

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

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 £1,000 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
plant and 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.

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.

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

2 ACCOUNTING POLICIES (continued)

(i) LCGB TRADING LIMITED

On 21 October 2008 the Lutheran Council of Great Britain acquired the entire share capital of 100 ordinary shares of £1 in a newly established company, LCGB Trading Limited, incorporated in England under the Companies Act 2006 (CA2006) as a private limited company. Under section 405 of CA2006 consolidated financial statements have been prepared and the subsidiary undertaking is included. The activities of LCGB Trading Limited are to procure profits and gains (mainly through providing conference facilities) for the purpose of paying them to the Lutheran Council of Great Britain. £1,713 surplus in 2009 was gift aided to the Lutheran Council. The aggregate amount of its assets, liabilities and funds and surplus for the year was:

	2009	2008
	£	£
Aggregate of assets, liabilities	<u>100</u>	<u>100</u>
Turnover	43,534	-
Expenditure	41,821	-
Surplus	<u>1,713</u>	<u>-</u>

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 16.

4 INVESTMENT INCOME

	2009	2008
	£	£
Interest receivable	4,243	28,237
Dividends receivable	57,491	91,070
	<u>61,734</u>	<u>119,307</u>

5 COSTS OF GENERATING FUNDS

	Unrestricted funds	Restricted funds	Total 2009	Total 2008
	£	£	£	£
Expenses relating to:				
Augustana Centre	41,071	-	41,071	20,838
Investment managers' fees	4,382	-	4,382	6,873
Support costs	2,395	-	2,395	3,275
	<u>47,848</u>	<u>-</u>	<u>47,848</u>	<u>30,986</u>

6 GRANTS PAYABLE

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

	2009	2008
	£	£
Estonian Evangelical Lutheran Church in Great Britain	-	5,000
Hungarian Lutheran Church in Great Britain	-	-
Latvian Evangelical Lutheran Church in Great Britain	6,250	4,400
Lutheran Church in Great Britain	14,074	10,000
Icelandic Church in London	-	5,000
Total grants payable	<u>20,324</u>	<u>24,400</u>
Central costs	9,629	7,038
	<u>29,953</u>	<u>31,438</u>

Grants to individuals totalling £447 were paid from the Student Hardship Fund (2008, £450).

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

7 TOTAL RESOURCES EXPENDED

	Staff costs	Establishment and office costs	Other costs	Total 2009	Total 2008
	£	£	£	£	£
Costs of generating funds	7,134	103	40,611	47,848	30,986
Ecumenical relations and activities	12,090	618	6,527	19,235	27,290
International Lutheran Students Centre	250,892	163,508	47,865	462,265	481,114
Accommodation at 4 Sandwich St	-	-	43,743	43,743	22,043
Student chaplaincy	27,064	1,065	2,535	30,664	30,617
Communications	4,030	206	5,638	9,874	15,767
Other support for churches	8,060	412	21,481	29,953	31,438
Total charitable activities	302,136	165,809	127,789	595,734	608,269
Governance costs	2,015	103	9,681	11,799	14,649
	311,285	166,015	178,081	655,381	653,904

Included in total charitable expenditure are fees of £7,682 (2008, £5,543) payable to the auditors for audit fees and £2,300 for other services. Depreciation costs included were £62,022 (2008, £49,062).

8 SUPPORT COSTS

	2009 £	2008 £
Costs of generating funds	2,395	3,275
Ecumenical relations and activities	14,368	19,648
International Lutheran Students Centre	7,184	9,824
Student chaplaincy	7,184	9,824
Communications	4,789	9,824
Other support for churches	9,579	6,549
Total charitable activities	43,104	55,669
Governance costs	2,394	6,550
	47,893	65,494

9 RELATED PARTY TRANSACTIONS

The Trustees received no remuneration in connection with their duties as trustees. In 2009, 3 trustees (2008, nil) received reimbursement of their expenses during the year totalling £117. An off-site meeting was held at Rowfant House W Sussex in May. The costs for accommodation and meals for trustees attending was £441. No other payments were made directly to or for the benefit of Trustees. As part of its work to support Lutheran churches, the Trustees made special grants during the year to member churches, including those with a trustee amongst their pastors.

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

9 RELATED PARTY TRANSACTIONS (continued)

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

	2009	2008
	£	£
Estonian Evangelical Lutheran Church in Great Britain	-	5,000
Icelandic Church in London	-	5,000
Latvian Evangelical Lutheran Church in Great Britain	6,250	4,400
Lutheran Church in Great Britain	14,074	10,000
	<u>20,324</u>	<u>24,400</u>

10 STAFF COSTS

	2009	2008
	£	£
Staff costs comprised:		
Wages and salaries	262,196	252,074
Social security costs	21,655	21,057
Other pension costs	18,216	18,109
Other staff costs	9,218	20,009
	<u>311,285</u>	<u>311,249</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	17
others	2	3
	<u>22</u>	<u>20</u>

11 TANGIBLE FIXED ASSETS

	Freehold property	Leasehold property	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
at 1 January 2009	979,757	543,797	252,141	1,775,695
additions	385,651	-	128,717	514,368
disposals	-	-	-	-
at 31 December 2009	<u>1,365,408</u>	<u>543,797</u>	<u>380,858</u>	<u>2,290,063</u>
Depreciation				
at 1 January 2009	39,792	125,622	174,212	339,626
charge for the year	21,787	10,772	29,463	62,022
disposals	-	-	-	-
at 31 December 2009	<u>61,579</u>	<u>136,394</u>	<u>203,675</u>	<u>401,648</u>
Net book value				
at 31 December 2008	939,965	418,175	77,929	1,436,069
at 31 December 2009	<u>1,303,829</u>	<u>407,403</u>	<u>177,183</u>	<u>1,888,415</u>

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

12 INVESTMENTS	2009 £	2008 £
Market value at 1 January 2009	2,212,050	2,501,653
Additions	563,612	241,102
Less: disposals	(385,826)	(441,996)
Net movement on cash accounts	(579,964)	456,022
Net gains/(losses) on valuation at 31 December 2009	235,297	(544,731)
Market value at 31 December 2009	<u>2,047,178</u>	<u>2,212,050</u>
Listed investments	2,000,752	1,637,886
Cash on call	44,417	574,164
Market value at 31 December 2009	<u>2,045,169</u>	<u>2,212,050</u>

The total value of investments managed by Cazenove at 31 December was £2,045,169 (2008, £2,212,050).

Details of investments:

CAF UK Equity Growth Fund	-	-
Cazenove Absolute Return Trust for Charities	815,885	548,264
Cazenove Equity Income Trust for Charities	445,631	-
Cazenove Investment Fund MT Growth Trust for Charities	-	553,022
Cazenove Investment Fund MM Global (Ex UK) FD INC	153,338	99,278
Cazenove Multi Strategy Property Fund	37,312	38,379
Cazenove Corporate Bond Fund	105,700	-
Findlay Park funds Latin American	50,680	-
New Star Investment funds European Growth	-	75,105
Morant Wright Japan Income Trust	-	9,045
Aberdeen Emerging Markets Fund	21,530	-
First State Asia Pacific Leaders Fund	113,156	25,260
Charities Property Fund	257,519	218,451
Barclays Global Chitirak (Income Units)	-	71,082
Cash	44,418	574,164
Market value at 31 December 2009	<u>2,045,169</u>	<u>2,212,050</u>
Historical cost	<u>1,912,158</u>	<u>2,331,821</u>
Unrealised (loss)/ gain	<u>133,011</u>	<u>(119,771)</u>

13 DEBTORS	Parent 2009	2009 £	2008 £
Due within one year:			
Trade debtors	2,531	5,051	9,792
Prepayments and accrued income	11,542	12,847	12,922
	1,305	-	-
	<u>15,378</u>	<u>17,898</u>	<u>22,714</u>

14 CREDITORS		2009 £	2,008 £
Due within one year:			
Taxation and social security	8,150	8,150	5,296
Trade creditors	27,171	28,499	28,000
Accruals and deferred income	35,083	35,083	39,210
Deposits received	36,251	36,251	42,616
Other creditors	2,523	2,523	2,165
	<u>109,178</u>	<u>110,506</u>	<u>117,287</u>

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)

15 RESTRICTED FUNDS

	Student hardship fund £	Total 2009 £	Total 2008 £
Balance 1 January 2008	6,121	6,121	6,471
Incoming resources	104	104	100
Outgoing resources	(447)	(447)	(450)
Balance at 31 December 2009	<u>5,778</u>	<u>5,778</u>	<u>6,121</u>

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

16 UNRESTRICTED FUNDS

	Balance 1 January 2009 £	Incoming resources £	Resources expended £	Transfers and investment gains/(losses) £	Balance 31 December 2009 £
Designated funds					
Capital fund	1,346,769	-	-	(277,049)	1,069,720
Fixed assets fund	1,436,069	-	-	452,346	1,888,415
Property maintenance fund	805,475	-	-	60,000	865,475
	<u>3,588,313</u>	<u>-</u>	<u>-</u>	<u>235,297</u>	<u>3,823,610</u>
General funds	54,490	611,643	(624,934)	-	41,199
	<u>3,642,803</u>	<u>611,643</u>	<u>(624,934)</u>	<u>235,297</u>	<u>3,864,809</u>

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 2009 depreciation of £27,787 on the newly acquired and re-furnished property at Sandwich Street, and the development costs to date should be charged to this fund. The property was available for use by the Council during 2009, and has been leased to four tenants.

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 2009, £60,000 (2008, £50,000) was added to this fund.

THE LUTHERAN COUNCIL OF GREAT BRITAIN LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009 (continued)**

17 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	1,888,415	-	1,888,415
Investments	2,039,391	5,778	2,045,169
Net current assets	(62,997)	-	(62,997)
	3,864,809	5,778	3,870,587

18 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.

19 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 10. Contributions of £2,524 were due to the schemes at the year end (2008, £2,052).

20 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.

21 PENSION SCHEME OBLIGATIONS

Five members of staff of the Council participate 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.

A full evaluation of the Growth Plan was performed at 30 September 2008. The preliminary results were received on 27 May 2009. The valuation in September 2008 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% on the ongoing Technical Provisions basis. The Actuary has not recommended an increase to employer contributions which are currently 10% and the Council has been informed that if there is not significant improvement by the date of the next valuation, 30 September 2011, it is likely that additional contributions from employers will be required.

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 2008 (continued)**

21 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 2008. They estimated in March 2008 that, after taking into account the debt due from other employers, the Council's Employer Debt on Withdrawal is estimated as £11,262 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.)