

BAPTIST UNION CORPORATION LTD



FINANCIAL STATEMENTS 2017

BAPTIST UNION CORPORATION LTD

YEAR ENDED 31 DECEMBER 2017

INTRODUCTION

The Directors of the Baptist Union Corporation Ltd present their Annual Report together with the audited financial statements for the year ended 31 December 2017 which comply with the Companies Act 2006, Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015).

The Annual Report and Consolidated Financial Statements are structured as follows:

Section	Description	Page Reference
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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 1 – OUR OBJECTIVES AND ACTIVITIES

Our Objectives

The principal object of the Company is the advancement of Christian Faith and its Practice, especially by the means of 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 Company's principle activities are to act as custodian/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 charitable 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.

Public Benefit

Having regard to the guidance published by the Charity Commission (PB2), the Charity Trustees continued to provide public benefit by seeking to advance the Christian Faith and Practice in accordance with the principles of the Baptist Denomination.

Throughout 2017 the Corporation continued to support its member churches, Regional Associations and Colleges in a wide range of activities including:

- Loans made to churches to develop strategic mission and ministry where funds are not available locally, in particular finance for new buildings, for extensions and/or refurbishment of church premises as well as the sale and purchase of church manses.
- Offered loan advances for pension deficit
- Help churches maintain their income with a range of interest bearing deposits
- Assist churches with a wide range of services, including legal and general advice, Gift Aid service and acting as custodian trustees.

Our Strategies to achieve success

The Charitable Company operates in line with its agreed 5-year strategic plan covering 2017 – 2022 which covers the core areas of its work setting objectives, measurable goals and assessing achievements year on year against these.

The directors and staff of the company have developed church satisfaction surveys to evaluate the quality and effectiveness of the work undertaken.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 2 – STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Charitable Company is governed by its Memorandum and Articles of Association dated 14th November 1890, as amended by Special Resolutions dated 14th April 1950, 12th March 1963, 22nd November 2001, 15th March 2005, 20th March 2006, 3rd May 2013, 24th June 2014, and 30th June 2016.

Recruitment and Training of Directors

The charitable company is run by a Board of Directors who act as directors of the charitable company, and who met three times in 2017.

The Board of Directors consists of:

- Up to two senior staff chosen by the Baptist Union of Great Britain, and the 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.

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 charitable company's principal activities and processes. Updates on current legal issues are regularly provided to the Directors.

The day to day running of the charitable company is overseen by the Company Secretary, the Manager and Deputy Manager.

For the purposes of good governance, the Memorandum and Articles of Association of the charitable company were amended by a Special Resolution of the members to provide term limits for the Directors. Directors may be appointed for a maximum of three terms of three years.

The Directors also completed a Skills Survey to identify the specific contribution they could bring to the Board and to enable the charitable company to identify areas where the experience of the Board could be strengthened and recruit to the Board accordingly.

Directors' interests

No Director had any beneficial interest in the charitable company or in any contract or arrangement of a material nature with the charitable company during the year under review, although one church (2016: one) and one Association (2016: 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 12 Directors (2016: nineteen) amounting to £1,976 (2016: £3,343).

Related Parties

The members of the charitable company are the members of the Trustee Board of the Baptist Union of Great Britain following a change to previous arrangements in May 2013. The Home Mission Fund is the principal working fund of that Union. The Home Mission Fund provides staff, offices and ancillary support to the charitable company, as well as substantial capital. Details of these costs and interest paid are set out in note 20 of these financial statements.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 2 – STRUCTURE, GOVERNANCE AND MANAGEMENT

Key management personnel remuneration

Key management personnel are considered to be:

- The Board of Directors for the charitable company – as detailed below under the section “Who we are”
- Support Services Team Leader and Company Secretary Mr Richard Wilson
- Baptist Union Corporation Ltd Manager Mrs Caroline Sanderson
- Baptist Union Corporation Ltd Deputy Manager Mr Steve Wing
- Baptist Union Corporation Ltd Finance Officer Lord Ian Wakeham

All staff of the charitable company are employed by the Baptist Union of Great Britain and the arrangements for setting the pay and remuneration is the responsibility of the Trustee Board of the Baptist Union. There is a management fee in place whereby the charitable company reimburses staff costs to BUGB in proportion to the work done on behalf of the charitable company and the Union.

Risk Management

The charitable company maintains a Risk Management Matrix which is reviewed annually by the key management personnel as a means of identifying the risks, financial and non-financial that might affect the work and reputation of the charitable company. The aim is to establish and operate appropriate and adequate controls.

The key risks identified in the previous review were:

- Implication of the exit of the UK from the EU
- Reputation impact of event, fraud, accident, media coverage and safeguarding offences etc requiring a Serious Incident Report to the Charity Commission
- Breach of Regulations e.g. Data Protection Act, GDPR, Banking and Money Laundering
- Total loss of Church Title/Foundation Deeds
- A fall in loan applications e.g. resulting from a decline in the denomination
- Inadequate Disaster Recovery Planning including backing up of Data

These risks are managed through maintaining awareness of emerging legislation and practice, taking legal advice where necessary, reshaping our business model where appropriate to respond to any change in the law, staff training and awareness, insurance, maintaining and improving systems to ensure appropriate management of funds, promotion of the loan fund and regular reporting to Directors with appropriate policies in place.

A training session on GDPR for the Baptist Union of Great Britain staff, including staff of the charitable company, was undertaken in June 2017 and conducted by Anthony Collins Solicitors LLP. A review of Data Protection issues and GDPR Compliance is underway.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 2 – STRUCTURE, GOVERNANCE AND MANAGEMENT

Funds and Property Held as Custodian Trustee on Behalf of Others

The charity holds financial assets as Custodian Trustee for 75 Baptist churches all of which have the same objects as the company for the advancement of the Christian faith and its practice especially by the means of and in accordance with the principles of the Baptist Denomination.

Type of Assets Held	£'000	Organisations
Cash Deposits	417	14
Income Units	1,113	22
National Savings Income Bonds	158	13
UK Equities	781	26
Total	2,469	75

The company acts solely as an Agent and carries no decision-making capacity.

The Charity acts as property trustees for 1346 churches and charity organisations. 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. For all financial accounts a separate account is kept for each beneficial owner and a spreadsheet is maintained of the beneficial owner of each account. A 3-year project to digitalise key church property deeds is currently underway.

The names of the churches and other charities for whom the Company acts as a Custodian Trustee are available at <https://baptist.org.uk/Publisher/File.aspx?ID=204990>. The organisations are all Baptist organisations and therefore have objects that are compatible with the charitable objects of the Company.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 3 – ACHIEVEMENTS AND PERFORMANCE

The charitable company continued to offer legal and practical information on trusteeship, property and other issues, provide churches with access to funding and offer deposit facilities.

During the year the charitable company undertook trust work on an agency basis on behalf of the Yorkshire Baptist Association and East Midland Baptist Trust Company. It also supported the North Western Baptist Association in some of their trust work.

The Company made available £4.09m in loans to nineteen churches of which £734k was lent in connection with manses and £540k with paying off pension deficits. All qualifying applications were met as required. The total loans outstanding decreased slightly from £14.79m to £14.45m.

The Gift Aid Scheme continued to act on behalf of the churches and £117k tax was reclaimed.

The charitable company assisted many churches to buy, sell, let or alter their property. In 2017 property transactions totalling over £7.8m were completed.

The directors were able to make from the charitable company's surplus a donation of £233k to the Baptist Home Mission Fund.

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

2 members of staff of the charitable company received Practising Certificates from the Solicitors Regulation Authority in 2017 to undertake reserved activity legal work on behalf of the company.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 4 – PLANS FOR FUTURE PERIODS

The charitable company (BUC) 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.

Charitable Incorporated Organisations are available as an alternative legal structure for charities. BUC created and has made available free of charge under Licence to churches a Baptist precedent document that is recognised as an Approved Governing Document by the Charity Commission. Training days for churches to explain the CIO structure will continue to be offered by BUC over the year ahead.

Further Church Property Redevelopment training will be provided during 2018.

As part of a risk assessment, the BUC has continued to work on a project to scan the church trust deeds being held by the BUC on behalf of local churches. The Company will during 2018 take over trusteeship and support for 70 churches involving 106 properties that were previously in trusteeship with the North West Baptist Association

A review of the Solicitors who are authorised to act for the company will be carried out in 2018.

GDPR training including a webinar for member churches of the Baptist Union of Great Britain and a Data Protection policy for church to use will be provided.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 5 – FINANCIAL REVIEW

Overall 2017 was a year of good progress for the Charitable Company and the Directors were pleased that it was able to significantly contribute funds to the Baptist family with a one-off return of capital to Baptist Union of Great Britain (BUGB) of £5,173,822 and a transfer of surplus of £233,868.

Key financial events

A key event in the year was the review of Capital and Liquidity requirements in relation to the Loans and Deposits that the Company Operated. This review compared the position of the Charitable Company against the capital and liquidity requirements placed on regulated banks by the Bank of England (although the Company is not regulated in this way). This review concluded that the Charitable Company was holding significant excess reserves beyond what was required. As a result, the Directors resolved in March 2017 to transfer the entire investment portfolio of BUC and £800,000 in cash to BUGB as a repayment of capital on 31st March 2017. This transfer had an impact upon the finances of the Company as income on quoted investments reduced (down from £127,272 in 2016 to £39,995 in 2017), but this was offset by significant reductions in the interest payable on capital to BUGB (down from £136,266 in 2016 to £49,198 in 2017) and investment management fees (down from £27,660 in 2016 to £5,738 in 2017).

The removal of investments from the balance sheet of the Charitable Company simplifies its operations and risk profile and consequent need for capital to cover that risk. Going forward the Company will continue to apply the new Capital and Liquidity monitoring recommended in the review. The repayment of capital to BUGB provides BUGB with additional funds with which to support its member churches

A second key development in 2017 was the relaunch of the deposit scheme on 1st April 2017 with enhanced rates for 3-month notice accounts and 1-year fixed term deposits. The improved interest rates offered have drawn significant new deposits into the Company, increasing overall deposit base to £42.3m (2016: £29.6m), an increase of 43%. This gives the Company a significant increase in its ability to offer loans to churches and other Baptist organisations in support of their work. It also means that depositor Baptist organisations are receiving very competitive rates of interest income on their accounts.

Review of Financial Results

Overall, income fell to £802,625 from £968,662 in 2016, a fall of £166,037. This was primarily due to reduced income from quoted investments (down by £87,277) and a fall in fee income (down by £40,711) due to changes in the mix of activity required by churches and reduced interest income on deposits with other financial institutions (down by £24,868) due to interest rates.

Overall expenditure prior to grant to BUGB fell to £697,565 from £848,662 in 2016 a fall of £151,097. As described above, interest paid to BUGB on capital fell by £87,067 and Investment Management costs fell by £13,656 due to the repayment of capital in March 2017. Operating costs also fell by £27,117. These were offset by an increase in Interest paid to depositors of £19,742.

The grant to BUGB increased to £233,868 from 120,000 an increase of £113,868. This was due to a policy of transferring all surplus to BUGB agreed by the Directors in the year, meaning that overall the Company showed a nil net income prior to the repayment of capital to BUGB, down from £438,551 in 2016.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 5 – FINANCIAL REVIEW

Policy on Reserves

One of the principal ways of meeting its charitable objective is for the charitable company to operate the Baptist Union Loan Fund. The charitable company needs to ensure it has sufficient capital available in the form of reserves in order to be in a position absorb bad debts on loans without damaging its ability to repay depositors.

At the end of the year, the General Reserves amounted to £4,263,990 (2016: £9,437,812). This compares to an estimate of required reserves of £3,032,000 (see analysis below). 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 2018, and the demand for loans and availability of loans will continue to be reviewed by the directors in 2018.

Estimate of Required Reserves

Area	£'000	Basis for reserves
6 months' operating expenses	241	<i>Based on budgeted operating expenditure</i>
Winding up costs	100	<i>Redundancy costs plus other</i>
Deposit risk	1,188	<i>11% of risk-weighted deposits with financial institutions</i>
Lending Risk	1,503	<i>11% of risk-weighted loans</i>
Estimated Reserves Requirement	3,032	
Actual Reserves Available	4,264	

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2017

SECTION 5 – WHO WE ARE

The Baptist Union Corporation Ltd

Registered and Principal Office Baptist House, 129 Broadway, Didcot, OX11 8RT

Directors

Moderator and Director Mr T S Lees (to 7 March 2017)
Mrs K Martindale (from 7 March 2017)

Ex-officio Rev S Keyworth (to 7 March 2017) Team Leader Faith & Society
Mr J Levick Treasurer
Mrs C Sanderson (to 7 March 2017) Manager
Mr R Wilson (from 4 January 2017) Team Leader Support Services

Appointed by Associations Rev S Copson (to 10 October 2017) Central Baptist Association
Mr R English West of England Baptist Association
Mr E Greenwood Southern Counties Baptist Association
Mr J Holmes Eastern Baptist Association
Mr P Lancaster Yorkshire Baptist Association
Mr K Lawson South West Baptist Association
Rev J Lennox (from 7 March 2017) Northern Baptist Association
Rev C Lewis South Wales Baptist Association
Rev D Maclean (from 22 Sept 2017) Heart of England Baptist Association
Rev R Merrin (to 7 March 2017) Northern Baptist Association
Mr O Obidipe (from 7 March 2017) London Baptist Association
Mr S Salmen East Midlands Baptist Association
Mr M Southcombe (from 1 Feb 2017) South Eastern Baptist Association
Mr S Welch (to 10 Oct 2017) North West Baptist Association

Co-opted Mr D Leverett (to 7 March 2017)
Mrs K Martindale (to 7 March 2017, then became Moderator)
Mr S Welch (from 10 Oct 2017)

Key Management Personnel

Secretary Mrs C Sanderson (to 7 March 2017)
Mr R Wilson (from 7 March 2017)

Manager Mrs C Sanderson
Deputy Manager Mr S Wing
Finance Officer Lord I D Wakeham

Company Number 00032743

Charity Registration No 249635

Auditor Kingston Smith LLP, Devonshire House, 60 Goswell Road, London, EC1M 7AD

Bankers HSBC, 186 Broadway, Didcot, OX11 8RP

Solicitors Anthony Collins Solicitors LLP, 134 Edmund Street, Birmingham, B2 2EF

Surveyors Rapleys, 51 Great Marlborough Street, London, W1F 7JT

DIRECTORS' REPSONSIBILITIES

The Directors of the Baptist Union Corporation Limited are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales/Northern Ireland requires the Directors as Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Directors as Trustees are required to:

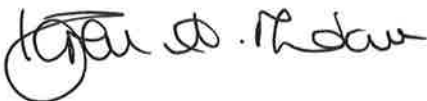
- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP 2015 (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material 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 charity will continue in operation.

The Directors as Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors as Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware;
- The Directors as 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.

On behalf of the board



Mrs Karen Martindale

Moderator

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BAPTIST UNION CORPORATION LTD

Opinion

We have audited the financial statements of The Baptist Union Corporation Limited ('the company') for the year ended 31 December 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2017 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.

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BAPTIST UNION CORPORATION LTD

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the Directors.

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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees' Annual Report and from preparing a Strategic Report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 11, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

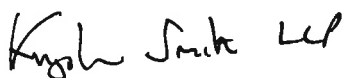
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BAPTIST UNION CORPORATION LTD

from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



Andrew Stickland (Senior Statutory Auditor)

for and on behalf of Kingston Smith LLP, Statutory Auditor

28 March 2018

Devonshire House
60 Goswell Road
London
EC1M 7AD

STATEMENT OF FINANCIAL ACTIVITIES YEAR (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2017

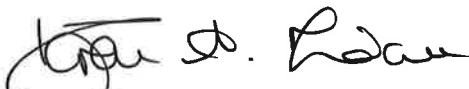
		Unrestricted Funds	Restricted Funds	Total 2017	Total 2016 2016
	Note s	£	£	£	£
Income					
Donations and legacies	2	186		186	4,970
Charitable activities	3	587,134		587,134	631,770
Investment income	4	215,305		215,305	331,922
Other income	5				
Total Income		802,625		802,625	968,662
Expenditure					
Raising funds	6	5,738		5,738	27,660
Charitable activities	7	925,695		925,695	906,270
Other expenditure	8	-		-	9,482
Total Expenditure	9	931,433		931,433	943,412
Net income before gains/(losses) on investment and fixed asset sales		(128,808)		(128,808)	25,250
Net gains/(losses) on investments	12	128,808		128,808	413,301
Transfer to Baptist Union of GB	21	(5,173,822)		(5,173,822)	-
Net income before transfers		(5,173,822)		(5,173,822)	438,551
Transfers between funds		-		-	-
Net income before other recognised losses		(5,173,822)		(5,173,822)	438,551
Net movement in funds		(5,173,822)		(5,173,822)	438,551
RECONCILIATION OF FUNDS					
Total funds brought forward		9,437,812	455,513	9,893,325	9,454,774
Total funds Carried forward		4,263,990	455,513	4,719,503	9,893,325

BAPTIST UNION CORPORATION LTD

BALANCE SHEET AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	11	313,498	313,498
Investments	12	-	4,227,456
		313,498	4,540,954
Current assets			
Debtors	13	14,745,190	14,980,219
Cash and Bank	14	35,233,006	22,179,934
		49,976,196	37,160,153
Current liabilities			
Creditors:			
Amounts falling due within one year	15	45,572,191	31,870,782
Net current assets		4,404,005	5,352,371
Total assets less current liabilities		4,719,503	9,893,325
Net assets		4,719,503	9,893,325
FUNDS OF THE CHARITY			
Restricted income funds	16	455,513	455,513
Unrestricted income funds		4,263,990	9,437,812
Total funds		4,719,503	9,893,325

The financial statements were approved by the Trustees on 13th March 2018 and signed on their behalf by


 Karen Martindale

Moderator

The notes on pages 18 to 26 form an integral part of these financial statements

BAPTIST UNION CORPORATION LTD**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017**

	Notes	2017	2016
		£	£
Net cash provided by operating activities	18	7,974,392	188,589
Cash flows from investing activities			
Dividends and interest from investments		722,416	842,958
Proceeds from sale of property		-	162,518
Purchase of tangible fixed assets		-	(152,177)
Proceeds from sale of investments		4,356,264	1,572,860
Purchase of investments		-	(1,551,746)
Net cash used in investing activities		5,078,680	874,413
Changes in cash and cash equivalents in the year		13,053,072	1,063,002
Cash and cash equivalents brought forward		22,179,934	21,116,932
Cash and cash equivalents carried forward	19	35,233,006	22,179,934

The notes on pages 18 to 26 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of Accounting

The financial statements have been prepared in accordance with the Charities Statement of Recommended Practice (Charities SORP (FRS 102)), Financial Reporting Standard 102 and the Charities Act 2011, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Baptist Union Corporation Limited is a registered charity, no. 249635, and meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

(b) Preparation of the financial statements on a going concern basis

The Trustees consider that there are sufficient reserves held at year end to manage any foreseeable downturn in the economy in the UK. The Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. The charitable company has therefore continued to adopt the going concern basis in preparing its financial statements.

(c) Funds Accounting

Unrestricted Funds: General unrestricted funds represent funds which are expendable at the discretion of the Corporation in the furtherance of the objects of the charity and which have not been designated for other purposes.

Restricted Funds: These represent amounts which have been restricted by the donors for use for specific purposes as set out in note 16.

(d) Income

Income is recognised in the Statement of Financial Activities when the charitable company has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that income will be received and the amount can be measured reliably.

- Donations are accounted for gross when received.
- Legacies are accounted for at the earlier of the Estate accounts being finalised and notified, and cash received.
- Interest receivable from loans is accounted for on an accruals basis.
- Expenses received on trusts are included during the period in which they are received.
- The gift aid scheme is administered as agent on behalf of churches and other Baptist organisations, and the charity's fee is recognised on receipt.
- Investment income is accounted for when received or on an accruals basis where the amount can be measured reliably.

(e) Expenditure

Expenditure is recognised in the Statement of Financial Activities once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

- Costs of raising funds represents investment management fees.
- Charitable activities represent expenditure in the furtherance of the object of the Corporation, and includes interest payable on deposits, supporting the Baptist Home Mission Fund, interest

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

- payable to the Baptist Union of Great Britain, management charges payable to Baptist Union of Great Britain and general support costs
- Support costs represent governance, central finance and computer facilities, together with an appropriate allowance for salaries and other office costs.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(f) Tangible fixed assets

Depreciation is calculated to write off the cost of assets on a straight-line basis over their expected useful life, at the following rates:

Land	Not depreciated
Freehold Buildings	Not depreciated
Furniture and fittings	10% and 20%
Computers and equipment	25% and 33%
Software project	20%

Annual reviews are undertaken by the Trustees at each balance sheet date to assess whether there is an indication of impairment. These reviews involve 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 freehold property and its cost is recognised in the statement of financial activities

(g) Fixed asset investments

Quoted investments are held for their income generation and investment potential and are valued at market value at the reporting date. Any surplus or deficit arising is included in the Statement of Financial Activities.

(h) Debtors

Accrued income is recognised in the period to which it relates.

Loans are considered concessionary loans made as they are made by the charitable company to further its purposes. Loans are initially measured at the amount paid, with the carrying amount adjusted subsequently to reflect repayments and any interest receivable. Where any loan made is considered to be irrecoverable an impairment loss is recognised.

Prepayments and other debtors are recognised at the settlement amount due.

Debtors are measured at their recoverable amount.

(i) Cash at bank and in hand

Cash at bank and in hand includes notice deposits and short-term deposits.

(j) Creditors

Creditors are recognised where the charitable company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Accruals and other creditors are recognised at their settlement amount due.

Trust accounts and loan fund deposits are recognised where held at the amount received and the carrying amount is adjusted to reflect any interest payable.

Loans are considered concessionary loans received as they are made to the charitable company to further its purposes and any interest charged is below the prevailing market rates.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(k) Financial instruments

The Charitable company only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

(l) Assets held as custodian trustee

These financial statements do not include any assets held by the Charity as Custodian Trustee with the exception of assets held on Miscellaneous Trust Accounts and Covenant Trust Accounts shown below.

	2017	2016
	£	£
Miscellaneous Trust Account Assets	14,163,257	15,193,426
Covenant Trust Account Assets	2,464	12,765
Miscellaneous Trust Account Creditors	(14,163,257)	(15,193,426)
Covenant Trust Account Creditors	(2,464)	(12,765)
Total	-	-

(m) Taxation

The charitable company is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meet 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.

(n) Legal status of the charitable company

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding-up is limited to £0.25p

(o) Judgement and Key Sources of Estimations Uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

They key estimates in the process of applying the accounting policies are

- The useful life of assets, which are estimated in line with the depreciation policies as described in policy f
- The recoverability of loans. As at the balance sheet date, no provisions for unrecoverable loans were required in the opinion of the directors.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

2. DONATIONS AND LEGACIES

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Donations	186		186	1,934
Legacies	-		-	3,036
	186		186	4,970

3. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Interest receivable from loans	507,111		507,111	511,036
Expenses receivable on trusts	71,152		71,152	102,547
Fee for operating gift aid scheme	5,551		5,551	7,501
Accommodation fees	3,320		3,320	10,686
	587,134		587,134	631,770

4. INVESTMENT INCOME

	Total 2017 £	Total 2016 £
<u>Quoted Investments:</u>		
UK listed Bonds	21,890	39,021
UK listed Equities	5,686	21,315
Overseas listed	6,516	36,185
Overseas listed Bonds	-	5,738
UK Property Unit	5,903	25,013
<u>Other:</u>		
Interest on Cash	174,381	199,249
Other	929	5,401
	215,305	331,922

5. RAISING FUNDS

	Total 2017 £	Total 2016 £
Investment management expenses	5,738	27,660
	5,738	27,660

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

6. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Interest Paid on				
To Trusts	54,697	-	54,697	72,153
To Depositors	118,793	-	118,793	81,595
	173,490	-	173,490	153,748
Supporting the Baptist Home Mission Fund	233,868		233,868	120,000
Support Costs (note 7)	518,337	-	518,337	632,522
	925,695	-	925,695	906,270

7. SUPPORT COSTS

	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Costs				
Other support costs	38,412	-	38,412	34,223
Interest paid to Baptist Home Mission	49,198	-	49,198	136,266
Management charges	270,364	-	270,364	289,944
Office facilities	49,500	-	49,500	49,500
Computer expenses	31,087	-	31,087	31,000
	438,561	-	438,561	540,933
Governance Costs				
Auditors; (note 9)	14,922	-	14,922	41,355
Legal & Professional	57,438	-	57,438	46,949
Trustee Insurance	7,416	-	7,416	3,285
Total Governance	79,775	-	79,775	91,589
Total Support Costs	518,337	-	518,337	632,522

8. OTHER EXPENDITURE

	Total 2017 £	Total 2016 £
Loss on sale of tangible fixed assets	-	9,482

9. NET INCOME FOR THE YEAR

	2017 £	2016 £
This is stated after		
Depreciation	-	-
Auditors' remuneration:		
Audit work	20,400	34,800
Non-audit work	-	-
Non-audit work – (over)/under accrual in respect of prior year	(5,478)	6,555
Profit on sale of fixed assets	-	-
Loss on sale of fixed assets	-	9,482

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

10. EMPLOYEES AND, DIRECTORS

No director received any emoluments from the charitable company during the year (2016: £nil).

There are no direct employees of the Charitable Company.

Expenses were paid to the 12 directors (2016: nineteen) as trustees amounting to £1,976 (2016: £3,343).

11. TANGIBLE FIXED ASSETS

	Freehold Properties £	Total £
Cost		
1 January 2016	313,498	313,498
Additions		
Disposals		
31 December 2017	313,498	313,498
Depreciation		
1 January 2017	-	-
Charge for the year	-	-
31 December 2017	-	-
Net Book Value		
31 December 2017	313,498	313,498
31 December 2016	313,498	313,498

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

No depreciation is provided on freehold properties owned by the Company for the furtherance of its objects as it is not considered to be material.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

12. FIXED ASSET INVESTMENTS

	Quoted at market value £	Cash with Manager £	Total 2017 £	Total 2016 £
Balance at 1 January	4,103,860	123,596	4,227,456	3,835,269
Additions				1,551,746
Disposals	(4,232,668)	(123,596)	(4,356,26)	(1,572,860)
Realised and unrealised Impairment	128,808		128,808	413,301
Balance at 31 December	-	-	-	4,227,456

All investments were transferred to Baptist Union of Great Britain on 31st March 2017 (see note 21).

	Total 2017 £	Total 2016 £
Historical cost of investments	-	3,700,104
The following investments exceeded 5% of the total portfolio:		
Royal London Ethical Bond Fund	-	920,687
Charities Property Fund	-	434,417

13. DEBTORS

	2017 £	2016 £
Loans:		
Manse	4,527,583	4,346,383
Churches	9,373,009	10,345,893
Pensions	549,198	96,502
	<u>14,449,790</u>	<u>14,788,778</u>
Prepayments and other debtors	6,168	3,300
Interest due but unpaid	76,386	94,563
Secured advances to churches	212,845	93,578
	14,745,190	14,980,219

In respect of the outstanding loans of £14,449,790 (2016: £14,788,778), £1,238,700 (2016: £947,400) is due to be repaid within 12 months, £1,268,806 (£2,413,133) is due to be paid within two years, £3,702,843 (2016: £5,187,240) is due to be repaid between three and five years, and £8,239,152 (2015: £6,241,005) is due to be repaid in more than five years.

Loans totalling £4,681,6236 (2016: £3,754,574) have been approved but not taken up as at 31 December 2017.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

14. CASH AND BANK BALANCES

	2017 £	2017 £
Notice Deposits	14,510,500	8,625,177
Short-term deposits	20,722,506	13,554,757
	35,233,006	22,179,934

Notice deposits are available in less than three months; short-term deposits are available in more than three months but less than 12 months.

15. CREDITORS

	2017 £	2016 £
Loan fund deposits		
General Deposits	28,140,154	14,448,954
Deposits from Trust Accounts	14,163,257	15,193,426
Baptist Union of Great Britain	<u>3,139,583</u>	<u>2,033,929</u>
	45,442,994	31,676,309
Amounts falling due within one		
Accruals and other creditors	126,732	118,708
Covenant Trust Account assets	2,464	12,765
	45,572,191	31,807,782

16. RESTRICTED FUNDS

	1 Jan 2017 £	Income £	Expenditure £	Gains and Losses £	Transfers £	31 Dec 2017 £
Retirement Housing	455,513	-	-	-	-	455,513
Total	455,513	-	-	-	-	455,513

The funds are available for housing of retired Baptist ministers, missionaries and their widows.

Two freehold properties are held and administered by the Retired Baptist Ministers Housing Society with the balance of funds being held in cash.

17. ANALYSIS OF NET ASSETS

	Fixed Assets £	Investments £	Current Assets £	Current Liabilities £	Total £
Restricted Funds	313,498	-	142,015	-	455,513
Unrestricted Funds	-	-	18,427,247	14,163,257	4,263,990
	313,498	-	18,569,262	14,163,257	4,719,503

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

18. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES

	2017 £	2016 £
Net income for the reporting period	-	438,551
Adjustments for:		
Net gains/(losses) on investments	(128,808)	(413,301)
Net income before gains on investment	(128,808)	25,250
Adjustments for:		
Depreciation	-	-
Dividends and interest from investments	(722,416)	(842,958)
Net loss on sale of fixed assets	-	9,482
(Increase)/decrease in debtors	235,029	(927,371)
Increase in creditors and provisions	13,764,409	1,924,186
Return of Capital to Baptist Union of GB	(5,173,822)	-
Net cash provided by operating activities	7,974,392	188,589

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	1 Jan 2017 £	Cash Flow £	31 Dec 2017 £
Notice deposits	8,625,177	5,885,323	14,510,500
Short-term deposits	13,554,757	7,167,749	20,722,506
	22,179,934	13,053,072	35,233,006

20. RELATED PARTY TRANSACTIONS

The members of the charitable company are the Trustees of Baptist Union of Great Britain, therefore the Baptist Union of Great Britain is a related party to the company and its Ultimate Controlling Party.

- a) During the year ended 31 December 2017, the charitable company:
- a. Incurred management charges and office and ancillary costs totalling £399,513 (2016: 404,272) from the Baptist Home Mission Fund
 - b. Incurred interest of £49,198 (2016: 136,226) on Capital advanced by the Baptist Home Mission Fund
 - c. Allocated the total year's surplus of £233,868 (2016: £120,000 - a specified value) for the Baptist Home Mission Fund
- b) At 31 December 2017 the Baptist Home Mission Fund owed the Company £278,183 (2016: £540,811) in connection with these transactions. The value includes the year's income surplus.

21. REPAYMENT OF CAPITAL

Following a review of the capital and liquidity position of the Company the Directors resolved at their meeting on 13th March 2017 to return capital to the Baptist Union of Great Britain by way of a transfer of the entire portfolio of investments of the Company and £800,000 in cash. This transfer was implemented on 31st March 2017.