



THE LONDON CITY MISSION

Company Number: 04284615

Charity Number: 247186

**Annual Report
&
Financial Statements
for the year ended 31 December 2018**

THE LONDON CITY MISSION

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REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

1. STRATEGIC REPORT

1A. AIMS AND OBJECTIVES

At the heart of The London City Mission (LCM) is a desire to serve the Church in London to share the love of God and the good news of Jesus Christ with people in London who are least likely to hear it – those living on the margins of society, people from other nations, cultures and faiths, and those people living on some of the poorest and most deprived estates in the city. These are the people who are least likely to have a Christian friend, or someone to tell them about Jesus or invite them to church.

This was our core aim when we were founded in 1835, and it remains as true today. London may have changed, but the gospel need remains just as urgent today.

1B. STRATEGIES AND ACTIVITIES

The London City Mission's strategy is focused on three core aspects:

- Sharing the gospel of Jesus Christ
- Working amongst London's least reached communities, those people who are least likely to hear the good news of Jesus Christ
- And doing this in partnership with local churches

The London City Mission seeks to deliver its strategy by:

- Identifying particular geographic districts, or particular people groups, where the gospel is least likely to be shared
- Employing and training Christians with appropriate gifts in urban mission
- Serving the local church in reaching the least reached people in their community
- Relating sensitively and respectfully to individuals of all backgrounds, beliefs and lifestyles, extending practical care in the particular needs and situations they are experiencing, and earning their respect and friendship through patient, loving, long-term ministry
- Taking every opportunity to commend, explain and defend the Christian message of salvation through Jesus Christ
- Encouraging and assisting those who respond positively to this message to become active members of the caring communities that are a congregation of the Church of Jesus Christ

**'How beautiful are the feet of those who bring good news!'
(Romans 10:15)**

In the future, as missionaries continue to go out and share the good news of Jesus, we want to see even more workers raised up for the harvest. More feet bringing the good news and shining Jesus' light into communities who have not heard of him. To do this, we will expand the ways we envision and equip churches. This means that as well as holding formal training courses, we will go out with churches, showing them ways to share the good news with even more people.

1C. VALUES

The London City Mission has a set of values which shape the way we work and relate with each other, with the Church and with the people and communities we engage with. Our values are:

- **Rooted in Christ** – We are prayerfully dedicated to doing God's will and living his way, according to his word.
- **Christ-like love** – We look not to our own interests but to the interests of others because we are united as brothers and sisters in Christ.

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- **God-glorifying excellence** – We pursue the best that we can be to glorify God and serve each other in all we do.
- **Spirit-inspired courage and perseverance** – We stand firm, push through, and pay the price for the sake of Christ and the gospel.

1D. ENABLING MISSION

Fundraising and Supporter Relations

The London City Mission greatly appreciates everyone who supported its work in 2018. Our supporters are vital partners in providing practical help and sharing the gospel with the least reached in London. As our staff directly engage, our supporters are right alongside us as they pray, give and volunteer, and we are deeply grateful.

Our donation income in 2018 totalled £2.4m, unchanged from the year before. Our legacy income was £1.3m (down from £2.0m in 2017). We thank God for providing for LCM through both faithful long-term supporters and over 700 new supporters who joined us in mission last year when they made their first gift.

In 2018, we continued to build towards LCM's future by encouraging regular support for our work – there was a 10% increase in the number of people giving regularly to LCM, and our support from churches also increased by 10%. Donations to some of our newer initiatives – Sleepout and Big Give matching campaign – continued to grow, and we launched our first ever Skydive appeal. We expanded our gift range by adding notebooks to the collection.

Encouraging growth in recent years from Key Supporters didn't continue in 2018 due to a staff vacancy in the team. However, towards the end of the year, we recruited someone to fill this and a long-standing vacancy in our churches team. An Events Officer also joined the team to support long-term fundraising growth.

As always, LCM staff spoke in hundreds of churches across the country. We also hosted our annual Supporters' Day and Thanksgiving Service, as well as a carol service with donations in support of our Webber Street day centre for people who are homeless.

Statement on Fundraising

The London City Mission greatly values the support it receives in so many different ways: from individuals, churches, companies, trusts and foundations. We could not fulfil our objectives without the financial and prayer support that we receive from these individuals and organisations each year.

We view our supporters as men and women created by God and made in his image, and so we seek to be respectful and relational in all our interactions with them.

We strive to acknowledge all gifts (unless we are asked not to) and to communicate the impact of donations to supporters through our letters, magazines, e-newsletters and bespoke publications. We seek to build trust with our supporters by being honest and transparent in all our communications. Individuals must opt in to receive communications from LCM unless they reasonably meet the criteria of legitimate interest, where there is clear evidence of their recent interest in our work. We provide opportunities for individuals to opt out from any LCM communications in clear and easy ways.

We did not use commercial fundraisers in 2018 – all our fundraising was carried out by LCM employees who sign up to our Statement of Faith and Conduct and seek to adhere to the Fundraising Promise.

We always seek to respond to complaints we receive from the public. This year we received four complaints, all of which were handled with care and resolved.

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The London City Mission is registered with the Fundraising Regulator and we pay the fundraising levy.

Statement on Data Protection

The London City Mission is committed to ensuring that all personal data is kept safe and used in a way that individuals have consented to and would reasonably expect. We aim to be clear about how we use all personal data and to give individuals a choice of what they would like to receive from us, which channels they receive this through and how often. We always seek to provide clear and easy ways for people to stop receiving communications from us.

We have a Privacy and Fair Use Policy and continue to upgrade our IT network to ensure all personal data is secure, in line with industry standards.

Communications

In 2018, The London City Mission continued to envision and share the need for this vital gospel ministry with supporters and the wider Church in London.

We did this by:

- Producing a quarterly magazine, *Changing London*, which highlights the need for ministry and the impact that God is having in these spiritually deprived communities.
- Publishing a prayer diary, *Together*, which enables supporters to pray specifically for our team and the communities we serve.
- Maintaining an active presence on our digital platforms – mainly on our website, lcm.org.uk, and our social media channels (Facebook, Twitter, Instagram and YouTube).
- Exhibiting and speaking at conferences and events, highlighting the need for gospel outreach amongst the least reached in London.

Property

2018 saw the first significant steps being taken in The London City Mission's revised asset strategy, with focus being placed on holding property only for active ministry (centres and staff) or retired staff. In addition, LCM is looking to steward the resources that God has provided to maximise our ability to serve the Church in reaching the least reached people of London.

This has led to a significant number of under-used residential properties being identified for sale and as centres for development.

Four new properties were purchased for missionary and staff housing, and two for retired staff housing, whilst ten properties were sold during the year.

2019 will see ongoing sales of investment properties, work on identifying the development potential in the centres and potentially selling those development rights.

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1E. KEY CHARITABLE ACTIVITIES

Mission activities

During 2018, The London City Mission continued to minister in some of the most spiritually deprived areas of London. Within these communities, we seek to serve the Church in reaching out, for example, to:

- people who are homeless, involved in prostitution or in prison
- people who have moved to the UK from other nations or who come from different cultural and religious backgrounds
- people who are living in poverty, suffering from mental illnesses or experiencing long-term unemployment
- young people at risk of gang culture and violence and those in their later years who are housebound and isolated

LCM is committed to patient, caring work, developing relationships with people from all kinds of backgrounds and sharing good news, hope, and practical love. Many of those we meet with, are struggling with economic, relational, physical, social, family or personal troubles. The results of such endeavours are best seen in long-term qualities. However, to give an indication of what God is doing through this ministry, here are some key metrics from the year 2018. We give him thanks and praise for each person represented here:

Gospel impact

- 4,222 people heard the good news from an LCM outreach worker for the first time in 2018
- 116 people that the LCM is working with professed faith in Jesus Christ in 2018
- 284 people from the most difficult to reach communities started going to church regularly in 2018

For each community in which we work, we will assess the local needs and situation and respond in appropriate ways. This means that our specific activities differ from community to community. We might get to know local residents by:

- running a programme to ensure that over the course of a year every home is visited a certain number of times
- hosting a safe space for members of the community to drop in, have a free lunch and listen to a short Bible talk
- running after school groups for children and young people where we give them opportunities to grow and flourish, learning who they were made to be and who created them

Here are two different examples of ministry.

Case study: North Kensington

Following the devastating and tragic Grenfell Tower fire in June 2017, LCM was able to serve local churches in their immediate response as they cared for local residents. In the longer term, thanks to the generosity and faithfulness of our supporters, we have been able to place missionaries on the ground, alongside churches, to minister to the local community.

These missionaries have organised prayer walks, reached out to vulnerable adults, prayed with church members and met local pastors. They go door to door, meeting local people who are hurting, deep in pain and grief, and listening to their stories. We mourn with those who mourn, we come alongside people in their pain, and we minister in the comfort and hope of the Lord, who assures us that he will come again to wipe every tear from our eyes.

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Case study: Body & Soul Fitness

One of our missionaries runs a personal training ministry with a twist – workouts are followed by a Bible study.

This ministry has run for nearly three years and last year it relocated to a new venue. In the first four weeks at the new venue, 28 young men attended – praise God. Tim Fielder, who heads up the ministry, says: “We run ten sessions a week and encourage the guys, who are mainly between the ages of 17-20, to come at least three times a week. It’s an effective format because the boys want to work out every day. This means every week they’re getting eight hours with us and three to five Bible studies.”

Tim and the team have produced a handbook with 72 Bible studies – five workouts and five Bibles studies per week for 14 weeks. The studies are based around identity and designed for unchurched young men. Since Body & Soul Fitness began, five guys have professed faith in Jesus. Tim and the team are discipling them, getting them serving in church and forming them into a team to help lead gym sessions for the new participants.

One of these young men was ‘Friday’. Tim first met him when Friday was 17. A few years beforehand, Friday’s parents divorced. Soon after, and just into his teens, he developed cancer. The prognosis wasn’t good. He felt a deep sense of isolation and battled with low moods. Due to his illness, he fell out of school. He thought he would die. He felt useless – of no value. One day, while walking around his area, he spotted people going to the gym sessions Tim was running. After a chat, he decided to come along to try to gain weight and develop his body. The gym became a place of refuge and he stuck to the training. He also stayed for the after-session Bible study. Thanks to God’s miraculous saving power, Friday is now following Jesus, attending church regularly and in 2018 joined LCM’s Pioneer training programme to learn to do urban mission!

City Vision, City Challenge and Urban Track

City Vision

The London City Mission runs a gap year programme which aims to give participants a vision for urban mission and to train and empower them to minister to the least reached. Those on the programme are placed in an LCM ministry, benefit from mentoring and attend LCM lectures one day a week.

City Challenge

Following on from the successful LCM Pioneers programme, City Challenge offers a year-long contract with LCM that enables participants to engage in further mission.

Urban Track

Urban Track is a full-time, self-funded scheme run by LCM to provide opportunities for people experienced in ministry and mission, who want to help grow and support the work of LCM, serving for a period of 1-2 years.

London City Mission Pioneers (LCMPs)

The London City Mission continues to run the Pioneers programme, as a way of addressing the challenge of providing training in biblical studies and mission to individuals from deprived backgrounds who have a love for Jesus and want to reach out to their own communities.

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Training

The London City Mission wants to serve and equip the Church in London to reach out into their communities with the gospel. One way we do this is through our training resources and courses which are designed to equip Christians for evangelistic outreach in an urban context. In 2018, 31 churches received training in urban mission from LCM, with a further 165 people attending centrally-run training days.

Throughout 2018 we continued to partner with Bible Colleges, offering two key opportunities for training through:

- a. Union School of Theology's Graduate Diploma taught at their London Hub which is held at LCM's head office
- b. The Certificate in Christian Community Development and Evangelism which we run in conjunction with Moorlands College and The Message Trust

We also helped write two books which were published in 2018:

- '5 Things to Pray for Your City' – to help churches and small groups pray for their city in meaningful and specific ways
- 'Simply Eat' – an inspiring book designed to encourage Christians to bring people together to share good food and good news stories of Jesus

Partnership

We give thanks for the many partnerships The London City Mission has with churches and organisations across the city and beyond. We have been building relationships and developing partnerships with a variety of churches, networks and gospel organisations as together we seek to reach out with the good news of Jesus Christ.

These range from opportunities to develop youth projects, to helping to form PrayLondon – a catalyst for helping the Church to pray for London in times of crisis.

Christian Centres

The London City Mission operates ministry from various locations, including LCM Christian Centres. These are properties that belong to LCM in the heart of a community, from which the missionary and mission team go into the community with local churches to share the gospel. Typical activities will include door-to-door visiting, youth groups, Bible studies, lunch clubs for the over 60s, toddler groups, community drop-in projects and so forth.

Retirement housing

We continue to provide retirement housing for those missionaries who, by 2012, had achieved 20 years' service with the Mission. Although we no longer offer this to more recently employed missionaries, the support of current retirees remains an important function of our property team's workload.

Relief to the needy

The London City Mission runs a day centre for people who are homeless near Waterloo (Webber Street). Staff provide both practical and spiritual support for the guests. Each day at Webber Street begins with a cup of tea or coffee and a short Bible talk, and staff are always on hand to talk and pray with guests, seeking appropriate opportunities to share the gospel. One afternoon a week the centre runs a Bible study for guests.

Hope Community Homes

We've spent the last seven years developing our supported housing projects as part of our ministry to homeless people. We want to help them turn the corner on rough sleeping by providing a home combined with one-to-one support over a period of time. We want to give those who want to move away from rough

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sleeping more than just a bed – we also want to give them the opportunity to change their lifestyle for good and, as Christians, we believe that can only be found in knowing Jesus.

In 2018 we've been preparing to launch a new short-term supported accommodation project, The Corner House, above our Webber Street centre. The Corner House will provide a home for rough sleepers for up to six months without the need to access public funds. We'll also give them the support they need to move away from life on the street. And, most importantly, we'll share the good news of Jesus with them in the context of a loving friendship.

Trading costs

The Trading Costs include the costs of trading of three London City Mission operations: a Christian bookshop, which is located in the head office in Tower Bridge Road, and two cafés, which operate as bases for ministry.

Christian Centre developments

The London City Mission believes it is called to steward wisely the resources God has given to it and to use them for the purpose of gospel ministry in the city. We want to ensure we are directing these resources to the areas of greatest need and where we can, in God's strength, have the greatest impact.

LCM has reviewed all our properties and identified a number of current or former Christian Centres where there is potential for greater missional gain. This means reviewing our leases, improving our facilities to offer greater benefit to the local community and potentially releasing value through developments, which can be invested in gospel work.

1F. OUTCOMES AND PUBLIC BENEFIT

The Directors of The London City Mission confirm that they referred to the guidance contained in the Charity Commission's General Guidance on Public Benefit when reviewing LCM's aims and objectives and in planning future activities.

While the above details indicate many of the outcomes of the Mission's work, LCM staff continue to minister extensively to people across London who are least reached by the message of the gospel. In our work, as we share the love of God and the good news of Jesus Christ, we also have a social and public benefit in the communities in which we serve. Some of these benefits address social issues such as:

Homelessness

According to CHAIN's 2018 Annual Report, there were around 8,855 people who slept rough in London in 2018/19 (an 18% increase on the year before). The London City Mission cares for and loves people who are homeless – in our day centre at Waterloo, in our transitional housing projects, on the streets, at church drop-ins in King's Cross and Camden, and through our involvement with church winter night shelters.

Families and Young People

The London City Mission seeks opportunities to connect with and support families living on some of the city's most deprived estates and communities. We do this, for example, by providing free toddler and carer groups, running foodbanks and partnering with Christians Against Poverty.

A number of our Mission staff work in areas with disaffected young people. They have established programmes such as football groups, after-school clubs and art workshops to engage with and mentor them. In Lewisham, for example, a City Missionary and his wife, who is employed as a Mission Associate, have developed a project called Operation Forgiveness, which is designed to help young people understand

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the impact of knife crime and how forgiveness comes through the gospel. They have begun to work with local schools and run the course over a series of weeks, helping to break down the barriers and bravado that the young people put up.

Our training programmes also provide education and training to young people. LCM Pioneers is a specialised programme for people who have been raised in least reached communities, and who want to learn how to pioneer ministry in their own churches to help share the gospel with others. The programme combines classroom learning with practical experience to offer a holistic education in urban ministry. The scheme aims to develop pioneers who will play a valuable role in urban churches and communities across London and beyond.

Loneliness

Many people living in the communities we work in are struggling with isolation and feeling disconnected from their neighbours. Our missionaries seek to build community. Our cafés in Limehouse and on the Isle of Dogs are doing this by providing a place for people to meet, spend time together, learn and get practical and spiritual support. Both cafés are key meeting places in their communities and known as welcoming and safe places for all members of the community to gather.

Since it was founded in 1835, The London City Mission has engaged in community visitation, with team members visiting people in their homes. This is often the first contact we have with people in the communities in which we work. Staff in a particular area will aim to visit people in their homes a number of times during the year, offering practical help, conversation and inviting them to events in the community. For some people, especially the elderly, these visits are a lifeline and help them to avoid loneliness and isolation.

Social cohesion

A significant number of The London City Mission teamwork with people from a range of diverse cultures, ethnicities and nationalities. They offer English language classes, practical support and friendship to those who are far from home and family. Some of our team are language specialists who can provide crucial support for people who are seeking help from government agencies or other public bodies. Our teams also run community events such as termly poetry nights, sewing groups and weekly drop-in lunches to help cross cultural boundaries and bring communities together.

1G. FINANCIAL REVIEW

Results for the year

Donation income was unchanged at £2.4m in 2018 (£2.4m in 2017).

Legacy income was weaker in the year, with legacies received and receivable totalling £1.3m, down from £2.0m the previous year. The total income figure is up at £7.6m compared with £6.7m in 2017, largely because the gains on properties sold during the year rose to £2.1m (compared with £0.5m in 2017). To sustain The London City Mission's ministry, some of these gains were invested in replacement properties for staff working in London.

The recent growth in expenditure has been contained. Total expenditure of £9.5m in 2018 (compared with £9.2m 2017) grew from a combination of 2017 recruitment and inflation. This is in line with LCM's plans to improve financial sustainability following a period of growth. This resulted in an operating deficit of £1.9m in 2018 compared to £2.5m in 2017. LCM expects operating deficits to continue in the short term, whilst improved stewardship of assets will lead to a decline in deficits in the medium term.

In 2018, LCM received planning permission for the development of the former centre in Hoxton, greatly increasing its market value. As a result, the unrealised gains on investment were significantly higher at

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£4.5m (compared to £1.7m in 2017). LCM's intention is to reinvest some of this gain in a new centre on the Hoxton site, with the balance invested to sustain ministry. In 2018, the Defined Benefit Pension scheme reported an actuarial gain of £0.1m compared to £0.6m in 2017.

All of these factors combine to a growth in funds available for the year of £3.1m, made up of an operating deficit (£1.9m) offset by property & investment gains (£5.0m) and actuarial gain (£0.1m). In line with this operating deficit, The London City Mission's cash balances has reduced to an operational level of £0.3m in 2018.

Investments

The value of The London City Mission's investment portfolio has increased in 2018 to £27.4m (from £25.0m in 2017). The unrealised gains on the Hoxton site were offset by the net draw down (£1.6m) from the investment and cash deposits, managed by Investec, and the disposal of investment properties (£1.1m) to provide a working cashflow.

Reserves and debt policy

General reserves at the end of 2018 were £1.2m before provision for the pension deficit of £0.3m (compared to £3.9m before provision for the pension deficit of £0.8m at the end of 2017). The Directors reviewed the general reserves policy in 2017 and replaced it with one based on risk and the next year's operational plans. Under this policy the Directors have increased the general reserve target to between £4.5m and £5.5m because of greater uncertainty. The Directors are satisfied that the asset strategy, including the planned development of The London City Mission properties, is sufficient to bring general reserves back in line with the target in the long term.

In the medium term, the Directors have authorised the provision of up to £10m of debt to provide funds to meet the needs of ministry expenditure. They expect this to be paid back from development returns no later than the end of 2028. The debt funding will supplement gains made from selling properties, whilst cash and equity-based investments are expected to fluctuate close to the current level.

Pension provision

The Defined Benefit scheme closed to all new and existing employees in 2006. The London City Mission continues to provide funds to the scheme to meet continuing liabilities of £0.3m (£0.8m in 2017). There is a potential cost of extinguishing the pension deficit and the Directors have designated £3.7m (£4.1m in 2017) to cover this risk.

1H. PRINCIPAL RISKS AND UNCERTAINTIES

During 2018 the Board gave attention to risks related to all operations, with special attention to risks connected with its ministries to children and vulnerable adults. This risk register is regularly reviewed and updated. Below are some of the key risks identified in 2018 and how The London City Mission is managing them.

Missionaries do not teach the gospel and/or lose their faith (operational risk)

A reduction in the ability of missionaries to meaningfully communicate the gospel would impact the ability of The London City Mission to fulfil its objectives. In addition, it would have an adverse effect upon relations within the community, partner churches and supporters, and impact LCM's standing within the evangelical community. This is being managed through the use of monthly impact reviews with our missionaries alongside our line management structure and appraisal system.

New recruits are required to subscribe to our Statement of Faith and Conduct and are thoroughly briefed on LCM's objectives. They also receive appropriate theological and practical training to help them in their areas of service. LCM provides two years of training for new missionary recruits to ensure they are

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equipped appropriately. We recognise that ongoing training is important and provide this is a number of ways to our staff, including half-day training at our monthly Team Days.

Personal safety of field staff (operational risk)

There is a danger of harm to our front-line staff either from injury or from stress. LCM policy is to provide training for all such staff in Conflict Avoidance, Safeguarding, Personal Safety and, where necessary, Restraint and Removal. A buddy system is in place and at Webber Street, where there is a heightened danger of violence to our staff, there are guidelines set for minimum staffing levels; staff are rotated to minimise risk of stress and CCTV is in operation.

Child or vulnerable adult abuse involving The London City Mission, or allegation (operational risk)

Many of our missionaries and other staff are working with young people and others are working with vulnerable adults. All staff working with children and vulnerable adults have received Disclosure and Barring Service clearance. In-house training is given to all staff members working in these areas and there is a 24/7 helpline and a buddy system in place. We reviewed and updated our safeguarding policy in 2018.

Failure to achieve fundraising targets (financial risk)

We are grateful for all of our supporters, who are much valued partners in our work. We seek to adopt a relational approach to fundraising, recognising that we could not make such a positive impact on London without the many individuals, churches, trusts and businesses who support us.

There are regular reviews of fundraising targets and receipts. If fundraising income is lower than expected, this will affect The London City Mission's plans for expenditure. LCM manages this by regularly reporting on and reviewing donation income, developing strategies to maintain existing income and attract new support. LCM seeks to present a clear and compelling case for support and the need for on-going partnership from our supporters. In addition, LCM has invested in fundraising resources through recruitment, people development and systems.

This reflected in LCM's annual strategic review of fundraising methods and targets which is reviewed and authorised by the Board.

Reputational damage (communication risk)

The London City Mission is an evangelical Christian organisation with a clear mandate and objective to serve the church in London in extending the knowledge of the gospel to the least reached people of London. Our values of Christ-like love and God-glorifying excellence reflect the fact that it is important to LCM that the objects of the Mission are undertaken in a way which is loving and seeking excellence and the glorification of God.

If a situation were to arise which created a reputational risk for LCM, this could not only affect our financial support but, more importantly, could also affect the degree to which we can positively impact local communities with the gospel. We have a public relations response plan in place to help us engage in a positive way with both media and local communities, in the event of such an incident.

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11. PLANS FOR FUTURE YEARS

The London City Mission operates in a complex society which is passing through a period of changing values and a time of extended financial uncertainty. Within Christian churches, it is also a time of changing attitudes to Christian societies and giving, and it is essential that LCM adapt its methods and structures accordingly. The Board recognises that the work of LCM is more than ever vital in a city that is increasingly multi-cultural, and where the churches sometimes struggle with the specialised needs of a diverse community. Whilst firmly believing that God's guidance and provision is sufficient in all situations, the Board recognises its biblical responsibility to use all its wisdom and energy, while trusting in God. The Board regularly reviews all aspects of LCM's life, strategy and financing in order to make such changes as may be necessary to continue and develop its work in pursuance of its great and unchanging objective of sharing Jesus Christ with the people of London.

The Finance sub-committee of LCM has agreed the principles of the asset strategy covering the next decade, whilst the parameters governing the level of deficit and use of debt beyond 2028 need to be finalised. The main principle of stewarding God's provision (LCM's assets) to generate additional income is being applied to investment properties and the development opportunities across LCM's estate. The resulting long-term financial strategy includes realising the significant asset values in LCM's property resources, receiving a consistent level of legacy income, above inflation growth in general donations and maintaining LCM's operating costs at their current level. In combination these will provide a substantial reduction in LCM's underlying operating deficit.

The Property sub-committee oversees the development of properties and, with the Finance sub-committee, jointly assesses the potential asset value to be realised on a quarterly basis. This assessment is made on market feedback, professional advice, formal opinions received from local authority planning departments through the pre-application process and the potential for urban mission led by LCM or its partners in developed sites. LCM's clear objective is to steward the resources provided by God wisely, so that the good news of Jesus can be shared in London for many years to come.

Over the last few years, in God's grace, LCM has focused its ministry on sharing the gospel with the least reached groups in London, and thousands of conversations about the good news of Jesus Christ have taken place with people right across the city for the first time. As we develop our strategy for the next five years, the leadership team, Board and senior ministry staff have prayerfully sought the Lord for his wisdom and direction. In God's grace, LCM will continue to seek opportunities to serve the church in London to share the gospel with the least reached people groups in London – people who are least likely to hear the truth about Jesus or be invited to church by a friend. That's roughly a third of the city, 2.5m people. As we continue to develop our strategic plan, we pray that over the next few years, as we continue to faithfully take the good news out onto the streets and into the homes of those people least likely to hear about Jesus Christ, the Mission will engage with even more churches across the city, envisioning and equipping them so that together more workers will be raised up for the harvest and the gospel can be shared with even more people.

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FOR THE YEAR ENDED 31 DECEMBER 2018**

2. GOVERNANCE

REGISTERED OFFICE:

The London City Mission
175 Tower Bridge Road
London
SE1 2AH

REGISTERED CHARITY NUMBER:

247186

REGISTERED COMPANY NUMBER:

4284615

Status:

The London City Mission is a charity registered in England and Wales and a company limited by guarantee registered in England and Wales. The London City Mission is governed by its Memorandum and Articles of Association. Incorporated on 10 September 2001, the company took on the charitable activities, assets and liabilities of The London City Mission, an unincorporated association and registered charity (Charity Number 247186), on 1 January 2003.

The Company operates under the working name 'London City Mission'.

Directors and professional advisors:

The Directors are also the members of The London City Mission. The Directors who served during the year were as follows:-

Director appointment dates:

Carolyn Louise Ash – May 2007
John Richard Bulmer – March 2015
Andrew Burkinshaw – March 2015
Mosun Dorgu – December 2008
Bryan Gordon Duncan – March 2018
Richard Westacott Godden – September 2001
Roger Evans – September 2013
Mark Dominic Harding (Chairman) – November 2002
Anne Katherine Hudson – July 2018
Ewen McAlpine – March 2015 (resigned July 2018)
Graham David Miller – January 2014
Richard Matthew Montgomery – March 2018
Ian Eric Nash – November 2002
Nigel Graham Parrington – May 2016
Marcia Shields – March 2015

Advisors and others acting for The London City Mission during the year:

Solicitors: Russell-Cooke LLP
2 Putney Hill
London
SW15 6AB

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Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

Stockbrokers: Investec Wealth and Investment
30 Gresham Street
London
EC2V 7QN

Bankers: Barclays Bank plc
100 Fenchurch Street
London
EC3M 5JD

Insurance advisors: Arthur J Gallagher
Newater House
11 Newhall Street
Birmingham
B3 3NY

Pension advisors: Mercer Limited
15 Lauriston Place
Edinburgh
EH8 9EN

Punter Southall Aspire
5th Floor, 80 Leadenhall Street
London
EC3A 3DH

Registered auditors: Moore Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

2A. GOVERNANCE OF THE LONDON CITY MISSION

The Board of The London City Mission has met on nine occasions during the year, among other things to establish overall strategy and policy, to determine matters of principle, deal with financial planning and other financial matters, including the oversight of the properties, and review progress towards achieving the plans and goals it has set. As permitted by the Articles of Association, the Chief Executive Officer, who is also a member of the Board of Directors, is the only paid member of the Board. The Chief Executive Officer is appointed by the Board and, together with his senior management team, manages the day-to-day operations of LCM. Management decisions are relayed to field staff through Field Directors, with support from Team Leaders. Communications with all employees are maintained through regular meetings, monthly Team Days, staff newsletters, annual appraisals and mid-year reviews, email and written documentation.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

The LCM is aware of the Charity Governance Code. Whilst recognising that the requirements of the code are not mandatory, it believes it is largely compliant. LCM will put in place an action plan to confirm this, to fully comply or to explain otherwise.

2B. SUBSIDIARY COMPANIES

The London City Mission Trust exists solely to hold properties and securities as nominee on behalf of The London City Mission. It has an issued share capital of 181 £4 shares, 50p partly paid, of which The London City Mission has 170 shares and London City Mission Services Limited has the remaining 11 shares. London City Mission Services Limited, a fully owned subsidiary of The London City Mission, has no trading activity and solely exists to be one of the two corporate shareholders in the London City Mission Trust.

In November 2015 London City Mission Property Services Ltd (LCMPS), a company limited by guarantee, was set up as a subsidiary of the London City Mission. At 31 December 2017, an asset purchased from The London City Mission had subsequently been impaired to £nil and, as a result, an intercompany loan from The London City Mission to LCMPS, which had been drawn to pay for the said asset, had been deemed to be unlikely to be repaid, and had also been written down to £nil.

2C. MANAGEMENT STRUCTURE

The London City Mission Leadership Team are accountable to the Board of Directors to collectively lead and serve LCM. They have responsibility to recommend and implement the strategy of the overall organisation.

Members of the London City Mission's Leadership Team are as follows:

- Chief Executive Officer: Graham Miller
- Director of Church Development & Partnerships: Caroline Millar
- Director of Communications & Programmes: Johanna Sutton
- Director of Finance: Nicholas Allenson
- Director of Human Resources: Judith Lace (resigned June 2019)
- Director of Ministries: Ibitayo Arikawe
- Director of Studies and Deputy CEO: Alan Black
- Director of Training & Mentoring: Helen Thorne

Board members

Bryan Duncan, Richard Montgomery and Anne Hudson all joined the Board of Directors in 2018. When new members join the Board, they are provided with key Board documents such as annual reports, Articles of Association, and strategic future plans.

2D. PAY POLICY FOR SENIOR STAFF

The Board of Directors and the Leadership Team comprise the key management personnel of The London City Mission in charge of directing and controlling, running and operating LCM on a day-to-day basis. All Directors, with the exception of the Chief Executive Officer, give of their time freely and received no remuneration in the year. Details of Directors' expenses are disclosed in Note 4 to the Accounts, and related party transactions in Note 21.

The salaries and benefits of the senior staff on the Leadership Team are set by the Chief Executive Officer and Director of Human Resources and approved by the HR sub-committee of the Board, with reference to levels of responsibility and rates of remuneration in charities of similar size and objects. The Chief

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2018

Executive Officer's salary and benefits are set by the Board of LCM. Rates of pay are reviewed annually and normally increased in line with the retail price index. Details are disclosed in Note 4 to the Accounts.

2E. DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Directors to prepare financial statements for each financial year. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including its income and expenditure, of the charity for the year. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities Statement of Recommended Practice (SORP)
- Make judgments and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2F. AUDITORS

A resolution to re-appoint Moore Kingston Smith as auditors to The London City Mission will be proposed to the members.

2G. DIRECTORS' STATEMENT

Each of the Directors has confirmed that, so far as they are aware, there is no relevant audit information of which the charitable company's auditors are unaware, and that they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

**DIRECTORS' REPORT (INCORPORATING THE STRATEGIC REPORT) SIGNED ON BEHALF OF THE DIRECTORS
GRAHAM D MILLER, CHIEF EXECUTIVE AND DIRECTOR
16 September 2019**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON CITY MISSION

Opinion

We have audited the financial statements of The London City Mission for the year ended 31 December 2018 which comprise Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 December 2018 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 which 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 any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON CITY MISSION

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the trustees' annual report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

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:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON CITY MISSION

In preparing the financial statements, the trustees are responsible for assessing the group and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON CITY MISSION

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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 which 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 any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Date

Andrew Stickland (Senior Statutory Auditor)
for and on behalf of Moore Kingston Smith LLP, Statutory Auditor

Devonshire House
60 Goswell Road
London
EC1M 7AD

THE LONDON CITY MISSION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND
EXPENDITURE ACCOUNT) for the year ended 31 DECEMBER 2018

Group Statement of Financial Activities

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2018 Total £	2017 Total £
INCOME						
Voluntary income						
Donations		2,082,054	304,136	-	2,386,190	2,377,326
Legacies		1,302,622	-	-	1,302,622	1,967,204
Income from investments	2	809,937	18,565	34,471	862,973	940,941
Income from charitable activities						
Guaranteed payments and trading receipts at cafés, HQ Bookroom and at Christian Centres		311,679	97,071	-	408,750	491,475
Income from other trading activities						
Rents		508,451	-	-	508,451	448,139
Other income						
Net gain on sale of tangible fixed assets		2,138,027	-	-	2,138,027	453,860
TOTAL INCOME		<u>7,152,770</u>	<u>419,772</u>	<u>34,471</u>	<u>7,607,013</u>	<u>6,678,945</u>
Expenditure on raising funds						
Management of rented properties		406,652	-	-	406,652	452,243
Fundraising and supporter relations		486,297	-	-	486,297	728,092
Investment management fees		12,978	-	-	12,978	10,141
		<u>905,927</u>	<u>-</u>	<u>-</u>	<u>905,927</u>	<u>1,190,476</u>
NET INCOME AVAILABLE FOR CHARITABLE OBJECTIVES		<u>6,246,843</u>	<u>419,772</u>	<u>34,471</u>	<u>6,701,086</u>	<u>5,488,469</u>
EXPENDITURE ON CHARITABLE ACTIVITIES						
Mission activities		4,853,762	456,004	34,471	5,344,237	4,599,809
LCM Pioneers		246,569	32,031	-	278,600	373,447
Training and church development		232,171	-	-	232,171	154,334
City Vision, City Challenge and Urban Track		136,730	-	-	136,730	327,109
Christian Centres		1,630,755	-	-	1,630,755	1,425,796
Retirement housing and other costs		226,719	3,820	-	230,539	248,066
Relief to the needy		475,312	3,000	-	478,312	542,423
Hope Community Homes		128,460	-	-	128,460	75,598
Trading costs at cafés, HQ Bookroom and at Christian Centres		124,545	-	-	124,545	231,721
Christian Centre developments		37,269	-	-	37,269	41,611
TOTAL CHARITABLE EXPENDITURE		<u>8,092,292</u>	<u>494,855</u>	<u>34,471</u>	<u>8,621,618</u>	<u>8,019,914</u>
TOTAL EXPENDITURE	3	<u>8,998,219</u>	<u>494,855</u>	<u>34,471</u>	<u>9,527,545</u>	<u>9,210,390</u>
NET INCOME/(EXPENDITURE) BEFORE INVESTMENT GAINS/LOSSES		<u>(1,845,449)</u>	<u>(75,083)</u>	<u>-</u>	<u>(1,920,532)</u>	<u>(2,531,445)</u>
Realised net gains on investments	6	397,016	(33,128)	77,315	441,202	445,402
Unrealised gains/(losses) on investments	6	4,661,903	(174)	(140,305)	4,521,425	1,683,513
NET INCOME/(EXPENDITURE) BEFORE TRANSFERS		<u>3,213,470</u>	<u>(108,385)</u>	<u>(62,990)</u>	<u>3,042,095</u>	<u>(402,530)</u>

THE LONDON CITY MISSION
GROUP STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND
EXPENDITURE ACCOUNT) for the year ended 31 DECEMBER 2018

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	2018 Total £	2017 Total £
NET INCOME/(EXPENDITURE) BEFORE TRANSFERS		3,213,470	(108,385)	(62,990)	3,042,095	(402,530)
Transfer between funds	13	-	-	-	-	-
NET INCOME/(EXPENDITURE) AFTER TRANSFERS		3,213,470	(108,385)	(62,990)	3,042,095	(402,530)
Actuarial (losses)/gains on defined benefit pension scheme	9	99,000	-	-	99,000	550,000
NET MOVEMENT IN FUNDS		3,312,470	(108,385)	(62,990)	3,141,095	147,470
RECONCILIATION OF FUNDS						
Total funds brought forward		53,842,732	1,529,045	1,144,739	56,516,516	56,369,046
FUND BALANCES CARRIED FORWARD		57,155,202	1,420,660	1,081,749	59,657,611	56,516,516

All amounts relate to continuing operations.

All gains and losses in the year were recognised in the Statement of Financial Activities

Comparative figures for each fund are shown in Note 16 to the accounts.

A Statement of Financial Activities for the Charity only is shown in Note 23 to the accounts.

**THE LONDON CITY MISSION
GROUP & PARENT BALANCE SHEET as at 31 DECEMBER 2018**

	Notes	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
FIXED ASSETS					
Tangible fixed assets	5a	31,975,788	29,417,859	31,621,166	29,417,859
Intangible fixed assets	5b	236,165	71,901	236,165	71,901
Investments	6	27,438,042	24,969,376	27,438,042	24,969,376
		<u>59,649,995</u>	<u>54,459,136</u>	<u>59,295,373</u>	<u>54,459,136</u>
CURRENT ASSETS					
Stocks		5,983	3,698	5,983	3,698
Debtors	7	802,398	1,125,212	1,135,967	1,153,337
Property awaiting sale		287,100	1,188,000	287,100	1,188,000
Cash at bank and in hand		279,664	1,071,498	261,124	1,064,795
		<u>1,375,145</u>	<u>3,388,408</u>	<u>1,690,174</u>	<u>3,409,830</u>
LIABILITIES					
Amounts falling due within one year	8	(1,051,112)	(562,028)	(970,783)	(559,568)
NET CURRENT ASSETS					
		324,033	2,826,380	719,391	2,850,262
PENSION LIABILITY					
	9	(316,417)	(769,000)	(316,417)	(769,000)
NET ASSETS					
		<u>59,657,611</u>	<u>56,516,516</u>	<u>59,698,347</u>	<u>56,540,398</u>
FUNDS					
Designated funds	11	56,315,405	50,665,640	56,315,405	50,665,640
General reserve	12	1,156,214	3,946,092	1,196,950	3,969,974
Pension deficit		(316,417)	(769,000)	(316,417)	(769,000)
UNRESTRICTED FUNDS					
		<u>57,155,202</u>	<u>53,842,732</u>	<u>57,195,938</u>	<u>53,866,614</u>
RESTRICTED FUNDS					
	13	1,420,660	1,529,045	1,420,660	1,529,045
ENDOWMENT FUNDS					
	14	1,081,749	1,144,739	1,081,749	1,144,739
TOTAL FUNDS					
		<u>59,657,611</u>	<u>56,516,516</u>	<u>59,698,347</u>	<u>56,540,398</u>

Approved and authorised by the Board on 16 September 2019 and signed on its behalf by:

Mark D Harding,
Chairman of the Board

Richard Godden,
Chair of the Finance Subcommittee

The notes on pages 25 to 43 form part of these accounts.

**THE LONDON CITY MISSION
GROUP CASHFLOW STATEMENT for the year ended 31 DECEMBER 2018**

	2018 £	2017 £
Cash flows from operating activities:		
Net cash used in operating activities	<u>(3,959,129)</u>	<u>(3,772,146)</u>
Cash flows from investing activities:		
Dividends, interest and rents from investments	862,973	940,941
Proceeds from sale of tangible fixed assets	3,676,377	2,422,128
Purchase of tangible fixed assets	(4,475,514)	(5,663,454)
Purchase of intangible fixed assets	(164,264)	(71,901)
Proceeds from sale of current asset	900,900	-
Proceeds from sale of fixed asset investments	9,234,679	10,787,775
Purchase of fixed asset investments	<u>(6,867,856)</u>	<u>(5,675,274)</u>
Net cash provided by investing activities	<u>3,167,295</u>	<u>2,740,215</u>
Increase in cash and cash equivalents	<u><u>(791,834)</u></u>	<u><u>(1,031,931)</u></u>

NOTES TO CASH FLOW STATEMENT

	2018 £	2017 £	
1. Reconciliation of net income for the year to net cash outflow from continuing operating activities			
Net income	3,042,095	(402,530)	
Investment income	(862,973)	(940,941)	
Pension fund charge	14,000	34,000	
Payments made to pension scheme	(367,582)	-	
Gain on disposal of tangible fixed assets	(2,138,027)	(453,860)	
Realised (gains)/losses on investments	(441,203)	(445,402)	
Unrealised (gains)/losses on investments	(4,521,424)	(1,683,513)	
Depreciation on tangible fixed assets	506,373	393,368	
Decrease/(increase) in stocks	(2,285)	2,898	
Decrease/(increase) in debtors	322,814	(606,358)	
(Decrease)/increase in creditors	<u>489,084</u>	<u>330,192</u>	
Net cash outflow from operating activities	<u><u>(3,959,129)</u></u>	<u><u>(3,772,146)</u></u>	
2. Analysis of changes in cash and cash equivalents during the year			
	1 Jan 2018 £	Change in year £	31 Dec 2018 £
Increase in cash and cash equivalents	<u>1,071,498</u>	<u>(791,834)</u>	<u>279,664</u>

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

1. Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The London City Mission meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The London City Mission is the only member of a subsidiary company limited by guarantee, London City Mission Property Services Ltd. Group accounts have therefore been prepared.

The Directors have reasonable expectation with no material uncertainty, on the basis of reserves and cash, that the charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

(b) Tangible fixed assets and depreciation

Freehold and long leasehold buildings are capitalised at historical cost or probate value if donated to the charity.

For each freehold property, we assume a cost ratio of 50:50 divided between land and buildings. Freehold land is not depreciated. Freehold buildings are depreciated over their expected useful lives, taken to be 50 years (at 2% per year).

Leasehold property is depreciated over the shorter of the remaining useful life or the remaining period of the lease.

Motor Vehicles and Furniture, Fittings and Office Equipment are depreciated at 25% and 20% on a reducing balance basis respectively.

(c) Intangible fixed assets and amortisation

Costs related to a new CRM database have been capitalised as an intangible asset in development. Software is amortised over a useful economic life of 7 years, once it has entered into use.

(d) Property Repairs and Improvement costs

Repairs to properties are accounted for under charitable expenditure except where the floor area of a property is extended, or the improvement is considered to be to the fabric of the building and its fixtures and fittings, in which case the cost is capitalised.

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

1. Accounting Policies (cont.)

(e) Investments

Investments (including investment properties) are stated at market value. Realised and unrealised gains and losses on investments are included in the Statement of Financial Activities. Investment income is credited to income on an accruals basis. The portfolio management fees are included in the Statement of Financial Activities.

Investment property is property deemed to be held for the sole purpose of financial gain to the LCM, is held at the Trustees' best estimate of valuation and is not depreciated, which is permitted under the Charity SORP 2015. The Trustees perform a review of the valuation annually. All changes in value in the year are reported in the Statement of Financial Activities and the cumulative surplus or deficit on revaluation is represented by a designated fund.

(f) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

(g) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(h) Property awaiting sale

Properties are held at book value where they have been given to the LCM as gifts, and are awaiting sale, being either on the market, or earmarked for sale but not yet marketed. They are not depreciated since they fall under Current Assets. Where properties that have been held for charitable purposes, or for investment purposes, are now deemed to be awaiting sale, they are kept in Tangible Fixed Assets or Investment Properties, respectively.

(i) Financial instruments

The London City Mission only has financial assets and financial liabilities of a kind that qualify as basic financial instruments (for example cash). Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

(j) Funds

Unrestricted Funds –

- 1) Designated Funds are funds set aside at the discretion of directors.
- 2) Other Charitable Funds are available for use in the furtherance of the LCM's charitable objectives.

Restricted Funds - are restricted income funds, which are expendable at the discretion of the directors in furtherance of particular aspects of the objects of LCM and assets subject to specific purposes and conditions imposed by the donors.

Endowment Funds - are funds held in trust by the LCM and only the income arising can be expended.

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

1. Accounting Policies (cont.)

(k) Donations and legacies

Donations, and income under gift aid, are accounted for when receivable. Legacies are recognised as receivable when there is an entitlement to the funds, it is considered probable that they will be received and there is sufficient certainty to establish a reasonable estimate of the value. Donations of investments are accounted for at market value at date of transfer and properties at probate value or valuation.

(l) Rent receivable

Rents receivable are accounted for on an accruals basis.

(m) Value Added Tax

Value Added Tax, which cannot be recovered in respect of most of the costs of the charity, is included in those costs in the Statement of Financial Activities.

(n) Pension costs

The pension scheme is a defined benefit (final salary) funded scheme now closed to new entrants. For defined benefit schemes the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the Statement of Financial Activities if the benefits have vested, i.e. entitlement to benefits has become unconditional. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. Net interest cost is charged to expenditure and is calculated by multiplying the net scheme liability by the discount rate used to determine the defined benefit obligation. Actuarial gains and losses are recognised immediately.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of the LCM, in a separate trustee administered fund. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The defined contribution scheme costs are included as part of staff costs and included in the Statement of Financial Activities.

(o) Resources expended

Direct costs are allocated to the particular activity where the cost relates directly to that activity when invoiced. Salaries of staff, national insurance and pension contributions paid are allocated on a proportioned basis relating to the time spent.

(p) Leases

Payments made under operating leases are charged to the statement of financial activities on a straight line basis over the lease term.

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

1. Accounting Policies (cont.)

(q) Support costs

Overhead costs include property costs, HR, finance, IT and other administrative costs associated with supporting the charitable activities. They also incorporate governance costs associated with the management of the Mission's assets and with constitutional and statutory requirements including, advisory and audit expenditure. Support costs have been allocated to the cost of charitable activities on a headcount basis. This allocation is set out in Note 20.

2. Investment income

	2018	2017
	£	£
Income from listed investments	209,302	219,580
Income from deposits	10,145	48,556
Income from investment properties	<u>643,526</u>	<u>672,805</u>
	<u>862,973</u>	<u>940,941</u>

3 Analysis of resources expended - 2018

Group	Staff	Other	Dep'n	Total
	Costs			2018
	£	£	£	£
Expenditure on raising funds	339,521	524,192	42,214	905,927
Charitable expenditure	<u>5,271,753</u>	<u>2,885,706</u>	<u>464,159</u>	<u>8,621,618</u>
	<u>5,611,274</u>	<u>3,409,898</u>	<u>506,373</u>	<u>9,527,545</u>

Charity	Staff	Other	Dep'n	Total
	Costs			2018
	£	£	£	£
Expenditure on raising funds	339,521	524,192	42,214	905,927
Charitable expenditure	<u>5,271,753</u>	<u>2,877,852</u>	<u>464,159</u>	<u>8,613,764</u>
	<u>5,611,274</u>	<u>3,402,044</u>	<u>506,373</u>	<u>9,519,691</u>

Included in both group and charity above:	2018
	£
Audit fees net of VAT	21,080
Prior year under-accrual	2,514
Support costs (Note 20)	3,627,884

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

3 Analysis of resources expended (Cont.) – 2017 for comparison

Group	Staff			Total
	Costs	Other	Dep'n	2017
	£	£	£	£
Expenditure on raising funds	311,837	837,654	40,985	1,190,476
Charitable expenditure	4,799,509	2,868,022	352,383	8,019,914
	<u>5,111,346</u>	<u>3,705,676</u>	<u>393,368</u>	<u>9,210,390</u>

Charity	Staff			Total
	Costs	Other	Dep'n	2017
	£	£	£	£
Expenditure on raising funds	311,837	828,772	40,985	1,181,594
Charitable expenditure	4,799,509	2,862,022	352,383	8,013,914
	<u>5,111,346</u>	<u>3,690,794</u>	<u>393,368</u>	<u>9,195,508</u>

	2017
	£
Included in both group and charity above:	
Audit fees net of VAT	18,280
Support costs (Note 20)	3,263,173

4. Staff costs

Group & charity	2018	2017
	£	£
Salaries	4,710,648	4,323,950
Social Security	419,628	376,217
Pension and Life Insurance	480,998	411,179
	<u>5,611,274</u>	<u>5,111,346</u>

The only member of the Board who is remunerated is Graham Miller, the Chief Executive, and his total emoluments for 2018 were £51,113 (2017 £50,191). Pension contributions of £6,928 (2017 £6,818) were also paid on his behalf. He also receives rent-free accommodation in his role as Chief Executive. Expenses reimbursed amounted to £276 (2017 £nil). Two other Board members reclaimed travel expenses of £329 (2017 £544).

The average number of employees analysed by function was:	2018	2017
Field staff - evangelists	110	109
City Vision team	4	3
Urban Track & (volunteers)	2	1
Other Christian Centre staff	42	41
Maintenance staff	3	2
Support and administration staff	40	41
	<u>201</u>	<u>197</u>

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

No single employee received emoluments in excess of £60,000 (2017: Nil).

Emoluments for the Leadership Team in 2018 were as shown below. The composition of the Leadership Team is set out in the Directors' Report on Page 15. The figures below are the total cost to the LCM, including gross salaries, benefits in kind, and employer's pension contributions.

	2018	2017
	£	£
Key management emoluments	494,969	406,945

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

5a. Tangible fixed assets

Group and charity	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Fixtures and Fittings £	Motor Vehicles £	Property Developme nt £	Total £
Cost or valuation						
at 1 January 2018	25,878,141	4,182,181	582,627	351,543	-	30,994,492
Transfers	109,769	-	-	-	-	109,769
Additions	3,569,690	-	536,248	-	369,576	4,475,514
Disposals	(1,550,672)	-	-	(37,003)	-	(1,587,675)
at 31 December 2018	28,006,928	4,182,181	1,118,875	314,540	369,576	33,992,100
Depreciation						
at 1 January 2018	781,788	165,512	308,336	320,997	-	1,576,633
Dep'n eliminated on disposal	(22,445)	-	-	(26,880)	-	(49,325)
Dep'n eliminated on transfer	(17,369)	-	-	-	-	(17,369)
Charge for period	286,852	52,307	162,108	5,106	-	506,373
at 31 December 2018	1,028,826	217,819	470,444	299,223	-	2,016,312
Net book values						
at 31 December 2018	26,978,102	3,964,362	648,431	15,317	369,576	31,975,788
at 31 December 2017	25,096,353	4,016,669	274,291	30,546	-	29,417,859

The net book value at 31 December 2018 represents fixed assets used for the following:

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Fixtures and Fittings £	Motor Vehicles £	Property Develop- ment £	Total £
<u>Direct Charitable Purposes</u>						
Head Office & training hostel	8,827,374	374,812	99,209	15,317	369,576	9,686,288
Missionary and staff housing	12,897,350	3,022,435	185,669	-	-	16,105,454
Hope Community Homes	183,350	-	-	-	-	183,350
Tenanted properties	2,165,622	450,000	84,964	-	-	2,700,586
Christian centres	2,904,406	117,115	278,589	-	-	3,300,110
	26,978,102	3,964,362	648,431	15,317	369,576	31,975,788

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

5b. Intangible fixed assets

Group and charity	Software £
Cost or valuation	
at 1 January 2018	71,901
Additions	164,264
Disposals	-
at 31 December 2018	<u>236,165</u>
Amortisation	
at 1 January 2018	-
Amortisation eliminated on disposal	-
Charge for period	-
at 31 December 2018	<u>-</u>
Net book values	
at 31 December 2018	<u>236,165</u>
at 31 December 2017	<u>71,901</u>

6. Fixed asset investments

Group and charity	Investec £	Cash and COIF £	Property £	Total £
Valuation at 1 January 2018	6,390,392	1,371,483	17,207,501	24,969,376
Additions	1,169,990	5,697,866	-	6,867,856
Disposals	(2,131,970)	(5,981,856)	(1,120,853)	(9,234,679)
Transfers to Fixed Assets	-	-	(127,138)	(127,138)
Net realised gains	440,722	480	-	441,202
Net unrealised (losses)/gains	(803,206)	(2,373)	5,327,004	4,521,425
Valuation at 31 December 2018	<u>5,065,928</u>	<u>1,085,600</u>	<u>21,286,514</u>	<u>27,438,042</u>
Cost at 31 December 2018	<u>4,302,284</u>	<u>1,241,961</u>	<u>4,527,436</u>	<u>10,071,681</u>

The LCM holds a wide range of investments managed by Investec and with COIF. At year end 24% (2017 17%) are overseas investments and 15% (2017 14%) are with Goldman Sachs as sterling liquid reserves.

In November 2015 the LCM also became the only member of London City Mission Property Services Ltd, a subsidiary company without share capital.

In April 2016, the London City Mission assigned the capital overage rights in respect of the development at Hoxton to London City Mission Property Services Limited for a consideration of £652,000. This amount was offset by an intercompany loan of £652,000 from LCM to LCMP. Following subsequent advice, the value of the overage rights in the subsidiary has been subject to an impairment provision to £nil since the end of 2016, while a provision has been made in the parent company against the repayment of the intercompany loan.

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

Unrealised gains on property represent gains on revaluations of investment properties to market value on the basis of Trustees' estimates. In the case of properties that have been transferred from Tangible Fixed Assets this year, this is a revaluation to market value from depreciated historic cost.

7. Debtors

	2018	2017	2018	2017
	Group	Group	Charity	Charity
	£	£	£	£
Cash due from legacies	550,100	897,030	550,100	897,030
Cash due from stockbrokers	14,304	25,489	14,305	25,489
Staff loans and season tickets	28,252	34,140	28,252	34,140
Gift Aid tax recoverable	5,390	37,943	5,390	37,943
Insurance premiums prepaid	38,862	40,099	38,862	40,099
Pension costs prepaid	10,422	10,080	10,422	10,080
Other prepayments	22,354	13,629	22,354	13,629
Intercompany balances	-	-	358,400	29,000
Other debtors	132,715	66,802	107,884	65,927
	<u>802,399</u>	<u>1,125,212</u>	<u>1,135,969</u>	<u>1,153,337</u>

8. Creditors

Amounts falling due within one year:

	2018	2017	2018	2017
	Group	Group	Charity	Charity
	£	£	£	£
Accruals	685,171	301,338	685,171	301,338
Trade creditors	260,030	161,053	179,701	158,593
Rent deposits & deferred rent receivable	94,687	93,897	94,687	93,897
Life assurance scheme	4,044	4,044	4,044	4,044
Other	7,180	1,696	7,180	1,696
	<u>1,051,112</u>	<u>562,028</u>	<u>970,783</u>	<u>559,568</u>

9. Pension commitments – group and charity

The LCM operates a closed funded pension scheme with Mercer (formerly JLT Employee Benefits). The scheme is a defined benefit scheme for all qualifying employees who elected to join the scheme. The assets of the scheme are held separately from the assets of the LCM. Contributions and costs of the scheme are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives with the LCM.

A formal triennial valuation of the scheme was completed as at 31 May 2017 by the actuary and the valuation method used was the Projected Unit Method. The May 2017 valuation showed that the market value of the scheme's assets was £4,598,000 (2014 - £3,341,000) excluding insured pensioners' assets and that the actuarial value of those total assets represented 63% (2014 - 52%) of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficit on the scheme funding basis was £2,655,000 (2014 - £3,141,000).

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

9. Pension commitments (cont.)

Upon recommendation by the Trustees of the Pension Scheme the Board of the LCM made a one-off contribution to the fund in 2014 with the expectation that further contributions would commence in 2018. Following the 2017 triennial valuation the board authorised further contributions of £459,000 per annum which commenced 1 September 2018, increasing at 3% per annum for a period of five years and 4 months. At the end of this period, the Trustees of the Pension Scheme and the Board of the LCM will agree the future funding based on a revised formal valuation of the scheme as at 31 May 2020 and the outcome of an enhanced transfer exercise planned for 2019.

The actuary has carried out a further full valuation of the scheme as at 31 December 2018 to produce the information required under FRS 102 – Section 28 Disclosure Report.

The assets in the scheme were:-

	2018	2017	2016	2015
	£'000	£'000	£'000	£'000
Equities	587	519	2,942	2,850
Bonds and gilts	3,092	3,145	1,327	1,429
Diversified growth funds	616	518	-	-
Cash	204	356	92	1,193
Insured pensioners	6,270	6,676	6,760	5,626
Total market value of assets	10,769	11,214	11,121	11,098
Present value of scheme liabilities	(11,085)	(11,983)	(12,406)	(11,304)
Deficit at 31 December	(316)	(769)	(1,285)	(206)

Analysis of the amounts charged to resources expended would be:

	2018	2017
	£'000	£'000
Expenses	-	-

Analysis of the amount credited to pension finance income would be:

Interest on pension scheme liabilities	(295)	(330)
Expected return on pension scheme assets	281	296
	<u>(14)</u>	<u>(34)</u>

Analysis of actuarial loss:

Difference between actual and assumed return on asset	(751)	140
Experience (loss) on obligations	(19)	462
Change of basis gain/(loss) on obligations	869	(52)
Actuarial gain/(loss) on obligations	<u>99</u>	<u>550</u>

Movement in deficit during the year:

	2018	2017
	£'000	£'000
Deficit at 1 January 2018	(769)	(1,285)
Contributions	368	-
Pension finance income	(14)	(34)
Actuarial gain/(loss)	99	550
Deficit at 31 December 2018	<u>(316)</u>	<u>(769)</u>

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

9. Pension commitments (cont.)

History of experience gains and losses

	2018	2017	2016	2015
	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets				
amount	(751)	140	1,809	(281)
percentage of scheme assets	(7.1%)	1.2%	16.3%	(2.5%)
Experience gain/(loss) on obligations				
Amount	(19)	462	123	167
percentage of scheme liabilities	(0.2%)	3.9%	1.0%	1.5%
Total actuarial gain/(loss)				
amount	99	550	(609)	337
percentage of scheme liabilities	0.9%	4.6%	(4.9%)	3.0%

The LCM established a group personal pension plan from April 2006 with an employer's contribution currently of 10.0% and 13.6% for senior staff members.

Changes in the present value of the obligation and in the fair values of assets

	31 December	31 December
	2018	2017
	£'000	£'000
Present value of obligation at beginning of year	11,983	12,406
Interest cost	295	330
Benefits paid	(343)	(343)
Actuarial (gain)/loss	(850)	(410)
Present value of obligation at end of year	<u>11,085</u>	<u>11,983</u>
	31 December	31 December
	2018	2017
	£'000	£'000
Fair value of scheme assets at beginning of year	11,214	11,121
Expected return on scheme assets	281	296
Contributions	368	-
Benefits paid	(343)	(343)
Actuarial gain/(loss) on scheme assets	(751)	140
Fair value of scheme assets at end of year	<u>10,769</u>	<u>11,214</u>

10. Taxation

As a registered charity the LCM is not liable to taxation on its income from charitable activities. Income tax is recovered on gifts donated by supporters under the Gift Aid Scheme.

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

11. Designated funds

Group and charity	Balance 1 Jan 2018 £	Disposals £	Trfs £	Additions £	Dep'n £	Balance 31 Dec 2018 £
Headquarters, Nasmith Court, retirement, holiday homes and other properties and vehicles	6,952,009	-	(1,137,137)	2,519,876	(249,134)	8,085,614
Missionary and staff housing	15,977,940	(1,392,672)	(279,874)	1,950,714	(150,653)	16,105,455
Hope Community Homes	1,435,720	-	-	-	(14,595)	1,421,125
New missionary housing	555,000	(555,000)	-	-	-	-
Tenanted properties	1,583,940	(170,423)	1,308,452	4,925	(26,308)	2,700,586
Christian Centres	2,813,530	-	235,697	-	(34,117)	3,015,110
Investment property	5,905,134	(1,056,352)	(127,138)	-	-	4,721,644
Revaluation fund	11,302,367	(64,500)	-	5,327,004	-	16,564,871
Pension deficit	4,140,000	(439,000)	-	-	-	3,701,000
	<u>50,665,640</u>	<u>(3,677,947)</u>	<u>-</u>	<u>9,802,519</u>	<u>(474,807)</u>	<u>56,315,405</u>

The remaining value of Fixed Assets totalling £647,900 as detailed in Note 5 are assets held in Restricted Funds. Transfers represent the reallocation of properties, at book value, between funds.

Headquarters, Nasmith Court, Retirement, Holiday and Other Properties Used for Designated Purposes

This fund represents the carrying value of properties and other tangible fixed assets which are used for charitable purposes, including the LCM's two largest assets Nasmith House and Nasmith Court, and is not available to spend on the general running of the LCM.

Missionaries' and Staff Housing

This fund represents the value of residential properties used to house LCM staff. Property which is not currently needed to house staff and is being rented out to partner organisations with similar aims or to private tenants is included in the Tenanted Properties Fund.

Hope Community Homes

This fund includes the cost of six properties in Brixton which are used to provide housing and support to the vulnerably housed under the banner of Hope Community Homes and a single property in King's Cross, known as Banquet House.

New Missionary Housing

At 31 December 2018, there were no properties intended for missionary housing that was under offer whilst at 31 December 2017 there was a single property under offer. The trustees expect to designate funds for new missionary housing from time to time.

Tenanted Properties

This fund includes houses and Christian Centres not needed at the present time for housing or ministry needs and are being rented out until such time that they can be used directly by LCM. Rented out properties that are considered to be held solely for the purpose of financial gain are held as Investment Properties.

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

11. Designated funds (cont.)

Christian Centres

This fund represents the value of the Centres used in the activities of the LCM as well as the residential accommodation on the site and other tangible fixed assets. Christian Centres currently not being used for ministry but are being rented as described in Missionary and Staff Housing are included in Tenanted Properties, unless they are considered held solely for financial gain, in which case they are held as Investment Properties.

Investment Property

Investment Property comprises those properties that are considered to be held solely for the purpose of financial gain, and are revalued to market value.

Revaluation Fund

The revaluation fund represents the cumulative revaluations performed in relation to Investment Property.

Pension deficit

The LCM Finance subcommittee having reviewed the triennial actuarial valuation of the closed DB pension scheme and the FRS 102 – Section 28 Disclosure Report for 31 December 2018 have designated £3.7m (£4.1m in 2017) to eliminate the deficit at a time in the future dependent on the considerations of the Board, including, but not limited to, prevailing market conditions.

12. General funds

Group	Balance 1 Jan 2018	Net movement	Balance 31 Dec 2018
	£	£	£
General reserve less pension deficit	3,177,092	(2,337,295)	839,797

Charity	Balance 1 Jan 2018	Net movement	Balance 31 Dec 2018
	£	£	£
General reserve less pension deficit	3,200,974	(2,320,441)	880,533

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

13. Restricted funds

Group and charity

	Balance		Gains on		Trf from		Balance
	1 Jan 2018	Income	investments	Expenses	General		31 Dec 2018
	£	£	£	£	reserve	£	£
Guaranteed payments	-	97,071	-	(97,071)	-	-	-
LCM Pioneers	-	32,031	-	(32,031)	-	-	-
Retired fund – Property	366,720	-	-	(3,820)	-	-	362,900
Holiday homes fund	658,563	18,565	(33,302)	-	-	-	643,826
Relief fund – Property	288,000	-	-	(3,000)	-	-	285,000
Relief fund – General	-	142,915	-	(126,540)	-	-	16,375
Evangelism in Bermondsey	69,634	-	-	(69,634)	-	-	-
Restricted Christian Centre fund	407	10,124	-	(10,531)	-	-	-
Restricted ministry fund	145,721	119,066	-	(152,228)	-	-	112,559
	1,529,045	419,772	(33,302)	(494,855)	-	-	1,420,660

Guaranteed payments

Income received from churches where there is a dedicated church attached missionary are treated as Guaranteed Payments and are a contribution towards the costs of providing the missionary.

LCM Pioneers

Donations received as a contribution towards the employment and training of the LCM Pioneers are treated as restricted and are offset against such costs.

Retired Fund (Retired Missionaries, Widows and Orphans fund)

Set up as a separate fund in 1846 to help missionaries who could no longer work, the fund today enables allowances to be paid to retired staff who retired before the establishment of the LCM's pension scheme in 1993. This fund also covers the running cost of properties used to house retired staff. The value of this fund is represented by the book value of the two properties contained within this fund.

Holiday Homes Fund

The first holiday home in Ventnor, Isle of Wight, was donated to the LCM in 1869 and the fund's purpose was to ensure missionaries and their families could enjoy a break from the pressure of urban mission work. The Board decided in 2012 that the properties used for holiday homes should be sold and the one property belonging to the Fund was sold in 2013 with the proceeds transferred to a new Restricted Fund to set against the Pension Deficit. The balance of the fund is represented by investments and it is intended to transfer the balance to the Retired Fund for the benefit of retired missionaries and staff.

Relief Fund

From the early days of the LCM, the desperate need of the people amongst whom the missionaries worked became apparent. Supporters of the LCM specifically sent donations to help the needy that they read or heard about from missionaries' reports and a relief fund was established. The Fund now is represented by the Webber Street Centre.

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

13. Restricted funds (cont.)

Evangelism in Bermondsey

This fund represents a large donation that was received to fund evangelism in Bermondsey, and has been drawn down against the costs of LCM's outreach work in that district.

Restricted Christian Centre Fund and Restricted Ministry Fund

These funds represent aggregated smaller donations that are restricted for LCM's work through Christian Centres or other ministries.

14. Endowment funds

	Balance		Balance
	1 Jan 2018	Net movement	31 Dec 2018
	£	£	£
Group and charity	1,144,739	(62,990)	1,081,749

Perpetual trusts

These consist of a number of separate funds established during the history of the LCM to provide an income towards the on-going costs of particular aspects of the Mission's work. The donors have insisted that the capital cannot be spent. The income generated has been used against the salary costs of the designated ministries. The net movement solely relates to the movement in the value of the investments.

15. Analysis of net assets between funds

Fund balances at the end of year are represented by:

Group	Unrestricted funds	Restricted funds	Endowment funds	2018	2017
	£	£	£	£	£
Tangible fixed assets	31,321,068	654,720	-	31,975,788	29,417,859
Intangible fixed assets	236,165	-	-	236,165	71,901
Investments	24,812,467	1,543,826	1,081,749	27,438,042	24,969,376
Current assets	2,153,031	(777,886)	-	1,375,145	3,388,408
Current liabilities	(1,051,112)	-	-	(1,051,112)	(562,028)
Pension liability	(316,417)	-	-	(316,417)	(769,000)
Total net assets	57,155,202	1,420,660	1,081,749	59,657,611	56,516,516

Charity	Unrestricted funds	Restricted funds	Endowment funds	2018	2017
	£	£	£	£	£
Tangible fixed assets	30,966,446	654,720	-	31,621,166	29,417,859
Intangible fixed assets	236,165	-	-	236,165	71,901
Investments	25,590,353	765,940	1,081,749	27,438,042	24,969,376
Current assets	1,690,174	-	-	1,690,174	3,409,830
Current liabilities	(970,783)	-	-	(970,783)	(559,568)
Pension liability	(316,417)	-	-	(316,417)	(769,000)
Total net assets	57,195,938	1,420,660	1,081,749	59,698,347	56,540,398

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

16. Prior year comparative funds – incoming and outgoing resources – group and charity

	Unrestricted funds £	Restricted funds £	Endowment funds £	2017 Total £
INCOME				
Voluntary income				
Donations	2,026,574	350,752	-	2,377,326
Legacies	1,957,204	10,000	-	1,967,204
Income from investments	880,879	20,402	39,660	940,941
Income from charitable activities				
Guaranteed payments and trading receipts at cafés, HQ Bookroom and at Christian Centres	330,263	161,212	-	491,475
Income from other trading activities				
Rents	448,139	-	-	448,139
Other income				
Net gain on sale of tangible fixed assets	453,860	-	-	453,860
TOTAL INCOME	6,096,919	542,366	39,660	6,678,945
Expenditure on raising funds				
Management of rented properties	452,243	-	-	452,243
Fundraising and supporter relations	728,092	-	-	728,092
Investment management fees	10,141	-	-	10,141
	1,190,476	-	-	1,190,476
NET INCOME AVAILABLE FOR CHARITABLE OBJECTIVES	4,906,443	542,366	39,660	5,488,469
EXPENDITURE ON CHARITABLE ACTIVITIES				
Mission activities	4,304,340	255,809	39,660	4,599,809
LCM Pioneers	346,427	27,020	-	373,447
Training and church development	154,334	-	-	154,334
City Vision, City Challenge and Urban Track	327,109	-	-	327,109
Christian Centre developments	41,611	-	-	41,611
Christian Centres	1,425,796	-	-	1,425,796
Trading costs at cafés, HQ Bookroom and at Christian Centres	231,721	-	-	231,721
Retirement housing and other costs	1,607	246,459	-	248,066
Relief to the needy	27,738	514,685	-	542,423
Hope Community Homes	1,756	73,842	-	75,598
TOTAL CHARITABLE EXPENDITURE	6,862,439	1,117,815	39,660	8,019,914
TOTAL EXPENDITURE	8,052,915	1,117,815	39,660	9,210,390
NET INCOME/(EXPENDITURE) BEFORE INVESTMENT GAINS/LOSSES	(1,955,996)	(575,449)	-	(2,531,445)
Realised net gains on investments	359,773	29,974	55,655	445,402
Unrealised gains/(losses) on investments	1,676,145	1,367	6,001	1,683,513
NET INCOME/(EXPENDITURE) BEFORE TRANSFERS	79,922	(544,108)	61,656	(402,530)
Transfer between funds	(604,771)	604,771	-	-
NET INCOME/(EXPENDITURE) AFTER TRANSFERS	(524,849)	60,663	61,656	(402,530)
Actuarial (losses)/gains on defined benefit pension scheme	550,000	-	-	550,000
NET MOVEMENT IN FUNDS	25,151	60,663	61,656	147,470
RECONCILIATION OF FUNDS				
Total funds brought forward	53,817,581	1,468,382	1,083,083	56,369,046
FUND BALANCES CARRIED FORWARD	53,842,732	1,529,045	1,144,739	56,516,516

17. Capital and other commitments

There are no capital commitments as at 31 December 2018.

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

18. Post balance sheet events - property awaiting sale

As at 31 December 2018 - LCM had a contract with a developer for the development of the former Hoxton Christian Centre, an investment property. Following review this contract was materially changed in 2019 and the value of the site has been increased to reflect this.

19. Operating lease commitments – group and charity

Total commitments under non-cancellable operating leases for photocopiers, and office equipment computers which expire:

	2018	2017
	£	£
Within one year	17,818	17,818
Between two and five years	35,088	52,906
In more than five years	-	-
	<u>52,906</u>	<u>70,724</u>

20. Support costs

Group and charity	HQ staff	HR, IT, and premises	Pension and life insurance	Total
	£	£	£	£
Management of rented properties	105,929	8,617	7,997	122,543
Fundraising and supporter relations	149,604	17,681	21,998	189,283
Mission activities	627,637	643,997	150,732	1,422,366
Christian Centres	264,561	327,020	75,565	667,146
Retirement housing	53,637	2,996	2,143	58,776
City Vision and City Challenge	67,106	62,456	67	129,629
Relief to the needy	166,338	184,004	42,262	392,604
Development of Christian Centres	33,379	1,733	2,157	37,269
LCM Pioneers	146,850	107,142	24,608	278,600
Training and church development	125,308	61,723	14,177	201,208
Hope Community Homes	65,448	51,242	11,770	128,460
Total	<u>1,805,797</u>	<u>1,468,611</u>	<u>353,476</u>	<u>3,627,884</u>

Allocable costs

	£	£
HQ staff		1,805,797
IT, HR, office supplies	123,120	
Departmental costs	578,768	
Insurance	160,984	
Premises	605,739	
		1,468,611
Pension and life insurance		353,476
		<u>3,627,884</u>

THE LONDON CITY MISSION

NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

21. Related party transactions

Johanna Sutton, Director of Communications and Programme Development is also a trustee of Discipleship Tech who provide access to the Prayer Mate on-line application. LCM paid Discipleship Tech £3,000 in 2018 with nothing outstanding at 31st December 2018. The contract is authorised independently by the CEO. There were no other related party transactions in the year in respect of Board members and members of the Leadership Team.

22. Donations from Trustees

Donations from Trustees in the year totalled £127,619 (2017 £41,208).

23. Charity Statement of Financial Activities

The below Charity Statement of Financial Activities relates to the Charity only, and so excludes the activities of the subsidiary undertaking.

	Unrestricted funds £	Restricted funds £	Endowment funds £	2018 Total £	2017 Total £
INCOME					
Voluntary income					
Donations	2,082,054	304,136	-	2,386,190	2,377,326
Legacies	1,302,622	-	-	1,302,622	1,967,204
Income from investments	809,937	18,565	34,471	862,973	940,941
Income from charitable activities					
Guaranteed payments and trading receipts at cafés, HQ Bookroom and at Christian Centres	311,679	97,071	-	408,750	491,475
Income from other trading activities					
Rents	508,451	-	-	508,451	448,139
Other income					
Management fees	9,000	-	-	9,000	9,000
Net gain on sale of tangible fixed assets	2,138,027	-	-	2,138,027	453,860
TOTAL INCOME	7,161,770	419,772	34,471	7,616,013	6,687,945
Expenditure on raising funds					
Management of rented properties	406,652	-	-	406,652	443,361
Fundraising and supporter relations	486,297	-	-	486,297	728,092
Investment management fees	12,978	-	-	12,978	10,141
	905,927	-	-	905,927	1,181,594
NET INCOME AVAILABLE FOR CHARITABLE OBJECTIVES	6,255,843	419,772	34,471	6,710,086	5,506,351
EXPENDITURE ON CHARITABLE ACTIVITIES					
Mission activities	4,845,908	456,004	34,471	5,336,383	4,594,309
LCM Pioneers	246,569	32,031	-	278,600	373,447
Training and church development	232,171	-	-	232,171	154,334
City Vision, City Challenge and Urban Track	136,730	-	-	136,730	327,109
Christian Centres	1,630,755	-	-	1,630,755	1,425,796
Retirement housing and other costs	226,719	3,820	-	230,539	248,066
Relief to the needy	475,312	3,000	-	478,312	542,423
Hope Community Homes	128,460	-	-	128,460	75,598
Trading costs at cafés, HQ Bookroom and at Christian Centres	124,545	-	-	124,545	231,721
Christian Centre developments	37,269	-	-	37,269	41,111
TOTAL CHARITABLE EXPENDITURE	8,084,438	494,855	34,471	8,613,764	8,013,914
TOTAL EXPENDITURE	8,990,365	494,855	34,471	9,519,691	9,195,508
NET INCOME/(EXPENDITURE) BEFORE INVESTMENT GAINS/LOSSES	(1,828,595)	(75,083)	-	(1,903,678)	(2,507,563)
Realised net gains on investments	397,016	(33,128)	77,315	441,202	445,402
Unrealised gains/(losses) on investments	4,661,903	(174)	(140,305)	4,521,425	1,683,513
NET INCOME/(EXPENDITURE) BEFORE TRANSFERS	3,230,324	(108,385)	(62,990)	3,058,949	(378,648)

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NOTES TO THE ACCOUNTS for the year ended 31 DECEMBER 2018

23. Charity Statement of Financial Activities (cont.)

	Unrestricted funds £	Restricted funds £	Endowment funds £	2018 Total £	2017 Total £
NET INCOME/(EXPENDITURE) BEFORE TRANSFERS	3,230,324	(108,385)	(62,990)	3,058,949	(378,648)
Transfer between funds	-	-	-	-	-
NET INCOME/(EXPENDITURE) AFTER TRANSFERS	3,230,324	(108,385)	(62,990)	3,058,949	(378,648)
Actuarial (losses)/gains on defined benefit pension scheme	99,000	-	-	99,000	550,000
NET MOVEMENT IN FUNDS	3,329,324	(108,385)	(62,990)	3,157,949	171,352
RECONCILIATION OF FUNDS					
Total funds brought forward	53,866,614	1,529,045	1,144,739	56,540,398	56,369,046
FUND BALANCES CARRIED FORWARD	57,195,938	1,420,660	1,081,749	59,698,347	56,540,398