



Baptist Union Corporation Limited

Report and Financial Statements

For the year ended 31 December 2016

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A Company Limited by Guarantee Registered in England No 00032743 Registered Charities No 249635
Secretary Mrs C J L Sanderson

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their annual report and financial statements of the charitable company for the year ended 31 December 2016 which are also prepared to meet the requirements for a director's report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice 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).

Objectives and activities

Objects and principal activities

The company's charitable purpose is the advancement of the Christian 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 charitable company are acting 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.

The charitable company's aims are:

- To hold as custodian trustee the property deeds and investments of Baptist churches in trust with the charitable company, together with trust funds in cash which are included in note 13. Arrangements are in place to segregate assets held in trust from the charitable 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 Baptist Union of Great Britain member churches and churches in trusts with the charitable 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 bearing deposits from Baptist churches and other Baptist charities, to assist in obtaining 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, for the purchase of church manses and grant loans to enable churches to pay off their pension deficits.
- 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 charitable company on legal, property and charity issues. Responding to these enquiries is a core activity for staff in the charitable company office, which benefits the churches and also the local communities they serve.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Public benefit

The directors, having regard to the guidance 'public benefit: running a charity (PB2)' published by the Charity Commission, continued to provide public benefit by seeking to advance the Christian Faith and Practice in accordance with its core Objects.

The directors in 2016 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 Company also offered limited loan advances for pension deficits. 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.

Grants

The charitable company does not normally make grants, but at 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 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 £4.93m in loans to twenty churches of which £1.56m was lent in connection with manses and £59k with paying off pension deficits. All qualifying applications were met as required. The total loans outstanding increased from £13.89m to £14.79m.

The Gift Aid Scheme continued to act on behalf of the churches and £149k tax was reclaimed.

The charitable company's investments increased by £392k.

The charitable company assisted many churches to buy, sell, let or alter their property. In 2016 property transactions totalling over £19.14m were completed.

The directors were able to make from the charitable company's surplus a single budgeted donation of £80k to the Baptist Home Mission Fund plus a further additional donation of £40k.

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.

Financial effect of significant events

Increased market movement had a positive impact on investment and dividend payments for 2016.

The charitable company has seen an increase in loan applications and deposits due to offering competitive interest rates to both depositors and borrowers.

The charitable company has seen increases in withdrawals as some depositors are putting their money in investment portfolios instead of on cash deposits because of higher returns.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Financial review

The results of the charitable company and appropriation thereof for the year are set out in the accompanying Statement of Financial Activities and notes 14 - 16 to the financial statements. There was a surplus, after investment gains, of £438,551 (2015: deficit £24,263) after £120,000 (2015: £75,000) was donated to the Baptist Union of Great Britain. The general fund made a surplus of £448,033, which was transferred to the General Reserve. There was a deficit of £9,482 in the restricted fund. 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 charitable 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 charitable company has done so during the past year as demonstrated by churches continuing to maintaining balances with the company.

Investment powers, policy and performance

The Memorandum and Articles give the charitable company power to invest in such securities and on such terms as the charitable 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 that the value of investments during the year increased by £392k from a value of £3.8m to £4.2m (an increase in capital value of 10.0%).

The directors have delegated the detailed monitoring of the portfolio to the Finance & Audit 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. Details of the investments are set out in note 10 to the financial statements.

The Finance & Audit Committee has set a benchmark for Schroders based on 25% FTSE All Shares Index Sterling, 25% MSCI World Excluding UK Index Sterling, 10% FTA British Government Sterling All Stocks, 15% IBOXX Sterling Non-gilts All Maturities Index, 15% UK Interbank 3 month rate +3%, 10% IPD Property Index.

The performance of the investment managers was 14.4% versus a total return benchmark 14.8% for the year ending 31 December 2016.

Performance can be summarised as:

<i>Performance from 1 Jan 2016 to 31 Dec 2016</i>	Portfolio	Benchmark	Relative
Baptist Union Corporation Investment Funds	14.4%	14.8%	-0.4%

The actual asset allocation position at the end of December 2016 is shown below:

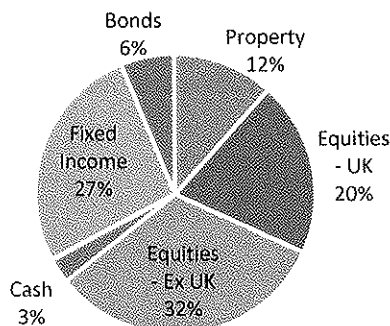


Figure 1 – BUC Investment Portfolio Asset Allocation at 31 December 2016

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Reserves policy and going concern

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 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 £9,437,812 (2015: £8,989,779). This compares to an estimate of required reserves of £4.1m (see analysis below). This estimated reserve requirement figure varies according to the economy and lending/deposit levels. 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 2017, and the demand for loans and availability of loans will continue to be reviewed by the directors in 2017.

Estimate of required Reserves:

Area	£'000	Commentary
6 month's operating expenses	287	<i>Based on budgeted annual expenditure</i>
Winding up costs	100	<i>Redundancy costs plus other</i>
Investment Risk	1,033	<i>25% of investment portfolio</i>
Deposit Risk	446	<i>2% of deposits with banks</i>
Lending Risk	2,218	<i>15% of loan book</i>
Estimated Reserves requirement	4,084	

General Reserves:

BUC Free Reserves	2,804
BUGB Investment Capital (HMF)	6,634
Actual Reserves available	9,438

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.

The BUC is also undertaking a review of its current Deposit Account offering to churches and will put these in place during 2017.

As part of a risk assessment, the BUC has commenced work on a project to scan the church trust deeds being held by the BUC on behalf of local churches.

The BUC commenced a review and consultation of their strategy and began work on a 5 year Strategic Plan to be implemented from 2017 onwards.

A review of reserves will be undertaken in 2017.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Reference and administrative information

Moderator and Director	Mr T S Lees
Directors	Mr P E Brazier – until October 2016 Mr M A Broad MBE – until May 2016 The Revd S L Copson Mr J Greenwood The Revd R Merrin Mr S Salmen Mr R A Hughes – until July 2016 Mr P Lancaster Mr O Obidipe – from September 2016 The Revd C G I Lewis – from April 2016
	Mr K Lawson Mr D M Leverett Mr R J English Ms K Martindale Mr J Holmes Mr S P Welch The Revd S M Keyworth Mr J D Levick – from June 2016 Mr M Southcombe – from February 2017
Secretary	Mrs C J L Sanderson
Manager	Mrs C J L Sanderson
Deputy Manager	Mr S Wing
Interim Team Leader Support Services Team	Mr R Nicholls – until December 2016 Mr R Wilson – new Support Services Team Leader at the date this Report was approved
Finance Officer	Mrs M Kareem-Osho – until April 2016 Lord Ian Wakeham – from April 2016
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	Schroders (Cazenove Capital Management) 12 Moorgate London EC2R 6DA
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2EF
Surveyors	Rapleys 51 Great Malborough Street London W1F 7JT

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

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, 20 March 2006, 3 May 2013, 24 June 2014 and 30 June 2016.

Charitable object

The main Charitable Object of the charitable 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 charitable company is run by a Board of Directors who act as directors of the charitable company, and who met three times in 2016.

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.

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

The Directors who served during the year and up to the date of this report were as follows:

Ex-officio:

The Revd S Keyworth

Mr M A Broad MBE

Mr J D Levick

Team Leader Faith and Society Team

Treasurer – until May 2016

Treasurer – from June 2016

Appointed by the members in Annual General Meeting:

Mr T S Lees (Moderator)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (continued)

Directors (continued)

Appointed by Associations:

Mr P E Brazier	Heart of England Baptist Association – until October 2016
<i>Vacancy</i>	Heart of England Baptist Association – from October 2016
The Revd S L Copson	Central Baptist Association
Mr E J Greenwood	Southern Counties Baptist Association
Mr S Salmen	East Midlands Baptist Association
Mr R A Hughes	South Eastern Baptist Association – until July 2016
Mr M Southcombe	South Eastern Baptist Association – from February 2017
Mr J Holmes	Eastern Baptist Association
Mr P Lancaster	Yorkshire Baptist Association
Mr K Lawson	South West Baptist Association
Mr O Obidipe	London Baptist Association – from September 2016
The Revd R Merrin	Northern Baptist Association
Mr R J English	West of England Baptist Association
Mr S P Welch	North Western Baptist Association
The Revd C G I Lewis	South Wales Baptist Association – from April 2016

Co-opted:

Mr D M Leverett
Ms K A Martindale

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 (2015: one) and one Association (2015: 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 nineteen (2015: twenty) Directors amounting to £3,343 (2015: £4,952).

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

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 17 of these financial statements.

Key management personnel remuneration

Key management personnel are considered to be:

- The Board of Directors for the charitable company – as detailed above
- Support Services Team Leader – Mr Richard Nicholls (on an interim basis) and Mr Richard Wilson as at the date of the approval of this Report
- Baptist Union Corporation Ltd Manager/Legal Services Manager and Company Secretary – Mrs Caroline Sanderson
- Baptist Union Corporation Ltd Deputy Manager/Operations Manager – Mr Steve Wing

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 proportions relevant to the work done on behalf of the charitable company and the Union.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

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:

- ensuring that the charitable company comply with banking legislation and regulation
- conflict of interest
- a lack of or poorly implemented Strategic Plan
- change in public perception of charities or church
- exit of the UK from the EU
- reputation impact of event, fraud, accident, media coverage and (historic) safeguarding offences
- competition from other bodies
- total loss of Title/Foundation Deeds
- legal action against the charitable company on account of inaccurate advice or guidance
- loss of key members of staff/succession planning
- poor or change in office working environment
- poor investment management or performance
- the failure of a banking provider leading to a major financial loss
- non-compliance with property ultimate trust requirements
- mismanagement of trust monies
- a decline in the denomination – leading to a fall in loan applications
- an extended low interest environment having the effect of reducing available funds
- a long term recession causing a collapse in loan applications and increased number of loan defaults
- lack of consideration for the potential for fraud
- money laundering – risk of breach of the regulations
- loss through fraud within the organisation

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 Fraud, Theft, Money Laundering and Terrorism for the Baptist Union Support Services Team, including staff of the charitable company, was undertaken in October 2016 and conducted by Anthony Collins Solicitors LLP and a review of financial controls and procedures was commenced.

Pension

The company does not employ any staff, and therefore does not have any pension liability.

Funds Held as Custodian Trustee on Behalf of Others

The directors of the charitable company continued to act as custodian trustees for churches in which both property and cash deposits were held in this capacity. BUC act solely as an Agent and carried no decision making capacity.

Type of Assets Held	£'000	Organisations
Cash Deposits	1,267	27
County Red Stock	20	2
Equity Fund Units	176	1
Income Units	1,552	44
National Savings Income Bonds	175	15
UK Equities	670	18
Total Funds Held	3,860	

A full list of the churches on whose behalf assets are held by the charitable company is available if requested from the Finance Manager at the company's Registered Office.

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 FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

Directors' responsibilities in relation to the financial statements

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

Company law requires the directors 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. In preparing the financial statements, the directors 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 directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and to 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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the directors are aware at the time of approving our directors' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the charitable company's auditor is unaware; and
- the directors, having each taken all steps that he/she is obliged to take as a director in order 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.

Approved by the directors on 13 March 2017 and signed on their behalf by:



Mrs C J L Sanderson – Secretary

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 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows 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) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, 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 directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors' to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 based on the work undertaken in the course of the audit:

- the information given in the Directors Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors Annual Report has been prepared in accordance with applicable legal requirements.

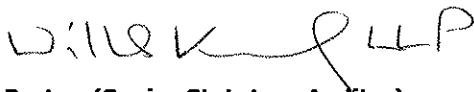
**INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF THE BAPTIST UNION CORPORATION LIMITED
(continued)**

Matters on which we are required to report by exception

In the light of our knowledge and understand of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors Annual Report.

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 directors remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



P Barton (Senior Statutory Auditor)

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

Date: 21 March 2017

Bridge House
London Bridge
London SE1 9QR

BAPTIST UNION CORPORATION LIMITED
(Company Number 00032743)

**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016			2015		
		Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	Total £
INCOME							
Donations		4,970		4,970	156		156
Charitable activities	2	631,770		631,770	554,372		554,372
Investments	3	331,922		331,922	384,141	99	384,240
		<u>968,662</u>		<u>968,662</u>	<u>938,669</u>	<u>99</u>	<u>938,768</u>
EXPENDITURE							
Raising funds	4	27,660		27,660	23,385		23,385
Charitable activities	5	906,270		906,270	859,064		859,064
Other	6		9,482	9,482		23,560	23,560
		<u>933,930</u>	<u>9,482</u>	<u>943,412</u>	<u>882,449</u>	<u>23,560</u>	<u>906,009</u>
Net gains/(losses) on investments	10	413,301		413,301	(57,022)		(57,022)
NET INCOME/(EXPENDITURE)		448,033	(9,482)	438,551	(802)	(23,461)	(24,263)
RECONCILIATION OF FUNDS							
Total funds brought forward		£8,989,779	£464,995	£9,454,774	8,990,581	488,456	9,479,037
TOTAL FUNDS CARRIED FORWARD	16	£9,437,812	£455,513	£9,893,325	£8,989,779	464,995	£9,454,774

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The notes on pages 15 to 22 form part of these financial statements.

BAPTIST UNION CORPORATION LIMITED
(Company Number 00032743)

BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	2016		2015	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9	313,498		333,321	
Investments	10	<u>4,227,456</u>		<u>3,835,269</u>	
			4,540,954		4,168,590
CURRENT ASSETS					
Debtors	11	14,980,219		14,052,848	
Cash at bank and in hand	12	<u>22,179,934</u>		<u>21,116,932</u>	
		37,160,153		35,169,780	
LIABILITIES:					
Creditors falling due within one year	13	<u>31,807,782</u>		<u>29,883,596</u>	
NET CURRENT ASSETS			<u>5,352,371</u>		<u>5,286,184</u>
NET ASSETS			<u>£9,893,325</u>		<u>£9,454,774</u>
THE FUNDS OF THE CHARITY					
Unrestricted income funds	14		9,437,812		8,989,779
Restricted funds	15		<u>455,513</u>		<u>464,995</u>
TOTAL CHARITY FUNDS			<u>£9,893,325</u>		<u>£9,454,774</u>

The financial statements were approved by the Board of Directors on 13 March 2017 and were signed on its behalf by:



Simon Lees - Moderator

The notes on pages 15 to 22 form part of these financial statements.

BAPTIST UNION CORPORATION LIMITED
(Company Number 00037423)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016		2015	
		£	£	£	£
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	18		188,589		(597,591)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends and interest from investments		842,958		847,970	
Proceeds from sale of property		162,518		115,000	
Purchase of property		(152,177)		-	
Proceeds from sale of investments		1,572,860		608,048	
Purchase of investments		<u>(1,551,746)</u>		<u>(493,330)</u>	
Net cash provided by investing activities			<u>874,413</u>		<u>1,077,688</u>
CHANGE IN CASH AND CASH EQUIVALENTS IN THE YEAR			1,063,002		480,097
Cash and cash equivalents brought forward			<u>21,116,932</u>		<u>20,636,835</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	19		<u><u>£22,179,934</u></u>		<u><u>£21,116,932</u></u>

The notes on pages 15 to 22 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Baptist Union Corporation Limited 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 note(s).

(b) Preparation of the accounts on a going concern basis:

The charitable company has a reasonable expectation that there are adequate resources to continue in operational existence for the foreseeable future. It has therefore continued to adopt the going concern basis in preparing its financial statements.

(c) 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 included during the period in which they are received.
- Income on loans is included when receivable.
- Expenses receivable on trusts are included during the period in which they are received.
- Accommodation fees are recognised on an accruals basis, taking into account the 6 month grace period on drawdown.
- The gift aid scheme is administered as agent on behalf of churches and other Baptist organisations, and the charitable company's fee is recognised on an accruals basis.
- Investment income has been included on an accruals basis.

(d) Expenditure and irrecoverable VAT:

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 comprise investment management fees.
- Expenditure on charitable activities includes interest payable on deposits, supporting the Baptist Home Mission Fund, interest payable to Baptist Union of Great Britain, management charges payable to Baptist Union of Great Britain and general support costs.
- Other expenditure represents the loss on disposal of tangible fixed assets.

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

(e) Allocation of support costs:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

(f) Fund accounting:

Unrestricted funds are available to spend on activities that further any of the purposes of the Charitable Company.
Restricted funds represent a legacy received which is allocated by the donor for specific purposes.

(g) Tangible fixed assets:

Office equipment is written off in the year of purchase.

No depreciation is provided on freehold properties, in accordance with section 17 of FRS 102, as in the opinion of the directors 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 directors at each balance sheet date. This review involves assessing current property market conditions and their impact on the estimated market values of the Charitable 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.

(h) Fixed asset investments:

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.

(i) Debtors:

Loan Fund loans are considered concessionary loans made as they are made by the Charitable Company to further its purposes and any interest charged is below the prevailing market rates.

Other debtors and prepayments are recognised at the settlement amount due.

(j) Cash at bank and in hand:

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

(k) 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.

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

Other creditors and accruals are recognised at their settlement amount due

(l) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(m) 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 Miscellaneous Trusts Account and Covenant Trust Account shown in note 13.

	2016	2015
	£	£
Miscellaneous Trust Account Assets	15,193,426	14,100,147
Covenant Trust Account Assets	12,765	10,881
Miscellaneous Trust Account Creditors	(15,193,426)	(14,100,147)
Covenant Trust Account Creditors	(12,765)	(10,881)
	<u>£ -</u>	<u>£ -</u>

(n) 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.

(o) 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.

(p) Judgements and Key Sources of Estimations Uncertainty

There are no judgements (apart from those involving estimates) that have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements.

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 STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

2 CHARITABLE ACTIVITIES

	2016	2015
	£	£
Interest receivable from loans	511,036	463,730
Expenses receivable on trusts	102,547	74,792
Fee for operating gift aid scheme	7,501	3,654
Accommodation fees	10,686	12,196
	<u>£631,770</u>	<u>£554,372</u>

3 INVESTMENTS

	2016	2015
	£	£
Interest income	199,249	247,283
Income from managed portfolio	132,673	134,632
Tax repayments		2,325
	<u>£331,922</u>	<u>£384,240</u>

4 RAISING FUNDS

	2016	2015
	£	£
Investment management expenses	27,660	23,385
	<u>£27,660</u>	<u>£23,385</u>

5 CHARITABLE ACTIVITIES

	2016	2015
	£	£
Interest payable on deposits:		
- To Trusts	72,153	76,043
- To Depositors	81,595	92,723
	<u>153,748</u>	<u>168,766</u>
Supporting the Baptist Union Home Mission Fund	120,000	75,000
Support costs (note 7)	632,522	615,298
	<u>£906,270</u>	<u>£859,064</u>

6 OTHER EXPENDITURE

	2016	2015
	£	£
Loss on sale of tangible fixed assets	9,482	23,560
	<u>£9,482</u>	<u>£23,560</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

7 SUPPORT COSTS

	2016	2015
	£	£
Management charges (note 8)	289,944	275,096
Interest paid to Baptist Union Home Mission Fund	136,266	148,823
Office facilities	49,500	48,070
Legal and professional expenses	35,649	46,364
Printing, postage, office equipment & sundry expenses	34,223	34,358
Auditor remuneration	52,655	29,898
Computer expenses	31,000	27,295
Trustees' indemnity insurance	3,285	5,394
	<u>£632,522</u>	<u>£615,298</u>

8 DIRECTORS' EMOLUMENTS

No director received any emoluments from the Charitable Company during the year (2015: £nil).

There are no direct employees of the Charitable Company.

Expenses were paid to the nineteen (2015: twenty) directors amounting to £3,343 (2015: £4,952).

9 TANGIBLE FIXED ASSETS

Freehold Properties:	2016	2015
	£	£
Balance at 1 January	333,321	471,881
Additions	152,177	-
Disposals	(172,000)	(138,560)
Balance at 31 December	<u>£313,498</u>	<u>£333,321</u>

The freehold properties are used for direct charitable purposes and are for the housing of retired Baptist ministers, missionaries and widows (see note 14).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

10 FIXED ASSET INVESTMENTS

	Quoted at Market Value	Cash with Managers	Total 2016 £
Balance at 1 January	3,808,127	27,142	3,835,269
Additions	717,089	834,657	1,551,746
Disposals	(834,657)	(738,203)	(15,72,860)
Realised and unrealised gains	413,301		413,301
Balance at 31 December	<u>£4,103,860</u>	<u>£123,596</u>	<u>£4,227,456</u>

The above investments are managed by Schroders with the exception of direct investments of £95,717 (2015: £78,225).

	2016 £	2015 £
Historical Cost	<u>£3,700,104</u>	<u>£3,718,323</u>

The following investments exceed 5% of the total portfolio during 2016:

Security	Holding	2016 £	2015 £
Royal London Ethical Bond Fund	820,577	920,687	1,104,720
Charities Property Fund	365,671	434,417	430,066

11 DEBTORS

	2016 £	2015 £
Loans:		
- Manses	4,346,383	4,885,436
- Churches	10,345,893	8,898,574
- Pensions	96,502	104,852
	<u>14,788,778</u>	<u>13,888,862</u>
Interest due but unpaid	94,563	75,514
Secured advances to Churches	93,578	76,540
Other Debtors	3,300	11,932
	<u>£14,980,219</u>	<u>£14,052,848</u>

The outstanding loans of £14,788,778 (2015: £13,888,862) include £947,400 (2015: £1,943,848) due to be repaid within 12 months, a further £2,413,133 (2015: £1,294,949) due within 2 years, £5,187,240 (2015: £3,208,694) due between three and five years, and £6,241,005 (2015: £7,441,371) due in more than five years.

Loans totalling £3,754,574 (2015: £4,638,047) have been approved but not taken up as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

12 CASH AT BANK AND IN HAND

	2016	2015
	£	£
Notice deposits	8,625,177	4,641,847
Short-term deposits	13,554,757	16,475,085
	<u>£22,179,934</u>	<u>£21,116,932</u>

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

13 CREDITORS: Due within one year

	2016	2015
	£	£
Loan Fund Deposits:		
- Individuals	5,399	9,841
- Churches and other Baptist organisations	14,443,555	12,659,435
- Baptist Union of Great Britain	2,033,929	2,981,366
	<u>16,482,883</u>	<u>15,650,642</u>
Miscellaneous Trust Accounts	15,193,426	14,100,147
Covenant Trust Accounts	12,765	10,881
Other Creditors	118,708	121,926
	<u>£31,807,782</u>	<u>£29,883,596</u>

14 GENERAL FUND

	BUGB HMF	BUC Ltd	2016 Total	2015 Total
	£	£	£	£
Balance as at 1 January	6,377,972	2,611,807	8,989,779	8,990,581
Surplus/(deficit) for the year	256,267	191,766	448,033	(802)
Balance as at 31 December	<u>£6,634,239</u>	<u>£2,803,573</u>	<u>£9,437,812</u>	<u>£8,989,779</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.

15 RESTRICTED FUND

	2016	2015
	£	£
Balance as at 1 January	464,995	488,456
(Deficit) for the year	(9,482)	(23,461)
Balance as at 31 December	<u>£455,513</u>	<u>£464,995</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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (continued)

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £	Restricted Funds £	Total £
Fixed Assets	4,227,456	313,498	4,540,954
Current Assets	37,018,138	142,015	37,160,153
Current Liabilities	(31,807,782)		(31,807,782)
Balance as at 31 December	<u>£9,437,812</u>	<u>£455,513</u>	<u>£9,893,325</u>

17 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 2016 the charitable company:
- i) Incurred management charges and office and ancillary costs totalling £404,272 (2015: £385,173) from the Baptist Home Mission Fund.
 - ii) Incurred interest of £136,266 (2015: £148,823) on Capital advanced by the Baptist Home Mission Fund.
 - iii) Allocated £120,000 (2015: £75,000) of its surplus for the year to the Baptist Home Mission Fund.
- b) At 31 December 2016 the Baptist Home Mission Fund owed the Charitable Company £540,811 (2015: £nil) in connection with these transactions.

18 RECONCILIATION OF NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES

	2016 £	2015 £
Net (expenditure)/income for the reporting period	438,551	(24,263)
Adjustments for:		
- Losses/(gains) on investments	(413,301)	57,022
- Dividends and interest from investments	(842,958)	(847,970)
- Loss on sale of fixed assets	9,482	23,560
- (Increase)/decrease in debtors	(927,371)	(1,930,273)
- Increase/(decrease) in creditors	1,924,186	2,124,333
Net cash (used in)/provided by operating activities	<u>£188,589</u>	<u>£(597,591)</u>

19 ANALYSIS OF CASH AND CASH EQUIVALENTS

	1 Jan 2016 £	Cash Flow £	31 Dec 2016 £
Notice deposits	4,641,847	3,983,330	8,625,177
Short-term deposits	16,475,085	(2,920,328)	13,554,757
Total cash and cash equivalents	<u>£21,116,932</u>	<u>£1,063,002</u>	<u>£22,179,934</u>