

**The Lutheran World Federation
Geneva**

**Report of the statutory auditor
to the Council
on the consolidated financial statements 2008**

May 29, 2009/00105532001/22/MVH

Report of the statutory auditor
to the Council of
The Lutheran World Federation
Geneva

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of The Lutheran World Federation, which comprise the balance sheet, income and expenditure statement, statement of cash flows, statement of changes in reserves and notes, for the year ended December 31, 2008.

Management's Responsibility

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The management is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

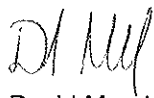
In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of consolidated financial statements according to the instructions of the management.

We recommend that the consolidated financial statements submitted to you be approved.

PricewaterhouseCoopers SA



Philippe Tzaud
Audit expert
Auditor in charge



David Marchand
Audit expert

Geneva, May 29, 2009

Enclosure:

- Consolidated financial statements (balance sheet, income and expenditure statement, statement of cash flows, statement of changes in reserves and notes)

LUTHERAN WORLD FEDERATION
CONSOLIDATED BALANCE SHEET

As at December 31
 USD

	<u>Note</u>	<u>Unrestricted</u>	<u>2008 Restricted</u>	<u>Total</u>	<u>2007 Total</u>
ASSETS					
<u>Current Assets</u>					
Cash & short term deposits	3.1	31'361'007	4'332'894	35'693'901	22'658'397
Financial assets - held for trading	3.2	54'097	0	54'097	12'177'464
Assets held on behalf of IVOTI	3.3	0	1'887'163	1'887'163	2'076'531
Accounts receivable & prepayments	3.4	713'980	5'398'987	6'112'967	5'955'717
Accounts receivable from related parties	3.5b	88'809	0	88'809	197'729
Programs/project balances receivable	3.6	0	9'201'086	9'201'086	9'984'157
Inventory		351'972	0	351'972	421'466
Interfund balances	3.7	(8'588'019)	8'588'019	0	0
Total Current Assets		<u>23'981'846</u>	<u>29'408'149</u>	<u>53'389'995</u>	<u>53'469'461</u>
<u>Fixed Assets</u>	3.8	<u>2'576'851</u>	<u>0</u>	<u>2'576'851</u>	<u>2'653'134</u>
TOTAL ASSETS		<u>26'558'697</u>	<u>29'408'149</u>	<u>55'966'846</u>	<u>56'122'595</u>
LIABILITIES AND RESERVES					
<u>Current Liabilities</u>					
Accounts payable & accrued charges	3.9	776'989	4'928'684	5'705'673	7'288'715
Accounts payable to related parties	3.5b	1'434'552	1'667'223	3'101'775	1'736'588
Payable to IVOTI	3.3	0	1'887'163	1'887'163	2'076'531
Unexpended balances	3.10	0	16'812'062	16'812'062	17'803'510
Short term provisions	3.11	0	0	0	151'253
Total Current Liabilities		<u>2'211'541</u>	<u>25'295'132</u>	<u>27'506'673</u>	<u>29'058'597</u>
<u>Long Term Liabilities</u>					
Local staff funds	3.12	0	4'113'017	4'113'017	4'925'065
Defined benefit liability		549'000	0	549'000	0
Revolving funds		0	0	0	67'237
Long term provisions	3.11	1'332'117	0	1'332'117	1'314'598
Total Long Term Liabilities		<u>1'881'117</u>	<u>4'113'017</u>	<u>5'994'134</u>	<u>6'306'900</u>
Total Liabilities		<u>4'092'658</u>	<u>29'408'149</u>	<u>33'500'807</u>	<u>35'363'497</u>
Reserves		22'466'039	0	22'466'039	20'759'098
TOTAL LIABILITIES AND RESERVES		<u>26'558'697</u>	<u>29'408'149</u>	<u>55'966'846</u>	<u>56'122'595</u>

LUTHERAN WORLD FEDERATION
CONSOLIDATED INCOME and EXPENDITURE STATEMENT
 Year Ended December 31
 USD

Note	Gen. Sec.	2008		DWS	Total	Gen. Sec.	DTS	2008		DWS	Total	Gen. Sec.	DTS	2008		DWS	Total	2007	Grand Total	
		Unrestricted DMD	DMS					Unrestricted DMD	DMS					Unrestricted DMD	DMS					2007 Grand Total
OPERATING INCOME																				
	0	0	0	0	1760123	0	0	0	0	0	1760123	0	0	0	0	0	1760123	1709211	1709211	
Govt. (intergovt. & other grants)	197870	563941	0	3004076	6701888	554201	196919	9656151	51673522	62079793	68781681	554201	196919	9656151	51673522	62079793	68781681	65160150	65160150	
Member churches & related agencies support	0	0	0	0	0	458291	17510	375389	24664779	25515979	25515979	458291	17510	375389	24664779	25515979	25515979	25716701	25716701	
Other program support	2579266	234874	452773	0	3266903	0	0	0	0	0	3266903	0	0	0	0	0	3266903	3154884	3154884	
Membership fees	0	0	0	178758	178758	0	0	0	0	0	178758	0	0	0	0	0	178758	111818	111818	
Administration fees	187344	78539	0	0	265883	37265	0	0	0	37265	303148	37265	0	0	0	37265	303148	531873	531873	
Endowment Fund	0	0	0	30000	30000	0	0	0	0	0	30000	0	0	0	0	0	30000	40000	40000	
Loan collection fees	0	0	0	0	57658	0	0	0	0	0	57658	0	0	0	0	0	57658	63168	63168	
Service fees	57658	0	0	0	57658	0	0	0	0	0	57658	0	0	0	0	0	57658	63168	63168	
Language service fees	1883	0	0	0	1883	0	0	0	0	0	1883	0	0	0	0	0	1883	20636	20636	
Communication Fund income	71142	0	0	0	71142	0	0	0	0	0	71142	0	0	0	0	0	71142	48957	48957	
Non-project income	0	0	0	1755082	1755082	0	0	0	0	0	1755082	0	0	0	0	0	1755082	1250852	1250852	
Other income	15153	11873	0	7180	34206	0	0	0	0	0	34206	0	0	0	0	0	34206	69144	69144	
Total Operating Income	3110306	889227	3388774	6735219	14123526	1049757	214429	10031550	76337301	87633037	101756563	1049757	214429	10031550	76337301	87633037	101756563	97875394	97875394	
Operating Expenditure																				
Staff related costs	4071258	602702	2682169	2018986	9375115	0	0	0	0	0	9375115	0	0	0	0	0	9375115	8148372	8148372	
Travel & representation	135698	22670	98225	179727	436320	0	0	0	0	0	436320	0	0	0	0	0	436320	341620	341620	
Other operating expenses	582316	116745	309568	359857	1368486	0	0	0	0	0	1368486	0	0	0	0	0	1368486	1246723	1246723	
Non-project expenses	0	0	0	1683658	1683658	0	0	0	0	0	1683658	0	0	0	0	0	1683658	1485610	1485610	
Communication fund expenditure	54786	0	0	0	54786	0	0	0	0	0	54786	0	0	0	0	0	54786	40270	40270	
Program/project expenditure	432611	0	6340	0	6340	1049757	214429	10031550	76337301	87633037	87633037	1049757	214429	10031550	76337301	87633037	84941135	84941135		
Council & other governing bodies	(1913349)	195050	752336	965963	492078	0	0	0	0	0	492078	0	0	0	0	0	492078	516593	516593	
Central services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Operating Expenditure	3363320	937167	3881845	5234451	13416783	1049757	214429	10031550	76337301	87633037	101049820	1049757	214429	10031550	76337301	87633037	101049820	96720323	96720323	
Operating Result	-253014	-47940	-493071	1500768	706743	0	0	0	0	0	706743	0	0	0	0	0	706743	1156071	1156071	
Financial Income																				
Net fair value (losses)/gains	-89251	-53854	-319247	-349840	-812192	0	0	0	0	0	-812192	0	0	0	0	0	-812192	263522	263522	
Interest income	117913	71149	421771	462189	1073022	0	0	0	0	0	1073022	0	0	0	0	0	1073022	318179	318179	
Net exchange gains	13525	8146	48372	42329	112372	0	0	0	0	0	112372	0	0	0	0	0	112372	1741314	1741314	
Total Financial Income	42187	25441	150896	154678	373202	0	0	0	0	0	373202	0	0	0	0	0	373202	2313015	2313015	
Bank charges	4547	1502	3512	9256	18817	0	0	0	0	0	18817	0	0	0	0	0	18817	38339	38339	
Net Financial Result	37640	23939	147384	145422	354385	0	0	0	0	0	354385	0	0	0	0	0	354385	2274676	2274676	
Result for the Year	-215374	-24001	-345687	1546190	1061128	0	0	0	0	0	1061128	0	0	0	0	0	1061128	3429747	3429747	

LUTHERAN WORLD FEDERATION

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Consolidated Statement of Cash Flow (total of all funds)

Year ended December 31

USD

		<u>2008</u>	<u>2007</u>
<u>Operating activities</u>			
Result for the year		1'061'128	3'429'747
Allocation renovation of AVH		115'087	-
Transfer of Scholarship Fund to reserves		530'726	-
Adjustments for:			
- Interest income	3.14	(1'073'022)	(318'179)
- Net exchange (gains)/losses		(112'372)	(1'263'491)
- Depreciation	3.8	761'670	892'219
Loss on fixed asset		7'391	-
Operating surplus before changes in working capital		<u>1'290'608</u>	<u>2'740'296</u>
Changes in working capital			
<u>Net (increase)/decrease in operating assets</u>			
Assets held on behalf of IVOTI	3.3	189'368	84'063
Accounts receivable & prepayments	3.4	(157'250)	(964'979)
Accounts receivable from related parties	3.5b	108'920	(133'818)
Programs/project balances receivable	3.6	783'071	(459'154)
Inventory		69'494	(109'922)
<u>Net increase/(decrease) in operating liabilities</u>			
Accounts payable & accrued charges	3.9	(1'583'042)	2'347'864
Accounts payable to related parties	3.5b	1'365'187	114'493
Short term provision	3.11	(151'253)	151'253
Payable to IVOTI	3.3	(189'368)	(84'063)
Unexpended balances	3.10	(991'448)	3'425'948
Local staff funds	3.12	(812'048)	429'857
Revolving funds		(67'237)	(367'053)
Long term provision	3.11	17'519	172'191
Defined benefit liability		549'000	-
Net changes in working capital		<u>-869'087</u>	<u>4'606'680</u>
Net cash generated from/(used in) operating activities		421'521	7'346'976
<u>Investing activities</u>			
Interest income	3.14	1'073'022	318'179
Net exchange gains		112'372	-
Purchase of securities		(254'302)	(11'123'527)
Disposal of securities		12'377'669	12'178'468
Purchase of fixed assets	3.8	(141'075)	(48'787)
Purchase of fixed assets Field Offices	3.8	(553'046)	(629'938)
Proceeds from sale of fixed assets		1'343	36'260
Net cash (used in) investing activities		<u>12'615'983</u>	<u>730'655</u>
Net increase/(decrease) in cash and cash equivalents		13'037'504	8'077'631
Cash & cash equivalents at the beginning of the year		22'656'397	14'578'766
Cash & cash equivalents at the end of the year		<u><u>35'693'901</u></u>	<u><u>22'656'397</u></u>

LUTHERAN WORLD FEDERATION
Consolidated statement of changes in reserves
 Year Ended December 31, 2008
 USD

Unrestricted

	DGS		DMD				DTS		DWS				Grand Total	
	General	Comm. Fd	General	Scholarship Fd	Comm Rev Fd	Comm Enabl Fd	Total	General	General	Res. Admin.	Prog. Op.	Emergency		Field desig
Balance at January 1, 2007	1728021	3825	1731846	0	651527	192569	1761681	411778	5280526	266053	853414	397960	6626093	13424046
Surplus/(deficit) for the year	425506	6687	432193	0	0	(15018)	614607	294504	1145256	0	(304869)	0	1248056	2088443
Balance at December 31, 2007	2153527	10512	2164039	0	651527	177551	2376288	706282	6425782	266053	548545	397960	7874149	15512489

Balance at January 1, 2007

Surplus/(deficit) for the year

Balance at December 31, 2007

	DGS		DMD				DTS		DWS				Grand Total	
	General	Comm. Fd	General	Scholarship Fd	Comm Rev Fd	Comm Enabl Fd	Total	General	General	Res. Admin.	Prog. Op.	Emergency		Field desig
Balance at January 1, 2008	2153527	10512	2164039	0	651527	177551	2376288	706282	6425782	266053	548545	397960	7874149	15512489
Transfer of Scholarship Fund to reserves	0	0	0	530726	0	0	530726	0	0	0	0	0	0	0
Allocation renovation of AVH													115087	115087
Surplus/(deficit) for the year	-231730	16356	-215374	0	0	0	-345687	-24001	87128	0	0	0	1559062	1646190
Balance at December 31, 2008	1921797	26868	1948665	530726	651527	177551	2561327	682281	6512910	266053	548545	397960	9548298	17273766

Balance at January 1, 2008

Transfer of Scholarship Fund to reserves

Allocation renovation of AVH

Surplus/(deficit) for the year

Balance at December 31, 2008

THE LUTHERAN WORLD FEDERATION

Geneva, Switzerland

Consolidated Financial Statements

Notes to the Financial Statements for the year ended December 31, 2008

1. Activities

The Lutheran World Federation (LWF) is a global communion of Christian churches in the Lutheran tradition, founded in 1947. The LWF Secretariat is located in the Ecumenical Centre, Rte de Ferney 150 in Geneva.

The LWF is a non-profit association incorporated and registered under Article 60 and following of the Swiss Civil Code.

The LWF's purpose is to:

- further the united witness to the Gospel of Jesus Christ and strengthen the member churches in carrying out the missionary command and in their efforts towards Christian unity worldwide
- further worldwide among member churches diaconic action, alleviation of human need, promotion of peace and human rights, social and economic justice, care for God's creation and sharing of resources
- further through cooperative study the self-understanding and the communion of member churches and help them to act jointly in common tasks

The Assembly, composed of representatives of the member churches of the Federation, is the principal authority of the LWF. The Assembly is normally held every six years and is responsible for the Constitution, electing the President and the members of the Council, and giving general direction to the work of the Federation.

The Council is composed of the President, the Treasurer, and 48 persons elected by the Assembly. The term of office of the Council shall end at the close of the next ordinary Assembly. The Council is responsible for the business of the Federation in the interim between ordinary Assemblies. The Council elects the General Secretary and the Treasurer. The Council elects the Vice-Presidents, decides on the budgets of the Federation, and receives the audited accounts and approves them. The Council also elects from among its members an Executive Committee and Program Committees as required and appoints their chairpersons.

The LWF Secretariat, headed by the General Secretary, carries out the tasks of the Federation. The General Secretary is assisted in carrying out his duties by the Cabinet composed of the heads of departments/units within the Secretariat. The Council authorizes the structure and terms of reference of the Secretariat. The General Secretary is responsible to the Council for conducting the business of the Federation and carrying out the decisions of the Assembly and the Council.

The financial statements of the LWF for the year ended 31 December 2008 are consolidated to include:

- General Secretariat (Gen Sec)
- Department for Theology and Studies (DTS)
- Department for Mission and Development (DMD)
- Department for World Service (DWS)
- Branch offices of the Department for World Service (Field Offices)

The consolidated financial statements presented do not include the results of the Department for World Service associated programs. Each of these has its own legal status separate from that of the LWF and the LWF exercises no control over them.

2. Summary of significant accounting policies

The financial statements will be put to the Members for approval at the Organization's Annual Meeting to be held in Geneva, Switzerland in October 2009.

These financial statements were authorized for issue on May 29, 2009 by the General Secretary

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

2.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for securities which are stated at fair value. Fair value is the amount for which an asset or a liability could be exchanged between knowledgeable and willing parties in an arm's length transaction.

Preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates and the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

2.3 Adoption of new standards, amendments and interpretations effective in 2008

New and revised standards and interpretations, issued but not yet effective, have been reviewed to identify the nature of the future changes in accounting policy and to estimate the effect of any necessary changes in the consolidated income statement and financial position upon their adoption.

a) Issued and effective for 2009:

- IAS 23 (revised) Borrowing Costs
- IFRS 8 Operating Segments
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations
- IFRIC 13 Customer Loyalty Programmes

The Federation will apply these interpretations from January 1, 2009. They are not expected to have any significant impact on the consolidated financial statements.

b) Issued and effective for 2010:

- IFRS 3 Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements

The Federation will apply these interpretations from January 1, 2009. They are not expected to have any significant impact on the consolidated financial statements.

2.4 Basis of consolidation

The financial statements of the LWF are consolidated to include all departments of the Geneva Secretariat and branch offices of the Department for World Service.

Transactions between departments and between departments and branch offices as well as balances are eliminated.

a) Associated Programs

Former branch offices of the Department for World Service which have registered as legal entities under local country statutory regulations and are not legally controlled by the LWF have not been consolidated.

b) Related Parties

The Lutheran LWF Foundation for Inter-confessional Research with offices in Strasbourg, the LWF Foundation (Endowment Fund), and the LWF Staff Welfare Plan have not been consolidated in the financial statements. They are separate legal entities with their own boards. LWF has representation on these boards but no controlling interest.

c) Assembly

The Assembly normally meets every six years. Separate books of account are maintained for the income and expenditure related to the Assembly and audited financial statements are prepared. The balance with the Assembly is included in the financial statements.

The last Assembly was held in Winnipeg, Canada in 2003. The next Assembly will be held in Stuttgart, Germany in 2010.

2.5 Restricted/unrestricted funds

The financial statements distinguish between Restricted and Unrestricted use funds. Restricted use funds are those funds received from third parties who have imposed restrictions on the purposes for which they may be used. Unrestricted use funds are those funds where there are no externally imposed restrictions and include assets freely available or appropriated to reserves for internally designated purposes.

2.6 Revenue and expenditure recognition

Restricted use funds are normally received as a result of a specific solicitation or with donor imposed restrictions and are recognized as income over the duration of the program/project in proportion to the achievement of the conditions attached to the contributions. Income for the year is therefore equal to expenditure. Contributions received but not yet recognized are included in Current Liabilities. Contributions not yet received relating to expenditure already recognized are included in Current Assets.

In some instances, in-kind contributions are recognized in the financial statements and an equal amount of expenditure is recorded. In-kind contributions are recorded at the value noted in the accompanying shipping documents upon receipt.

Membership fees are fixed by the LWF Council and are recognized in the year they fall due. The balances of memberships due at the end of the year are reviewed to reflect the probability of the amount to be cashed. This does not invalidate the obligation on members to pay the amounts owing.

Investment income is recognized on an accruals basis. The investment income together with foreign exchange gains and losses and gains and losses on investments is allocated between the various LWF departments according to the opening balance of reserves and net project/other grant balances.

2.7 Area projects and general subsidies

Expenditure in respect of area projects in foreign countries is based upon remittances to respective local churches or organizations. In accordance with established practice, examination by the auditors has been made on the underlying documentation substantiating such transfers in conformity with the agreed list of projects in the composite statement of needs.

2.8 Foreign currency transactions

The consolidated financial statements are presented in U.S. Dollars.

The presentation and functional currency of the LWF is the U.S. Dollar. The books of account are maintained in U.S. Dollars. Assets and liabilities, excluding fixed assets, denominated in currencies other than U.S. Dollars have been translated at the December 31, 2008 rate of exchange per the Financial Times. Foreign exchange gains/losses are included within the Financial Income section of the Consolidated Income and Expenditure Statement.

Income and expenditure has been translated into U.S. dollars monthly using the previous month end exchange rate per the Financial Times.

Exchange gains/losses resulting from the application of the accounting principles outlined above are credited/charged to the Statement of Income and Expenditure.

2.9 Derivative financial instruments

The LWF uses derivative financial instruments, comprising forward foreign exchange contracts to manage its exposure to foreign exchange risk. Derivative financial

instruments are stated at fair value. The fair value of forward exchange contracts is determined using quoted forward rates at the balance sheet date. Derivatives are not designated as effective accounting hedge instruments and as a result any gain or loss of fair value is recognized in the Income and Expenditure Statement.

2.10 Cash and cash equivalents

The LWF considers cash on hand, amounts due from banks and short-term deposits with banks to be cash and cash equivalents.

2.11 Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. All regular way purchases and sales of financial assets are recognised at the settlement date i.e. the date that the asset is delivered to or by the Federation. Financial assets are classified as current assets, unless they are expected to be realised beyond twelve months of the balance sheet date. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Federation has transferred substantially all risks and rewards of ownership.

Information on financial risk management is described in the Note 2.20. Detailed disclosures can be found in Note 3.2 to the consolidated financial statements.

Dividends and interest earned are included in the line financial income.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired for the purpose of selling in the near term. Derivatives are classified as held for trading unless they are designated and effective hedging instruments. When recognised initially, they are measured at fair value, and transaction costs are expensed in the income statement. For held for trading investments, gains or losses are recognised in the income statement.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest method. For loans and receivables, gains or losses are recognised in the income statement when derecognised, impaired, or through the amortisation process. Loans and receivables are classified as accounts receivable in the balance sheet (see Note 3.4).

c) Held-to-maturity investments

Debt securities with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Federation has the positive intention and ability to hold to maturity. These investments are measured at amortised cost using the effective interest method, less any impairment losses. For held-to-maturity investments, gains or losses are recognised in the income statement when derecognised, impaired, or through the amortisation process.

d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as such or not classified in any of the other categories. They are measured initially at fair value, plus directly attributable transaction costs. At the end of each period, the book value is adjusted to the fair value with a corresponding entry in a separate component of equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. When denominated in a foreign currency, any monetary item is adjusted for the effect of any change in exchange rates with unrealised gain or loss booked in the income statement.

For quoted equity instruments, the fair value is the market value being calculated by reference to share exchange quoted selling prices at close of business on the balance sheet date. For non-quoted financial assets, they are re-valued at fair value based on observable market transactions and if not available based on prices given by reputable financial institutions or on the price of the latest transaction.

An available-for-sale instrument is impaired when in management's opinion there is objective evidence that the estimated future recoverable amount is less than the carrying amount and when its market value is 20% or more below its original cost for a sustained six-month period. When an impairment loss has previously been recognised, further declines in value are recorded as an impairment loss in the income statement. The charge is recorded within the financial income line of the consolidated income statement. Impairment losses recognised on equity instruments are not reversed in the income statement. Impairment losses recognised on debt instruments shall be reversed through the income statement if the increase of the fair value of available-for-sale debt instrument objectively relates to an event occurring after the impairment charge.

The Lutheran World Federation has no financial assets which belong to categories c.) and d.).

2.12 Inventories

Inventories purchased from Restricted use Funds are expensed in the year of purchase. Rights over inventories would not generate future economic benefit to the LWF due to the short term nature of program contracts and the terms of contracts where rights over residual program assets are vested with the grantors.

The only material inventories purchased from Unrestricted use Funds are held at the DWS program in Jerusalem. These inventories consist of medical supplies for the Augusta Victoria Hospital (AVH) that the program runs. They are accounted for at cost which does not exceed market value and recognized by the first-in, first-out method.

2.13 Fixed assets

a) Tangible

Tangible fixed assets purchased from Restricted use Funds are expensed in the year of purchase. It is considered improbable that such expenditures will generate future economic benefit to the LWF due to the short term nature of program contracts and the terms of contracts where rights over residual program assets are vested with the grantors.

Tangible assets at the Secretariat in Geneva and purchased from Unrestricted use Funds, comprising computer equipment purchased from Unrestricted use Funds are capitalized and amortized as detailed in 2.13. Assets of a capital nature with a cost lower than CHF 1,500 are not capitalized.

Tangible assets in the Department for World Service located outside of Geneva and purchased from Unrestricted use Funds, comprising buildings and land improvements, vehicles and office equipment are capitalized and amortized as detailed in 2.14. Assets of a capital nature with a cost lower than USD 10,000 are not capitalized.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in the Income and Expenditure Statement.

Repairs and maintenance costs are charged in the Income and Expenditure Statement during the financial period in which they are incurred.

Subsequent expenditure is capitalized only when it increases the probable future economic benefits of the asset.

b) Intangible

Acquired computer software at the Secretariat is capitalized on the basis of the costs incurred to acquire and bring the specific software to use. Amortization is calculated on the straight-line method as detailed in 2.14.

Costs associated with maintaining software are charged in the Income and Expenditure Statement during the financial period in which they are incurred.

2.14 Fixed assets - depreciation

a) Secretariat

Based on the past experience the fixed assets located in Geneva are depreciated using the straight-line method, over their estimated useful lives, as follow:

Office furniture & equipment	5 years
Computers equipment (except laptops)	4 years
Laptops	3 years

Depreciation for a full year commences in the year of purchase.

The useful lives are reviewed and adjusted if appropriate at each balance sheet date.

b) Field

Based on the past experience of the useful life expectancy, the rate of depreciation is set by each individual country program not to exceed the following rate per year by category:

Building	25 years
Plant & equipment	15 years
Vehicles	5 years
Office furniture & equipment	5 years
Computers	4 years

Depreciation for a full year commences in the year of purchase.

The useful lives are reviewed and adjusted if appropriate at each balance sheet date.

2.15 Impairment

The carrying amount of the LWF's assets, other than financial assets (see Notes 2.10, 2.11) and inventories (see Note 2.12), are reviewed at each balance sheet date to determine whether there is any indication of impairment or, if earlier, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of the asset's net selling price or its value in use. Impairment losses are recognized in the Income and Expenditure Statement.

An impairment loss is reversed if there is an upward revision of the recoverable amount. An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortization, if no impairment loss had been recognized.

2.16 Provisions

Provisions are recognized when there is a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle down that obligation, and the amounts can be reliably estimated.

2.17 Reserves

Reserves are classified as either Unrestricted or Restricted reserves. Unrestricted reserves are earmarked as detailed below:

a) General reserve

This reserve represents an unrestricted amount and is used to account for all resources over which the department has discretionary control. It can be used to cover ongoing commitments in case of emergencies.

b.) Communication funds

The Communications Fund represents surplus unrestricted income generated by the Office for Communication Services (OCS) within the General Secretariat. It is used to fund the communication activities of OCS.

c) Communications Revolving/Enabling Funds

These funds are to be used for communications programs/projects of the Department for Mission and Development.

d) Other reserves

The Resettlement Administration, Program Operating Fund and Emergencies Reserves are funds where there are no externally imposed restrictions and include assets freely available to LWF/DWS for internally designated purposes. Similarly, the Scholarship Fund Reserve in LWF/DMD relates to assets freely available and designated for the use of scholarships as and when required.

e) Field designated funds

These various funds are available exclusively for use in each field program according to the definition of the fund.

2.18 Employee benefit costs

a) Employee termination/repatriation benefits/accrued vacation (ALT/ALTO)

These benefits are recognized proportionately as accrued over the employment period of personnel. They exist to meet any termination and settling out expenses under present contractual LWF working conditions for both Geneva (ALT – assignment, leave, termination and accrued vacation monetary equivalent) and field (ALTO – assignment, leave, termination for overseas staff) based staff.

b) Retirement benefit obligations

The LWF operates a single pension fund for expatriate field staff and all headquarters staff. Pension obligations are covered by independent funds which are held in a single, separate legal entity that is governed by Swiss law. These independent funds are fully funded through payments as determined by periodic actuarial calculations in accordance with Swiss law. The assets of the fund are managed within the separate legal entity. As at December 31, 2008 the level of coverage of the pension fund, according to Art. 44 OPP2 of the Swiss pension fund law, was 92.38% based on the audited accounts and actuarial valuation undertaken by Swisscanto in Basel. For the purposes of these consolidated financial statements post-retirement pension costs have been accounted for in accordance with IAS 19.

Staff employed locally by the LWF receive social benefits in accordance with the legislation of the countries concerned and the local collective staff agreements. The cost of such benefits is recognized on an accruals basis in these consolidated financial statements.

c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or contract completion date.

Termination benefits are recognized on the basis of a formal committed plan to terminate the employment of current employees.

2.19 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership.

The LWF had no operating or financial leases of a material nature.

2.20 Financial risk management

The LWF is exposed to a variety of financial risks namely: market (including foreign currency risk and pricing risk); credit risk; liquidity risk and interest rate risk. The LWF seeks to actively minimize potential adverse effects arising from this exposure as detailed below.

a) Market risk

Foreign currency risk

Foreign currency risk arises primarily from contributions that are denominated in a currency other than U.S. Dollars. The main currencies giving rise to this risk are the Euro and Swedish Kroner. The LWF ensures that net exposure is kept to an acceptable level, by selling foreign currencies at spot rates where necessary to address short-term needs.

Foreign currency risk arises from non U.S. Dollar securities held in the investment portfolio, which is managed by professional investment managers.

Price risk

The LWF is exposed to securities price risk because of investments measured at fair value through profit and loss. Unrealized gains/losses arising from fluctuations in prices are actively monitored by professional investment managers. There is no exposure to commodity price risk.

b) Credit risk

The LWF's principal receivables are with its member churches, governmental and intergovernmental agencies where credit risk is considered to be low.

Securities transactions are held only with well established banks and financial institutions. The funds are invested either in short term deposits or in premium securities.

There is no significant concentration of credit risk. The maximum exposure to credit risk is limited to the carrying amount of the monetary financial assets.

Split of credit rating per individual financial institutions

	<u>Credit rating</u>	<u>31.12.2008</u>	<u>31.12.2007</u>
Bank A	Aa2/P-1/B-	10,981,252	10'375'428
Bank B	-	2,401,108	1'747'832
Bank C	Aa2/P-1/B-	463,975	475'911
Bank D	Aa1/P-1/B	364,155	701'304
Bank E	-	16,486	19'113
Bank F	-	10,370,960	
Misc banks	1)	11,085,390	9'310'918
Cash on hand	N/A	10,575	25'891
Total		35,693,901	22,656,397

1) Cash in bank and on hand held locally by the DWS field offices.

c) Liquidity risk

Liquidity risk is minimized by maintaining sufficient funds as cash on hand, on-demand deposits or short-term deposits with maturities of three months or less to meet short-term liabilities. In addition, investments are all in liquid securities which can easily be sold to meet longer term cash flow needs.

d) Interest rate risk

There is no significant short-term exposure to changes in interest rates as cash and cash equivalents are held as cash on hand, on-demand deposits, or in short-term deposits with maturities of three months or less.

Exposure to interest rate fluctuations arises from the holdings of fixed income securities held for investment purposes. This is actively managed by the external investment portfolio managers.

e.) Financial instrument by category

December 31, 2007	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for-sale	Total
Assets as per balance sheet					
Available-for-sale financial assets					0
Derivative financial instruments					0
Trade and other receivables	5,585,128				5,585,128
Other financial assets at fair value through profit or loss		12,177,464			12,177,464
Cash and cash equivalents	22,656,397				22,656,397
Total	28,241,525	12,177,464	0	0	40,418,989

December 31, 2008	Loans and receivables	Assets at fair value through the profit and loss	Derivatives used for hedging	Available for-sale	Total
Assets as per balance sheet					
Available-for-sale financial assets					0
Derivative financial instruments					0
Trade and other receivables	5,703,752				5,703,752
Other financial assets at fair value through profit or loss		54,097			54,097
Cash and cash equivalents	35,693,901				35,693,901
Total	41,397,653	54,097	0	0	41,451,750

3. Details relating to the Consolidated Financial statements

This section provides a breakdown of the main items on the Balance Sheet, Income and Expenditure Statement, the Cash Flow Statement and the Statement of Changes in Reserves.

3.1 Cash and short term deposits	<u>31.12.2008</u>	<u>31.12.2007</u>
Cash on hand and bank – Geneva	6,100,260	7,435,990
Cash on hand and bank – Field offices	11,085,390	9,310,918
Short term deposits	<u>18,508,251</u>	<u>5,909,489</u>
Total	35,693,901	22,656,397

3.2 Financial assets at fair value through the P&L	<u>31.12.2008</u>	<u>31.12.2007</u>
Held for trading	54,097	12,177,464

To guarantee any foreign exchange forward contracts, UBS Geneva has a pledge over the portfolio held in the bank (2008 : USD 0 ; 2007 : USD 12,166,609).

3.3 Custodian funds

For a number of years , the LWF has held funds, in a fiduciary capacity, on behalf of Escola Evangélica IVOTI. The funds are represented by securities and money market deposits held with UBS. At the end of 2008 the total IVOTI investments of USD 1,887,163 (2007: USD 2,076,531) have been included in the balance sheet under Restricted use Funds as a separate item.

These securities are kept at purchase cost as they are not the Lutheran World Federation's property.

3.4 Accounts receivable & prepayments	<u>31.12.2008</u>	<u>31.12.2007</u>
Membership fees	1,069,729	759,288
./. Prov. Membership fees	(1,067,692)	(759,288)
Contributions receivable	454,634	645,279
Accounts receivable	5,247,081	4,939,849
Communication revolving loan	12,580	12,580
./. Prov. Communication revolving loan	(12,580)	(12,580)
Prepayments	<u>409,215</u>	<u>370,589</u>
Total	6,112,967	5,955,717

3.5 Related parties

a) Identity of related parties

Related parties are detailed in Note 2.4

The field programs that are associate programs are considered to be related parties with LWF-DWS. They are RDRS Bangladesh, ELDS Malawi, Diaconia Peru, ELCSA South Africa, TCRS Tanzania, LDS Zimbabwe and Swaziland.

b) Transactions with related parties

The LWF maintains "inter company" accounts with related parties and receives funds/makes payments on their behalf. At December 31, 2008 the balances outstanding with related parties were as follows:

Accounts receivable from related parties	<u>31.12.2008</u>	<u>31.12.2007</u>
LWF Foundation for Interconfes- sional Research (Strasbourg)	88,809	89,825
Staff Welfare Plan	<u>0</u>	<u>107,904</u>
Total	88,809	197,729

Accounts payable to related agencies	<u>31.12.2008</u>	<u>31.12.2007</u>
Assembly	1,344,478	774,951
LWF Foundation	56,441	136,806
Staff Welfare Plan	33,633	0
Balances with associated programs/ WS Field office reconciling items	<u>1,667,223</u>	<u>824,831</u>
Total	3,101,775	1,736,588

During the year the LWF received in Swiss Francs the equivalent of USD 280,610 from the LWF Foundation. The LWF also received in Euro the equivalent of USD 16,495 from the Lutheran LWF Foundation for Inter-confessional Research in Strasbourg and in Swiss Francs the equivalent of USD 41,163 from the LWF Staff Welfare Plan for management charges for services rendered.

During the year the LWF received USD 918,943 on behalf of the associate programs for projects and USD 113,541 as reimbursement of expenses paid on behalf of others. The LWF paid USD 224,719 in expenses for the associate programs and transferred USD 110,000 to the programs during 2008. At 31 December 2008, the LWF had outstanding payables to associate programs of USD 1,667,223.

Other than compensation arising in the ordinary course of business, there were no transactions with key management personnel or Council Members. No persons related or connected by business to them, have received any remuneration or other compensation from the LWF during the year.

3.6 Details of the program/projects balances

Program/projects balances

Program/Projects balances receivable	<u>31.12.2008</u>	<u>31.12.2007</u>
Dpt Theology and Studies	0	0
Dpt for Mission and Development	550,645	1,198,288
General Secretariat	90,693	0
Dpt for World Service	<u>8,559,748</u>	<u>8,785,869</u>
Total	9,201,086	9,984,157

Program/Projects balances payable	<u>31.12.2008</u>	<u>31.12.2007</u>
Dpt Theology and Studies	602,828	659,637
Dpt for Mission and Development	4,667,262	7,066,761
General Secretariat	78,933	276,619
Dpt for World Service	<u>10,384,267</u>	<u>8,694,501</u>
Total	15,733,290	16,697,518

3.7 Interfund balances

This balance represents the total sum receivable/payable between the unrestricted and restricted funds resulting from the allocation of assets/liabilities. The amount is eliminated on consolidation.

3.8 Fixed Assets

USD

	<u>Computers</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Land& buildings</u>	<u>Furniture & fittings</u>	<u>Total</u>
<u>Historical cost</u>						
Balance at Jan. 1, 2007	251,016	3,007,519	441,893	2,119,750	1	5,820,179
Additions at cost Geneva	48,787	0	0	0	0	48,787
Additions at cost Field offices	0	577,990	34,335	17,613	0	629,938
Disposals	(47,308)	(95,787)	0	0	0	(143,095)
Balance at Dec. 31, 2007	252,495	3,489,722	476,229	2,137,363	1	6,355,809
<u>Depreciation</u>						
Balance at Jan. 1, 2007	(219,790)	(1,796,887)	(353,917)	(546,698)	0	(2,917,292)
Charge for the year	(33,030)	(11,449)	(862)	0	0	(45,341)
DWS field office assets	0	(683,871)	(56,139)	(106,868)	0	(846,878)
Disposals	47,308	59,528	0	0	0	106,836
Balance at Dec. 31, 2007	(205,512)	(2,432,679)	(410,918)	(653,566)	0	(3,702,675)
Net book value Dec. 31, 2007	46,983	1,057,043	65,311	1,483,797	1	2,653,134

USD

	<u>Computers</u>	<u>Vehicles</u>	<u>Equipment</u>	<u>Land& buildings</u>	<u>Furniture & fittings</u>	<u>Total</u>
<u>Historical cost</u>						
Balance at Jan. 1, 2008	252,495	3,489,722	476,229	2,137,363	1	6,355,809
Additions at cost Geneva	141,075	0	0	0	0	141,075
Additions at cost Field offices	0	315,393	111,372	126,281	0	553,046
Disposals	(7,663)	(126,280)	(10,854)	0	0	(144,797)
Balance at Dec. 31, 2008	385,907	3,678,835	576,747	2,263,644	1	6,905,133
<u>Depreciation</u>						
Balance at Jan. 1, 2008	(205,512)	(2,432,679)	(410,918)	(653,566)	0	(3,702,675)
Charge for the year	(59,971)	(11,449)	(862)	0	0	(72,282)
DWS field office assets	0	(528,719)	(47,486)	(113,183)	0	(689,388)
Disposals	6,084	129,979	0	0	0	136,063
Balance at Dec. 31, 2008	(259,399)	(2,842,868)	(459,266)	(766,749)	0	(4,328,282)
Net book value Dec. 31, 2008	126,508	835,967	117,481	1,496,895	1	2,576,851

The fixed assets located in Geneva are insured for CHF 200,000

3.9 Accounts payable and accrued charges	<u>31.12.2008</u>	<u>31.12.2007</u>
Accounts payable	2,255,595	2,400,705
Accrued charges	3,025,005	4,876,960
Contributions received in advance	425,073	11,050
Total	<u>5,705,673</u>	<u>7,288,715</u>

3.10 Unexpended balances	Note	<u>31.12.2008</u>	<u>31.12.2007</u>
Programs & projects	3.6	15,733,290	16,697,518
ELCZ-support fund Sweden		38,349	0
Cardwell Trust		84,875	84,875
RVOG comp. Funds		169,794	167,202
ELC Congo		596,207	587,746
JCMWA		105,496	148,355
Africa Special Fund		<u>84,051</u>	<u>117,814</u>
Total		<u>16,812,062</u>	<u>17,803,510</u>

3.11 Provisions

	<u>Short-term</u> Reimbursement European Commission	<u>Long-term</u> ALT ALTO	
<u>Movement 2007</u>			
Balance at Jan. 1, 2007	0	821,612	320,795
Creation	151,253	390,598	151,853
Reversal	0	(214,949)	(155,341)
Balance at Dec. 31, 2007	<u>151,253</u>	<u>997,261</u>	<u>317,307</u>
<u>Movement 2008</u>			
Balance at Jan. 1, 2008	151,253	997,261	317,307
Creation	0	198,014	203,936
Reversal/release	(151,253)	(147,827)	(236,574)
Balance at Dec. 31, 2008	<u>0</u>	<u>1,047,448</u>	<u>284,669</u>

3.12 Local staff funds	<u>31.12.2008</u>	<u>31.12.2007</u>
Local staff funds – India	10,414	1,369,625
Local staff funds – Bangladesh	0	815,822
Local staff funds – Other	<u>4,102,603</u>	<u>2,739,618</u>
Total	<u>4,113,017</u>	<u>4,925,065</u>

These amounts are restricted for field programs' local staff which can only be used as specified.

3.13 Programs & projects funded by the Lutheran World Federation's own funds

In 2008, deficits on projects were supported by the Lutheran World Federation's own funds for an amount of USD 6,340 (2007: USD 319,887).

3.14 Net financial result	2008	2007
Financial assets at fair value through P&L		
- Fair value gains	0	758,201
- Fair value losses	<u>(812,192)</u>	<u>(504,679)</u>
Net	(812,192)	253,522
Interest income on		
- Cash and short term deposits	741,104	181,647
- Financial assets at fair value through P&L	<u>331,918</u>	<u>136,532</u>
Total	1,073,022	318,179

3.15 Taxes

The LWF is exempt from Federal and Cantonal income taxes in Switzerland.

3.16 Augusta Victoria Hospital (AVH)

Cumulative expenditures in excess of project funding received for the repositioning exercise of the Augusta Victoria Hospital (AVH), Jerusalem, are USD 5.3 million through the end of 2008 (USD 5.5 million at the end of 2007). These excess expenditures are included in "Programs/project balances receivable" in the balance sheet of the Department of World Service as at December 31, 2008.

Annual net income from the Augusta Victoria Hospital property rental in excess of USD 200,000 is projected each year. These funds will be set against the accumulated excess of expenditure over funding.

3.17 Contingent Liabilities

The LWF – Jerusalem is a party to legal proceeding arising in the ordinary course of business. The following legal case was outstanding as of December 31, 2008.

a.) Medical Malpractice claims – Jerusalem program:

The Hospital purchases professional and general liability insurance policies to cover medical malpractice claims. In 2008, the limit of coverage amounted to USD 2,500,000 for each single claim. According to the estimates by the insurers concerning these claims, the maximum liability of the Hospital in the medical malpractice claims outstanding at December 31, 2008, in the form of the excess (deductible) amounts the Hospital is required to settle in accordance with the terms of the insurance policies, was USD 555,000.

b) Withholding and Expatriate Income Taxes – Kenya Program

The Kenya Revenue Authority (KRA) conducted an audit for the period 2004 to February 2008 and presented a bill to LWF for unpaid taxes relating to withholding tax and pay as you earn for expatriate staff. Upon consultation with the LWF tax accounting firm, LWF has paid a portion of the tax in 2008 and submitted an Appeal to KRA for waiver of income tax relating to expatriates on the basis that the income was as a result of contracts with United Nations High Commission for Refugees (UNHCR) who has an agreement with the government waiving such taxes. LWF believes it has a strong case in this argument and therefore, has not recorded any liability relating to it.

c) Host Agreement with Church Ecumenical Action in Sudan – Kenya Program.

The LWF Kenya Program has an agreement with Church Ecumenical Action in Sudan (CEAS) to act as host agency. The basic terms of this agreement include the provision that CEAS will operate in Kenya under LWF Kenya's legal basis and that CEAS will be entirely responsible for its own affairs, management and liabilities. A decision was taken by the CEAS Executive Committee to cease operations as of 31 March 2009 and all staff, supplier and other partner liabilities within Kenya be settled. LWF takes no responsibility for any potential claims by CEAS's donors as LWF had no part in those agreements or contracts.

3.18 Donations in kind

in some instances, in-kind contributions are recognized in the financial statements and an equal amount of expenditure is recorded. In 2008 and 2007, respectively, the amount included in revenue and expenditure related to in-kind contributions is USD 1,642,158 and USD 303,184. In-kind contributions are recorded at the value noted in the accompanying shipping documents upon receipt.

3.19 Capital commitments

There were no capital expenditure commitments at 31 December 2008.

3.20 Retirement benefit obligations

Headquarters and expatriate field staff

The LWF operates a single pension fund for expatriate field staff and all headquarters staff. This pension fund is an independent entity ruled by Swiss law.

	<u>TCHF</u>	<u>TCHF</u>	<u>TCHF</u>
a) Development of Obligations and Assets	<u>2006</u>	<u>2007</u>	<u>2008</u>
Present value of funded obligation (BOY)		(46,544)	(44,281)
Change in consolidation scope		0	0
Service cost		(2,246)	(2,070)
Past service cost		0	0
Interest cost		(1,464)	(1,434)
Curtailments / settlements		0	0
Benefits paid		5,478	4,427
Increase to minimum liability		0	0
Actuarial gain (loss) on benefit obligation		495	1,002
Currency gain (loss)		0	0
Present value of funded obligation (EOY)	(46,544)	(44,281)	(42,356)
Fair value of plan assets (BOY)		48,936	45,114
Change in consolidation scope		0	0
Expected return on plan assets		1,986	1,845
Employer contributions		1,545	1,525
Employee contributions		280	284
Curtailments / settlements		0	0
Benefits paid		(5,478)	(4,427)
Actuarial gain (loss) on plan assets		(2,155)	(8,282)
Currency gain (loss)		0	0
Fair value of plan assets (EOY)	48,936	45,114	36,059
b) Balance Sheet (EOY)	<u>01.01.2007</u>	<u>31.12.2007</u>	<u>31.12.2008</u>
Fair value of plan assets	48,936	45,114	36,059
Defined benefit obligation	<u>(46,544)</u>	<u>(44,281)</u>	<u>(42,356)</u>
Funded status	2,392	833	(6,297)
Unrecognized asset due to IAS19.58	(2,392)	(833)	0
Unrecognized actuarial (gains) loss	<u>0</u>	<u>0</u>	<u>6,297</u>
Net asset in balance sheet	0	0	0
Deferred taxes (assumption 25%)	<u>0</u>	<u>0</u>	<u>0</u>
Retained earnings	0	0	0

c)	Profit & Loss Statement		<u>2007</u>	<u>2008</u>
	Service cost		(2,246)	(2,070)
	Interest cost		(1,464)	(1,434)
	Expected return on plan assets		1,986	1,845
	Net actuarial gain (loss) recognized in year		(1,660)	(983)
	Past service cost recognized in year		0	0
	Curtailment, settlement, plan amendment gain (loss)		0	0
	Immediate recognition change of asset due to Art. 58		<u>1,559</u>	<u>833</u>
	Net periodic pension cost		(1,825)	(1,809)
	Employee contributions		<u>280</u>	<u>284</u>
	Expense recognized in the profit & loss statement		(1,545)	(1,525)
d)	Movements in net asset recognized in balance sheet	<u>01.01.2007</u>	<u>2007</u>	<u>2008</u>
	Net asset in balance sheet (BOY)		0	0
	Expense recognized in the profit & loss statement		(1,545)	(1,525)
	Employer contributions		<u>1,545</u>	<u>1,525</u>
	Prepaid (accrued) pension cost		0	0
	Unrecognized prepaid pension cost		0	0
	Net asset in balance sheet (EOY)	0	0	0
	Actual return on plan assets		(169) -0.4%	(6,437) -15.9%
e)	Principal actuarial assumptions (BOY)	<u>01.01.2007</u>	<u>31.12.2007</u>	<u>31.12.2008</u>
	Discount rate	3.00%	3.25%	3.25%
	Expected net return on plan assets	4.30%	4.30%	4.15%
	Average future salary increases	2.50%	2.50%	2.50%
	Future pension increases	0.50%	0.50%	0.50%
	Credit rate on savings capital	3.25%	3.25%	3.25%
	Mortality tables used	EVK 2000	EVK 2000	EVK 2000
	Average retirement age	64/64	64/64	64/64
	Average life expectancy of a pensioner at retirement			
	- Women	21.15	21.15	21.15
	- Men	18.32	18.32	18.32

f) Asset allocation

Cash	3.9%	3.3%	2.7%
Bonds	58.7%	52.8%	59.3%
Equities	29.6%	36.0%	29.5%
Property	7.8%	7.9%	8.5%
Other	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%
Entity's own transferable bonds	n/a	n/a	n/a
Entity's own transferable equities	n/a	n/a	n/a
Property occupied by entity	n/a	n/a	n/a
Other assets used by entity	n/a	n/a	n/a

g) Defined benefit pension plans	<u>01.01.2007</u>	<u>31.12.2007</u>	<u>31.12.2008</u>
Fair value of plan assets	48,936	45,114	36,059
Present value of benefit obligation	<u>(46,544)</u>	<u>(44,281)</u>	<u>(42,356)</u>
Funded (unfunded) status	2,392	833	(6,297)
Experience adjustments on plan liabilities	0	(643)	1,002
Change in assumptions adjustment on plan liabilities	0	1,138	0
Experience adjustments on plan assets	<u>0</u>	<u>(2,155)</u>	<u>(8,282)</u>
Total actuarial gain (loss)	0	(1,660)	(7,280)

Staff employed locally

Staff employed locally by the LWF receives social benefits in accordance with the legislation of the countries concerned and the local collective staff agreements. The cost of such benefits is recognized on an accruals basis in these consolidated financial statements.

In the opinion of management, actuarial calculations would not have resulted in any material adjustments to these financial statements and the net periodic pension costs for these employees would have closely approximated the contributions.

3.21 Key management personnel costs

Day to day management of the organization has been delegated by the Council to the General Secretary and the Cabinet. Total compensation of the management team, including pension costs, amounted to CHF 1,845,811 for the year (2007 CHF 1,817,603).

3.22 Events after the balance sheet date

Between December 31, 2008 and the date of authorization for issue of the financial statements, there was no significant event which could have an impact on the figures for the year ended December 31, 2008.