Paralympics*

The number of schools increased to 149, with the number of school places up from 51,372 to 53,552. LDBS has worked with local authorities and existing schools to provide additional school places to meet the growing population of London whilst ensuring, via rebuilding or modernisation, that schools can effectively serve their communities.

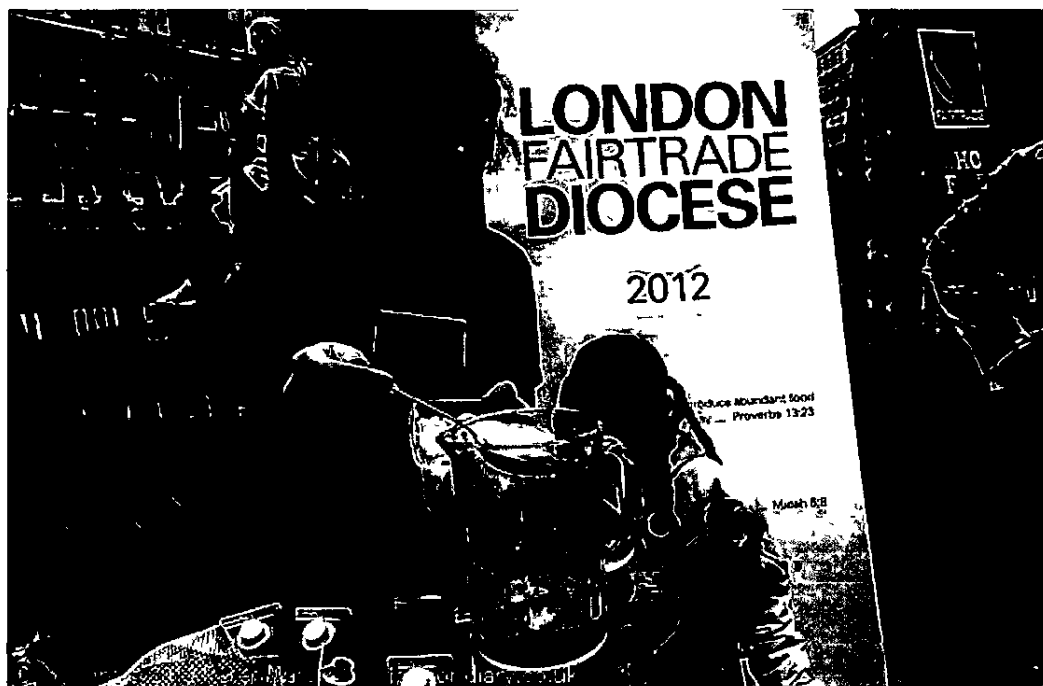


## THE LONDON DIOCESAN FUND

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

During the period of the Challenge we achieved recognition as a Fair Trade Diocese



We also defined and launched Route 2050 – the Diocese's long term plan to reduce the carbon footprint of its buildings and property, with significant achievements already made in reduced emissions. Annual returns showed a saving by 2011 of 21.7% in energy and 14.9% in carbon emissions. Partnerships with ALMA (Anglican Church in Angola and Mozambique) were further built on with more than 50 partner visits, 5 Lent Appeals to raise funds and 45 parishes and 8 schools having links.

Focus on more closely engaging with people of other faiths has happened both locally, but also through chaplains working in multi-faith teams and through the Greater London Presence and Engagement Network.

### 6. We are committed to making four Capital Investments

- Recruit and train 2,012 ambassadors for Jesus Christ under the age of 35 by 2012. *Achieved* – over 2,700 signed up and the launch evening and celebrations were outstanding.
- Increase provision in Church of England Secondary schools by 2,012 places by 2012. *Achieved* – secondary school places have now exceeded 17,000 up from just over 14,000 in 2006.
- Raise £2,012,000 for development in Africa by 2012. 50% of the target was achieved by ALMA, in addition parishes held their own events and appeals for specific projects and links with Africa.
- Raise £2,012,000 to support mission in London by 2012. *Not achieved*. A fundraiser has now been appointed to initiate a fund raising strategy.

## THE LONDON DIOCESAN FUND

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

- We will maintain a balanced budget *Achieved*
- We will keep the Common Fund under review to ensure fairness *Ongoing*
- We will pursue a legacy strategy *Ongoing*
- We will increase the level of teaching on discipleship to encourage more generous giving *Achieved* – giving up 5% in real terms
- We will pursue policies which develop our stock of buildings for the mission of the church whilst also using surplus property to raise income for that mission *Achieved* – An increase in net income from property investments from £2.3m in 2006 to £3.6m in 2011. A comprehensive property review was completed in 2012 with recommendations agreed by Bishop's Council
- We will follow policies of high quality maintenance for all our properties *Ongoing*

#### **Capital Vision 2020**

In 2012 the Diocese began to engage with renewing the vision for serving Jesus Christ in this great city. In order to engender deeper, more forward looking thinking the strategic time horizon was extended as the Diocese was asked to think about Capital Vision 2020. Using interviews and other methods around London designed to express "What is London saying to the church", and a wealth of material showing the changes and challenges our city faces, over 1,500 people have now responded to three key questions:

- 1 What is the Spirit saying to us in the life of London?
- 2 Where do we place effort and resources at present?
- 3 In what ways do we need to rethink and act differently?

Feedback was received from Diocesan Synod, from Deaneries, from individual parishes, from groups of chaplains, 2012 ambassadors, Sunday schools, youth groups and schools as well as individuals via online surveys. The combined wisdom has been distilled into three themes which will form the framework for Capital Vision 2020. The next phase is to shape practical objectives, to enable the leaders and members of the Diocese to make tangible our actions and together pray and act to make these a reality. Following agreement by Diocesan Synod, Capital Vision 2020 will be launched by the Diocese at a gathering at St Paul's Cathedral in June 2013.

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### 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 of the Companies Act 2006 to promote the success of the company.

In the case of the LDF the members and directors are the same individuals. This section is intended, when taken with the other sections of this report, to satisfy the requirements of the law and to provide useful information for readers of these accounts. It also has full regard to the statement of best practice *Reporting Statement: Operating and Financial Review* issued by the Accounting Standards Board (now the Accounting Council) in January 2006 and various regulations made by statutory instrument.

### General Fund

The LDF recorded an operating surplus on the General Fund of £0.3m. This compares to the surplus of £0.7m in 2011. The General Fund holds all our unrestricted funds that have not been designated for specific purposes. We seek to balance our General Fund each year.

Compared to 2011:

- Incoming resources increased by £1.0m to £32.6m (2011: £31.6m).
- Resources expended increased by £1.4m to £32.3m (2011: £30.9m).

Donations from parishes through Common Fund increased by 1.5% or £0.3m to £20.6m. Incoming resources from other donations and from property remained approximately the same as in 2011. The trustees are most grateful to all the donors.

General fund returns on cash in the banks and from shares increased by £0.2m primarily due to the full-year impact of the prior year transfer of around £6m of cash into higher income-generating equities and bonds, although bank interest rates continued at historically low levels of around 0.5%-0.7%.

There was an increase in the number of clergy sponsored directly by parishes and others and their financial contributions are shown as income, 'parish reimbursements for clergy costs', in these accounts at £3.2m.

Resources expended rose with increases in total clergy stipend costs and pension contributions combining with increases in funds spent on clergy housing and care of churches.

Contributions to the Archbishops' Council (one of the NCIs) remained steady at £2.1m. The major part of these donations funds the training of new clergy.

Other general fund expenditure was very tightly controlled throughout the year and economies were achieved against budget in many departments.

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Overall, the careful control of expenditure enabled the LDF to achieve an operating surplus on the General Fund of £0.3m in 2012 despite inflationary pressures

Taking the surplus of £0.3m and the £0.3m unrealised gains on investments, the overall surplus on the LDF's General Fund for 2012 is £0.6m

Our current London Challenge commitment is to balance the General Fund to within 1% of the LDF's General Fund income. In 2012 the operating surplus of £0.3m, before the exceptional items noted above, meets the definition normally used to indicate a 'balanced budget'.

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

An aggregate 'operating' deficit across all funds of £3.7m (£2.9m in 2011) was recorded during the year

Overall incoming resources increased by £1.0m or 3.0% from £33.0m in 2011 to £34.0m in 2012 mainly because of the continuing generosity of the thousands of people in the parishes who support the LDF's work. Overall resources expended increased by £1.8m or 5.0% from £35.9m in 2011 to £37.7m in 2012.

During the year, the property team continued to manage the LDF's properties aiming 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.

In some designated and restricted 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 Diocese.

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

There were net other recognised gains of £11.3m (2011: £14.9m), principally due to increases in property valuations and realised gains on property of £9.2m (2011: £16.2m), and these were enhanced by an increase in investment valuations of £2.1m (2011: decrease of £1.3m) due to capital value appreciation on the stock market.

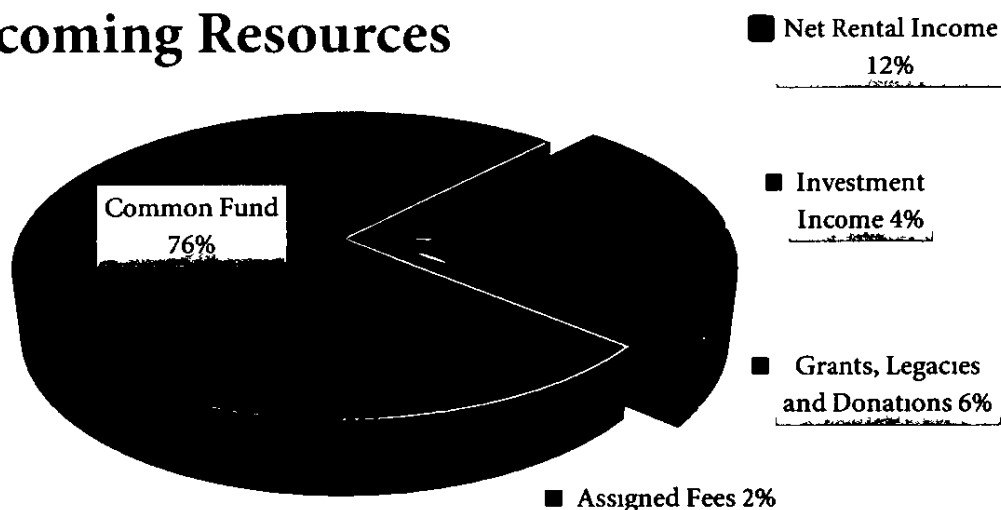
There was, therefore, an increase in assets of £7.6m (2011: £10.8m) for the year to £371.5m (£363.9m in 2011). The substantial majority of this is represented by property used in the LDF's charitable operations.

## THE LONDON DIOCESAN FUND

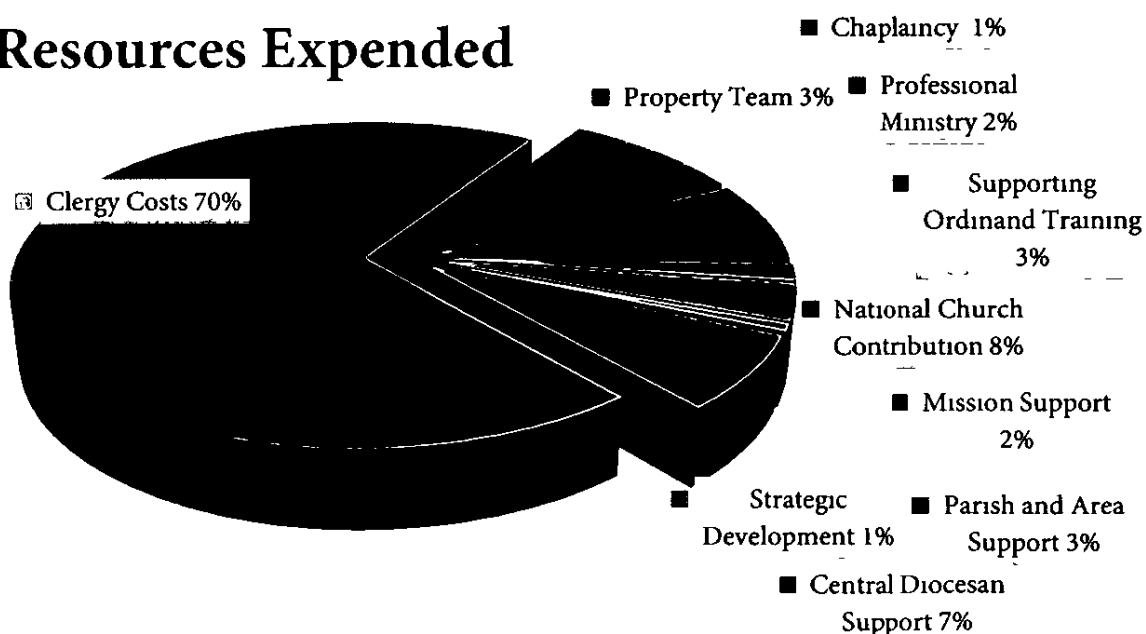
Directors' and Trustees' Report and Financial Statements  
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**The budget and outlook for 2013** - The budget for 2013 was approved by the Bishop's Council and received by the Diocesan Synod at the end of 2012. It budgets for General Fund income to increase by £0.9m and Common Fund to increase to £21.1m. General Fund expenditure is budgeted to increase by £0.8m, with a 2% increase in stipends in 2013, and more funds available to help struggling parishes and individuals. The budgeted allocation of General Fund income and expenditure in 2013 is set out below.

### Incoming Resources



### Resources Expended



## **THE LONDON DIOCESAN FUND**

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### **Plans for Future Periods**

We aim to keep the day by day income and expenditure of the LDF in balance while using designated and restricted funds for the purposes for which they are held. 2012 was the tenth year in a row when we have set a balanced budget for General Funds.

The challenge for the future is to

- Deliver ministry and services in more effective ways, being at all times innovative;
- Grow our resources and be a good steward of them

During 2013 we will begin to develop a new strategic framework for use in the Diocese of London for the period 2013-2020.

### **Policies and other matters**

#### **Investment Policy**

The LDF holds investments on its own behalf and as ecclesiastical custodian trustee for parishes under the Parochial Church Councils (Powers) Measure 1956.

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

The LDF currently operates asset allocation objectives that differ between types of fund. Broadly, they are based upon bands for property and equity that encompass around 70-90% of assets with cash and bonds forming around 10-30%. Redistribution between asset types to meet these objectives took place in the final quarter of 2012 with a further £2m placed with listed equities from cash.

#### **Investment returns**

Investment property with a net book value of £86.2m (2011: £81.5m) generated income of £4.1m (2011: £4.0m).

## THE LONDON DIOCESAN FUND

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Investments in equities, fixed interest securities and other quoted securities amounted to £25.9m (2011 £21.3m). These include sole trusts, and details are in Note 7 to the financial statements. Gains in value of £2.1m (2011 Losses of £1.3m) were recorded and dividends of £1.2m (2011 £1.0m) were received. The gains in the value of investments in shares, which are held through investment funds, were broadly in line with the movement in the value of FTSE all-share index.

### Reserves Policy and Designated Funds

A review of designated reserves was again undertaken during the year. The reserves 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 to finance working capital requirements (principally stipends, salaries and property costs) not matched by simultaneous receipt of Common Fund and investment income. The policy is that General Fund reserves (unrestricted, undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash form for this purpose. General reserves at 31st December 2012 were £1.9m (2011 £1.3m). These equate to about 21 days of general fund expenditure (2011 15 days). The trustees intend to replenish these general reserves over the next 4 years through the careful setting of annual budgets.

Funds with a value of £90.4m (2011 £86.8m) have been designated for particular purposes as described more fully in Note 12a to the financial statements.

Over half of this value, £49.8m (2011 £48.2m), is represented by functional property and the associated parsonage and fund property reserves, which are used to house clergy in support of one of the principal charitable objectives of the LDF. As described in the notes to the financial statements, most clergy housing is not owned by the LDF but is nevertheless recognised in the accounts in accordance with Financial Reporting Standard no 5.

About one third of these funds, £29.4m (2011 £27.2m) is represented by investment property which is discussed below.

Some of these funds have been designated to enable loans to be made to further the charitable aims of the LDF. The value of the funds will continue without material change as loans are made and repaid. The Diocesan Loan Capital designated fund of £4.2m (2011 £4.4m) is the major example. It is used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed.

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The remainder of the designated funds, with a value of £7.0m (2011: £7.0m), is designated for a variety of purposes, especially enabling the LDF to take advantage of strategic development opportunities e.g. in development areas within London. Many of these funds are gradually being exhausted as they are expended for the purposes for which they were designated. Some of these funds may be expected to be replenished over time by further donations and designations.

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

Unrestricted but designated property investments, amounting to £29.4m (2011: £27.2m) of the amounts discussed above, are held for two principal reasons:

One reason is to reduce the risks posed by large changes in the environment in which the LDF operates and to protect the LDF from insolvency or serious disruption to its work. The LDF needs to balance the risk between the short term nature of income and the long term continuing needs of clergy.

Clergy are office holders and are not generally employed by the LDF. Stipends are paid by the Central Stipends Authority, part of the Archbishops' Council, which looks to the LDF to recompense them in respect of the clergy in the Diocese, as guided by s5 of the Diocesan Stipends Funds Measure 1953. Clergy are entitled to receive a basic stipend and, in practice, receive an enhanced stipend. This entitlement for many incumbents continues until they reach the age of seventy. For some, it is a lifetime entitlement. Some clergy have an expectation that they will continue to receive the enhanced stipend for as long as their entitlement to stipend continues. This represents a long term moral, but not legal, obligation for the LDF. On the other hand, the LDF's income consists mainly of voluntary donations by parishioners through their PCCs.

If there were, for any reason, a major decline in parishioners' giving to the Church, the LDF might be left with a major imbalance between income and expenditure. If Common Fund income were to fall by a half, selling the unrestricted investments would make up the shortfall for between two and three years.

With the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 (1) and regulations made under section 2 of that Measure, office holders holding a stipendiary post are now entitled to receive a stipend not less than the National Minimum Stipend. The Measure and Regulations were implemented on 31 January 2011.

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

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



## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
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### **Restricted Funds**

Funds with a value of £20.3m (2011 £20.0m) were restricted in their application in accordance with conditions specified by the donors. They are described more fully in Note 12b to the financial statements. Glebe assets are regarded as restricted expendable endowment funds.

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

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

### **Pension Schemes**

From 1 January 2011 the Church of England Clergy Pension Scheme changed to being contracted into the Second State Pension. This change means that both the LDF and clergy will pay greater National Insurance contributions, at the same time, this change helps the Pensions Board to reduce the contribution rate.

The Pensions Board, taking into account the revised legislation and scheme, reduced the contribution rate to 38.2% from 45% on 1st January 2011.

During 2012 the LDF consulted staff members on a proposed change of accrual rate for future service regarding the Church Workers' Pension Scheme (for lay staff). Changes will come into effect from 1st April 2013 to manage the increasing cost of this scheme.

### **Other Matters**

Note 9b of the financial statements details the LDF's support of connected charities, for example support of £275k (2011 £260k) given to the London Diocesan Board for Schools through sharing facilities at London Diocesan House as well as a cash grant of £160k (2011 £160k). This is to ensure that the Diocese of London both fulfils its statutory educational responsibilities and its desire that the Gospel of Christ is also spread through educational ministry.

One of the main ways in which the LDF supports the ministry of parishes is through the provision of grants and loans. In 2012, grants to London parishes totalled £1.7m (2011 £1.8m).

## **THE LONDON DIOCESAN FUND**

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

The LDF is a charitable company limited by guarantee and its directors and trustees may derive no benefit, income or capital interest in the LDF's financial affairs other than reimbursement of out of pocket expenses. Note 9b to the financial statements shows expenses reimbursed to Council members. 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.

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

### **Disclosure of information to auditors**

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

### **Trusts**

The LDF 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 by 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.

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

As noted on page 50 the LDF is custodian trustee for trust assets of £16.0m (2011: £15.8m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2012.

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

A statement of the custodian trustees' responsibilities is also found on page 50 together with non-statutory financial statements, notes thereto and a non-statutory independent auditors' report to the custodian trustees between pages 50 and 54. Because of the large number of such trusts they are not listed separately.

## THE LONDON DIOCESAN FUND

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**

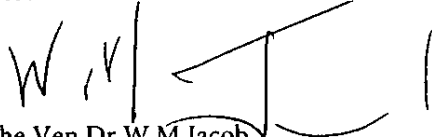
The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial year in accordance with UK Accounting Standards and applicable law (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 any excess of expenditure over income for that period.

In preparing these financial statements, the trustees are required to

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

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

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



The Ven Dr W M Jacob

Member of Bishop's Council and Finance Committee Chairman

16 May 2013

## **THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
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### **Independent auditor's report to the members of the London Diocesan Fund**

We have audited the financial statements of the London Diocesan Fund for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Summary Income and Expenditure account, the Balance Sheet, the note of Historical Cost Profits and Losses, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 27, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**THE LONDON DIOCESAN FUND**

Directors' and Trustees' Report and Financial Statements  
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**Opinion on the other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



**Alistair Fraser (Senior Statutory Auditor)**

**for and on behalf of Mazars LLP**

Chartered Accountants and Statutory Auditor

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

**16 May 2013**

# THE LONDON DIOCESAN FUND

## Statement of Financial Activities - for the year to 31 December 2012

		Unrestricted funds		Restricted Funds	Endowment Funds	Total 2012	Total 2011
		General	Designated	Funds	Funds	2012	2011
		£m	£m	£m	£m	£m	£m
<b>Incoming Resources</b>	Notes						
<b>Incoming Resources from generated funds</b>							
<i>Voluntary income</i>							
Common Fund		20.6	-	-	-	20.6	20.3
Parish Reimbursements for Clergy Costs		3.2	-	-	-	3.2	3.0
Donations		0.5	-	0.2	-	0.7	0.8
Church Commissioners		-	0.3	0.2	-	0.5	0.5
Trust for London		1.3	-	-	-	1.3	1.2
<i>Activities for generating funds</i>							
Functional Property Rentals		1.3	0.2	-	-	1.5	1.3
Assigned Fees		0.5	-	-	-	0.5	0.5
<i>Investment Income</i>							
Dividends and Interest Receivable	10b	1.2	0.1	0.2	-	1.5	1.2
Investment Property Rentals		4.0	-	0.1	-	4.1	4.0
<b>Other Incoming Resources</b>			0.1	-	-	0.1	0.2
<b>Total Incoming Resources</b>		<b>32.6</b>	<b>0.7</b>	<b>0.7</b>	<b>-</b>	<b>34.0</b>	<b>33.0</b>
<b>Resources Expended</b>							
<b>Cost of generating funds</b>							
<i>Investment management costs</i>							
Rental portfolio costs - agent fees		0.5	-	-	-	0.5	0.4
Investment Property repairs & maintenance		1.2	0.1	0.3	-	1.6	1.2
<b>Charitable activities</b>							
Ministry		20.2	0.2	-	-	20.4	19.9
Education & Outreach		0.6	-	-	-	0.6	0.6
Parish and Area Support Services		1.2	0.1	0.2	-	1.5	1.3
Clergy Housing & Care of Churches		6.0	1.1	-	1.7	8.8	8.3
National Church		2.1	-	-	-	2.1	2.0
Grants to Parishes & Overseas	5	0.2	1.2	0.5	-	1.9	2.0
<b>Governance</b>		0.3	-	-	-	0.3	0.2
<b>Other resources expended</b>		-	-	-	-	-	-
<b>Total Resources Expended</b>	4	<b>32.3</b>	<b>2.7</b>	<b>1.0</b>	<b>1.7</b>	<b>37.7</b>	<b>35.9</b>
<b>Net incoming / (outgoing) resources for year before transfers and pension deficit costs</b>		<b>0.3</b>	<b>(2.0)</b>	<b>(0.3)</b>	<b>(1.7)</b>	<b>(3.7)</b>	<b>(2.9)</b>
<b>Pension Deficit costs</b>		-	-	-	-	-	(1.2)
<b>Net incoming / (outgoing) resources for year after pension deficit costs and before transfers</b>		<b>0.3</b>	<b>(2.0)</b>	<b>(0.3)</b>	<b>(1.7)</b>	<b>(3.7)</b>	<b>(4.1)</b>
<b>Transfers between funds</b>	12d	-	(1.6)	(0.4)	2.0	-	-
<b>Net incoming / (outgoing) resources for year after transfers</b>		<b>0.3</b>	<b>(3.6)</b>	<b>(0.7)</b>	<b>0.3</b>	<b>(3.7)</b>	<b>(4.1)</b>
<b>Other recognised gains and losses</b>							
Unrealised gains / (losses) on investment assets	7	0.3	0.5	0.4	0.9	2.1	(1.3)
Unrealised gains on property assets	6	-	3.5	0.5	1.7	5.7	13.6
Realised gains on property assets		-	3.2	0.1	0.2	3.5	2.6
<b>Net Gains</b>		<b>0.3</b>	<b>7.2</b>	<b>1.0</b>	<b>2.8</b>	<b>11.3</b>	<b>14.9</b>
<b>Net movement in funds for the year</b>		<b>0.6</b>	<b>3.6</b>	<b>0.3</b>	<b>3.1</b>	<b>7.6</b>	<b>10.8</b>
Balances at 1 January 2012		1.3	86.8	20.0	255.8	363.9	353.1
<b>Balances at 31 December 2012</b>		<b>1.9</b>	<b>90.4</b>	<b>20.3</b>	<b>258.9</b>	<b>371.5</b>	<b>363.9</b>

All incoming and expended resources relate to continuing operations

The notes on pages 34 to 48 form part of these financial statements

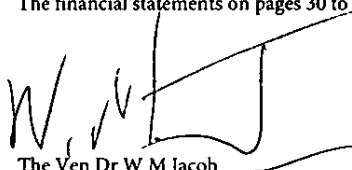
# THE LONDON DIOCESAN FUND

## Balance Sheet - as at 31 December 2012

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2012 £m	Total 2011 £m
<b>Fixed Assets</b>							
Functional Property	6	-	45.1	1.9	204.4	251.4	253.6
Investment Property	6	-	29.4	13.2	43.6	86.2	81.5
Fixtures, Fittings and Equipment		-	-	-	-	-	0.1
Investments	7	2.9	8.9	4.3	9.8	25.9	21.3
		<u>2.9</u>	<u>83.4</u>	<u>19.4</u>	<u>257.8</u>	<u>363.5</u>	<u>356.5</u>
<b>Current Assets</b>							
Debtors	9	1.8	4.2	0.5	-	6.5	6.1
Cash and short term deposits	10a	3.0	8.3	1.5	1.2	14.0	14.4
		<u>4.8</u>	<u>12.5</u>	<u>2.0</u>	<u>1.2</u>	<u>20.5</u>	<u>20.5</u>
<b>Creditors</b>							
Amounts falling due within one year	11	2.1	2.4	0.4	0.1	5.0	5.3
<b>Net Current Assets</b>		<u>2.7</u>	<u>10.1</u>	<u>1.6</u>	<u>1.1</u>	<u>15.5</u>	<u>15.2</u>
<b>Total assets less current liabilities</b>		<u>5.6</u>	<u>93.5</u>	<u>21.0</u>	<u>258.9</u>	<u>379.0</u>	<u>371.7</u>
<b>Creditors</b>							
Amounts falling due after one year	11	3.7	3.1	0.7	-	7.5	7.8
<b>Net Assets</b>		<u>1.9</u>	<u>90.4</u>	<u>20.3</u>	<u>258.9</u>	<u>371.5</u>	<u>363.9</u>
<b>Funds</b>							
General		1.9	-	-	-	1.9	1.3
Designated	12a	-	90.4	-	-	90.4	86.8
Restricted	12b	-	-	20.3	-	20.3	20.0
Endowment	12c	-	-	-	258.9	258.9	255.8
<b>Total Funds</b>		<u>1.9</u>	<u>90.4</u>	<u>20.3</u>	<u>258.9</u>	<u>371.5</u>	<u>363.9</u>

The notes on pages 34 to 48 form part of these financial statements

The financial statements on pages 30 to 48 were approved, and authorised for issue, by the Diocesan Bishop's Council on 16 May 2013



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



Mr I R M Woolf  
Member of Bishop's Council

## THE LONDON DIOCESAN FUND

### Summary Income and Expenditure Account - for the year to 31 December 2012

	2012 £m	2011 £m
<b>Non-endowment movements</b>		
Gross income	34.0	33.0
Realised gains	3.3	2.1
<b>Total income</b>	<u>37.3</u>	<u>35.1</u>
<b>Total expenditure</b>	(36.0)	(34.1)
<b>Net income on non-endowment funds before unrealised gains/(losses) and transfers</b>	<u>1.3</u>	<u>1.0</u>

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

All incoming and expended resources relate to continuing operations

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 30, which together with the notes to the financial statements on pages 34 to 48 provides full information on the movement during the year on all the funds of the LDF

<b>Note of historical cost profits and losses - for the year to 31 December 2012</b>	2012 £m	2011 £m
(Deficit) for the financial year	(3.7)	(4.1)
Realisation of revaluation gains of previous years	3.5	2.6
<b>Historical Cost (loss) for the year</b>	<u>(0.2)</u>	<u>(1.5)</u>

The notes on pages 34 to 48 form part of these financial statements



## THE LONDON DIOCESAN FUND

### Cash Flow Statement - for the year to 31 December 2012

	Notes	2012 £m	2011 £m
<b>Net cash outflow from operating activities</b>	13a	(8.9)	(7.9)
<b>Returns on investments and servicing of finance</b>	13b	<u>7.0</u> (1.9)	<u>6.6</u> (1.3)
<b>Capital flows and financial investment</b>	13b	1.5	(4.9)
<b>(Decrease) in cash in the year</b>		<u>(0.4)</u>	<u>(6.2)</u>
<b>Reconciliation of net cash flow to movement in net funds (see note 13)</b>			
<b>(Decrease) in cash in the year</b>		(0.4)	(6.2)
<b>Non cash increase / (decrease) in funds</b>		<u>0.1</u>	<u>(0.1)</u>
<b>Movement in net funds in the year</b>		(0.3)	(6.3)
<b>Net funds at 1 January</b>		11.3	17.6
<b>Net funds at 31 December</b>	13c	<u>11.0</u>	<u>11.3</u>

The notes on pages 34 to 48 form part of these financial statements

**Notes to the financial statements - for the year ended 31 December 2012**

**1 Principal accounting policies**

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

The accounts comply with the Charities Act 2011, 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 LDF prepares its annual financial statements on the historical cost basis of accounting as adjusted for the revaluation of investments, investment properties and functional properties

**1.2 Funds**

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

Unrestricted Funds

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

(a) General Funds

(b) Designated Funds (note 12a)

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

Restricted Funds (note 12b)

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

Endowment Funds (note 12c)

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

**1.3 Taxation status**

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

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

## 1.4 Statement of Financial Activities

All material income and expenditure is accounted for on an accruals basis

Income	Explanation
<b>Voluntary Income</b>	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF
Parish Reimbursements for Clergy Costs	Stipend refunds are amounts received in respect of clergy involved in largely local initiatives, financed directly by parishes or other institutions
Donations	Gifts from external organisations and individuals
Church Commissioners	Grant income from the Church Commissioners
Trust for London	Grant income from Trust for London (formerly City Parochial Foundation)
<b>Activities for generating funds</b>	
Functional Property rental income	Functional property is usually held to house clergy. Where property is not used for this purpose in the short term, it is let out at market rates to generate additional income. Designated and Glebe functional rental income is receivable within general funds. Rental income from closed church buildings is accounted for within restricted funds.
Assigned fees	Assigned fees are statutory charges for weddings and funerals, of which part is due to the local Parochial Church Council (PCC), and part is due to the LDF. The LDF element is set against the overall stipends bill.
<b>Investment Income</b>	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment Property rental income	Investment property is let out at the market rate. Designated and Glebe investment rental income is receivable within general funds.
<b>Expenditure</b>	
<b>Cost of generating funds – investment management costs</b>	
Rental portfolio costs, agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
<b>Charitable activities</b>	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education & Outreach	Annual grant to the Board for Schools in London plus direct costs related to children's ministry, community ministry and social justice.
Parish and Area Support Services	Costs associated with the Areas including office costs, senior clergy expenses and the costs of advisers.
Clergy Housing & Care of Churches	Clergy Housing & Care of Churches represents the repairs, maintenance, depreciation and other property costs associated with the functional property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department.
National Church	The LDF's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.
<b>Governance</b>	
Governance Costs	Governance costs include the costs of governance arrangements which relate to the general running of the charity as opposed to those costs associated with charitable activities and fund raising. Governance costs include the costs of Diocesan Synod and the cost of legal advice provided to the trustees in their capacity as the LDF's trustees.

Notes to the financial statements - for the year ended 31 December 2012 (continued)

1.5 Tangible Fixed Assets

Property

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

(a) Benefice Houses

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

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

(b) Burial Grounds

Burial grounds are held at £nil value in the accounts as the trustees believe that the cost of a practical valuation is onerous compared to the additional benefits to be gained. The 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 this class of assets.

(c) Closed Church Buildings

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

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

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

(e) Fixtures, fittings and equipment

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

Depreciation

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

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

1.6 Investments

Investment Property

The trustees' policy is that freehold properties held for investment purposes have been included at the trustees' best estimate of market value. Major items of (mainly commercial) investment property are valued every five years by external consultants, with interim year end valuations being performed in the intervening years by a suitably qualified officer of the LDF. Other investment properties (mainly residential) are included at a capital multiple of 20 years' rental (2011: 20 years' rental). This is kept under review in light of changing market conditions of both property values and rental incomes. Investment Property is not depreciated. Realised gains and losses on investment property are taken to the Statement of Financial Activities under the heading of Other recognised gains and losses.

Other Investments

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

1.7 Custodian Trusts

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

A separate Balance sheet and Statement of Financial Activities is set out on page 51 with supporting notes on pages 52 and 53. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 49 to 53 is found on page 54.

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

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

The (deficit) for the financial year is stated after charging.

	2012	2011
	£'000	£'000
Depreciation Functional and Investment Property	2,712	2,848
Depreciation Fixtures, Fittings and Equipment	29	34
	<u>2,741</u>	<u>2,882</u>
Auditors Remuneration (including VAT)		
Statutory audit	31	31
Non Audit Services.		
Tax advice	1	1
- Non statutory review of Custodian Trusts	3	3
	<u>35</u>	<u>35</u>

### 3 Staff and Clergy Costs

Costs of lay staff	2012	2011
	£'000	£'000
Wages and Salaries	2,170	2,002
Employer's National Insurance	206	186
Employer's Pension Contributions (note 14(a))	482	404
	<u>2,858</u>	<u>2,592</u>

The number of lay employees employed on diocesan business was 63 (2011 62). During 2012, 3 extra people (2011 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of lay employees for statutory purposes was, therefore 66 (2011 65).

The Full Time Equivalent average number of people employed on diocesan business was 58 (2011 56). During 2012 3 extra people (2011 3) had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore 61 (2011 59).

	2012	2011
	No	No
The number of employees whose emoluments for the year exceeded £60,000 are as follows		
£110,001-£120,000	1	1
£100,001-£110,000		
£80,001-£90,000	2	1
£70,001-£80,000		1
£60,001-£70,000	2	1

Aggregate employer normal pension contributions for all the higher paid employees above were £81,984 (2011 £58,209) payable to various pension schemes of which £26,126 was payable to defined contribution pension schemes (2011 £25,586).

#### Clergy costs

As at 31 December 2012 there were 15 individuals (2011 22) - mainly chaplains - who (following the implementation of ecclesiastical legislation in February 2011) are legally employees of the LDF despite being on the clergy payroll. Where their costs fall to the LDF they are included in the Clergy disclosure note below. In total for 2012, their costs included Gross Stipends of £350,115 (2011 £425,987), Employer's NI of £26,400 (2011 £38,420) and Employer's pension contributions of £121,095 (2011 £137,409).

In addition in 2012 there were six ordained clergy (2011 None) who whilst undertaking clerical work, were required to be included in the LDF payroll. In total for 2012, their costs included Gross Stipends of £56,779 (2011 £nil), Employer's NI of £5,065 (2011 £nil) and Employer's pension contributions of £33,192 (2011 £nil).

#### Clergy holding parochial or archidiaconal posts

	2012	2011
	£'000	£'000
Gross stipends	12,137	11,923
Employer's National Insurance	972	971
Employer's Pension Contributions (note 14(b))	4,219	4,058
	<u>17,328</u>	<u>16,952</u>
Average number of total stipendiary clergy posts	517	526
Number of total stipendiary clergy posts at 31 December	515	528

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

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

	2012 £'000	2011 £'000			
<i>Indirect support costs</i> (allocated below)					
Salary and employment costs	1,337	1,248			
Office costs	334	312			
	<b>1,671</b>	<b>1,560</b>			
<b>Resources Expended</b>	<b>Before allocation of support costs</b>	<b>Direct support costs</b>	<b>Indirect support costs</b>	<b>Total 2012</b>	<b>Total 2011</b>
	£'000	£'000	£'000	£'000	£'000
<b>Cost of generating funds</b>					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	485	-	-	485	425
Investment Property repairs & maintenance	1,537	-	45	1,582	1,194
Fundraising	33	-	-	33	7
	<b>2,055</b>	<b>-</b>	<b>45</b>	<b>2,100</b>	<b>1,626</b>
<b>Charitable activities</b>					
Ministry	19,806	3	648	20,457	19,879
Education & Outreach	457	5	157	619	586
Parish & Area Support services	816	283	375	1,474	1,298
Clergy Housing Property and Care of Churches Costs	5,647	176	259	6,082	5,505
Clergy Housing Depreciation	2,712	-	-	2,712	2,848
<i>Clergy Housing &amp; Care of Churches</i>	<b>8,359</b>	<b>176</b>	<b>259</b>	<b>8,794</b>	<b>8,353</b>
National Church	2,076	-	-	2,076	1,961
Grants to Parishes & Overseas	1,818	-	57	1,875	1,970
<b>Governance Costs</b>	<b>-</b>	<b>130</b>	<b>130</b>	<b>260</b>	<b>244</b>
<b>Other resources expended</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>38</b>	<b>16</b>
	<b>35,425</b>	<b>597</b>	<b>1,671</b>	<b>37,693</b>	<b>35,933</b>

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

### 5 Grants to Parishes & Overseas

Funding source	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2012 £'000	Total 2011 £'000
<b>Grants to Parishes from:</b>						
Diocesan Bishop's Council	-	300	-	-	300	34
Trust for London / Other	178	-	-	-	178	234
Area Pastoral funds	-	262	-	-	262	290
Bishop of London's Mission Fund	-	404	-	-	404	266
Funds held for Parish Benefit	-	199	349	-	548	957
	<b>178</b>	<b>1,165</b>	<b>349</b>	<b>-</b>	<b>1,692</b>	<b>1,781</b>
<b>Overseas:</b>						
Angola and Mozambique (ALMA) and Lent Projects	-	-	126	-	126	136
Grant administration allocation	57	-	-	-	57	53
<b>Total</b>	<b>235</b>	<b>1,165</b>	<b>475</b>	<b>-</b>	<b>1,875</b>	<b>1,970</b>

# THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2012 (continued)

## 6 Tangible Fixed Assets - Functional and Investment Property

	Unrestricted - Designated Funds		Restricted Funds	Expendable Endowment Funds				Combined Total
	Freehold Property £'000	Long Leasehold Property £'000	Total £'000	Closed Church Property £'000	Leasehold Benefice Houses £'000	Freehold Benefice Houses £'000	Glebe Property £'000	Total £'000
<b>At cost or valuation</b>								
At 1 January 2012	78,138	3,041	81,179	13,925	2,010	208,434	52,882	263,326
Additions	351	-	351	788	-	2,395	377	2,772
Transfers	429	-	429	-	-	(610)	181	(429)
Disposals	(2,548)	-	(2,548)	-	-	(825)	(1,145)	(1,970)
Revaluation	3,203	176	3,379	463	(27)	(533)	2,291	1,731
<b>At 31 December 2012</b>	<b>79,573</b>	<b>3,217</b>	<b>82,790</b>	<b>15,176</b>	<b>1,983</b>	<b>208,861</b>	<b>54,586</b>	<b>265,430</b>
<b>Depreciation</b>								
At 1 January 2012	7,169	220	7,389	-	302	13,850	1,811	15,963
Charge for the year	1,004	23	1,027	-	40	1,391	254	1,685
Transfers	28	-	28	-	-	(28)	-	-
Disposals	(105)	-	(105)	-	-	(54)	(8)	(62)
Revaluation	(28)	-	(28)	-	-	(70)	-	(98)
<b>At 31 December 2012</b>	<b>8,068</b>	<b>243</b>	<b>8,311</b>	<b>-</b>	<b>342</b>	<b>15,089</b>	<b>2,057</b>	<b>17,488</b>
<b>Net Book Value</b>								
<b>At 31 December 2012</b>	<b>71,505</b>	<b>2,974</b>	<b>74,479</b>	<b>15,176</b>	<b>1,641</b>	<b>193,772</b>	<b>52,529</b>	<b>247,942</b>
<b>Split by</b>								
NBV Functional Property	42,249	2,806	45,055	1,969	1,641	193,772	8,970	204,383
NBV Investment Property	29,256	168	29,424	13,207	-	-	43,559	43,559
	71,505	2,974	74,479	15,176	1,641	193,772	52,529	247,942
<b>Net Book Value</b>								
<b>At 31 December 2011</b>	<b>70,969</b>	<b>2,821</b>	<b>73,790</b>	<b>13,925</b>	<b>1,708</b>	<b>194,584</b>	<b>51,071</b>	<b>247,363</b>

Properties are valued in accordance with the accounting policies set out in note 1

Net revaluation gains above of £5,671k differ from those shown on the SOFA, largely due to the net revaluation movement in 2012 of the value linked loans creditor

The LDF's major glebe and designated fund investment properties were formally revalued on 31 December 2010 by Kemsley Property Consultants

The next formal valuation is due by 31 December 2015, with interim year-end valuations being performed in the intervening years by a suitably qualified officer of the LDF

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

### 7 Investments

	At 1 January 2012 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2012 £'000
<b>General Fund</b>						
CCLA Global Equities	2,560	-	-	319	-	2,879
<b>Designated Funds</b>						
CCLA Global Equities	971	2,000	-	121	-	3,092
OLIM Charity Value and Inc Equities	189	500	-	22	-	711
CCLA Fixed Interest Securities Bond	801	-	-	8	-	809
M&G Charibond	793	-	-	19	-	812
M&G Investments	2,806	-	-	282	-	3,088
<b>Designated Trusts</b>						
M&G Investments	368	-	-	37	-	405
<b>TOTAL - Designated</b>	<b>5,928</b>	<b>2,500</b>	<b>-</b>	<b>489</b>	<b>-</b>	<b>8,917</b>
<b>Restricted Funds</b>						
OLIM Charity Value and Inc Equities	758	-	-	86	-	844
<b>Sole Trusts</b>						
Listed Investments	20	-	-	(1)	-	19
M&G Investments	2,510	-	(15)	251	-	2,746
CBF Investment Fund	626	5	(45)	43	-	629
<b>TOTAL - Restricted</b>	<b>3,914</b>	<b>5</b>	<b>(60)</b>	<b>379</b>	<b>-</b>	<b>4,238</b>
<b>Expendable Endowment Funds</b>						
<b>Glebe</b>						
M&G Investments	5,270	-	-	531	-	5,801
<b>Permanent Endowment Funds</b>						
<b>Sole Trusts</b>						
Listed Investments	3	-	-	-	-	3
M&G Investments	2,764	-	-	261	-	3,025
CBF Investment Fund	885	-	-	88	-	973
CBF Fixed Interest Securities Fund	24	-	-	-	-	24
<b>TOTAL - Endowment</b>	<b>8,946</b>	<b>-</b>	<b>-</b>	<b>880</b>	<b>-</b>	<b>9,826</b>
<b>Total Fixed Asset Investments</b>	<b>21,348</b>	<b>2,505</b>	<b>(60)</b>	<b>2,067</b>	<b>-</b>	<b>25,860</b>

#### Cost or valuation

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

CBF investments are valued by the CCLA

The historic cost of the investments held at 31 December 2012 is £23,180k (2011: £20,735k)



# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

### 8 Investments in subsidiary undertakings

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

### 9 Debtors

	General £'000	Designated £'000	Restricted £'000	2012 £'000	2011 £'000
Contributions to the Common Fund	430	-	-	430	448
Rent Receivable	434	-	157	591	777
Prepayments and accrued income	420	80	367	867	734
	<u>1,284</u>	<u>80</u>	<u>524</u>	<u>1,888</u>	<u>1,959</u>
Loans to Parishes					
- Diocesan Bishop's Council awarded	-	3,021	-	3,021	3,007
- Area Council awarded	-	671	-	671	595
	<u>-</u>	<u>3,692</u>	<u>-</u>	<u>3,692</u>	<u>3,602</u>
Loans to individuals	37	405	-	442	440
Other Debtors	448	-	-	448	121
	<u>1,769</u>	<u>4,177</u>	<u>524</u>	<u>6,470</u>	<u>6,122</u>

	2012 £'000	2011 £'000
<u>Movements in Loans to Parishes.</u>		
At 1 January	3,602	3,552
Additions (new loans and interest)	1,187	1,409
Repayments	(1,097)	(1,359)
At 31 December	<u>3,692</u>	<u>3,602</u>

During the year, interest on Diocesan Bishop's Council (Finance Committee) loans to parishes was charged, depending upon the rules in force when the loan was awarded, at rates of 1% above the Central Board of Finance (CBF) rate, or 2% or 5% above the Bank of England base rate depending on the balance of an individual loan. No interest was charged on other loans.

Certain loans to parishes and individuals fall due after more than one year and the total of these as at 31 December 2012 was £2,495k (2011: £1,936k).

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

### 9b Related Parties

#### Payroll Services

These are undertaken on behalf of a number of local church based projects whereby the LDF acts as a payroll agent. At 31 December 2012 other debtors included £3k (2011: £13k) and other creditors included £7k (2011: £13k) in respect of gross salary and employer's National Insurance.

#### London Diocesan Board for Schools (LDBS)

The LDF and the LDBS are separate charities but the members of various Diocesan bodies appoint the majority of the trustees/directors of the two organisations. A number of members are trustees/directors of both charities.

The Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO is President and Chairman of the LDF and President of the LDBS.

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

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

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

The LDF makes an annual grant to the work of the LDBS amounting to £160k (2011: £160k). The LDBS is a charitable company (reg no 198131). At 31 December 2012 other debtors included £1k for salary and office cost recharges (2011: £10k).

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

	2012	2011
	£'000	£'000
Accommodation	78	87
House services and meeting rooms	197	173
	<u>275</u>	<u>260</u>

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

#### Trustees' Expenses/Remuneration

In 2012 the LDF reimbursed a total of £43k to 20 members of the Bishop's Council (2011: £41k to 12 members). The expenses related mostly to working expenses, for example as Archdeacon, Area Dean or other official.

By virtue of their clerical office the LDF is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council, along with national insurance and costs associated with housing. The stipends, national insurance and pensions of Bishops are borne and funded by the Church Commissioners.

The following was paid to 15 other members of the clergy in 2012 (Full Time Equivalent: 15) who were members of the Bishop's Council (2011: 13 members Full Time Equivalent: 13).

	2012	2011
	£'000	£'000
Gross Stipends	319	314
Employer's National Insurance	26	28
Employer's Pension Contribution	99	105
	<u>444</u>	<u>447</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. 17 members of Bishop's Council during the year (2011: 13) were housed in parsonages by virtue of their clerical office. Two employees (2011: two) were housed in a parsonage, though not by virtue of their employment.

A further 8 members of Council (and Finance Committee) (2011: 8) and two employees in holy orders (2011: two) were housed in properties owned by the London Diocesan Fund.

One member (2011: no members) of Bishop's Council was contracted during the year to provide rental property to meet an LDF operational housing commitment. These services were carried out on an arms-length basis. The value of this rental in 2012 was £18k (2011: £Nil).

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

### 10a Cash and short term investments

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2012 £'000	2011 £'000
Bank Deposits	1,504	8,259	1,545	1,216	12,524	12,397
Cash at Bank and in hand	1,472	77	-	-	1,549	2,025
	<u>2,976</u>	<u>8,336</u>	<u>1,545</u>	<u>1,216</u>	<u>14,073</u>	<u>14,422</u>

### 10b Investment Income

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2012 £'000	2011 £'000
Dividends	1,009	20	171	-	1,200	1,041
Cash and Deposit interest	174	36	10	-	220	137
Fixed interest investments	-	-	3	-	3	3
Loan interest	66	-	-	-	66	50
	<u>1,249</u>	<u>56</u>	<u>184</u>	<u>-</u>	<u>1,489</u>	<u>1,231</u>

### 11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2012 £'000	2011 £'000
<b>Amounts falling due within one year</b>						
Parish Loans Payable	-	989	-	-	989	1,253
Grants Payable	-	1,216	-	-	1,216	1,535
Other Creditors	1,048	39	239	52	1,378	1,059
Accruals and deferred income	1,048	178	203	-	1,429	1,434
	<u>2,096</u>	<u>2,422</u>	<u>442</u>	<u>52</u>	<u>5,012</u>	<u>5,281</u>

### Amounts falling due after one year

Other Creditors	795	-	-	-	795	1,000
Accruals and deferred income	2,859	-	775	-	3,634	3,669
Church Commissioners re Value Linked Loans	-	3,052	-	-	3,052	3,155
	<u>3,654</u>	<u>3,052</u>	<u>775</u>	<u>-</u>	<u>7,481</u>	<u>7,824</u>

£775k of the Restricted Accruals and deferred income above (2011 £782k) relates to the residual lease premium for the lease of St Mark's Church in North Audley Street, Westminster. In accordance with United Kingdom Generally Accepted Accounting Practice, this balance is being released as income to the Statement of Financial Activities evenly over the 112 year period of the lease term.

£2,859k of the General fund Accruals and deferred income above (2011 £2,887k) relates to the residual lease premium for the lease of 13 & 13a North Audley Street, Westminster.

A Value Linked Loan due to the Church Commissioners becomes repayable when the house on which it is secured is sold. It is a concessionary loan made by the Church Commissioners for onward lending to a parish, usually for housing of assistant clergy. The properties purchased with Value Linked Loans are held within Designated Functional Property.

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

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

### 12a Designated Funds

	At 1 January 2012 £ 000	Incoming Resources £'000	Resources Expended £ 000	Unrealised Gains/(Losses) £ 000	Transfers £ 000	At 31 December 2012 £'000
Functional Property	43 468		(1 027)	(3)	(435)	42,003
Investment Property	27 166			3,532	(1,274)	29,424
Parsonage Reserve	1 951	2 621	(76)	86	(2,395)	2,187
Fund Property Reserve	2 775	720	(92)	111	2 111	5,625
Inspection and Maintenance Fund	461			6	45	512
Designated Trusts	2,563	7	(199)	37	113	2,521
Mission Opportunity	1,300		(59)	112		1,353
Bishop of London's Mission Fund	362	309	(448)			223
Clergy Training and Support	799	16	(108)	38		745
Area Pastoral Funds	1 114	114	(263)		312	1,277
Area Bank Accounts	143	40	(67)		(40)	76
Diocesan Loan Capital	4 431		(300)	98	-	4,229
Tottenham Hale Reserve	100				-	100
Strategic Development Reserve	168	5			(15)	158
<b>Total Designated Funds</b>	<b>86,801</b>	<b>3,832</b>	<b>(2,639)</b>	<b>4,017</b>	<b>(1,578)</b>	<b>90 433</b>

Note 12d

\* Incoming resources, includes realised gains

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

Functional Property	As well as incorporating the Diocesan offices, Functional Property comprises over 90 units of residential accommodation used to house clergy who are not housed in parsonages. These include area bishops, archdeacons, chaplains, team vicars, and many others. Of the fund value at the year end of £42.0m £45.1m is represented by actual properties which are partially offset by (£3.1m) of Value Linked Loans creditors (as described in note 11)
Investment Property	Investment property comprises over 40 freehold and leasehold properties (£29.4m) held to generate income and capital growth which helps fund stipends and other charitable activities.
Parsonage and Fund Property Reserves	The Parsonage and Fund Property reserves are used for the purchase and refurbishment of Parsonage House Capital (Endowment) and Functional and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund.
Inspection and Maintenance Fund (formerly Quinquennial Fund)	We carry out planned maintenance on an average of one sixth of our functional properties each year (83 of approximately 500) but the actual numbers vary from year to year. Since inspection and maintenance works were carried out on 81 parsonages in 2012, the cost of 2 sets of works at an average of £22.5k (£45k) has been credited to this fund. All necessary works in accordance with the relevant Measure are undertaken.
Designated Trusts	This fund represents proceeds arising from the sale of parish based properties that were in use by those parishes but were legally owned by the Diocese. Each sale of such property is assessed on a case by case basis and where there is a compelling reason the sale proceeds may be designated for parish purposes, usually to fund a parish based development or replacement facility.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy. In 2010 £900k was transferred into this fund from the net proceeds of operational properties no longer required.
Bishop of London's Mission Fund (BLMF)	This fund is used for new local mission initiatives (not capital projects) throughout the diocese. Each application is assessed on a case by case basis by the BLMF board, an internal committee chaired by the Bishop of London.
Clergy Training and Support	This fund is for providing general clergy training and support. The designated budget holder for the fund is the Bishop of Kensington assisted by the Director of Ministry.
Area Pastoral Funds	This represents funds for each of the five episcopal areas which can be used for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. The fund was broadened in 2010 to incorporate the Area Loan Capital Fund and the Urban Priority Area Funds.
Area Bank Accounts	These are the Kensington and Willesden Area bank accounts which are used directly to support each of these Areas.
Diocesan Loan Capital	This fund provides loans to parishes, with individual loans not normally exceeding £200k. Requests from parishes are first considered by the Loans Monitoring Group (LMG) a sub-committee of the Finance Committee and the decisions made by the Finance Committee.
Tottenham Hale Reserve	This fund is set aside to support the strategic initiatives in Tottenham Hale to further the mission and ministry of the church in that location.
Strategic Development Reserve	This fund is to finance work to inform and assist in the strategic deployment of the LDF's resources to further the mission and ministry of the church in London.

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2012 (continued)

#### 12b Restricted Funds

	At 1 January 2012 £ 000	Incoming Resources £'000	Resources Expended £ 000	Unrealised Gains/(Losses) £ 000	Transfers £'000	At 31 December 2012 £'000
Sole Trust Expendable Funds	4,905	348	(477)	294	(371)	4,699
Closed Church Buildings Fund	1,089	167	(317)	86	(788)	237
Closed Church Buildings Property	13,925			463	788	15,176
BLMF restricted fund	18		(3)		(15)	
Projects restricted funds	115	88	(80)		15	138
Bishops' secretaries	1	187	(187)	-		1
Environmental fund		16				16
<b>Total Restricted Funds</b>	<b>20,053</b>	<b>806</b>	<b>(1,064)</b>	<b>843</b>	<b>(371)</b>	<b>20,267</b>

Note 12d

\* Incoming resources, includes realised gains

#### Restricted Funds

Sole Trust Expendable Funds	This fund comprises some 90 restrictive Trusts which are held for specific parish or diocesan purposes. These Trusts are consolidated with the main LDF accounts as the LDF acts as Sole Trustee and therefore has control. The permanent endowment element is disclosed in note 12c. Each Trust is governed by its own trust instrument which may be in the form of a Charity Commission scheme for example. The activity of the Angola, London and Mozambique Association (ALMA) is consolidated under this heading.
Closed Church Buildings Fund	This fund represents the Diocesan Pastoral Account (DPA) and is primarily used for Closed Church Buildings rental income and maintenance expenses. Income from the rental of churches no longer used for public worship, that is not required for the maintenance of those buildings, may be used for the payment of stipends and maintenance of property for the housing of clergy. The DPA is principally governed by the Pastoral Measure 1983.
Closed Church Buildings Property	This fund represents the net book value of Closed Church Buildings property (see note 6).
BLMF restricted Fund	This fund deals with donations to the Bishop of London's Mission Fund (see note 12a) which are held under the terms of reference of the BLMF only or indicate other specific restrictions.
Projects restricted funds	This fund comprises a small number of projects including the Church Urban Fund (CUF) for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of BLMF and other projects.
Bishops' secretaries	This shows the restricted funding from the Church Commissioners received as a contribution towards the cost of the Bishops' secretaries.
Environmental fund	This shows the restricted funding towards various environment projects carried out by the LDF.

#### 12c Endowment Funds

	At 1 January 2012 £ 000	Incoming Resources £'000	Resources Expended £ 000	Unrealised Gains/(Losses) £ 000	Transfers £'000	At 31 December 2012 £ 000
<b>Expendable Endowment</b>						
Glebe Property Fund	51,071	181	(254)	2,290	(759)	52,529
Glebe Investment Fund	4,576	80		531	1,642	6,829
Parsonage House Capital	196,293		(1,431)	(560)	1,111	195,413
<b>Permanent Endowment</b>						
Sole Trust Permanent Endowment	3,812			349	-	4,161
<b>Total Endowment Funds</b>	<b>255,752</b>	<b>261</b>	<b>(1,685)</b>	<b>2,610</b>	<b>1,994</b>	<b>258,932</b>

Note 12d

Incoming resources, includes realised gains

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 (£9.0m) and investment (£43.5m) 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 Funds Measure 1953 and the Endowments and Glebe Measure 1976.
Parsonage House Capital	This fund represents the net book value of Freehold and Leasehold Benefice Houses (see note 6).
Sole Trust Permanent Endowment	This fund represents those amounts held under the LDF's Sole Trusteeship where the capital is not expendable (see note 12b).

# THE LONDON DIOCESAN FUND

## Notes to the financial statements - for the year ended 31 December 2012 (continued)

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

Statement of Financial Activities transfers analysed

	General £'000	Designated £'000	Restricted £'000	Endowment £'000	Total £'000	Reference
Parsonage additions		(2,395)		2,395		i
Parsonage reclassifications	-	401		(401)	-	ii
Trust reclassifications	258	113	(371)		-	iii
Transfer of budgeted items in the General Fund to the designated Area Pastoral Funds	(272)	272			-	iv
Transfers (to) / from designated funds at year end	(31)	31		-		v
	(45)	(1,578)	(371)	1,994	-	
	Note 12a	Note 12b	Note 12c			

i Transfer from or to the designated Parsonage reserve for the purchase or sale of parsonages respectively

ii Parsonage reclassifications comprises the transfer of property from parsonage to designated fund functional property

iii These transfers relate to the release of funds from various Sole Trusts to be utilised on appropriate unrestricted purposes

iv These transfers relate to budgeted items set aside from the General Fund for the designated Area Pastoral Fund

v These relate to transfers agreed at the year end between the General Fund and specific designated funds

### 13 Notes to the cash flow statement

	2012 Total £'000	2011 Total £'000
<b>a) Reconciliation of operating deficit to operating cash flows</b>		
Operating Deficit	(3,720)	(4,146)
Depreciation charges	2,741	2,882
(Increase) in debtors	(348)	(87)
Increase in creditors	(508)	70
Investment and Rental Income	(7,051)	(6,593)
	(8,886)	(7,874)

#### b) Gross Cash Flows

##### Returns on investments and servicing of finance

Dividends and Interest Receivable	1,489	1,231
Rental Income	5,562	5,362
	7,051	6,593

##### Capital Expenditure and investment

Sale of property	7,842	3,418
Purchase of property	(3,911)	(1,852)
Sale of investments	60	367
Purchase of investments	(2,505)	(6,894)
	1,486	(4,961)

#### c) Analysis of Changes in net funds

	At 1 January 2012 £'000	Cash Flows £'000	Other £'000	At 31 December 2012 £'000
<b>Funds</b>				
Cash at bank and in hand	2,025	(476)	-	1,549
Short Term Deposits	12,397	127	-	12,524
	14,422	(349)	-	14,073
Value linked loans due after one year	(3,155)		103	(3,052)
	11,267	(349)	103	11,021

## THE LONDON DIOCESAN FUND

### Notes to the financial statements - for the year ended 31 December 2012 (continued)

#### 14 Pensions

##### (a) Lay staff pensions

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

At 31 December 2012 the LDF had 33 active members and 51 deferred pensioner members in the Pension Fund (2011: 36 and 54 members respectively) out of a total of 818 active members and 1,729 deferred members (2011: 1,190 and 1,517 members respectively).

It is not possible for an individual employer to determine its share of the underlying assets and liabilities as each employer, through the Life Risk Pool, is exposed to actuarial risks associated with the current and former employees of other entities participating in the DBS. In such cases, Financial Reporting Standard (FRS) 17 requires the employer to account for its contributions to the DBS as if it were a defined contribution scheme but to make certain additional disclosures based on available information. The required disclosures, together with a description of the operation of the DBS, are given below.

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 were a surplus or deficit in the pool and the Actuary so recommended, 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) would 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 2010. In this valuation, the Life Risk Section was shown to be in deficit by £6.7m and some £5.5m was notionally transferred from the employers' sub-pools to the Life Risk Pool.

The completed service section of the DBS (active and deferred members) for the London sub-pool was found to be in deficit as at 31st December 2010. The trustees have agreed to close this deficit by making annual payments over the next 5 years totalling £1,223k. This liability was included in full in the 2011 financial statements.

The LDF's contribution rate was changed from 25.8% to 25.4% of gross pensionable salary with effect from 1 January 2009. The contribution rate increased to 31.0% from 1 April 2012.

**Notes to the financial statements - for the year ended 31 December 2012 (continued)**

**14 Pensions (continued)**

**(b) Clergy Pensions**

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

The LDF is the sponsoring employer for 528 members (2011: 524) of the scheme out of a total membership of approximately 9,000 active members. The Church of England Funded Pensions Scheme is a defined benefit scheme but the LDF is unable to identify its share of the underlying assets and liabilities - each employer in that scheme pays a common contribution rate. For schemes such as this, paragraph 9(b) of FRS 17 requires the LDF to account for pension costs on the basis of contributions actually payable to the Scheme in the year.

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

An investment strategy of:

- a) for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from nil at 31 December 2009 to 2/3 by 31 December 2029, with the balance in return-seeking assets, and
- b) for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets
- c) Investment returns of 4.4% pa on gilts and 5.9% pa on equities,
- d) RPI inflation of 3.8% pa (and pension increases consistent with this),
- e) Increase in pensionable stipends of 3.8% pa, and
- f) Post-retirement mortality in accordance with 80% of the SINA tables, with allowance made for improvements in mortality rates from 2003 according to the 'medium cohort' projections, and subject to a minimum annual improvement in mortality rates of 1.5% for males and 1.0% for females.

Following the results of the 2009 valuation, changes were made to benefits being built up in the Scheme from 1 January 2011 and the contribution rate was set at 38.2% of pensionable stipends (of which 14.7% is in respect of the £262m shortfall in the Scheme and 23.5% is in respect of accrual of future benefits and the day-to-day expenses of running the Scheme).

Contributions rates will be reviewed at the next valuation of the Scheme, due as at 31 December 2012.

**15 Members' Liability**

The London Diocesan Fund is a company registered in England as a company limited by guarantee, having no share capital. At 31 December 2012 there were 44 members (2011: 45) who are liable to contribute £1 each in the event of the company being wound up. The maximum number of members permitted by the Memorandum and Articles of Association is 54.



**The following pages do not form part of the statutory financial statements  
of the London Diocesan Fund for the year ended 31 December 2012**

<b>Contents</b>	<b>Page</b>
Report of the Custodian Trustees	50
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Notes to the Custodian Trusts Financial Statements	52-53
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## THE LONDON DIOCESAN FUND

### Report of the Custodian Trustees

The Council of the London Diocesan Fund, usually acting as Custodian Trustees under ecclesiastical law, presents the report and non-statutory financial statements for the year ended 31 December 2012

### Legal Status

Under the Parochial Church Councils (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 270 separate trusts. Land and building assets held by the LDF as custodian trustee are not shown.

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

### Review of the Year

During the year, there were transfers of £0.3m from the endowment fund to expendable capital. This represents 'small' (as defined by the Charity Commission) custodian trusts where the managing trustees have resolved to release the permanent endowment, allowing capital to be expended in line with the relevant trust purposes. This is in accordance with the Charities Act 2011.

Total incoming resources remained steady from 2011 to 2012, with no increase or decrease.

Funds continue to be expended in line with the purposes for which they were intended, with some £2.2m expended for charitable purposes during the period under review.

Additional new resources of £0.9m 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 increased by £0.2m to £16.0m in 2012, with the increase explained largely by unrealised gains in investment assets.

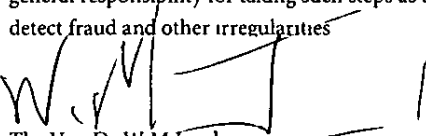
### Statement of Custodian Trustees' responsibilities

The Charities Act 2011 requires managing trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the funds and of their incoming resources and application of resources, including their income and expenditure.

The Custodian Trustees have chosen to prepare these statements in accordance with the Charities Act 2011. In preparing these non-statutory financial statements in accordance with the Charities Act 2011, the Custodian Trustees are required to

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

The Custodian Trustees are responsible for keeping proper accounting records with respect to the transactions and the financial position of the funds and to enable them to ensure that the financial statements comply with the Charities Act 2011. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the funds and to prevent and detect fraud and other irregularities.

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

16 May 2013

## Non-Statutory Financial Statements

## Statement of Financial Activities - for the year ended 31 December 2012

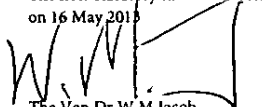
	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2012 £m	Total 2011 £m
<b>Incoming Resources</b>					
Investment Income	-	-	0.2	0.2	0.2
Income direct to Beneficiaries	-	-	0.4	0.4	0.4
<b>Total Incoming Resources</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>0.6</b>	<b>0.6</b>
<b>Resources Expended</b>					
Income paid to Beneficiaries	-	-	(0.4)	(0.4)	(0.4)
To Objects of the Trusts	(0.2)	(1.1)	(0.5)	(1.8)	(3.6)
<b>Total Resources Expended</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>(0.9)</b>	<b>(2.2)</b>	<b>(4.0)</b>
<b>Net (Outgoing) Resources before transfers and new resources</b>	<b>(0.2)</b>	<b>(1.1)</b>	<b>(0.3)</b>	<b>(1.6)</b>	<b>(3.4)</b>
Additional New Resources	0.8	0.1	-	0.9	0.8
Transfers between funds	(0.3)	0.3	-	-	-
<b>Net Incoming / (Outgoing) Resources for the year</b>	<b>0.3</b>	<b>(0.7)</b>	<b>(0.3)</b>	<b>(0.7)</b>	<b>(2.6)</b>
Gains / (Losses) on Investment Assets	0.8	0.1	-	0.9	(0.5)
<b>Net Movement in Funds for the year</b>	<b>1.1</b>	<b>(0.6)</b>	<b>(0.3)</b>	<b>0.2</b>	<b>(3.1)</b>
Funds at 1 January 2012	10.9	3.4	1.5	15.8	18.9
<b>Funds at 31 December 2012</b>	<b>12.0</b>	<b>2.8</b>	<b>1.2</b>	<b>16.0</b>	<b>15.8</b>

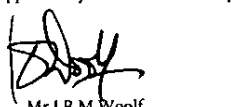
## Custodian Trusts Balance Sheet - as at 31 December 2012

	Notes	Total 2012 £m	Total 2011 £m
<b>Assets</b>			
Fixed Asset Investments	2	14.8	14.3
Current Asset Investments	3	1.2	1.5
<b>Net Assets</b>		<b>16.0</b>	<b>15.8</b>
<b>Funds</b>			
Permanent Endowment	2	12.0	10.9
Restricted Capital	2	2.8	3.4
Restricted Unexpended Income	3	1.2	1.5
		<b>16.0</b>	<b>15.8</b>

The notes on pages 52 and 53 form part of these non statutory financial statements

The non statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustee on 16 May 2013

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

  
Mr I R M Woolf  
Member of Bishop's Council

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2012

### 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 270 trusts.

The Balance Sheet as at 31 December 2012 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2011 have been provided.

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

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

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

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

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

#### b Fund Balances

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

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

#### c Investment Income

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

#### d Other Income and Expenditure

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

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

#### e Investments

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

## Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2012 (continued)

## 2 Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2012	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements and Transfers	31 December 2012
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	186	-	1		(54)	133
M&G Charifund	2,791	1		271	(44)	3,019
Investments held by CCLA						
CBF Fixed Interest	264	12		3	-	279
CBF Investment Fund	5,375	250		533	(102)	6,056
CBF Property Fund	155	-	-	(13)		142
CBF Deposit Fund	2,166	498	(249)		(81)	2,334
Other Assets/(Liabilities)	4	-		-	(3)	1
	<b>10,941</b>	<b>761</b>	<b>(248)</b>	<b>794</b>	<b>(284)</b>	<b>11,964</b>

## Fixed Asset Investments represented by Expendable Capital

Listed Investments	69	-	-	9	-	78
M&G Charifund	752	-	(623)	18	44	191
Investments held by CCLA						
CBF Fixed Interest	218	-	-	2	-	220
CBF Investment Fund	1,309	-	(303)	120	202	1,328
CBF Deposit Fund	911	-	(57)	-	34	888
Other Assets/(Liabilities)	60	-	-	-	58	118
	<b>3,319</b>	<b>-</b>	<b>(983)</b>	<b>149</b>	<b>338</b>	<b>2,823</b>
<b>Total Fixed Assets</b>	<b>14,260</b>	<b>761</b>	<b>(1,231)</b>	<b>943</b>	<b>54</b>	<b>14,787</b>

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

M&G Charifund	52	-	(1)			51
Investments held by CCLA						
CBF Fixed Interest	90	-	-	1		91
CBF Investment Fund	148	15	(4)	14		173
CBF Deposit Fund	897	127	(371)	-	-	653
	<b>1,187</b>	<b>142</b>	<b>(376)</b>	<b>15</b>	<b>-</b>	<b>968</b>

## Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA						
CBF Fixed Interest	51	-		1		52
CBF Investment Fund	42	1	(14)	3		32
CBF Deposit Fund	231	18	(59)	-	-	190
	<b>324</b>	<b>19</b>	<b>(73)</b>	<b>4</b>	<b>-</b>	<b>274</b>
Other Assets/(Liabilities)	1		-	-	-	1
<b>Total Current Assets</b>	<b>1,512</b>	<b>161</b>	<b>(449)</b>	<b>19</b>	<b>-</b>	<b>1,243</b>
<b>TOTAL</b>	<b>15,772</b>	<b>922</b>	<b>(1,680)</b>	<b>962</b>	<b>54</b>	<b>16,030</b>

### **Independent Auditor's Report to the Custodian Trustees of the Funds**

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of trustees and auditors**

As explained more fully in the Statement of Custodian Trustees' Responsibilities set out on page 50, the trustees are responsible for the preparation of the non-statutory financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the non-statutory financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the charity's trustees as a body. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body for our audit work, for this report, or for the opinions we have formed.

#### **Scope of the audit of the non-statutory financial statements**

A description of the scope of an audit of non-statutory financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

#### **Opinion on the non-statutory financial statements**

In our opinion the non-statutory financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2012 and of its incoming resources and application of resources, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Charities Act 2011.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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



**Mazars LLP, Chartered Accountants and Statutory auditor**

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

16 May 2013

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