



Baptist Union
Corporation Limited
Encouraging Missionary Disciples

Annual Report and Financial Statements

For the year ended 31 December 2012

Baptist House PO Box 44 129 Broadway Didcot Oxfordshire OX11 8RT England
telephone **01235 517700** facsimile **01235 517715** email **buc.corp@baptist.org.uk** DX **40852 Didcot**

A Company Limited by Guarantee Registered in England No 00032743 Registered Charity No 249635
Secretary Philip M Putman MA FCA **Manager** Linda Holder BA

GENERAL INFORMATION AS AT 20 FEBRUARY 2013

Moderator	Mr T S Lees																		
Directors	<table> <tr> <td>Mr P E Brazier</td> <td>Mr K Lawson</td> </tr> <tr> <td>Mr M A Broad</td> <td>Mr D M Leverett</td> </tr> <tr> <td>The Revd S L Copson</td> <td>The Revd P W Martin</td> </tr> <tr> <td>Mr E J Greenwood</td> <td>Ms K A Martindale</td> </tr> <tr> <td>Mr T G Hackett</td> <td>The Revd R Merrin</td> </tr> <tr> <td>Mr J Hemes</td> <td>Mr R M Nicholls</td> </tr> <tr> <td>Mr J Holmes</td> <td>Mr P R Price</td> </tr> <tr> <td>Mr R A Hughes</td> <td>Mr P M Putman</td> </tr> <tr> <td>Mr P Lancaster</td> <td>Mr S P Welch</td> </tr> </table>	Mr P E Brazier	Mr K Lawson	Mr M A Broad	Mr D M Leverett	The Revd S L Copson	The Revd P W Martin	Mr E J Greenwood	Ms K A Martindale	Mr T G Hackett	The Revd R Merrin	Mr J Hemes	Mr R M Nicholls	Mr J Holmes	Mr P R Price	Mr R A Hughes	Mr P M Putman	Mr P Lancaster	Mr S P Welch
Mr P E Brazier	Mr K Lawson																		
Mr M A Broad	Mr D M Leverett																		
The Revd S L Copson	The Revd P W Martin																		
Mr E J Greenwood	Ms K A Martindale																		
Mr T G Hackett	The Revd R Merrin																		
Mr J Hemes	Mr R M Nicholls																		
Mr J Holmes	Mr P R Price																		
Mr R A Hughes	Mr P M Putman																		
Mr P Lancaster	Mr S P Welch																		
Secretary	Mr P M Putman																		
Manager	Mrs L A Holder																		
Deputy Manager	Mr S Wing																		
Registered Office	Baptist House 129 Broadway Didcot Oxfordshire OX11 8RT																		
Company Registration No	00032743																		
Charity Registration No	249635																		
Auditor	Wilkins Kennedy LLP Bridge House London Bridge London SE1 9QR																		
Bankers	HSBC Bank plc 186 Broadway Didcot Oxfordshire OX11 8RP																		
Investment Managers	Royal London Asset Management Limited 55 Gracechurch Street London EC3V 0UF Sarasin and Partners LLP Juxon House 100 St Paul's Churchyard London EC4M 8BU																		
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2EF																		
Surveyors	Biscoe Craig Hall 5-6 Staple Inn Holborn London WC1V 7QU																		

REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements for the year ended 31 December 2012.

Structure, Governance and Management

Governing Document

The Company is governed by its Memorandum and Articles of Association dated 14 November 1890 as amended by Special Resolutions dated 14 April 1950; 12 March 1963; 22 November 2001; 15 March 2005 and 20 March 2006.

Charitable Object

The main Charitable Object of the Company is the advancement of the Christian religion by the means and in accordance with the principles of the Baptist Denomination.

Recruitment and Appointment of Directors

The Company is run by a Board of Directors who act as Trustees of the Charity, and who met three times in 2012.

The Board of Directors consists of:

- Two senior staff chosen by the Baptist Union of Great Britain, and Treasurer for the time being of the Baptist Union of Great Britain; who serve ex-officio.
- The Moderator of the Company; appointed by the members in the Annual General Meeting.
- Thirteen Association Directors; one appointed by each of the thirteen Associations designated by the Baptist Union of Great Britain, as set out below.
- Up to five Directors; co-opted by the remaining Directors.

The day to day running of the Company is overseen by the Company Secretary and the Manager.

Directors

The Directors who served during the year were as follows:

Ex-officio:

Mr R M Nicholls	General Manager
Mr P M Putman	Head of Finance and Administration
Mr M A Broad	Treasurer

Appointed by the members in Annual General Meeting:

Mr T S Lees (Moderator)

Appointed by Associations:

Mrs H F Beaven (to October 2012)	South West Baptist Association
Mr P E Brazier	Heart of England Baptist Association
The Revd S L Copson	Central Baptist Association
Mr E J Greenwood	Southern Counties Baptist Association
Mr T G Hackett	South Wales Baptist Association
Mr J Hemes	East Midlands Baptist Association
Mr R A Hughes	South Eastern Baptist Association
Mr J Holmes (from June 2012)	Eastern Baptist Association
Mr P Lancaster	Yorkshire Baptist Association
Mr K Lawson (from December 2012)	South West Baptist Association
The Revd R Lewis (to June 2012)	Eastern Baptist Association
The Revd P W Martin	London Baptist Association
The Revd R Merrin	Northern Baptist Association
Mr P R Price	West of England Baptist Association
Mr S P Welch	North Western Baptist Association

Co-opted:

Mr D M Leverett
Ms K A Martindale

REPORT OF THE DIRECTORS (continued)

Directors' Interests

No Director had any beneficial interest in the Company or in any contract or arrangement of a material nature with the Company during the year under review, although one church (2011 one) and one Association (2011 one), of which a Director is a member, has a loan from the Company in the ordinary course of its business. Expenses were paid to the twenty (2011 twenty) Directors amounting to £3,197 (2011 £3,844).

Induction and Training of Directors

Prospective Directors are asked to confirm they are not disqualified from serving as Charity Trustees. After appointment they are provided with information about governance and the Company's principal activities and processes. The Directors receive an update on current legal issues prepared by the Company's Legal Advisors at each meeting.

Related Parties

The members of the Company are the members of the Council of the Baptist Union of Great Britain. The Home Mission Fund is the principal working fund of that Union. The Home Mission Fund provides staff, offices and ancillary support to the Company, as well as substantial capital. Details of these costs and interest paid are set out in note 19 of these financial statements.

Major risks

The company's major risks as identified by the Directors have been reviewed and systems set up to mitigate them. The major risk was the possible loss of Denominational Identity.

Objectives and Activities

Objects and Principal Activities

The Company's charitable purpose is the advancement of religion by the means and in accordance with the principles of the Baptist Denomination. Its activity is directed towards helping Baptist churches in their work, not least through encouraging the effective management of their assets and resources.

The principal activities of the Company are acting as holding trustee of many Baptist Churches, administering the Baptist Union Loan Fund and operating the Baptist Union Gift Aid Scheme. It also helps churches with guidance on legal, property and charity matters as well as having responsibility for various funds and investments.

The Company is part of the family of Baptist organisations serving the needs of many of the Baptist Churches in Great Britain, and works especially closely with the Baptist Union of Great Britain.

The Company's aims:

- To hold as custodian trustee the property deeds and investments of Baptist churches in trust with the Company which are listed in the Baptist Union Directory, together with trust funds in cash which are included in note 10. Arrangements are in place to segregate assets held in trust from the company's own assets.
- To provide Baptist churches with guideline information on the legal requirements which concern them and ensure that they are updated as the law develops. This helps churches comply with the law, ensures that their legal rights are protected and costly disputes are avoided and, as far as is possible, that each individual church is spared the expense of establishing the legal position for itself.
- To make professional advisers available to churches when appropriate.
- To operate a Gift Aid Scheme for churches.
- To provide a central resource for expertise and financial and administrative services to individual churches which are in trust with the Company, in order that their local resources can be directed more effectively towards activities which advance the Christian religion in their locality. This strategy is particularly effective where property transactions are concerned.
- To accept interest free deposits from individuals and interest bearing deposits from Baptist churches and other Baptist charities, to assist in getting competitive returns by aggregating small deposits, and to help finance the Baptist Union Loan Fund.
- To operate the Baptist Union Loan Fund to assist churches with finance for new buildings, for extensions and/or refurbishment of church premises, and for the purchase of church manses.
- To run the Company efficiently and thereby ensure that once costs are covered part of the surplus of income is donated to the Baptist Home Mission Fund, thereby supporting the financial needs of local churches and their Christian objectives.

Individual Baptist churches and Baptist Associations consult the Company on legal, property and charity issues. Responding to these enquiries is a core activity for staff in the Company office, which benefits the churches and also the local communities they serve.

REPORT OF THE DIRECTORS (continued)

Public benefit

The Directors having regard to the guidance published by the Charity Commission the Directors continued to provide public benefit by seeking to advance the Christian Faith and Practice in accordance with its core Objects.

The Directors in 2012 sought to achieve this by the granting of loans to assist churches with finance for new buildings, for extensions and/or refurbishment of church premises as well as the sale and purchase of church manses. The Directors also sought to help churches maintain their income with interest bearing deposits and continued to assist churches with a wide range of services, including legal and general advice, Gift Aid service and acting as custodian trustees.

Elsewhere in this report further detail is provided in the Information appendices.

Grants

The Company does not normally make grants, but in its absolute discretion donates part of its surplus to the Baptist Home Mission Fund in accordance with its charitable object.

Achievements and Performance

Review of the year

The Company continued to offer legal and practical information on trusteeship, property and other issues, provide churches with access to funding and offer deposit facilities. In particular the Company has provided guidance for those Baptist churches with an annual income over £100,000 seeking registration as Charities as required by the Charities Act 2006.

During the year the Company undertook trust work on behalf of the North Western Baptist Association in addition to the Yorkshire Baptist Association and East Midland Baptist Trust Company. From January 2013, the Company has taken over the trust work previously carried out by the South West Baptist Association.

The Company has made available £2,212,000 in loans to nine churches of which £137,000 was lent in connection with manses. All qualifying applications were met as required. The total loans outstanding reduced slightly to £13,653,724.

The Gift Aid Scheme continued to act on behalf of the churches and £204,494 tax was reclaimed.

The Company's investments increased by just over £250,000. The Company assisted many churches to buy, sell, let or alter their property. In 2012 property transactions totalling over £4,651,000 were completed. The Directors were able to make from the Company's surplus a single donation of £60,000 to the Baptist Home Mission Fund.

The Company continues to publish leaflets and other information to churches, all of which are available from the Baptist Union of Great Britain website at www.baptist.org.uk.

Financial Review

The results of the Company and appropriation thereof for the year are set out in the accompanying income and expenditure account and notes 11 and 12 to the financial statements. There was a surplus of £263,160 (2011 £270,062) from which £60,000 (2011 £54,000) was donated to the Baptist Union of Great Britain. There was a deficit of £1,481 in the restricted fund. The general fund made a surplus of £453,610 because of the increase of realised and unrealised losses on investment assets. This was transferred to the General Reserve. The company continued to maintain a policy of offering interest on deposits at a margin above the Bank of England's Minimum Lending Rate, and sometimes above the rates received by the company on its own cash deposits. This is seen as appropriate assistance to churches in a low interest rate environment. The company does not set financial targets because its success is not measured by increasing deposits, or loans, or churches in Trusteeship, but by whether it substantially meets the needs of the Baptist churches in membership of the Baptist Union of Great Britain. The Directors are satisfied that the Company has done so during the past year.

More detail is also provided in the Information appendices.

REPORT OF THE DIRECTORS (continued)

Reserves

One of the principal ways of meeting its charitable objective is for the Company to operate the Baptist Union Loan Fund. The Company needs to maximise the reserves available in order to be in a position to satisfy demand for loans for new buildings, for extensions and/or refurbishment of church premises, and for the purchase of church manses.

At the end of the year, the General Reserves amounted to £8,321,937 (2011 £7,868,327). The level of the current reserve is considered by the Directors to be adequate at the present time to meet likely demand for loans in 2013, and the demand for loans and availability of loans will continue to be reviewed by the Directors in 2013.

Investments

The Memorandum and Articles give the Company power to invest in such securities and on such terms as the Company may deem fit. The investment strategy is to increase the income in line with inflation while maintaining the long term purchasing power of the capital against inflation.

The Directors noted the company's investments had decreased in value over the year, and had not yet recovered the losses experienced back in 2008. The Directors have delegated the detailed monitoring of the portfolio to the Investments Committee of the Baptist Union of Great Britain. The investments are managed within ethical guidelines set down by the Council of the Baptist Union of Great Britain. Within the investment strategy, the investment managers have discretion over particular investments. Sarasin and Partners LLP continued as investment managers for the equity and property portfolio during the year and Royal London Asset Management Limited remained responsible for the bond portfolio.

The Investments Committee has set a benchmark for Sarasin based on 55% of the MSCI World 100% Hedged GBP Index, 5% of the FTSE Government Stocks Index, 35% of the UK IPD property index, and 5% of the LIBID 1 month cash return. The benchmark for Royal London based on 100% of the iBoxx Sterling non Gilt All Maturities Index.

The Sarasin portfolio increased by 8.6% compared with a benchmark of 8.0%. The Royal London portfolio increased by 16% compared with the benchmark of 13.1%. Details of the investments are set out in note 8 to the financial statements.

Plans for Future Periods

The Company intends to continue to respond to the needs of Baptist churches, and to offer guidance to them on legislative and other statutory developments affecting churches. In particular, it is anticipated that the threshold for charity registration with the Charity Commission will be reduced, probably to £50,000, and the Company will seek to assist many more churches through the process for registration. It is also anticipated that Charitable Incorporated Organisations will be available as a new legal structure for charities, and the Company is working on adapting these for Baptist churches.

Funds Held as Custodian Trustee on Behalf of Others

The Directors of the Company continued to act as custodian trustees for churches in which both property and cash deposits were held in this capacity.

A full list of the churches on whose behalf assets are held by the Company is provided annually in the Baptist Union of Great Britain Directory.

Arrangements are made for the safe custody of deeds and documents, with each set stored in a labelled packet, and included in an index system.

REPORT OF THE DIRECTORS (continued)

Trustees' Responsibilities

The trustees (who are directors of Baptist Union Corporation Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Wilkins Kennedy LLP have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



P M Putman – Secretary
20 February 2013

BAPTIST UNION CORPORATION LIMITED
(Company Number 00037423)

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012		2011	
		£	£	£	£
TANGIBLE FIXED ASSETS	6		471,881		310,560
CURRENT ASSETS					
Debtors	7	13,832,506		14,177,886	
Investments	8	3,561,131		3,310,638	
Cash at bank and in hand	9	16,204,424		16,500,710	
			<u>33,598,061</u>		<u>33,989,234</u>
Creditors:					
Amounts falling due within one year	10	<u>25,259,762</u>		<u>25,941,743</u>	
NET CURRENT ASSETS			<u>8,338,299</u>		<u>8,047,491</u>
NET ASSETS			<u>£8,810,180</u>		<u>£8,358,051</u>
GENERAL FUND	11		8,321,937		7,868,327
RESTRICTED FUND	12		<u>488,243</u>		<u>489,724</u>
			<u>£8,810,180</u>		<u>£8,358,051</u>

The financial statements set out on pages 7 to 15 were approved by the Board of Directors on 20 February 2013 and were signed on its behalf by:



M A BROAD

The notes on pages 11 to 15 form part of these financial statements.

BAPTIST UNION CORPORATION LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012		2011	
		£	£	£	£
Operating Income:					
Gift Aid Scheme	13		9,716		8,161
Expenses receivable on Trusts			64,052		29,284
Accommodation fees			3,508		3,692
Dividends and Interest receivable:					
Interest and Income from Investments		451,463		413,585	
Loans		545,944		476,079	
			<u>997,407</u>		<u>889,664</u>
			1,074,683		930,801
Charges:					
Interest payable on Loans:					
Trusts		103,631		107,492	
Depositors		124,935		116,973	
			<u>228,566</u>		<u>224,465</u>
Management charges		258,053		275,657	
Legal and professional expenses		39,770		45,888	
Auditors remuneration		23,515		23,130	
Printing, postage, office equipment & sundry expenses		23,468		20,834	
Trustees Indemnity Insurance		5,071		6,334	
Computer expenses		25,200		24,000	
Office facilities		44,400		44,400	
Investment management		3,560		12,256	
Ex-gratia payments to assist churches with payments of interest		130		165	
			<u>651,733</u>		<u>677,129</u>
			422,950		253,672
Less Baptist Home Mission Fund – Interest on Capital			<u>166,318</u>		<u>157,458</u>
			256,632		96,214
Donations and Legacies			6,528		165,742
Gain on currency exchange			0		8,106
Baptist Home Mission Fund re sales of churches			0		0
Surplus on ordinary activities for Financial Year			<u>263,160</u>		<u>270,062</u>
Allocated to Baptist Home Mission Fund			60,000		54,000
Retained Surplus for Year			<u>£203,160</u>		<u>£216,062</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Surplus on Income and Expenditure Account		203,160	216,062
Increase/(Decrease) in Market Value of Investments		248,969	(54,394)
Transfer to Reserves	11&12	<u>£452,129</u>	<u>£161,668</u>

There were no acquisitions or discontinued operations during either of the above two financial years.

The notes on pages 11 to 15 form part of these financial statements.

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Unrestricted £	Restricted £	Total 2012 £	Total 2011 £
Incoming Resources:					
Donations and Gifts		6,528	0	6,528	165,742
Investment Income		997,188	219	997,407	889,664
Other income		77,276	0	77,276	41,137
Gain on currency exchange		0	0	0	8,106
Total Incoming Resources		1,080,992	219	1,081,211	1,104,649
Resources Expended					
Cost of generating funds					
Interest payable		394,884	0	394,884	381,923
Investment Management		3,560	0	3,560	12,256
Direct Charitable Expenditure	14	425,267	1,700	426,967	438,139
Governance Costs	15	52,640	0	52,640	56,269
Total Resources Expended		878,351	1,700	878,051	888,587
Net Incoming Resources for the Year		204,641	(1,481)	203,160	216,062
Other recognised gains and losses					
Gains/(Losses) on Investments		248,969	0	248,969	(54,394)
Net incoming resources before transfers		453,610	(1,481)	452,129	161,668
Transfers between funds		0	0	0	0
Net movement in funds		453,610	(1,481)	452,129	161,668
Balance brought forward at 1 January		7,868,327	489,724	8,358,051	8,196,383
Balance carried forward at 31 December		£8,321,937	£488,243	£8,810,180	£8,358,051

The notes on pages 11 to 15 form part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012**RECONCILIATION OF OPERATING RESULT TO NET OPERATING CASH FLOWS**

	Note	2012		2011	
		£	£	£	£
Operating Result	17		429,478		427,520
Decrease/(increase) in accrued income and prepayments			136,497		(3,726)
Increase/(decrease) in accruals and deferred income			49,697		(75,212)
			<u>615,672</u>		<u>348,582</u>
Net decrease/(increase) in loans and advances to manses and churches		208,883		(2,462,348)	
Net (decrease) in deposits by individuals, churches and Baptist Organisations		(731,678)		(2,813,604)	
			<u>(522,795)</u>		<u>(5,275,952)</u>
Net cash (outflow)/inflow from operating activities			<u>£92,877</u>		<u>£(4,927,370)</u>

CASH FLOW STATEMENT

	2012		2011	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		92,877		(4,927,370)
Returns on investment and servicing of finance				
Baptist Home Mission Fund		(226,318)		(211,458)
Capital expenditure and financial investment:				
Purchase of tangible fixed assets	(161,321)		0	
Sale of tangible fixed assets	0		0	
Net movement on sales of investment securities	(1,524)		(5,705)	
		<u>(162,845)</u>		<u>(5,705)</u>
		<u>(296,286)</u>		<u>(5,144,533)</u>
Management of liquid reserves:				
Net movement on term deposits		0		0
(Decrease) in cash		<u>£(296,286)</u>		<u>£(5,144,533)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH (Note 16)

	2012		2011	
		£		£
(Decrease) in cash in the year		(296,286)		(5,144,533)
Cash used to increase liquid resources		0		0
Change in net cash		<u>(296,286)</u>		<u>(5,144,533)</u>
Net cash at 1 January		<u>16,500,710</u>		<u>21,645,243</u>
Net cash at 31 December		<u>£16,204,424</u>		<u>£16,500,710</u>

The notes on pages 11 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1 STATUS OF COMPANY

The Company is incorporated pursuant to Section 19(1) of the Companies Act 1948 and is limited by Guarantee and does not therefore have a Share Capital. The maximum liability of each member is £1.

The Company is also a registered charity.

2 ASSETS HELD AS CUSTODIAN TRUSTEE

These financial statements do not include any assets held by the Company as Custodian Trustee with the exception of assets held on the Miscellaneous Trusts Account and Covenant Trusts Account and shown in note 10.

3 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in the Company's financial statements and in accordance with applicable accounting standards.

(a) Basis of Accounting:

The financial statements have been prepared in accordance with the Companies Act 2006 and the Statement of Recommended Practice, 'Accounting and Reporting by Charities' (SORP 2005) issued in March 2005 and under the historical cost convention, except for investments which are shown at market value. They incorporate the results of the principal activity which is described in the directors' report and which is continuing. In order to ensure that the financial statements, and in particular the income and expenditure account, show a true and fair view, the precise format of the financial statements as prescribed by the Companies Act 2006 has not been adopted.

(b) Depreciation:

Tangible Assets:

Office equipment is written off in the year of purchase.

No depreciation is provided on tangible fixed assets (freehold properties) as required under Financial Reporting Standard 15, as in the opinion of the Board, the lives of the properties are so long and their residual value so high based on prices at the time of acquisition that the annual depreciation charge and accumulated depreciation is not material.

Annual impairment reviews are undertaken by the Board at each balance sheet date. This review involves assessing current property market conditions and their impact on the estimated market values of the Company's properties. Any material deficit between the anticipated recoverable amount of the property and its cost is recognised in the Statement of Financial Activities.

(c) Incoming resources

Interest receivable has been included in the Statement of Financial Activities on an accruals basis.

Donations are included in the Statement of Financial Activities during the period in which they are received.

Legacies are included at the earlier of the estate account being finalised and cash received.

(d) Resources expended

All resources expended have been included on an accruals basis.

Governance Costs are the costs associated with the governance arrangements of the charity.

General Support Costs are borne by the Baptist Union of Great Britain.

(e) Investments are shown at Market Value and any surplus or deficit arising is included in the Income and Expenditure Account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)**3 ACCOUNTING POLICIES (continued)****(f) Fund accounting****Unrestricted funds**

General unrestricted funds represent funds which are expendable at the discretion of the Directors in the furtherance of the objects of the company. Such funds may be held in order to finance both working and capital investment.

Restricted fund

The Restricted fund represents a legacy received which is allocated by the donor for specific purposes.

4 DIRECTORS' EMOLUMENTS

No director received any emoluments from the Company during the year (2011 £nil). There are no direct employees of the Company. Expenses for travel and subsistence were paid to the twenty (2011 twenty) directors amounting to £3,197 (2011 £3,844).

5 TAXATION

The charitable company is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part II Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

6 TANGIBLE FIXED ASSETS: At Cost

	2012	2011
	£	£
Freehold Properties:		
1 January	310,560	310,560
Additions	161,321	0
31 December	<u>£471,881</u>	<u>£310,560</u>

The freehold properties are used for direct charitable purposes and are for the housing of retired Baptist ministers, missionaries and widows (see note 12).

7 DEBTORS – Due within one year

	2012	2011
	£	£
Loans:		
Loan Fund:		
Manses	3,688,549	3,141,788
Churches	9,965,175	10,720,819
Debtors:		
Miscellaneous Trusts Account:		
Secured Advances to Churches	47,859	135,845
Interest due but unpaid	95,509	177,198
General Account: Other Debtors	1,458	2,236
Covenant Trust Account: Other Debtors	33,956	0
	<u>£13,832,506</u>	<u>£14,177,886</u>

Loans totalling £1,864,135 (2011 £3,228,617) have been approved but not taken up as at 31 December 2012.

The outstanding loans of £13,653,724 include £1,911,161 due to be repaid within 12 months, a further £1,761,781 due within 2 years, £4,449,961 due between three and five years, and £5,530,821 due in more than five years.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

8 INVESTMENTS: At Market Value

	Quoted at Market Value	Cash with Managers	Total 2012 £
1 January	3,240,136	70,502	3,310,638
Additions	0	0	0
Disposals	0	1,524	1,524
Realised and unrealised gains	248,969	0	248,969
31 December	<u>£3,489,105</u>	<u>£72,026</u>	<u>£3,561,131</u>

Of the above investments, £1,506,876 are managed by Sarasin and Partners LLP (2011 £1,427,859), and £1,923,845 (2011 £1,756,684) are managed by Royal London Asset Management Limited.

	2012 £	2011 £
Historical Cost	<u>£3,500,815</u>	<u>£3,500,815</u>

The following investments exceed 5% of the total portfolio during 2012:

Security	Class	Holding	2012 £	2011 £
Royal London Ethical Bond Fund	B Units	1,860,585	1,923,845	1,756,684
Sarasin Equisar – Socially Responsible (Sterling Hedged B Inc Units)		933,616	925,774	822,329
Charities Property Fund	Units	197,893	187,622	191,689

9 CASH AT BANK AND IN HAND

	2012 £	2011 £
Current Accounts (Interest bearing):		
Covenant Trusts Account	16,379	18,629
Miscellaneous Trusts Account	14,014,755	12,807,694
General Account	2,173,290	3,674,387
	<u>£16,204,424</u>	<u>£16,500,710</u>

10 CREDITORS: Due within one year

	2012 £	2011 £
Miscellaneous Trusts Account (secured by way of deeds of trust)	<u>12,059,015</u>	<u>12,729,538</u>
Covenant Trusts Account:		
Other Creditors	40,619	10,468
Loan Fund:		
Deposits:		
Individuals	65,383	75,383
Churches and other Baptist Organisations	11,254,422	11,763,726
Baptist Union of Great Britain	1,695,359	1,237,210
General Account:		
Other Creditors	144,964	125,418
	<u>£25,259,762</u>	<u>£25,941,743</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

11 GENERAL FUND

	BUGB HMF	BUC Ltd	2012 Total	2011 Total
			£	£
Balance as at 1 January	5,497,856	2,370,471	7,868,327	7,872,377
Surplus/(deficit) for the year	241,094	212,516	453,610	(4,050)
Balance as at 31 December	<u>£5,738,950</u>	<u>£2,582,987</u>	<u>£8,321,937</u>	<u>£7,868,327</u>

The capital introduced by the Baptist Union of Great Britain Home Mission Fund (BUGB HMF) is unrestricted. The Baptist Union Corporation (BUC Ltd) pays interest on this sum.

12 RESTRICTED FUND

	2012	2011
	£	£
Balance as at 1 January	489,724	324,006
(Deficit)/surplus for the Year	(1,481)	165,718
Balance as at 31 December	<u>£488,243</u>	<u>£489,724</u>

The funds are available for housing of retired Baptist ministers, missionaries and their widows. Three freehold properties are held and administered by the Retired Baptist Ministers Housing Society with the balance of funds being held in cash.

13 COVENANT AND GIFT AID SCHEME

	2012	2011
	£	£
Contributions for disbursement	804,585	747,502
Income Tax recovered	204,494	207,520
	<u>1,009,079</u>	<u>955,022</u>
Less:		
Received by various Baptist and other Charities	999,363	946,861
	<u>£9,716</u>	<u>£8,161</u>

14 DIRECT CHARITABLE EXPENDITURE

	2012	2011
	£	£
General legal and financial assistance	333,002	353,108
Operating Baptist Union Loan Fund	27,131	25,948
Operating Gift Aid Scheme	5,134	5,083
Supporting the Baptist Union Home Mission Fund	60,000	54,000
	<u>£425,267</u>	<u>£438,139</u>

15 GOVERNANCE COSTS

	2012	2011
	£	£
Legal Fees	7,954	9,178
Audit	23,515	23,130
Trustees Indemnity Insurance	5,071	6,334
Trustees expenses	3,197	3,844
Management expenses	12,903	13,783
	<u>£52,640</u>	<u>£56,269</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (continued)

16 RECONCILIATION OF MOVEMENTS IN RESERVES

	2012	2011
	£	£
Surplus for the year	512,129	215,668
Allocation to Baptist Home Mission Fund	<u>(60,000)</u>	<u>(54,000)</u>
	452,129	161,668
Reserves as at 1 January	<u>8,358,051</u>	<u>8,196,383</u>
Reserves as at 31 December	<u>£8,810,180</u>	<u>£8,358,051</u>

17 RECONCILIATION OF SURPLUS ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR TO OPERATING RESULT

	2012	2011
	£	£
Surplus on ordinary activities for the financial year	263,160	270,062
Add:		
Baptist Home Mission Fund – Interest on capital	<u>166,318</u>	<u>157,458</u>
	<u>£429,478</u>	<u>£427,520</u>

18 ANALYSIS OF THE BALANCE OF CASH AS SHOWN IN THE BALANCE SHEET

	1 Jan 2011	Cash Flow	31 Dec 2011
	£	£	£
Cash and Bank Balances	<u>£17,982,081</u>	<u>£(296,286)</u>	<u>£16,204,424</u>

19 RELATED PARTY TRANSACTIONS

The Company was controlled throughout the year ended 31 December 2012 by its Directors.

The members of the Council of the Baptist Union of Great Britain were the members of the company and the Council has control of the Baptist Home Mission Fund which is therefore a related party of the company.

- a) During the year ended 31 December 2012 the company:
 - i) incurred management charges and office and ancillary costs totalling £351,121 (2011 £364,891) from the Baptist Home Mission Fund.
 - ii) incurred interest of £166,318 (2011 £157,458) on Capital advanced by the Baptist Home Mission Fund.
 - iii) allocated £60,000 (2011 £54,000) of its surplus for the year to the Baptist Home Mission Fund.
- b) At 31 December 2012 the company owed the Baptist Home Mission Fund £2,415 (2011 £1,892) in connection with these transactions.

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE BAPTIST UNION CORPORATION LIMITED

We have audited the financial statements of Baptist Union Corporation Limited for the year ended 31 December 2012 which comprise the Income and Expenditure Account, the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



R Haslam (Senior Statutory Auditor)

For and on behalf of **Wilkins Kennedy LLP, Statutory Auditor and Chartered Accountants**

Date: 20 FEBRUARY 2013

Bridge House
London Bridge
London SE1 9QR