



THE LONDON DIOCESAN FUND

Directors' and Trustees' report
and financial statements
for the year ended
31 December 2015

*The purpose of the London Diocesan Fund is
to do everything that we can to support the mission and growth of the Church in London*



*Capital Vision 2020 – a vision of a Church that is Christ-centred
and outward looking*

Company number: 150856
Charity number: 241083
www.london.anglican.org

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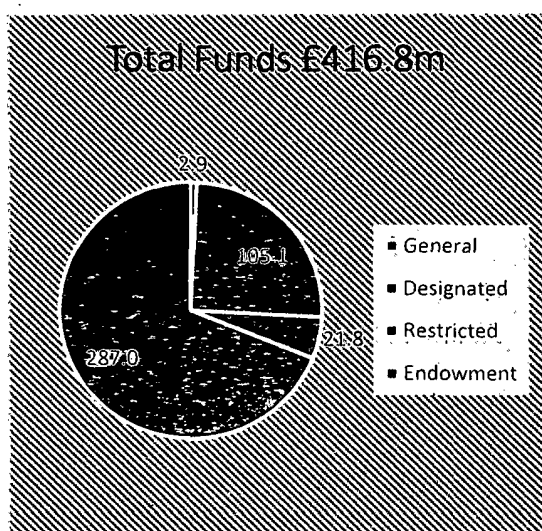
Trustees' report

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General Fund 2015 – Key Facts

Incoming resources increased by £1.6m to £35.7m (2014: £34.1m). This is before a one off adjustment of £2.8m, resulting in total incoming resources of **£38.5m.**

Donations from parishes through the Common Fund increased by 4.6% to £22.8m (2014: £21.8m), and a further £3.1m was received in reimbursements from parishes towards direct clergy costs.

Trust and other income included donations from Trust for London £1.4m (2014: £1.3m) and AllChurches Trust £0.4m (2014: £0.4m) and sundry other income of £0.5m (2014: £0.1m).

Outgoing resources increased by £0.9m to £34.6m (2014: £33.7m). This is before a transitional adjustment of (£1.7m) (2014: £1.4m), resulting in total outgoing resources of £32.9m.

Significant expenditure streams continue to be ministry costs £20.1m (2014: £19.8m) and clergy housing and property costs £7.1m (2014: £6.9m)

LDF achieved an operating surplus on the General Fund of £0.2m after taking account of the adjustments above and transfers to other funds of £5.4m.

Total funds at 31 December 2015 were up 8.6% to £416.8m (2014: £383.9m). General funds increased by 3.6% to £2.9m (2014: £2.4m), designated funds increased by 23% to £105.1m (2014: £85.4). Endowment and restricted funds combined increased by 4.3% to £308.8m (2014: £296.1m)

Strategic Report

The Church of England in London is growing, vibrant and at the heart of communities within our Diocese.

Purpose of the London Diocesan Fund (LDF)

The purpose of the LDF is to do everything we can to support the mission and growth of the church in London. This is worked out in four key ways:

- *Providing services to clergy, parishes and chaplaincies;*
- *Helping to deliver Capital Vision 2020;*
- *Supporting the senior clergy;*

All underpinned by

- *Running an effective organisation.*

1) Services to clergy, parishes and chaplaincies

This is part of the core of what we do, and our services to clergy, parishes and chaplaincies run through all the teams that we operate, including:

- HR support and advice
- Finance-related advice and stewardship
- Parish property projects guidance
- Support in local regeneration and developments.

In addition to the above, in 2015 we sought to extend the range of support provided to our clergy, parishes and chaplaincies including support in fundraising, and through our partnership with Capital Mass to support initiatives in community work.

2) Capital Vision 2020

Capital Vision 2020 emerged from our listening to almost 2,000 people across the Diocese of London. In more than two years since the launch of the diocesan strategy Capital Vision 2020 many stories have emerged of how parishes are taking forward the key themes and priorities locally.



The key themes of Capital Vision 2020 are:

- We will be more **confident** in speaking and living the Gospel of Jesus Christ
- We will be more **compassionate** in serving communities with the love of God the Father
- We will be more **creative** in reaching new people and places with the Good News in the power of the Spirit

Achievements and Performance

Associated with each theme are a number of key priorities:

Confident in speaking and living the Gospel of Jesus Christ

to enable this we will by 2020:

1) Communicate the Gospel more effectively, using the opportunities offered by new media

Since the launch of Capital Vision 2020 our engagement with social media has increased. Our followers on Twitter have grown by 21%, and our Facebook engagement has increased by 136%. 89% of our parish churches now have a web presence (up from 84%).

We have enhanced our own web capabilities with our new website, and strengthened our support to parishes in engaging with new media through network events looking at use of Twitter and photography. Our London Witness “changing the public conversation about God” programme has trained 19 individuals to communicate positively about the Gospel through blogs and social media.



Social Media based 'Tweet Up' Event

2) Equip and commission 100,000 ambassadors representing Jesus Christ in daily life

Over 11,000 ambassadors have now been commissioned and a group of nine churches representing a variety of traditions and locations completed an 18-month pilot working with the London Institute for Contemporary Christianity – they are now sharing their stories via meetings, film and blogs. A second pilot cohort has been recruited. 100 churches across the Diocese have now engaged with ambassadors.

We continue to develop www.ambassadors2020.org as a hub of resources for churches and individuals seeking to live as ambassadors for Christ, and share stories and ambassador messages via our free Voice of Hope publication in conjunction with Premier.



Ambassadors were commissioned in 2015 at Focus - the Holy Trinity Brompton (HTB) annual holiday

3) Invest in leadership and increase the number of Ordinands by 50%

A second cohort of leaders completed the Riverside Leadership Programme and a third has started. Over 100 clergy have now participated in the Riverside programme. An increased focus on mentoring and coaching is part of our investment in leadership and a conference on Black, Asian and Minority Ethnic (BAME) leadership was held in autumn 2015, with some key recommendations to be implemented in 2016.

Fifty-nine ordinands left training in 2015, and the rolling three-year average number of ordinands leaving training is 50 (up from 47 in 2013). Our target is to increase this to 70, so there is still much to be done.



Newly ordained clergy at St Paul's Cathedral

Compassionate in serving communities with the love of God the Father

to enable this we will by 2020:

4) *Enable new initiatives to fight poverty, inequality and injustice in London and worldwide, including our joint venture with the Church Urban Fund*
Capital Mass, our joint venture with the Church Urban Fund, was launched in November 2015, seeking to help churches engage with poverty and inequality. Our primary focus is to inform, encourage and equip the episcopal areas, deaneries and parishes across the Diocese of London to amplify their impact in tackling poverty and inequality.

The strategic objectives are to:

- Increase the church's awareness and understanding of poverty and inequality in London.
- Increase the level of engagement and impact of the church community in tackling poverty and inequality.

Capital Mass is also key in co-ordinating our plans to respond to the refugee crisis, gathering insight from churches and recruiting a refugee response co-ordinator.



Launch of Capital Mass in the Crypt at St Paul's Cathedral November 2015

5) *Open up our church buildings to the wider community*

Two further well attended "Open Presence" events took place, on the theology and practice of opening churches in new and creative ways and on being an accessible open presence.

6) *Strengthen links between schools and their local Christian communities*

Research work was shared on best practice links between schools and local Christian communities, which included recommendations for how to strengthen these links in the future. The clergy training programme included specific training days on engaging with community schools, both primary and secondary.

Overall, although there are pockets of excellence throughout the Diocese, there remains much work to do. The fruits of the 2014 Kensington Lent mission continue to be seen in building church links with secondary schools through the work of the chaplains, youth workers and interns in the Kensington episcopal area.



"Hope in Tottenham" and St Ann's Church Tottenham before an outdoor festival

Creative in reaching new people and places with the Good News in the power of the Spirit

to enable this we will by 2020:

7) Double the number of young people involved in local Christian communities

Twelve messy churches have now been launched as part of our Messy Church programme with 15 more considering a launch.

We ran a successful 'launch a youth club' project in partnership with Urban Saints.

We launched a youth worker apprenticeship scheme in the Willesden episcopal area in partnership with YMCA and recruited four apprentices. We are planning to roll this scheme out to other areas in future years.

Despite these excellent initiatives, substantial change in all our thinking and activity will be needed to move towards our vision of doubling the number of young people involved in local Christian communities.

8) Create or renew 100 worshipping communities

20 new worshipping communities have now been created or renewed since the launch of Capital Vision 2020. New in 2015 included worshipping communities at St Peter's Bethnal Green, St John's Hoxton and St Katharine Cree. Planning sessions have taken place at both area and deanery level to look at potential opportunities for the coming years, momentum being built with the appointment of the Bishop of Islington with a focus on church planting. Our successful bid to the Church Commissioners enables us to offer grant funding to those planning new church planting communities and, as part of this, we will embed training, sharing of learning and mentoring in our church planting.

Work also continues in key housing development areas across London with planning and consultation in Earl's Court, King's Cross, Cricklewood, Colindale, Canary Wharf/Wood Wharf, Queen Elizabeth Olympic Park and Old Oak Common.

In addition there is the ongoing development of the new church and facilities at Tottenham Hale. Our Missional Communities team are developing learning circles across the Diocese to expand the mission work and share learning.



Performing arts workshop in our new worshipping community at Tottenham Hale

9) Engage more closely with sport and the creative arts

We published the findings of research sponsored by Sport England looking at church and sport engagement and found a wide variety of sports ministries and usage of church buildings. Based on this foundation, we are now looking at partnerships to enable growth of these ministries across the Diocese.

Our creative network has almost doubled in size, with close to 200 members. We held a networking event at St. Paul's Cathedral and launched a monthly e-news sharing profiles, events and hire spaces across the Diocese for those involved in the creative industries. We launched the role of Missioner to the creatives, and the concept of a "Haven" for creatives in London.



Launch of the Haven

10) Each pray for at least seven people that we may share with them the story of our faith

Almost 25,000 bookmarks have now been distributed. A film project sponsored by St Helen's Bishopsgate and Fr. Bruce Batstone started, encouraging individuals as they pray for others.

The Prayermate app has now been downloaded 100,000 times globally. Pray for seven was also integral to our 2015 week of prayer at St. Paul's Cathedral and locally. The team held a day looking at "invitation" as one way in which we may seek to share our faith. About 100 people attended sessions in several locations during the day.



24/7 Prayer Week at St Paul's Cathedral 2015

3) Supporting the senior clergy

In 2015 this strand of the LDF's activity was focused particularly on preparing the welcome of the three new Bishops and three new Archdeacons to our senior staff team.

The support has included induction sessions with key members of the diocesan team.

In addition, we have continued to provide pro-active support to our senior clergy, including tailored HR support.

4) Running an effective organisation

There were elections throughout 2015 covering London clergy and lay members of the Church of England's General Synod, London's own Diocesan Synod, and Diocesan Bishop's Council. In addition there were elections to the Diocesan Finance Committee, and to the Diocese's Vacancy in See Committee.

Alongside this season of change there were three members new to post on the LDF's Senior Management Group (SMG).

In addition there were governance changes, including the introduction of a new Strategic Development Committee (SDC) to help us be more effective in overseeing capital projects and establishing our presence on major new housing developments.

Financial Review

Financial summary

This is the first year that the LDF has presented its results under FRS 102 and SORP 2015. The transition has given rise to an adjustment to recognise the present value of deficit funding contributions for both the Church Workers Pension Fund and the Clergy Pension Scheme.

Excluding a one-off adjustment of £3.6m, total income increased by £0.5m from £36.8m in 2014 to £37.3m in 2015, because of the continuing generosity of the thousands of people in the parishes who support the LDF's work, and our ongoing efficient management of the balance sheet.

Excluding a transitional adjustment of £1.4m (2014: £0.9m), total resources expended reduced by £2.5m from £40.0m in 2014 to £37.5m in 2015, due largely to the change in accounting policy of not charging depreciation on our operational properties, resulting in a £3.6m reduction in reported expenditure.

The property team continued to manage the LDF's properties to provide the best possible service to clergy and parishes, and maximise the revenue from investment property and from operational property temporarily not in operational use.

Net (outgoing) resources for the year before pension deficit movements, other realised gains and losses, and transitional adjustments, across all funds were £0.2m (2014: outgoing resources of £3.1m).

The following table shows an overall increase in net assets of £32.9m for the year to £416.8m (2014: £383.9m).

	2015 £m	2014 £m
Net (outgoing) resources	(0.2)	(3.2)
Pension deficit movements	0.1	0.4
<i>Sub-total</i>	<i>(0.1)</i>	<i>(2.8)</i>
<i>Other adjustments:</i>		
- Release of income from lease premium	3.6	-
- Clergy pension deficit movement	1.4	(0.1)
<i>Sub-total</i>	<i>5.0</i>	<i>(0.1)</i>
Other recognised gains and losses:		
Unrealised (losses) / gains on investment assets	(0.1)	0.4
Unrealised gains on property assets	17.7	15.7
Realised gains on property assets	10.4	1.0
<i>Net gains</i>	<i>28.0</i>	<i>17.1</i>
Net movement in funds for the year	32.9	14.2
Balances at 1st January	383.9	369.7
Balances at 31st December	416.8	383.9

Budget and outlook for 2016

The budget for 2016 was approved by the Bishop's Council and received by the Diocesan Synod at the end of 2015. It provides for General Fund income to increase by £1.4m and Common Fund to increase to £23.0m. General Fund expenditure is budgeted to increase by £1.4m, with a budgeted 2.5% increase in stipends in 2016.

Policies

Reserves policy and management

At the end of the year to 31 December 2015 the LDF held total assets of £416.8m, (2014: £383.9m), split between the various funds as shown in the table below:

Fund categories	2015 £m	2014 £m
General	2.9	2.4
Designated	105.1	85.4
Restricted	21.8	17.8
Endowment	287.0	278.3

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 (or free) reserves (unrestricted, undesignated) equivalent to approximately one month's expenditure should be held in cash or near cash for this purpose.

General reserves at 31 December 2015 were £2.9m and equate to about 30 days of general fund expenditure (2014: 30 days), which is in line with our policy.

Designated reserves to the value of £105.1m (2014: £85.4m) include parsonage, fund property and operational property reserves used to house clergy, £55.8m (2014: £54.3m); and investment property £42.7m (2014: £32.2m), used to generate income to mitigate financial risk and supplement the Common Fund in furtherance of the LDF's charitable objectives.

Under the transitional arrangements for FRS 102, a significant negative fund has been introduced this year, being the clergy pension deficit reserve of (£15.7m). Further details can be found within note 14.

Other funds include the Diocesan Loan Capital designated fund of £4.3m (2014: £4.3m) used mainly to provide loans to parishes, often to enable them to undertake major capital projects that would otherwise not be able to proceed and a Capital Vision 2020 reserve, which at 31 December 2015 had a value of £1.8m (2014: £1.6m).

The remainder of the designated funds have a value of £16.2m (2014: £9.7m), many of which are gradually being exhausted as they are expended for the purposes for which they were designated. Some of these funds may be replenished over time by further donations and designations.

Policy on property investments of designated funds

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.

Designated property investments (and the associated reserve), amounting to £43.8m (2014: £32.6m) of the amounts discussed above, are held for three principal reasons.

One reason is to reduce the risks posed by significant 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.

A 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.

The third reason is to generate income to support some of the General Fund costs.

Restricted reserves with a value of £21.8m (2014: £17.8m) were restricted in their application in accordance with conditions specified by the donors, the main reserves being Sole Trust Expendable Funds, Closed Church Buildings Operational and Investment Property. Glebe assets are regarded as restricted expendable endowment funds.

Investment policy and performance

The LDF regularly reviews its investment policy and receives periodic guidance from an Investment Advisory Group and from the Property Guidance 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 trustees have had an ethical investment policy in place for several years which covers principally its financial investments in equities and bonds. The policy incorporates:

- Negative screening: The LDF invests in funds which exclude tobacco, arms and gambling.
- Engagement: The LDF invests in funds that follow the United Nations backed principles for responsible investment (UNPRI), and the UK's stewardship code.

Investment returns

The strategic work to reshape the investment property portfolio continues as we look to increase the level of income we generate from the asset base. This work commenced in 2013, when net income of the order of £1.8m was generated. By 2020, investment property net income is expected to be in the order of £3m. During 2015, further steps have been taken to develop the portfolio, with sales of relatively low yield properties raising circa £20m and the proceeds reinvested in higher yield properties. In total the investment property portfolio generated in excess of £2.3m of net income in 2015.

In addition, the portfolio has seen significant capital growth. During 2015, the asset base has increase from £68.0m to £87.4m.

Investments in equities, fixed interest securities and other quoted securities amounted to £33.3m (2014: £35.0m). Losses in value of £0.1m (2014: gains of £0.4m) were recorded and dividends of £1.6m (2014: £1.7m) were received.

The losses in the capital value of the above investments, of the order of -0.9%, were marginally ahead of the movement in the value of the FTSE all-share index, which fell c.1% in 2015.

Valuation of operational property assets

The majority of the operational property assets are held for the long term use of the LDF, rather than for re-sale, and are valued in the accounts at their deemed cost in accordance with the provisions of FRS 102.

Pension schemes

Church of England Funded Pension Scheme – Clergy:
Following the results of the 2012 valuation, the LDF's contribution rate increased to 39.9% from 38.2% of pensionable stipends from 1 January 2015 (of which 14.1% is in respect of the shortfall in the Scheme and 25.8% in respect of future benefits and the day-to-day expenses of running the Scheme).

In these financial statements we have included for the first time the present value of the agreed deficit contributions towards the clergy pension scheme, which at 31 December 2015 was £15,739,000.

Lay Church Workers' Pension Fund:

During 2012 the LDF consulted staff members on a proposed change of accrual rate for future service regarding the Church Workers' Pension Fund (CWPF) for lay staff. The change came into effect on 1 April 2013. The CWPF has been closed to new members since 2008.

Lay Defined Contribution Scheme:

The LDF now has a defined contribution pension scheme for lay staff which is currently managed by Aviva.

Risk management

The Senior Management Group, in partnership with the Archdeacons, considers, evaluates and records 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 such 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 are provided. A formal report on risk management is considered by the Bishop's Council annually.

The risks which are currently assessed as scoring highest, and the plans to address them, include:

- Abuse of a child or a vulnerable adult in the Diocese results in a breach of trust and negative impact on the victims.

Mitigation includes having an independently audited safeguarding programme, professionally run.

- Nationally divisive issues lead to loss of clergy and/or congregations and finances.

Mitigation includes strong episcopal leadership and professional support in handling difficult issues.

- Operationally too many complex initiatives, making it difficult for Senior Staff and management to focus on agreed priorities.

Mitigation includes planning forward agendas in relation to strategic priorities and tracking strategic objectives.

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.

The principal risks relating to expenditure are that there may be additional pension deficits to be funded; the costs of training ordinands may rise further; or there may be unexpected property maintenance expenditure.

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

Funds held as custodian trustee

The LDF is custodian trustee for trust assets of £17.3m (2014: £17.8m). Detailed certificates of holdings were sent to parishes and other managing trustees as at 31 December 2015.

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.

Other matters

The LDF also supports connected charities, one of which is the London Diocesan Board for Schools, with whom facilities are shared at London Diocesan House, to the value of £329k, (2014: £281k), and a cash grant of £180k in 2015 (2014: £180k).

Other support is provided to parishes in the form of grants and loans. In 2015 grants to London Parishes totalled £1.5m, (2014: £1.2m).

Plans for future periods

We believe we have exciting plans which will enable us to support the mission and growth of the Church in London in the years ahead.

These plans are built on the foundation of being affordable and sustainable over the next five years. They also consider the General Fund, Capital Vision 2020 and our Capital Strategy over that timeframe.

We aim to keep the day to day income and expenditure of the LDF in balance while using designated and restricted funds for the purposes for which they are held. We have set a balanced budget for General Funds for 2016.

Specifically, we have plans to:

a) Invest in the well-being of our clergy and chaplains who are our "front line staff"

- By proposing to increase the stipend of clergy at above the level of inflation, funded by Common Fund
- By setting aside £6m from the Capital Strategy to invest in double glazing for clergy houses.

b) Developing new and enhanced services to support our clergy and parishes

- We already provide a wide range of services to clergy and parishes, and we want to help them more in areas such as assessing the heat efficiency of church halls, developing our HR capacity (whose new services are widely appreciated), and piloting the Parish Giving Scheme – funded primarily by additional income as a result of reshaping the investment property portfolio.

c) Taking forward Capital Vision 2020

- By investing over £400k per annum from the CV2020 designated fund in the 10 priority areas, and fundraising. In addition we expect to help with pump-prime funding for new worshipping communities.
- We will also be reviewing how we can be more effective in “doubling the number of young people involved in local Christian community” – as this is very challenging.

d) Investing in establishing a Christian presence in the major new development areas

- We are funding an additional five posts from our Capital Strategy to help establish a Christian presence in the 10 or so major new development areas.
- We are setting aside capital to fund the development and investment in the new churches in these areas. We plan to more than match the LDF capital investment through developers' contributions and philanthropic giving.

Going concern

The trustees have reviewed the charity's financial position, taking account of the satisfactory levels of reserves and cash, amounts receivable, principally from the Common Fund, the annual plan and the five-year financial plan, and its systems of financial and risk management. As a result of their review, it is their opinion that the charity is well placed to manage operational and financial risks successfully.

Accordingly, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and therefore continues to adopt the going concern basis of accounting in preparing the annual accounts.

Governance, structure and management

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 over 4 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 two Suffragan bishops, the Bishop of Fulham and the Bishop of Islington.

There is an archdeacon for each of these areas. There is also an archdeacon and an associate archdeacon for the Cities of London and Westminster, forming the Two Cities area which is led by the Bishop of London personally.

Each archdeaconry contains at least one deanery. There are 24 deaneries. Each deanery consists of several parishes; there are over 400 parishes in the Diocese each of which is governed by a Parochial Church Council (PCC). 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 for, *inter alia*, the maintenance of churches and certain other buildings. Except where shown, the transactions of PCCs do not form part of these financial statements.

In addition we have 20 new worshipping communities, some of which are established under a Bishop's Mission Order (BMO).

The statutory governing body of the Diocese is its Synod, which is largely an elected body with representation from all parts of the Diocese. The Diocese conducts its financial affairs through a number of corporate bodies, the main one being the London Diocesan Fund (“the LDF”).

The London Diocesan Fund

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.

All members of the Bishop's Council are, except where specifically noted, directors of the company for the purposes of the Companies Act and are trustees under charity law. The President and Chairman is the Rt Revd and Rt Hon the Lord Bishop of London, Dr R J C Chartres KCVO.

Management and senior staff

The bishops and archdeacons exercise day to day oversight of the Diocese. Mr Andrew Brookes, until 30 January 2015, was the LDF's Chief Executive and General Secretary. Mr Richard Gough took on the role of Acting General Secretary from 31 January 2015, and was appointed General Secretary with effect from 6 May 2015. The General Secretary also acts as secretary to the Bishop's Council.

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:

General Secretary: Mr Richard Gough
Director of Property: Mr Michael Bye
Director of Human Resources: Mrs Colette Black
Director of Finance and Operations: Mr Richard Antcliffe
Director of Development: Mr Edward Moody

Remuneration

The Remuneration Committee meets annually to provide assurance to the Diocesan Finance Committee (DFC) that the London Diocesan Fund has appropriate remuneration procedures in place and to oversee issue relating to the remuneration of all LDF staff. It makes recommendations to the DFC regarding the LDF's remuneration policy.

Statutory functions

The LDF has a statutory responsibility for management of glebe assets (historic endowment land given to provide stipends for parochial clergy, owned and managed by LDF), to generate income to support the cost of stipends. It is the Diocesan Authority for parochial and other trusts, and also discharges the responsibilities of the Diocesan Parsonages Board.

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 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', supplemented by rental and investment income.

Grants are received from a number of sources including the Church Commissioners and the Trust for London. Grants are awarded to parishes by the Area Councils and to mission initiatives by the Bishop of London's Mission Fund (BLMF) which is a designated fund within the LDF.

The members of the LDF are trustees of the charity and also its directors for the purposes of the Companies Act 2006. The LDF also acts as custodian trustee and as agent to other boards, committees and trusts within the London Diocese.

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 noted the Charity Commission's guidance *Charities and Public Benefit* and have regard to this in making relevant decisions.

The trustees believe that this report, taken as a whole, provides evidence of the public benefit of the charity's work in 2015.

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
- the moral and spiritual improvement of the public
- the provision of comfort to the bereaved and distressed
- contributing towards a better society, by promoting social cohesion and social capital,
- contributing to the spiritual and moral education of children
- carrying out, as a practical expression of religious belief, other activities to meet needs
- contributing to good mental and physical health
- the provision and maintenance of sacred spaces, principally churches and churchyards, open to the public and many of which are listed buildings
- the provision of public spaces such as church halls as an expression of faith.

Committees

The Diocesan Synod has appointed the Bishop's Council as the Diocesan Mission and Pastoral Committee. The Council has delegated certain powers to the Strategic Development Committee and to Area Councils.

The LDF has also delegated certain powers to its Finance Committee. These committees and councils have power to co-opt members, subject to elected and ex officio members being the majority.

Diocesan Finance Committee

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. The Bishop of London, the archdeacons, the Clerical and Lay Vice Chairs and the Treasurer of the LDF (if appointed) are ex officio members.

The DFC makes recommendations to the Bishop's Council on matters in connection with finance, investment property and staff business of the LDF.

Audit Committee

The Audit Committee is a sub-committee of the Bishop's Council. Members are appointed by the Bishop's Council for three years. Its membership may be drawn from the Council and the DFC and from outside these bodies.

The Committee ensures that proper regard is had to statutory and regulatory obligations and to best practice, and also reviews the systems of internal financial control.

Strategic Development Committee

The Strategic Development Committee (SDC), established in 2015, acts under delegated powers, on behalf of the Bishop's Council for the establishment of major development area programmes and capital projects.

The SDC operates within the parameters of the strategic direction and priorities set by the Senior Staff Meeting, endorsed by the Bishop's Council, and a five year capital expenditure framework approved by the Bishop's Council as recommended by the Diocesan Finance Committee.

Trustee training

The trustees regularly review their knowledge, skills and experience. Appropriate training sessions are designed to address any skills and knowledge gaps.

New trustees are provided with a handbook outlining their main responsibilities, and new trustee induction sessions are conducted each triennium.

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.

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

The trustees are responsible for preparing the Directors' and Trustees' Report, incorporating the Strategic 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:

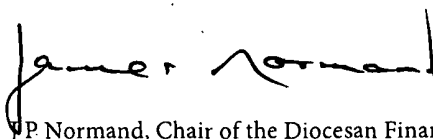
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare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

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.

In approving this trustees' report, the trustees are also approving the Strategic Report included here, in their capacity as company directors.



JP Normand, Chair of the Diocesan Finance Committee and Member of Bishop's Council

12 May 2016

Appendices – committee membership and administrative details

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

All members of the Bishop's Council are directors of the company for the purposes of the Companies Acts and are trustees under charity law. The members on 12 May 2016, 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 & Clerical Vice Chairmen

Mr J P Normand, Diocesan Synod House of Laity
The Revd Preb L A Moses, Diocesan Synod House of Clergy

Ex Officio

The Bishop of Stepney, the Rt Revd A Newman
The Bishop of Kensington, the Rt Revd P G Williams (until 12/05/15), the Rt Revd Dr G S Tomlin (from 23/09/15)
The Bishop of Edmonton, the Rt Revd R J Wickham (from 23/09/15)
The Bishop of Willesden, the Rt Revd P A Broadbent
The Bishop of Fulham, the Rt Revd J M R Baker
The Bishop of Islington, the Rt Revd R C Thorpe (from 29/09/15)
The Archdeacon of London, the Ven N S Mercer (from 06/10/2015 until 05/01/16), the Ven L J Miller (from 05/01/16)
The Archdeacon of Charing Cross, the Ven Dr W M Jacob (until 28/02/15)
The Associate Archdeacon of London, the Ven R J Lain-Priestley (from 05/01/16)
The Archdeacon of Hackney, the Ven R Treweek (until 15/06/15), the Ven E Adekunle (from 05/04/16)
The Archdeacon of Middlesex, the Ven S J Welch
The Archdeacon of Hampstead, the Ven L J Miller (until 06/10/15), the Ven J E I Hawkins (from 06/10/15)

The Archdeacon of Northolt, the Ven D J Green
The Dean of St Paul's Cathedral, the Very Revd Dr D J Ison

Elected by The House of Laity, Diocesan Synod

Mr A Garwood-Watkins
Mrs A L Ruoff (until 05/11/15)
Mrs E M Barron (from 02/11/15)
Mrs M D Roberts (from 02/11/15)
Mr J Thomas (from 02/11/15)

Nominated by the Bishop of London

Ms J W Munro (from 04/05/16)

The following members were elected by the various Areas:

Two Cities

The Revd O C M Ross (until 31/07/15)
The Revd W T Taylor (until 31/07/15)
The Revd Canon Dr A J Joyce (from 24/09/15)
The Revd C J Amos (from 20/10/15)
Mr E D Roberts
Mr D W Richards
Miss D R Buggs
Mr B O'Donoghue

Stepney

The Revd J Blackburn
The Revd G Hunter (from 20/10/15)
Mr L Humby (from 24/09/15)
Mr J Wilson (from 20/10/15)
Mrs M Ford (until 31/07/15)
Dr P Rice (from 24/09/15)
Ms J W Munro (until 31/07/15)
Mrs C T Sosanya

Kensington

The Revd R G Rainford (until 31/07/15)
The Revd Dr A Emerton (until 05/11/15)
The Revd A V J Downes (from 16/10/15 until 04/05/16)
The Revd S R Divall (from 16/10/15)
Mrs A Rainford
Mr H A Evans
Mr M J A Brough (until 31/07/15)
Mr D Hurst (from 24/09/15)
Mrs S Tett (from 07/04/16)

Edmonton

The Revd C J P Hobbs (until 13/10/15)
The Revd Preb C G Pope (until 31/07/15)
The Revd A Foresheew-Cain (from 07/04/16)
The Revd C Smith (from 07/04/16)
Mr I R M Woolf
Mr R N Andrewes (until 05/11/15)
Dr C Ward
Mr N Wildish (until 31/07/15)
Ms A Casson (from 24/09/15)
Miss A McIntyre (from 25/04/16)

Willesden

The Revd Dr N P Henderson (until 31/07/15)
The Revd M Talbot (until 31/07/15)
The Revd S M France (from 24/09/15)
The Revd E A J Cargill Thompson (from 20/10/15)
Mr J R Dolling
Mr C R Scowen
Ms S M Cooper (until 05/11/15)
Mrs A J Rollin (until 05/11/15)
Mr N K Challis
Mr M J Bithell (from 24/09/15)

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

Members of the Diocesan Finance Committee, as at 12 May 2016

(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 L J Miller
The Associate Archdeacon of London, the Ven R J Lain-Priestley
The Archdeacon of Hackney, the Ven E Adekunle
The Archdeacon of Middlesex, the Ven S J Welch
The Archdeacon of Hampstead, the Ven J E I Hawkins
The Archdeacon of Northolt, the Ven D J Green
The Revd Preb L A Moses
Mr J P Normand
The Revd Canon Dr A J Joyce
The Revd C J Amos
The Revd S R Divall
Mr A Garwood-Watkins
Mr J R Dolling

Miss D R Buggs
Dr P Rice
Mr D W Richards
Dr C Ward
Mr I R M Woolf
Mr M J Bithell

(not Members of the Bishop's Council)

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

Members of the Audit Committee, as at 12 May 2016

(also Members of the Bishop's Council)

Mr E D Roberts (Chair)
Mr N K Challis
The Revd S M France

(not Members of the Bishop's Council)

Mr D Bawtree
Mr R N Perry
Dr J F Richardson
Mrs E Marshall

Members of the Strategic Development Committee as at 12 May 2016

(also Members of the Bishop's Council)

The Bishop of Willesden, the Rt Revd P A Broadbent
The Archdeacon of Hackney, the Ven E Adekunle
The Archdeacon of London, the Ven L J Miller
Mr A Garwood-Watkins
Miss D R Buggs

(not Member of the Bishop's Council)

Mr C Sheppard

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 (until 13/05/15)

The Ven D G Meara (until 13/05/15)

The Ven S J Welch

The Ven L J Miller (from 13/05/15)

The Ven D J Green (from 13/05/15)

Mr E D Roberts

Secretary: Mr A Brookes (until 30/01/15), Mr R
Gough (from 31/01/15)

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 (since replaced by other legislation) on 7 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 October 1918, its activities are subsumed into the LDF, with which it shares common objectives. The majority of the BLF's assets were transferred to the LDF in the last century.

The London Diocesan Board of Finance (LDBF)

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

Trustees: The Trustees of the LDF

Secretary: Mr A Brookes (until 30/01/15), Mr R
Gough (from 31/01/15)

The LDBF was registered in England as a company limited by guarantee on 30 April 1914. The Diocesan Boards 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 are 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 LDBF.

The Articles of Association of the LDBF were amended on 7 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).

Professional Advisers

Auditors

haysmacintyre
26 Red Lion Square
London WC1R 4AG

Bankers

Barclays Bank PLC
1 Churchill Place
London E14 5HP

Insurers

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

Solicitors

Winckworth Sherwood
Minerva House
5 Montague Close
London SE1 9BB

Communications Consultants

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

Independent Auditors' Report to the Members of the London Diocesan Fund

We have audited the financial statements of the London Diocesan Fund for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet, the Summary Income and Expenditure Account, 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).

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of trustees' and directors' responsibilities set out previously, the trustees (who are also the directors of the charitable company 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 Ethical Standards for Auditors.

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' and Trustees' Report, incorporating the Strategic 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.



Adam Halsey (Senior statutory auditor)
for and on behalf of Haysmacintyre, Statutory Auditor
26 Red Lion Square London WC1R 4AG

12 May 2016

THE LONDON DIOCESAN FUND

Statement of Financial Activities - for the year to 31 December 2015

		Unrestricted funds		Restricted	Endowment	Total	Total
		General	Designated	Funds	Funds	2015	2014
		£m	£m	£m	£m	£m	£m
Notes							
Income and endowments from							
<i>Donations, legacies & grants</i>							
Common Fund		22.8	-	-	-	22.8	21.8
Parish Reimbursements for Clergy Costs		3.1	-	-	-	3.1	3.3
Donations		0.9	-	0.3	-	1.2	1.9
Church Commissioners		-	0.3	0.2	-	0.5	0.5
Trust for London		1.4	-	-	-	1.4	1.3
<i>Charitable activities</i>							
Operational Property Rentals		3.1	0.3	0.2	-	3.6	2.8
Parochial Fees		0.5	-	-	-	0.5	0.5
<i>Investment Income</i>							
Dividends and Interest Receivable	10a	1.4	-	0.2	-	1.6	1.7
Investment Property Rentals	10b	5.3	-	0.6	-	5.9	2.5
Other income		-	0.1	0.1	0.1	0.3	0.5
Total income		38.5	0.7	1.6	0.1	40.9	36.8
Expenditure on							
<i>Raising funds</i>							
<i>Investment management costs</i>							
Rental portfolio costs - agent fees		0.3	-	-	-	0.3	0.4
Investment Property repairs & maintenance		0.8	-	-	-	0.8	0.9
<i>Charitable activities</i>							
Ministry		20.1	0.5	0.2	-	20.8	20.1
Education & Outreach		0.6	-	-	-	0.6	0.6
Parish and Area Support Services		1.5	-	0.2	-	1.7	1.7
Clergy Housing & Property Costs		7.1	0.1	0.1	0.1	7.4	10.9
National Church		2.3	-	-	-	2.3	2.2
Grants to Parishes & Overseas	5	0.2	1.1	0.3	-	1.6	1.4
Other expenditure		-	0.5	0.1	-	0.6	0.9
Total expenditure	4	32.9	2.2	0.9	0.1	36.1	39.1
Net income/(expenditure) before investment gains		5.6	(1.5)	0.7	-	4.8	(2.3)
Realised gains on tangible fixed assets		-	9.1	0.6	0.7	10.4	1.0
Net (losses)/gains on investments	7	(0.1)	-	-	-	(0.1)	0.4
Net incoming resources for the year		5.5	7.6	1.3	0.7	15.1	(0.9)
Transfers between funds	12d	(5.4)	6.4	-	(1.0)	-	-
Other recognised gains/losses:							
Pension deficit movement		0.4	(0.3)	-	-	0.1	(0.6)
Unrealised gains on tangible fixed assets	6	-	6.0	2.7	9.0	17.7	15.7
Net movement in funds for the year		0.5	19.7	4.0	8.7	32.9	14.2
Reconciliation of funds:							
Funds at 1 January 2015		2.4	85.4	17.8	278.3	383.9	369.7
Funds at 31 December 2015		2.9	105.1	21.8	287.0	416.8	383.9

All incoming and expended resources relate to continuing operations.

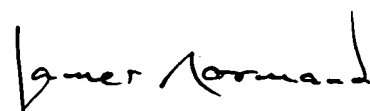
The notes on pages 24 to 41 form part of these financial statements.


Balance Sheet - as at 31 December 2015

	Notes	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2015 £m	Total 2014 £m
Fixed Assets							
Operational Property	6	-	67.2	3.0	236.7	306.9	292.7
Investment Property	6	-	42.7	9.4	35.3	87.4	68.0
Investments	7	2.5	13.3	5.7	11.8	33.3	35.0
		<u>2.5</u>	<u>123.2</u>	<u>18.1</u>	<u>283.8</u>	<u>427.6</u>	<u>395.7</u>
Current Assets							
Debtors	9	1.8	2.5	0.5	-	4.8	5.3
Cash on deposit		0.7	-	3.6	3.2	7.5	10.4
		<u>2.5</u>	<u>2.5</u>	<u>4.1</u>	<u>3.2</u>	<u>12.3</u>	<u>15.7</u>
Creditors:							
Amounts falling due within one year	11	(2.1)	(1.9)	(0.4)	-	(4.4)	(4.4)
Net Current Assets		<u>0.4</u>	<u>0.6</u>	<u>3.7</u>	<u>3.2</u>	<u>7.9</u>	<u>11.3</u>
Total assets less current liabilities		<u>2.9</u>	<u>123.8</u>	<u>21.8</u>	<u>287.0</u>	<u>435.5</u>	<u>407.0</u>
Creditors - amounts falling due after 1 year:							
Pension scheme liabilities	14b	-	(15.7)	-	-	(15.7)	(17.2)
Other creditors	11	-	(3.0)	-	-	(3.0)	(5.9)
Net Assets		<u>2.9</u>	<u>105.1</u>	<u>21.8</u>	<u>287.0</u>	<u>416.8</u>	<u>383.9</u>
Funds							
General		2.9	-	-	-	2.9	2.4
Designated	12a	-	105.1	-	-	105.1	85.4
Restricted	12b	-	-	21.8	-	21.8	17.8
Endowment	12c	-	-	-	287.0	287.0	278.3
Total Funds		<u>2.9</u>	<u>105.1</u>	<u>21.8</u>	<u>287.0</u>	<u>416.8</u>	<u>383.9</u>

The Cash Flow Statement and the Notes on pages 24 to 41 form part of these financial statements.

The financial statements on pages 20 to 41 were approved, and authorised for issue, by the Diocesan Bishop's Council on 12 May 2016.


P Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council


L A Moses
Member of Bishop's Council

THE LONDON DIOCESAN FUND

Summary Income and Expenditure Account - for the year to 31 December 2015

	2015 £m	2014 £m
Income	40.8	36.8
Expenditure	(36.0)	(36.7)
Net income before investment gains	4.8	0.1
Net (losses)/gains on investments	(0.1)	0.3
Net income for the year	4.7	0.4
Other comprehensive income:		
Unrealised and realised gains on property assets	18.4	1.3
Net assets transferred from endowments	1.0	(1.7)
Net movement on defined benefit pension schemes	0.1	(0.6)
Total comprehensive income	24.2	(0.6)

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 20 with movements in endowment funds excluded to comply with company law.

THE LONDON DIOCESAN FUND

Cash Flow Statement - for the year to 31 December 2015

	Notes	2015 £m	2014 £m
Net cash (outflow) from operating activities	13a	(10.7)	(7.2)
Cash flows from investing activities	13b	7.9	0.1
(Decrease) in cash in the year		<u>(2.8)</u>	<u>(7.1)</u>
Reconciliation of net cash flow to movement in net funds (see note 13)			
(Decrease) in cash in the year		(2.8)	(7.1)
Non cash (decrease)/increase in funds		<u>(0.6)</u>	<u>0.1</u>
Movement in net funds in the year		<u>(3.4)</u>	<u>(7.0)</u>
Net funds at 1 January		7.9	14.9
Net funds at 31 December	13c	<u>4.5</u>	<u>7.9</u>

The notes on pages 24 to 41 form part of these financial statements.

Notes to the financial statements - for the year ended 31 December 2015

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 (2015) and with regard to the Diocesan Annual Report and Financial Statements Guide (v5. 2015).

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.

Following the transition to FRS 102 for the first time in 2015 all of the accounting policies have been aligned with the new accounting standard and where this has resulted in a material change to the amounts, classification or presentation within the financial statements as at the date of the transaction then a transitional adjustment has been made (see note 16).

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 and investment 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 directors' and 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 are 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.

1.4 Pensions

The LDF participates in two defined benefit pension schemes: the Church of England Defined Benefit Scheme (DBS), for some of its lay employees but now closed to new joiners, and the Church of England Funded Pensions Scheme, for clergy. The schemes are considered to be multi-employer schemes as described in Section 28 of FRS 102. This means it is not possible to attribute the Schemes' assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contributions scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions. Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability.

Notes to the financial statements - for the year ended 31 December 2015 (continued)**1.5 Statement of Financial Activities**

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

<u>Income</u>	<u>Explanation</u>
Voluntary Income	
Common Fund	Contributions paid by the parishes in the Diocese of London to the LDF.
Parish Reimbursements for Clergy Costs	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.
Activities for generating funds	
Operational Property rentals	Operational 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 operational rental income is receivable within general funds.
Parochial fees	Parochial 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 used to help fund the overall stipends bill.
Investment Income	
Dividends and Interest receivable	Income arising is credited to the relevant funds on a receipts basis for dividends, and on an accruals basis for interest income.
Investment Property rentals	Investment property is let out at the market rate. Designated and Glebe investment rental income is receivable within general funds.
Expenditure	
Cost of generating funds – investment management costs	
Rental portfolio costs: agent fees	Agent fees paid in relation to the management of the property portfolio.
Investment property repairs and maintenance	Repairs and maintenance relating to the investment property portfolio.
Charitable activities	
Ministry	Ministry primarily includes the payment of clergy stipends, national insurance and pension contributions.
Education & Outreach	Annual cash grant to the London Diocesan Board for Schools 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 & Property Costs	Clergy Housing & Property Costs represents the repairs, maintenance, and other property costs associated with the operational property portfolio, and the relevant costs of the Diocesan Advisory Committee and property department. In accordance with the implementation of FRS 102, annual depreciation will no longer be charged on benefice and operational, freehold properties.
National Church	The LDF's contribution to the National Church's costs.
Grants to Parishes & Overseas	Grants made to London parishes and overseas Dioceses.

Notes to the financial statements - for the year ended 31 December 2015 (continued)

1.6 Tangible Fixed Assets

Property

Operational property is generally held at deemed historic cost and investment property at market value. Assets in the course of construction are held at cost.

(a) Benefice Houses

The LDF has adhered to the requirements of FRS 102 in its accounting treatment for benefice houses in following the substance of arrangements rather than their strict legal form. Although the LDF is formally responsible for the maintenance and repair of such properties and has some jurisdiction over future use, the legal title and right to beneficial occupation is vested in the incumbent. The trustees therefore consider the most suitable accounting policy is to capitalise such properties as expendable endowment assets and, in line with the transitional arrangements under FRS 102, value such properties at deemed historic cost being the net book value as at 1 January 2015.

Depreciation

In accordance with the implementation of FRS 102, annual depreciation will no longer be charged on benefice and operational, freehold properties. Historically, fixed assets were depreciated over their useful economic life. In the past, depreciation has been charged on the following types of assets, over their expected lives as follows:

Benefice Houses	150 years
Other freehold properties	50 years
Leasehold properties	Lease Term

(b) Burial Grounds

Burial grounds owned by the LDF 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

Depreciation is charged on fixtures, fittings and equipment over four years, being their expected useful life.

1.7 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. In 2013 a detailed review of the LDF's investment property resulted in all of its investment property portfolio being professionally valued externally. Future valuations will take place as required, in accordance with relevant accounting standards. Interim valuations are performed in intervening years by a suitably qualified officer of the LDF.

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 bid market value at 31 December. Realised gains or losses on disposal are calculated as the difference between disposal proceeds and carrying value.

1.8 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 44 with supporting notes on pages 45 and 46. The custodian trustee funds have been subject to a non-statutory audit and the audit report thereon covering pages 42 to 46 is to be found on page 47.

Notes to the financial statements - for the year ended 31 December 2015 (continued)

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

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

	2015 £'000	2014 £'000
Depreciation (release)/charge - Operational Property	(283)	3,560
Depreciation - Fixtures, Fittings and Equipment	5	17
	<u>(278)</u>	<u>3,577</u>
Auditors' Remuneration (including VAT)		
Statutory audit	25	24
Non-Audit Services:		
- Tax advice	3	6
- Non-statutory review of Custodian Trusts	2	2
	<u>30</u>	<u>32</u>

3 Staff and Clergy Costs

Costs of lay staff

	2015 £'000	2014 £'000
Wages and Salaries	2,770	2,570
Employer's National Insurance	266	248
Employer's Pension Contributions	552	480
	<u>3,588</u>	<u>3,298</u>

The number of lay employees employed on diocesan business was 83 (2014: 76). During 2015, there were no extra people (2014: 2) that had employment contracts with the LDF but were funded externally and seconded elsewhere. The total number of lay employees for statutory purposes was, therefore, 83 (2014: 78).

The Full Time Equivalent average number of people employed on diocesan business was 73 (2014: 67). During 2015, there were no extra people (2014: 2) that had employment contracts with the LDF but were funded externally and seconded elsewhere. The total Full Time Equivalent for statutory purposes was, therefore, 73 (2014: 69).

	2015 No.	2014 No.
The number of employees whose emoluments for the year exceeded £60,000 are as follows		
£110,001 - £120,000	1	-
£100,001 - £110,000	-	1
£90,001 - £100,000	1	-
£80,001 - £90,000	1	-
£70,001 - £80,000	-	1
£60,001 - £70,000	5	4

Emoluments, above, is defined as gross salary.

Aggregate employer normal pension contributions for all the higher-paid employees above were £126,954 (2014: £77,763) payable to various pension schemes, of which £93,323 was payable to defined contribution pension schemes (2014: £54,557). There were 2 (2014: 3) higher-paid employees who were members of the defined benefit pension scheme. Included in staff costs is an ex-gratia payment of £53,000, representing 6 months' pay, to the former Chief Executive.

Remuneration of key management personnel

staff co

Remuneration and pension for the Senior Management Group amounted to salary of £377,273 (2014: £361,512), Employer's NI of £45,577 (2014: £43,067) and Employer's pension contributions of £82,592 (2014: £67,866). Expenses reimbursed amounted to £3,999 (2014: £4,064).

Clergy costs

As at 31 December 2015 there were 10 individuals (2014: 9) - mainly chaplains - who (following the implementation of the Ecclesiastical Offices (Terms of Service) Measure 2009 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 2015, their costs included Gross Stipends of £214,198 (2014: £229,988), Employer's NI of £18,608 (2014: £19,849) and Employer's pension contributions of £72,386 (2014: £76,425).

In addition in 2015 there were 15 ordained clergy (2014: 13) who whilst undertaking ministerial work, were required to be included in the LDF payroll. In total for 2015, their costs included Gross Stipends of £327,314 (2014: £201,899), Employer's NI of £29,594 (2014: £16,860) and Employer's pension contributions of £92,081 (2014: £51,774).

Clergy holding parochial or archidiaconal posts

	2015 £'000	2014 £'000
Gross stipends	12,893	12,637
Employer's National Insurance	1,029	992
Employer's Pension Contributions	4,770	4,393
	<u>18,692</u>	<u>18,022</u>
Average number of total stipendiary clergy posts	518	513
Number of total stipendiary clergy posts at 31 December	<u>522</u>	<u>511</u>

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 2015 (continued)

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

	2015 £'000	2014 £'000		
Support costs (allocated below)				
Salary and employment costs	1,939	1,759		
Office costs	485	440		
Governance costs	343	311		
	2,767	2,510		
Resources Expended	Before allocation of support costs	Support costs	Total 2015	Total 2014
	£'000	£'000	£'000	£'000
Raising funds				
<i>Investment management costs</i>				
Rental portfolio costs - agent fees	343	-	343	446
Investment Property repairs & maintenance	752	63	815	851
Fundraising	39	-	39	38
	1,134	63	1,197	1,335
Charitable activities				
Ministry	19,915	897	20,812	20,098
Education & Outreach	419	222	641	614
Parish & Area Support services	794	907	1,701	1,658
 Clergy Housing and Property Costs	6,754	600	7,354	7,296
Clergy Housing Depreciation	-	-	-	3,560
<i>Clergy Housing & Property Costs</i>	6,754	600	7,354	10,856
National Church	2,322	-	2,322	2,196
Grants to Parishes & Overseas	1,557	78	1,635	1,404
Other expenditure	576	-	576	856
	33,471	2,767	36,238	39,017

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. In accordance with SORP 2015 governance costs of £343k (2014: £311k) have been allocated on the same 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 2015 £'000	Total 2014 £'000
Grants to Parishes from:						
Diocesan Bishop's Council	-	-	-	-	-	2
Trust for London / Other	154	-	-	-	154	175
Area Pastoral funds	-	286	-	-	286	350
Bishop of London's Mission Fund	-	442	-	-	442	376
Funds held for Parish Benefit	-	327	282	-	609	280
	154	1,055	282	-	1,491	1,183
Overseas:						
Angola and Mozambique (ALMA) and Lent Projects	-	-	66	-	66	150
Grant administration allocation	78	-	-	-	78	71
Total	232	1,055	348	-	1,635	1,404

The above monies funded grant awards to 91 institutions (2014: 61).

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (continued)

6 Tangible Fixed Assets - Operational and Investment Property

	Unrestricted - Designated Funds			Restricted Funds	Expendable Endowment Funds				
	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	Combined Total £'000
At cost or valuation									
At 1 January 2015	94,969	4,226	99,195	9,539	2,880	224,367	56,640	283,887	392,621
Additions	24,028	51	24,079	171	-	1,284	2,092	3,376	27,626
Transfers	-	-	-	-	-	1,036	(1,036)	-	-
Disposals	(9,961)	-	(9,961)	-	-	(760)	(1,978)	(2,738)	(12,699)
Revaluation	6,555	-	6,555	2,658	-	-	8,832	8,832	18,045
At 31 December 2015	115,591	4,277	119,868	12,368	2,880	225,927	64,550	293,357	425,593
Depreciation									
At 1 January 2015	9,862	357	10,219	-	426	18,079	3,155	21,660	31,879
Charge/(release) for the year	(18)	-	(18)	-	-	-	(265)	(265)	(283)
Transfers	-	-	-	-	-	-	-	-	-
Disposals	(263)	-	(263)	-	-	(60)	(12)	(72)	(335)
Revaluation	-	-	-	-	-	-	-	-	-
At 31 December 2015	9,581	357	9,938	-	426	18,019	2,878	21,323	31,261
Net Book Value									
At 31 December 2015	106,010	3,920	109,930	12,368	2,454	207,908	61,672	272,034	394,332
<i>Split by:</i>									
NBV Operational Property	63,327	3,920	67,247	2,989	2,454	207,908	26,363	236,725	306,961
NBV Investment Property	42,683	-	42,683	9,379	-	-	35,309	35,309	87,371
	106,010	3,920	109,930	12,368	2,454	207,908	61,672	272,034	394,332
Net Book Value									
At 31 December 2014	85,107	3,869	88,976	9,539	2,454	206,288	53,485	262,227	360,742

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

The LDF's investment property portfolio is held at trustees' valuation. In practice, it was professionally valued externally as at 31 December 2013 by Cluttons LLP. Future full valuations will take place as required, in accordance with relevant accounting standards, with interim year-end valuations being performed in the intervening years by a suitably qualified officer of the LDF.

Net revaluation gains above of £18,045k differ from those shown on the SOFA, largely due to the net revaluation movement in 2015 of the value-linked loans creditor.

In accordance with transitional arrangements upon the implementation of FRS 102 for the first time, the LDF has taken advantage of the concession whereby benefice and operational houses, previously valued under UK GAAP at depreciated insurance value, are carried forward at deemed historical cost being the book value of these assets at 1 January 2015. As such no further depreciation charges will be made for these assets. The value of the revaluation reserve is nil and thus is not shown on the balance sheet.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (continued)

7 Investments

	At 1 January 2015 £'000	Additions £'000	Disposals £'000	Unrealised Gains / (Losses) £'000	Transfers £'000	At 31 December 2015 £'000
General Fund						
CCLA Global Equities	5,376	-	-	(58)	(2,804)	2,514
Designated Funds						
CCLA Global Equities	4,597	-	-	(49)	2,804	7,352
OLIM Charity Value and Inc Equities	1,316	-	-	46	-	1,362
CCLA Fixed Interest Securities Bond	814	-	(814)	-	-	-
M&G Charibond	797	-	(797)	-	-	-
M&G Investments	3,702	-	-	(11)	-	3,691
Designated Trusts						
Equity Investments	861	-	-	7	-	868
TOTAL - Designated	12,087	-	(1,611)	(7)	2,804	13,273
Restricted Funds						
OLIM Charity Value and Inc Equities	988	-	-	31	-	1,019
Sole Trusts						
Listed Investments	17	-	(17)	-	-	-
M&G Investments	3,643	8	-	6	-	3,657
CBF Investment Fund	1,043	19	(41)	(12)	-	1,009
TOTAL - Restricted	5,691	27	(58)	25	-	5,685
Expendable Endowment Funds						
Glebe						
M&G Investments	6,953	-	-	(21)	-	6,932
Permanent Endowment Funds						
Sole Trusts						
M&G Investments	3,686	-	-	(22)	-	3,664
CBF Investment Fund	1,155	-	-	16	-	1,171
CBF Fixed Interest Securities Fund	24	-	-	(1)	-	23
TOTAL - Endowment	11,818	-	-	(28)	-	11,790
Total Fixed Asset Investments	34,972	27	(1,669)	(68)	-	33,262

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 2015 is £22,181k (2014: £23,654k).

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (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	Endowed £'000	2015 £'000	2014 £'000
Contributions to the Common Fund	247	-	-	-	247	286
Rent Receivable	600	-	215	-	815	838
Prepayments and accrued income	407	333	243	-	983	2,015
	<u>1,254</u>	<u>333</u>	<u>458</u>	<u>-</u>	<u>2,045</u>	<u>3,139</u>
Loans to Parishes						
- Diocesan Bishop's Council awarded	-	1,041	-	-	1,041	872
- Area Council awarded	-	728	-	-	728	634
	<u>-</u>	<u>1,769</u>	<u>-</u>	<u>-</u>	<u>1,769</u>	<u>1,506</u>
Loans to individuals	25	370	-	-	395	408
Other Debtors	520	-	-	-	520	187
	<u>1,799</u>	<u>2,472</u>	<u>458</u>	<u>-</u>	<u>4,729</u>	<u>5,240</u>

	2015 £'000	2014 £'000
<u>Movements in Loans to Parishes:</u>		
At 1 January	1,506	2,115
Additions (new loans and interest)	1,103	286
Repayments	(840)	(895)
At 31 December	<u>1,769</u>	<u>1,506</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% 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 at 31 December 2015 was £1,063k (2014: £1,146k).

Notes to the financial statements - for the year ended 31 December 2015 (continued)

9b Related Parties

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 Chair of the LDF and President of the LDBS.

The Archdeacon of Middlesex, trustee of the LDF, served as Chair of the LDBS during the year, and stepped down as trustee of the LDBS on 31 December 2015. The Archdeacon of London, trustee of the LDF, became a trustee and Chair of the LDBS from 1 January 2016.

Mr D W Richards was also a trustee of both the LDF and the LDBS during the year. The Revd Preb C G Pope was a trustee of both the LDF and the LDBS until 31 July 2015.

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 £180k (2014: £180k). The LDBS is a charitable company (reg. no. 198131). At 31 December 2015 other creditors included £1k for salary overcharges (2014: Other debtors - £1k).

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:

	2015	2014
	£'000	£'000
Accommodation - rent	134	84
House services and meeting rooms	195	197
	<u>329</u>	<u>281</u>

Trustees' Expenses/Remuneration

In 2015 the LDF reimbursed a total of £33k to 21 members of the Bishop's Council (2014: £66k to 17 members). The expenses related to working expenses, for example as Archdeacon, Area Dean or other official roles, rather than as expenses reimbursed in their role as trustees.

The LDF is responsible for a substantial part (if not all) of the stipend of the clerical members of the Bishop's Council by virtue of their clerical office, 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 14 other members of the clergy in 2015 (Full Time Equivalent: 14) who were members of the Bishop's Council (2014: 14 members; Full Time Equivalent: 14).

	2015	2014
	£'000	£'000
Gross Stipends	303	389
Employer's National Insurance	27	34
Employer's Pension Contribution	96	128
	<u>426</u>	<u>551</u>

Under the Repair of Benefice Buildings Measure 1972 the Diocese is responsible for the upkeep of parsonages. Eight members of Bishop's Council during the year (2014: 12) were housed in parsonages by virtue of their clerical office. Two employees (2014: 2) were housed in a parsonage, though not by virtue of their employment.

A further six members of Bishop's Council (and Finance Committee) (2014: eight) and 12 employees in holy orders, including chaplains (2014: 12), were housed in properties owned by the London Diocesan Fund.

One member (2014: one member) 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 2015 was £29k (2014: £24k).

For the purposes of this disclosure note transactions with other Church Councils, where there may be a relationship because members of Bishop's Council are also trustees of those bodies, have not been included.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (continued)

10a Dividends and Interest Receivable

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2015 £'000	2014 £'000
Dividends	1,307	34	200	-	1,541	1,528
Cash and deposit interest	37	17	5	-	59	117
Fixed interest investments	-	-	2	-	2	2
Loan interest	18	-	-	-	18	30
	<u>1,362</u>	<u>51</u>	<u>207</u>	<u>-</u>	<u>1,620</u>	<u>1,677</u>

10b Investment Property Rentals

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2015 £'000	2014 £'000
Investment property rentals	2,485	-	(146)	-	2,339	2,469
Release of residual lease premiums	2,805	-	760	-	3,565	-
	<u>5,290</u>	<u>-</u>	<u>614</u>	<u>-</u>	<u>5,904</u>	<u>2,469</u>

11 Creditors

	General funds £'000	Designated funds £'000	Restricted funds £'000	Endowment funds £'000	2015 £'000	2014 £'000
Amounts falling due within one year:						
Parish Loans Payable	-	722	-	-	722	283
Grants Payable	-	1,082	-	-	1,082	1,191
Other Creditors	906	67	268	21	1,262	1,527
Accruals and deferred income	1,167	-	140	-	1,307	1,367
	<u>2,073</u>	<u>1,871</u>	<u>408</u>	<u>21</u>	<u>4,373</u>	<u>4,368</u>

Amounts falling due after one year:

Accruals and deferred income	-	-	-	-	-	3,443
Church Commissioners Value Linked Loans	-	3,031	-	-	3,031	2,471
	<u>-</u>	<u>3,031</u>	<u>-</u>	<u>-</u>	<u>3,031</u>	<u>5,914</u>

In 2014, £760k of the long-term Restricted accruals and deferred income above related to the residual lease premium for the lease of St Mark's Church in North Audley Street, Westminster, while £2,805k of the long-term General Fund accruals and deferred income above related to the residual lease premium for the lease of 13 & 13a North Audley Street, Westminster. During 2015, the treatment of these residual lease premiums has been reassessed and they have been released to the Statement of Financial Activities.

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 assistant clergy. The properties purchased with Value Linked Loans are held within Designated Operational Property.

In the past, Value Linked Loans were shown in the accounts at the depreciated insurance value of the property bought with the loan. From 2015, and consistent with the adoption of FRS102, they are shown at deemed historical cost, being the book value of these assets at 1 January 2015.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (continued)

12a Designated Funds

	At 1 January 2015 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2015 £'000
Capital Vision 2020	1,630	3	(324)	-	540	1,849
Capital Strategy Fund	-	-	-	-	500	500
Operational Property	54,295	-	-	2,000	(494)	55,801
Investment Property	32,210	-	-	4,013	6,458	42,681
Parsonage Reserve	787	2,387	(25)	(6)	(1,084)	2,059
Fund Operational Property Reserve	2,482	2,315	(45)	(10)	2,482	7,224
Investment Property Reserve	374	4,722	-	-	(4,042)	1,054
Inspection and Maintenance Funds	681	-	-	(7)	55	729
Designated Trusts	2,419	42	(327)	7	-	2,141
Mission Opportunity	698	-	(227)	(10)	-	461
Bishop of London's Mission Fund	193	372	(491)	-	-	74
Clergy Training and Support	695	14	(97)	4	-	616
Area Pastoral Funds	1,141	13	(286)	(10)	284	1,142
Area Bank Accounts	52	59	(41)	-	-	70
Diocesan Loan Capital	4,346	-	-	(3)	-	4,343
Strategic Development Reserve	109	-	-	-	(29)	80
Clergy Pension Deficit Reserve	(16,740)	-	(366)	(316)	1,683	(15,739)
Total Designated Funds	85,372	9,927	(2,229)	5,662	6,353	105,085

Note 12d

* - Incoming resources, includes realised gains.

Designated Fund Descriptions (refer to the Directors' and Trustees' Report for information regarding the LDF's reserves policy)

Capital Vision 2020	The LDF's strategic plan is encompassed within Capital Vision 2020, a vision of a Church that is Christ-centred and outward looking. During 2013 the trustees approved the creation of a new Capital Vision 2020 designated reserve, which at 31 December 2015 had a value of £1,849k, including a transfer of £540k from the General Fund. This fund will be utilised over the next five years.
Capital Strategy Fund	The Capital Strategy Fund holds the net capital proceeds from the sales of assets that have been identified within our Capital Strategy for redeployment elsewhere in the Diocese over the next five years.
Operational Property	As well as incorporating the Diocesan offices, Operational Property comprises over 102 units of property generally 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 £55.8m, £58.8m is represented by actual properties which are partially offset by (£3.0m) of Value Linked Loans creditors (as described in note 11).
Investment Property	Investment Property comprises over 50 freehold and leasehold properties (£42.7m) held to generate income and capital growth which helps fund stipends and other charitable activities.
Parsonage, Fund Operational Property and Investment Property Reserves	The Parsonage, Fund Operational Property and Investment Property reserves are used for the purchase and refurbishment of houses that form part of Parsonage House Capital (Endowment), Operational Property (Designated), and Investment Property (Designated) respectively. When a property is sold, the sale proceeds are credited to the relevant fund. The Investment Property reserve was created in 2013.
Inspection and Maintenance Funds	This fund comprises the Quinquennial Fund (£229k) and the Incoming Works Fund (£500k). We carry out planned maintenance on an average of one-sixth of our operational properties each year (90 of approximately 540), but the actual number varies from year to year. Since quinquennial works were carried out on 87 parsonages in 2015, a transfer of £55k was made to the Quinquennial Fund. All necessary works in accordance with the Repair of Benefice Buildings Measure 1972 are undertaken.
Designated Trusts	These funds represent 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, therefore these funds are expected to be held on an on-going basis.
Mission Opportunity	This fund was established to meet specific clergy and related costs that are necessary in implementing Diocesan mission and ministry policy.
Bishop of London's Mission Fund (BLMF)	This fund is used for 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 has been the Bishop of Kensington, assisted by the Director of Ministry.
Area Pastoral Funds	These are funds for each of the five episcopal areas which can be used for loans and grants for specific projects in each area. Decisions on the use of the funds are taken by Area Councils. Loans and grants are awarded each year and the fund is replenished from general funds to ensure the fund is not depleted. It is anticipated that this will continue into the foreseeable future.
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.
Clergy Pension Deficit Reserve	The pension deficit reserve represents the present value of the agreed deficit contributions towards the Church of England funded pension scheme.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (continued)

12b Restricted Funds

	At 1 January 2015 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2015 £'000
Sole Trust Expendable Funds	5,990	368	(349)	(7)	(38)	5,964
Closed Church Buildings Fund	1,224	612	(134)	31	(171)	1,562
Closed Church Buildings Operational Property	2,485	-	-	333	171	2,989
Closed Church Buildings Investment Property	7,053	-	-	2,325	-	9,378
Closed Church Buildings Investment Reserve	325	801	-	-	-	1,126
Projects restricted funds	714	313	(229)	-	-	798
Bishops' secretaries fund	3	230	(231)	-	-	2
Environmental fund	4	2	(6)	-	-	-
Total Restricted Funds	17,798	2,326	(949)	2,682	(38)	21,819

Note 12d

* - Incoming resources, includes realised gains.

Restricted Funds

Sole Trust Expendable Funds

This fund comprises over 40 restricted 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 Operational and Investment Property

This fund represents the net book value of Closed Church Buildings property (see note 6).

Closed Church Buildings Investment Reserve

This reserve, created in December 2013, is used for the purchase and refurbishment of Closed Church Buildings Investment Property. When such a property is sold, the sale proceeds will be credited to this fund.

Projects restricted funds

This fund comprises a small number of projects for which the LDF receives restricted funding. Income sometimes relates to the aggregate match funding received in relation to a number of projects.

Bishops' secretaries fund

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 environmental projects carried out by the LDF.

12c Endowment Funds

	At 1 January 2015 £'000	Incoming Resources £'000	Resources Expended £'000	Unrealised Gains/(Losses) £'000	Transfers £'000	At 31 December 2015 £'000
Expendable Endowment						
Glebe Operational Property Fund	24,714	-	-	724	925	26,363
Glebe Investment Property Fund	28,771	-	-	8,108	(1,570)	35,309
Glebe Investment Fund	8,842	253	(47)	(21)	(1,039)	7,988
Glebe Investment Property Reserve	2,335	640	-	-	(830)	2,145
Parsonage House Capital	208,742	-	-	122	1,498	210,362
Permanent Endowment						
Sole Trust Permanent Endowment	4,866	-	-	(8)	-	4,858
Total Endowment Funds	278,270	893	(47)	8,925	(1,016)	287,025

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 operational (£26.4m) and investment (£35.3m) property.

Glebe Investment Fund

This represents the carrying value of glebe investments and cash. Investment income from glebe property is credited to general funds where it is used only 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.

Glebe Investment Property Reserve

This reserve is used for the purchase and refurbishment of Glebe Investment Property. When such a property is sold, the sale proceeds are credited to this fund. The Glebe Investment Property Reserve was created in 2013.

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).

Diocesan Stipends Fund

The effective balance of the Diocesan Stipends Fund is nil, and therefore is not shown above.

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (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	(584)	-	-	584	-	i
Transfer of proceeds to Investment Property reserve	-	1,600	-	(1,600)	-	ii
Trust reclassifications	38	-	(38)	-	-	iii
Transfer of budgeted items in the General Fund to the designated Area Pastoral Funds	(284)	284	-	-	-	iv
Net transfers (to) / from designated funds at year-end	18	(18)	-	-	-	v
Transfer of deferred lease premium to designated funds	(2,804)	2,804	-	-	-	vi
Transfer of funds to pay down the Clergy pension deficit	(1,683)	1,683	-	-	-	vii
	(5,299)	6,353	(38)	(1,016)	-	
	Note 12a	Note 12b	Note 12c			

- Transfer from or to the Parsonage reserve for the purchase or sale of parsonages respectively.
- These transfers relate to the movement to the designated Investment Property Reserve of various proceeds.
- These transfers relate to the release of funds from various Trusts to be utilised on appropriate unrestricted purposes.
- These transfers relate to budgeted items set aside from the General Fund for the designated Area Pastoral Funds.
- These relate to transfers agreed at the year-end between the General Fund and specific designated funds.
- These relate to the release of residual lease premiums.
- These relate to funds transferred from General Funds in order to meet the cost of Clergy pension contributions made in the year.

13 Notes to the cash flow statement

	2015 Total £'000	2014 Total £'000
a) Reconciliation of operating deficit to operating cash flows		
Operating Surplus/(Deficit)	4,789	(2,225)
Depreciation (release)/charge	(283)	3,577
Decrease / (Increase) in debtors	511	(486)
(Decrease) in creditors	(2,878)	(716)
Non-cash movement in pension liability	(1,837)	(418)
Investment and Rental Income	(11,045)	(6,921)
	(10,743)	(7,189)

b) Gross Cash Flows

Cash flows from investing activities		
Dividends and Interest Receivable	1,621	1,677
Rental Income	9,424	5,240
Sale of property	22,851	9,481
Purchase of property	(27,626)	(11,774)
Sale of investments	1,668	32
Purchase of investments	(27)	(4,542)
	7,911	114

c) Analysis of Changes in net funds

	At 1 January 2015 £'000	Cash Flows £'000	Other £'000	At 31 December 2015 £'000
Funds				
Cash at bank and in hand	7,745	(1,336)	-	6,409
Short Term Deposits	2,688	(1,496)	-	1,192
	10,433	(2,832)	-	7,601
Value-linked loans due after one year	(2,471)	-	(560)	(3,031)
	7,962	(2,832)	(560)	4,570

THE LONDON DIOCESAN FUND

Notes to the financial statements - for the year ended 31 December 2015 (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. The Scheme was closed to new LDF members in the last decade.

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.

It is not possible to attribute the Scheme's assets and liabilities to specific employers, since 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. The scheme is considered to be a multi-employer scheme as described in Section 28 of FRS 102 and as such contributions are accounted for as if the Scheme were a defined contributions scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expense accrued in that year, plus any impact of deficit contributions (see below).

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 might 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 having been carried out as at 31 December 2013. In this valuation, the Life Risk Section was shown to be in deficit by £54.9m and £4.2m was notionally transferred from the employers' sub-pools to the Life Risk Pool. This increased the employer contributions that would otherwise have been payable. The overall deficit in the DBS was £12.9m.

Following the valuation, the employer has entered into an agreement with the Church Workers Pension Fund to pay a contribution rate of 25% of pensionable salary and expenses of £12,000 per year.

Section 28.11A of FRS 102 requires agreed deficit recovery payments to be recognised as a liability. The movement in the provision is set out in the table below.

	2015	2014
	£'000	£'000
Balance sheet liability at 1 January	541	768
Deficit contribution paid	(102)	(245)
Interest cost (recognised in SoFA)	5	11
Remaining charge to the balance sheet liability *	(444)	7
Balance sheet liability at 31 December	-	541

* comprises change in agreed deficit recovery plan and change in discount rate between year ends.

This liability represents the present value of the deficit contributions agreed as at the accounts date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December	December	December
	2015	2014	2013
Discount rate	1.70%	1.10%	nil

Notes to the financial statements - for the year ended 31 December 2015 (continued)

14 Pensions (continued)

(b) Clergy Pensions

From 1 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 from 1 January 1998. The Scheme's assets are held separately from those of the LDF. Past service clergy pensions for service before 1 January 1998 are paid by the Church Commissioners at no cost to the LDF.

The LDF is the sponsoring employer for 547 members (2014: 535) of the Scheme out of a total membership of approximately 8,400 active members. The Schemes are considered to be multi-employer Schemes as described in Section 28 of FRS 102. It is not possible to attribute the Scheme's assets and liabilities to specific employers and that contributions are accounted for as if the Scheme were a defined contributions Scheme. The pensions costs charged to the SoFA in the year are contributions payable towards benefits and expenses accrued in that year, plus any impact of the deficit contributions (see below).

A valuation of the Scheme is carried out once every three years. The most recent Scheme valuation completed was carried out at 31 December 2012. Though work has commenced on the 31 December 2015 valuations, the final report and recovery plan is not expected to be finalised until late 2016, and is not formally required to be finalised until 31 March 2017. The 2012 valuation revealed a deficit of £293m, based on assets of £896m and a funding target of £1,189m, assessed using the following assumptions:

a) An investment strategy of:

- for investments backing liabilities for pensions in payment, an allocation to gilts, increasing linearly from 10% at 31 December 2012 to two-thirds by 31 December 2029, with the balance in return-seeking assets; and
- for investments backing liabilities prior to retirement, a 100% allocation to return-seeking assets;

b) Investment returns of 3.2% pa on gilts and 5.2% pa on equities;

c) RPI inflation of 3.2% pa (and pension increases consistent with this);

d) Increase in pensionable stipends of 3.2% pa; and

e) Post-retirement mortality in accordance with 80% of the S1NMA and S1NFA tables, with allowance made for improvements in mortality rates from 2003 according to the CMI 2012 core projections, with a long-term annual rate of improvement of 1.5% for males and females.

Following the 31 December 2012 valuation, a recovery plan was put in place until 31 December 2025 and the contributions (as a percentage of pensionable stipends) were set as follows:

% of pensionable stipends	1 January 2015 to 31 December 2015	1 January 2014 to 31 December 2014
Accrual of future service benefits (including expenses)	25.80%	25.80%
Deficit repair contributions	14.10%	12.40%
Total contribution rate	39.90%	38.20%

Section 28.11A of FRS 102 required agreed deficit recovery payments to be recognised as a liability. The movements in the provision is set out in the table below.

	2015 £'000	2014 £'000
Balance sheet liability at 1 January	16,740	17,003
Deficit contribution paid	(1,683)	(1,426)
Interest cost (recognised in SoFA)	366	570
Remaining charge to the balance sheet liability *	316	593
Balance sheet liability at 31 December	15,739	16,740

*comprises change in agreed deficit recovery plan and change in discount rate between year ends.

This liability represents the present value of the deficit contributions agreed as at the accounts date and has been valued using the following assumptions set by reference to the duration of the deficit recovery payments:

	December 2015	December 2014	December 2013
Discount rate	2.5% pa	2.3% pa	3.5% pa
Price inflation	2.40% pa	2.7% pa	3.2% pa
Increase to total pensionable payroll	0.9% pa	1.2% pa	1.7% pa

Notes to the financial statements - for the year ended 31 December 2015 (continued)

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 2015 there were 41 members (2014: 45) who were 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.

16 Transition to FRS 102

This is the first year LDF has presented its results under FRS 102 and SORP2015. The last financial statements under previous UK GAAP were for the year ended 31 December 2014. The date of transition to FRS 102 was 31 December 2014. Set out below are a reconciliation of the surplus for the year and the reserves from the amounts previously stated in the 2014 financial statements following the change in accounting policies.

Reconciliation of the net income for the financial year as previously stated to that restated.	Unrestricted 2014 £m	Designated 2014 £m	Restricted 2014 £m	Endowment 2014 £m	Total 2014 £m
Surplus/(deficit) as previously reported (before investment gains)	0.4	(2.0)	0.9	(2.4)	(3.1)
Defined benefit pension scheme:					
- Clergy	-	0.8	-	-	0.8
- Churchworkers	1.4	(1.4)	-	-	-
Total adjustment to net income	1.4	(0.6)	-	-	0.8
Net income for the year under FRS 102 (before investment gains)	1.8	(2.6)	0.9	(2.4)	(2.3)

Reserves reconciliation: 1 Jan 2014

Balance at 1 Jan 2014 - as previously reported	2.5	98.7	22.0	263.5	386.7
Defined benefit pension scheme:					
- Clergy	-	(17.0)	-	-	(17.0)
- Churchworkers	-	-	-	-	-
Balance 1 Jan 2014 - restated	2.5	81.7	22.0	263.5	369.7

Reserves reconciliation: 31 Dec 2014

Balance at 31 Dec 2014 - as previously reported	2.8	102.1	17.8	278.3	401.0
Defined benefit pension scheme:					
- Clergy	-	(16.7)	-	-	(16.7)
- Churchworkers	(0.4)	-	-	-	(0.4)
Balance 31 Dec 2014 - restated	2.4	85.4	17.8	278.3	383.9

FRS 102 requires an entity that has entered into an agreement to reduce the historic deficit on a multi-employer pension scheme, to recognise the liability in accordance with FRS 102 section 28.13 and 28.13A. LDF has a payment plan with the Church of England Pensions Board to repay both the CWPF and Clergy Pension Scheme deficits over a ten year period. Upon transition to FRS 102, LDF has recognised the present value of deficit funding contributions. As at 31 December 2015, this amounted to £15,739k (2014: £16,740k) for the Clergy Pension Scheme and £nil (2014: £541k) for the CWPF.

THE LONDON DIOCESAN FUND

17 Prior year comparative Statement of Financial Activities *restated*

	Unrestricted General £m	Designated £m	Restricted Funds £m	Endowment Funds £m	Total 2014 £m
Income and endowments from					
<i>Donations, legacies & grants</i>					
Common Fund	21.8	-	-	-	21.8
Parish Reimbursements for Clergy Costs	3.3	-	-	-	3.3
Donations	0.5	0.2	1.2	-	1.9
Church Commissioners	-	0.3	0.2	-	0.5
Trust for London	1.3	-	-	-	1.3
<i>Charitable activities</i>					
Operational Property Rentals	2.8	-	-	-	2.8
Parochial Fees	0.5	-	-	-	0.5
<i>Investment Income</i>					
Dividends and Interest Receivable	1.4	0.1	0.2	-	1.7
Investment Property Rentals	2.5	-	-	-	2.5
Other income	-	0.1	0.4	-	0.5
Total income	34.1	0.7	2.0	-	36.8
Expenditure on:					
<i>Raising funds:</i>					
<i>Investment management costs</i>					
Rental portfolio costs - agent fees	0.4	-	-	-	0.4
Investment property reps & maintenance	0.8	-	0.1	-	0.9
<i>Charitable activities</i>					
Ministry	19.8	0.2	0.1	-	20.1
Education & Outreach	0.6	-	-	-	0.6
Parish & Area Support Services	1.4	0.1	0.2	-	1.7
Clergy Housing & Care of Churches	6.9	1.3	0.3	2.4	10.9
National Church	2.2	-	-	-	2.2
Grants to Parishes & Overseas	0.2	0.9	0.3	-	1.4
<i>Other expenditure:</i>	-	0.8	0.1	-	0.9
Total expenditure	32.3	3.3	1.1	2.4	39.1
Net income/(expenditure) before investment gains	1.8	(2.6)	0.9	(2.4)	(2.3)
Realised gains/(losses) on property assets	-	0.5	(0.3)	0.8	1.0
Net gains on investments	0.1	0.2	-	0.1	0.4
Net incoming resources	1.9	(1.9)	0.6	(1.5)	(0.9)
Transfers between funds	(2.0)	5.1	(4.8)	1.7	-
Other recognised gains and losses					
Pension deficit movement	-	(0.6)	-	-	(0.6)
Unrealised gains on property assets	-	1.1	-	14.6	15.7
Net movement in funds	(0.1)	3.7	(4.2)	14.8	14.2
Reconciliation of funds:					
Balances at 1 January 2014	2.5	98.7	22.0	263.5	386.7
Transitional adjustment for FRS 102	-	(17.0)	-	-	(17.0)
Balances at 31 December 2014	2.4	85.4	17.8	278.3	383.9

18 Prior year Balance Sheet restated

	Unrestricted General Fund £m	Unrestricted Designated Funds £m	Restricted Funds £m	Endowment Funds £m	Total 2014 £m
Fixed Assets					
Operational Property	-	56.7	2.5	233.5	292.7
Investment Property	-	32.2	7.0	28.8	68.0
Investments	5.4	12.1	5.7	11.8	35.0
	5.4	101.0	15.2	274.1	395.7
Current Assets					
Debtors	1.6	3.0	0.7	-	5.3
Cash and short term deposits	0.8	2.3	3.1	4.2	10.4
	2.4	5.3	3.8	4.2	15.7
Creditors:					
Amounts falling due within one year	(2.2)	(1.8)	(0.4)	-	(4.4)
Net Current Assets	0.2	3.5	3.4	4.2	11.3
Total assets less current liabilities	5.6	104.5	18.6	278.3	407.0
Creditors: amounts falling due after 1 year					
Pension scheme liabilities	(0.5)	(16.7)	-	-	(17.2)
Other creditors	(2.7)	(2.4)	(0.8)	-	(5.9)
Net Assets	2.4	85.4	17.8	278.3	383.9
Funds					
General	2.4	-	-	-	2.4
Designated	-	85.4	-	-	85.4
Restricted	-	-	17.8	-	17.8
Endowment	-	-	-	278.3	278.3
Total Funds	2.4	85.4	17.8	278.3	383.9

**The following pages do not form part of the statutory financial statements
of the London Diocesan Fund for the year ended 31 December 2015**

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Report of the Custodian Trustee

The Council of the London Diocesan Fund, usually acting as Custodian Trustee under ecclesiastical law, presents the report and non-statutory financial statements for the year ended 31 December 2015.

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 150 separate trusts. Land and building assets held by the London Diocesan Fund 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-dated 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 period, there were transfers of £0.1m from the endowment fund to expendable capital. This represents transfers where the managing trustees have resolved to release the permanent endowment, allowing capital to be expended in line with the relevant trust purposes. This is in accordance with the Charities Acts 2011 and, where necessary, Charity Commission approval was sought for the transfers.

Total incoming resources from interest and dividend for the period was £0.5m.

Funds continue to be expended in line with the purposes for which they were intended, with £1m expended for charitable purposes during 2015.

The overall value of funds held by the London Diocesan Fund as custodian trustee at 31 December 2015 was £17.3m.

Statement of Custodian Trustee's responsibilities

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

The Custodian Trustee has chosen to prepare these statements in accordance with the Charities Acts 2011.

In preparing these financial statements in accordance with the Charities Acts 2011, the Custodian Trustee is 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 Trustee is responsible for keeping proper accounting records with respect to the transactions and the financial position of the funds and to enable them to ensure that the financial statements comply with the Charities Acts 2011. The Custodian Trustee has 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.



P Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council

12 May 2016

Non-Statutory Financial Statements

Statement of Financial Activities - for the year ended 31 December 2015

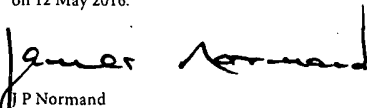
	Permanent Endowment Fund £m	Restricted Capital Fund £m	Restricted Unexpended Income £m	Total 2015 £m	Total 2014 £m
Income and endowments from:					
Investment income	-	-	0.1	0.1	0.2
Income direct to beneficiaries	-	-	0.4	0.4	0.4
Total income	-	-	0.5	0.5	0.6
Expenditure on:					
Income paid to beneficiaries	-	-	(0.4)	(0.4)	(0.4)
To objects of the trusts	-	(0.3)	(0.3)	(0.6)	(0.6)
Total expenditure	-	(0.3)	(0.7)	(1.0)	(1.0)
Net income/expenditure before investment gains	-	(0.3)	(0.2)	(0.5)	(0.4)
Net gains/(losses) on investment assets	0.1	(0.1)	-	-	0.5
Net incoming resources for the year	0.1	(0.4)	(0.2)	(0.5)	0.1
Transfers between funds	(0.1)	-	0.1	-	-
Additional new resources	-	-	-	-	0.4
Net movement in funds for the year	-	(0.4)	(0.1)	(0.5)	0.5
Reconciliation of funds:					
Funds at 1 January 2015	13.3	3.4	1.1	17.8	17.3
Funds at 31 December 2015	13.3	3.0	1.0	17.3	17.8


Custodian Trusts Balance Sheet - as at 31 December 2015

	Notes	Total 2015 £m	Total 2014 £m
Assets			
Fixed Asset Investments	2	16.3	16.7
Current Asset Investments	3	1.0	1.1
Net Assets		17.3	17.8
Funds			
Permanent Endowment	2	13.3	13.3
Restricted - Capital	2	3.0	3.4
Restricted - Unexpended Income	3	1.0	1.1
		17.3	17.8

The notes on pages 45 and 46 form part of these non-statutory financial statements.

The non-statutory financial statements were approved by the Diocesan Bishop's Council acting as custodian trustees on 12 May 2016.


J P Normand
Chair of the Diocesan Finance Committee
and Member of Bishop's Council


L A Moses
Member of Bishop's Council

Notes to the Custodian Trusts Financial Statements - for the year ended 31 December 2015

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 Parochial Church Councils (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 trust. These pages report the specific trust holdings only and provide an aggregation of the transactions and balances of the financial assets of some 150 trusts.

The Balance Sheet as at 31 December 2015 has been prepared, together with a Statement of Financial Activities, which analyses the movement in funds. Comparative figures for 2014 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 directly 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 instrument. 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. 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 instrument.

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 2015 (continued)

2. Fixed Asset Investments represented by Permanent Endowment Capital

	1 January 2015	Additions	Disposals	Unrealised Gains / (Losses)	Other Asset / Liability Movements and Transfers	31 December 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Listed Investments	146	-	-	(29)	-	117
M&G Charifund	3,780	-	(20)	(2)	-	3,758
Investments held by CCLA:						
CBF Fixed Interest	192	-	(52)	(5)	-	135
CBF Investment Fund	7,086	72	-	96	(113)	7,141
CBF Property Fund	160	-	-	13	-	173
CBF Deposit Fund	1,956	-	(23)	-	-	1,933
Other Assets/(Liabilities)	1	-	-	-	1	2
	13,321	72	(95)	73	(112)	13,259

Fixed Asset Investments represented by Expendable Capital

Listed Investments	60	-	(60)	-	-	-
M&G Charifund	229	-	-	(1)	-	228
Investments held by CCLA:						
CBF Fixed Interest	221	-	(47)	(7)	-	167
CBF Investment Fund	1,552	26	(55)	23	1	1,547
CBF Deposit Fund	1,192	-	(133)	-	-	1,059
Other Assets/(Liabilities)	118	-	-	-	(117)	1
	3,372	26	(295)	15	(116)	3,002
Total Fixed Assets	16,693	98	(390)	88	(228)	16,261

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

Listed Investments	2	-	-	-	-	2
M&G Charifund	51	-	(1)	-	-	50
Investments held by CCLA:						
CBF Fixed Interest	92	-	(92)	-	-	-
CBF Investment Fund	239	17	-	1	113	370
CBF Deposit Fund	507	122	(164)	-	-	465
	891	139	(257)	1	113	887

Current Asset Investments represented by Unexpended Income from Expendable Capital Assets

Investments held by CCLA:						
CBF Fixed Interest	52	-	(49)	-	-	3
CBF Investment Fund	39	-	-	1	-	40
CBF Deposit Fund	160	21	(79)	-	-	102
	251	21	(128)	1	-	145
Other Assets/(Liabilities)	1	-	-	-	-	1
Total Current Assets	1,143	160	(385)	2	113	1,033
TOTAL	17,836	258	(775)	90	(115)	17,294

INDEPENDENT AUDITORS' REPORT TO THE CUSTODIAN TRUSTEE OF THE FUNDS

We have audited the non-statutory financial statements of Custodian Funds for the year ended 31 December 2015 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).

This report is made solely to the Custodian Trustee as a body. Our audit work has been undertaken so that we might state to the Custodian Trustee 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 Custodian Trustee as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Custodian Trustee's Responsibilities set out on page 43, the Custodian Trustee is responsible for the preparation of the non-statutory financial statements which 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 Ethical Standards for Auditors.

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.

Opinion on the non-statutory financial statements

In our opinion the non-statutory financial statements give a true and fair view of the financial position of the Custodian Funds as at 31 December 2015 and of their incoming resources and application of resources for the year then ended.



haysmacintyre
Statutory Auditor

12 May 2016

26 Red Lion Square
London
WC1R 4AG

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