

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007

1 BASIS OF ACCOUNTING

The financial statements are prepared under the historical cost convention as modified by the valuation of fixed assets investments at market value and in accordance with applicable accounting standards and the principles contained in the Statement of Recommended Practice (Accounting and Reporting by Charities) issued by the Charity Commission for England and Wales in March 2005 (SORP 2005).

2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are:

(a) Fixed assets

Properties in the ownership of the Council are stated at the cost of additions and improvements less grants received. Office equipment, fixtures and fittings are stated at cost.

(b) Depreciation

Assets costing over £500 are capitalised. Depreciation is provided on a straight line basis by reference to the expected useful lives of the assets. Their useful lives are estimated as follows:

properties	50 years
showers and kitchens	10 years
furniture and fittings	5 years
heavy equipment	4 years
computers and office equipment	3 years

(c) Incoming resources

Incoming resources include all amounts earned or receivable up to the accounting date.

(d) Fund accounting

Restricted funds are the unexpended balances of donations and grants held on trust to be applied for specific purposes.

Designated funds are unrestricted funds that have been set aside at the discretion of the trustees for specific purposes. The purpose and use of designated funds are described in the notes to the financial statements.

General funds are the accumulated surplus of incoming resources over outgoing resources. They are available for use at the discretion of the trustees in furtherance of the general objectives of the charity.

(e) Grants payable

Grants payable include all grants payable during the year.

(f) Investments

Fixed asset investments are stated at market value in accordance with SORP 2005. The Statement of Financial Activities includes gains and losses arising from the revaluation of investments.

(g) Pension cost

The Council contributes to a group staff pension scheme and to the personal pension plans of certain employees. All pension schemes are defined contributions schemes. The pension cost represents contributions payable by the charity during the year.

(h) Resources expended

The costs of charitable activities comprises expenditure directly attributable to the Council's charitable objectives plus support costs.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007 (continued)**

2 ACCOUNTING POLICIES (continued)

(h) Resources expended (continued)

Governance costs comprise the costs of governance arrangements which relate to the general running of the Council plus related support costs.

Support costs comprise the costs of central management and administration insofar as these are not directly attributable to other activities. They are allocated to the costs of generating funds, charitable activities and governance according to the time spent on each activity.

3 INTERNATIONAL LUTHERAN STUDENT CENTRE

One of the Council's main activities is the International Lutheran Student Centre, whose results have been incorporated within the financial statements.

In June 1982, fixtures and fittings were transferred to the Council by means of a long lease on the property at 30 Thanet Street, London. The fixtures and fittings had an original cost of £40,000 but this cost was met by donations and grants by the Trustees.

Funds have been designated by the Trustees to provide for the long-term upkeep of the premises and the replacement of fixtures and fittings at the end of their useful lives. Further details of these funds are given in note 17.

4 INVESTMENT INCOME	2007	2006
	£	£
Interest receivable	21,922	32,620
Dividends receivable	58,023	56,989
	<u>79,945</u>	<u>89,609</u>

5 COSTS OF GENERATING FUNDS	Unrestricted	Restricted	Total	Total
	funds	funds	2007	2006
	£	£	£	£
Expenses relating to:				
Augustana Centre				
direct costs	22,830	-	22,830	15,590
Other rental income	24,749	-	24,749	15,836
Investment managers' fees	5,994	-	5,994	5,566
Support costs	2,111	-	2,111	6,187
	<u>55,684</u>	<u>-</u>	<u>55,684</u>	<u>43,179</u>

6 GRANTS PAYABLE

Other support for churches includes the following grants made during the year.

	2007	2006
	£	£
Estonian Evangelical Lutheran Church in Great Britain	5,000	5,000
Hungarian Lutheran Church in Great Britain	600	600
Latvian Evangelical Lutheran Church in Great Britain	4,400	4,400
Lutheran Church in Great Britain	10,000	10,000
United Lutheran Evangelical Church in India	7,000	-
	<u>27,000</u>	<u>20,000</u>
In addition the following grants were made and are not yet paid		
Lutheran Church in Great Britain	30,000	-
United Evangelical church in India	3,000	-
IMPACT project in Tanzania	10,000	-
Total grants payable	70,000	20,000
Central costs	2,209	3,870
	<u>72,209</u>	<u>23,870</u>

Grants to individuals totalling £783 were paid from the Student Hardship Fund (2006, nil).

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**NOTES TO THE FINANCIAL STATEMENTS
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7 TOTAL RESOURCES EXPENDED

	Staff costs	Establishment and office costs	Other costs	Total 2007	Total 2006
	£	£	£	£	£
Costs of generating funds	8,228	41,463	5,994	55,684	43,179
Ecumenical relations and activities	13,624	2,062	-	18,955	25,358
International Lutheran Students Centre	262,951	150,944	1,005	414,901	401,795
Student chaplaincy	24,008	10,248	783	35,039	34,088
Communications	5,839	6,092	-	11,931	13,073
Other support for churches	1,946	263	70,000	72,209	23,870
Total charitable activities	308,368	169,609	71,788	553,035	498,184
Governance costs	5,839	1,240	13,889	20,968	15,079
	322,435	212,312	91,671	629,687	556,442

Included in total charitable expenditure are fees of £5,499 (2006, £5,211) payable to the auditors for the audit and £37,617 (2006, £69,618) for depreciation.

8 GAIN ON DISPOSAL OF FIXED ASSETS

The property at 9 Alma Road, Leeds was transferred to the Leeds Lutheran Church House Trust on 17 September 2007 under a Trust Deed. No gain or loss arose as a result of the transfer. In 2006 the Council realised a surplus on the sale of its freehold property at Kingscroft Road, London NW2.

9 SUPPORT COSTS

	2007	2006
	£	£
Costs of generating funds	2,111	6,187
Ecumenical relations and activities	14,776	21,653
International Lutheran Students Centre	6,333	6,187
Student chaplaincy	4,222	6,186
Communications	6,332	9,280
Other support for churches	2,111	3,093
Total charitable activities	33,774	46,399
Governance costs	6,332	9,279
	42,217	61,865

10 RELATED PARTY TRANSACTIONS

The Trustees received no remuneration in connection with their duties as trustees. In 2007, 2 (2006, 2) trustees received reimbursement of expenses totalling £331 (2006, £438) during the year. No other payments were made directly to or for the benefit of Trustees. As part of its work to support Lutheran churches, the Grants Committee (which does not include any trustees connected with churches that have applied for grants and whose decisions about grants do not require the approval of the Trustees) made special grants during the year to member churches including a trustee amongst their pastors.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007 (continued)**

10 RELATED PARTY TRANSACTIONS (continued)

Grants made to member churches including a trustee amongst their pastors were:

	2007	2006
	£	£
Estonian Evangelical Lutheran Church in Great Britain	5,000	5,000
Latvian Evangelical Lutheran Church in Great Britain	4,400	4,400
Lutheran Church in Great Britain	<u>40,000</u>	10,000
	<u>49,400</u>	<u>19,400</u>

11 STAFF COSTS

	2007	2006
	£	£
Staff costs comprised:		
Wages and salaries	219,458	217,098
Social security costs	16,875	17,026
Other pension costs	13,739	14,104
Other staff costs	72,364	32,149
	<u>322,436</u>	<u>280,377</u>

No employee earned more than £60,000 during the year. The average number of persons employed during the year, most of whom were part-time employees, was:

International Lutheran Student Centre	20	20
others	3	3
	<u>23</u>	<u>23</u>

12 TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
at 1 January 2007	1,021,124	543,797	253,372	1,818,293
additions	-	-	-	-
disposals	(66,124)	-	-	(66,124)
at 31 December 2007	<u>955,000</u>	<u>543,797</u>	<u>253,372</u>	<u>1,752,169</u>
Depreciation				
at 1 January 2007	67,716	104,270	200,957	372,943
charge for the year	19,100	10,676	7,841	37,617
disposals	(66,124)	-	-	(66,124)
at 31 December 2007	<u>20,692</u>	<u>114,946</u>	<u>208,798</u>	<u>344,436</u>
Net book value				
at 31 December 2006	953,408	439,527	52,415	1,445,350
at 31 December 2007	<u>934,308</u>	<u>428,851</u>	<u>44,574</u>	<u>1,407,733</u>

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for the year ended 31 December 2007 (continued)

13 INVESTMENTS	2007	2006
	£	£
Market value at 1 January 2007	2,529,903	2,226,946
Additions	661,175	279,361
Less: disposals	(718,656)	(244,095)
Net movement on cash accounts	(8,515)	(1,698)
Net gains on valuation at 31 December 2007	37,746	269,389
	<hr/>	<hr/>
Market value at 31 December 2007	2,501,653	2,529,903
	<hr/>	<hr/>
Listed investments	2,383,511	2,403,246
Cash on call	118,142	126,657
	<hr/>	<hr/>
Market value at 31 December 2007	2,501,653	2,529,903
	<hr/>	<hr/>
The total value of investments managed by Cazenove at 31 December was £1,752,730 (2006, £1,368,622).		
Details of investments:		
CAF UK Equity Growth Fund	233,163	486,685
Cazenove Absolute Return Trust for Charities	663,131	350,363
Cazenove Equity Income Trust for Charities	-	389,376
Cazenove Growth Trust for Charities	772,157	388,136
Cazenove Multi Strategy PropertyFund	52,338	55,237
COIInvestment units	124,156	121,613
New Star INV FDS European Growth	97,335	92,430
Morant Wright Japan Income Trust	19,643	26,190
First State Asia Pacific League	29,984	-
Charities Property Fund	282,145	319,715
Charitrack (Income Units)	109,459	106,611
Others		66,890
Cash	118,142	126,657
	<hr/>	<hr/>
Market value at 31 December 2007	2,501,653	2,529,903
	<hr/>	<hr/>
Historical cost	2,054,648	1,881,025
	<hr/>	<hr/>
Unrealised gain	447,005	648,878
	<hr/>	<hr/>
14 DEBTORS	2007	2006
	£	£
Due within one year:		
Trade debtors	9,011	5,834
Prepayments and accrued income	12,138	13,015
	<hr/>	<hr/>
	21,149	18,849
	<hr/>	<hr/>
15 CREDITORS	2007	2006
	£	£
Due within one year:		
Taxation and social security	5,447	5,970
Trade creditors	43,000	36,515
Accruals and deferred income	42,124	28,881
Deposits received	41,658	39,831
Other creditors	989	291
	<hr/>	<hr/>
	133,218	111,488
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007 (continued)

16 RESTRICTED FUNDS

	LWF fund	Student hardship fund	Total 2007	Total 2006
	£	£	£	£
Balance 1 January 2007	-	6,340	6,340	2,543
Incoming resources	7,794	914	8,708	13,775
Outgoing resources	(7,794)	(783)	(8,577)	(9,978)
Balance at 31 December 2007	-	6,471	6,471	6,340

The LWF fund represents a grant from the Lutheran World Federation towards the costs of the student chaplaincy.

The student hardship fund comprises the unspent balance of donations for the support of students suffering hardship.

17 UNRESTRICTED FUND MOVEMENTS

	Balance 1 January 2007	Incoming resources*	Resources expended	Transfers and investment gains/(losses)	Balance 31 December 2007
	£	£	£	£	£
Designated funds					
Capital fund	1,916,711	-	(19,100)	37,746	1,935,357
Fixed assets fund	1,445,350	-	-	(37,617)	1,407,733
Property maintenance fund	756,164	-	-	26,375	782,539
	4,118,225	-	(19,100)	26,504	4,125,629
General funds	29,432	606,505	(602,010)	11,242	45,169
	4,147,657	606,505	(621,110)	37,746	4,170,798

Capital fund: this fund is maintained in order to set aside an amount that will generate sufficient income to allow the Council's work to continue. The fund was created in 1998 and, since then, has been increased (or decreased) by transfers from (or to) General Funds in line with the net gain (or loss) on the Council's investments. The Trustees have decided that the 2007 depreciation of £19,100 on the newly acquired property at Sandwich Street should be charged to this fund. The property will be developed for use by the Council during 2008.

Fixed assets fund: this fund represents the net amount tied up in tangible fixed assets and so not available to spend.

Property maintenance fund: this fund is funded by annual transfers from general funds and is used to finance essential maintenance work to the Council's properties in accordance with a long-term maintenance plan so as to maintain them in a safe and presentable condition and to improve them in accordance with the Council's longer-term objectives. During 2007, £26,375 (2006, £73,900) was transferred to this fund.

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**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007 (continued)**

18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

The net assets are held for the various funds as follows:

	Unrestricted funds £	Restricted funds £	Total £
Tangible fixed assets	1,407,733	-	1,407,733
Investments	2,501,653	-	2,501,653
Net current assets	261,412	6,471	267,883
	4,170,798	6,471	4,177,269

19 PROPERTY

A long lease at a nominal rent of the property at 30 Thanet Street, London WC1, was granted to the Council in June 1982. The total net cost of the property of £860,000 was met by donations and grants received by the trustees of the project.

20 PENSION COSTS

The assets of the pension schemes, all of which are defined contribution schemes, are held separately from those of the Council in independently administered funds. Contributions made by the Council to the schemes during the year are shown in note 11. Contributions of £989 were due to the schemes at the year end (2006, £291).

21 RELATED PARTIES

The Council is one of two corporate members of Bethphage Great Britain, a registered charity with international Lutheran links, providing high quality residential care and assisted living support to about 60 people in the Midlands of England. Rev'd T Bruch serves as a Board Member. During the year a grant of £10,000 was awarded to the IMPACT project which is supported by Bethphage.

22 PENSION SCHEME OBLIGATIONS

Five members of staff of the Council participates in the Pensions Trust's Growth Plan. This is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer's contributions payable.

The last formal valuation of the Plan was performed at 30 September 2005 by a professionally qualified actuary. The valuation revealed that the assets of the Plan fell short of the accrued liabilities based on actuarial assumptions about the Plan's future income and expenditure as at the valuation date by an amount equivalent to a past service funding level of 96%. The Actuary has not recommended an increase to employer contributions which are currently 10% and the Council is not aware of any plans to change future employer contribution rates.

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer's ceasing to participate in the Plan or the Plan's winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2007 (continued)**

22 PENSION SCHEME OBLIGATIONS (continued)

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers and it depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Council has been notified by the Pensions Trust of the estimated Employer Debt on Withdrawal from the Plan based on the financial position of the Plan as at 30 September 2006. As of this date the Pensions Trust estimated the employer debt for the charity at £83,785. They have also advised the Council that they have not taken into account one former employee's service with other employers when calculating this figure but have estimated that, after taking into account the debt due from other employers, the Council's Employer Debt on Withdrawal is estimated as £7,350 plus costs and fees of apportioning the debt among other employers. (There is no current intention to leave the Plan and trigger this contingent liability.)

22 PROJECT GRANTS

Following the sale of the Council's property at Kingscroft Road in 2006, the Trustees decided that member churches should be invited to apply for grants totalling a maximum of £50,000 to assist them with particular projects. These grants have been awarded during the year.