

BAPTIST UNION CORPORATION LTD



FINANCIAL STATEMENTS 2018

BAPTIST UNION CORPORATION LTD

YEAR ENDED 31 DECEMBER 2018

INTRODUCTION

The Directors of the Baptist Union Corporation Ltd (“The Corporation”) 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
1	Objectives and Activities	Page 2
2	Structure, Governance and Management	Page 3-5
3	Achievements and Performance	Page 6
4	Plans for Future Periods	Page 7
5	Financial Review	Page 8
6	Who We Are	Page 9
	Directors’ Responsibilities	Page 10
	Auditors’ Report	Page 11 - 13
	Financial Statements	Our Finances in detail Page 14 - 25

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 1 – OUR OBJECTIVES AND ACTIVITIES

Our Objectives

The principal object of the Corporation 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 Corporation's principal 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 Corporation 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 2018 the Corporation continued to support the Baptist Union and its member churches, Regional Associations and Colleges in a wide range of activities including:

- Providing a wide range of support services, including legal and general advice, Gift Aid service and acting as custodian trustees.
- Making Loans to churches for new buildings, for extensions and/or refurbishment of church premises as well as the sale and purchase of church manses.
- Helping churches generate income with a range of interest-bearing deposits.
- Supporting the Baptist denomination through the provision of a £20m loan to support the Family Solution to reduce the deficit in the Baptist Pension Scheme.

Our Strategies to achieve success

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

- Delivering high quality legal support to churches
- Supporting churches in property transactions
- Equipping churches and other Baptist bodies through offering loans and deposits that offer market leading rates of interest.
- Managing the Corporation's activities in line with good practice.

The Directors review the strategic plan each year and are planning a refresh in 2019. The Corporation monitors the quality of services delivered through church satisfaction surveys to evaluate the quality and effectiveness of the work undertaken.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 2 – STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Corporation 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 Corporation is run by a Board of Directors who act as directors of the Corporation, and who met three times in 2018.

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

For the purposes of good governance, the Memorandum and Articles of Association of the Corporation 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 Corporation to identify areas where the experience of the Board could be strengthened and recruit to the Board accordingly.

During 2018, the Directors established a governance subcommittee to review the governance of the Corporation against the recommendations of the Charity Governance Code. The subcommittee is expected to report back with recommendations to the Directors in 2019.

Directors' interests

No Director had any beneficial interest in the Corporation or in any contract or arrangement of a material nature with the Corporation during the year under review, although one church (2017: one) and one Association (2017: one), of which a Director is a member, has a loan from the Corporation in the ordinary course of its business. Expenses were paid to 15 Directors (2017: twelve) amounting to £2,251 (2017: £1,976).

Related Parties

The members of the Corporation are the members of the Trustee Board of the Baptist Union of Great Britain. The Home Mission Fund is the principal working fund of that Union. The Home Mission Fund provides staff, offices and ancillary support to the Corporation, 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 2018

SECTION 2 – STRUCTURE, GOVERNANCE AND MANAGEMENT

Key management personnel remuneration

Key management personnel are considered to be:

- The Board of Directors for the Corporation – 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 Corporation 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 Corporation reimburses staff costs to BUGB in proportion to the work done on behalf of the Corporation and the Union.

Risk Management

The Corporation maintains a Risk Management Matrix which is reviewed annually by the Trustees and key management personnel as a means of identifying the risks, financial and non-financial that might affect the work and reputation of the Corporation. The aim is to establish and operate appropriate and adequate controls. A full review of the Matrix is presented to the Trustees annually, and highlights are also given every meeting.

The key risks identified in the most recent review were:

Risk	Approach to monitoring and management of the risk
Additional banking regulation threatens viability of the business model of the Corporation.	Advice has been taken from Leading Counsel on the regulatory environment faced by the Corporation for its financial services. The Corporation’s solicitors actively monitor developments in banking regulation and report to the board annually.
Breach of regulations leading to reputational damage and/or external enforcement action	The Corporation’s solicitors actively monitor relevant legal developments and report to the board annually.
Substantial loss of funds held through Fraud by either internal or external parties.	The financial controls on payments are reviewed annually and all staff receive training on specific fraud risks
Significant decline in the level of deposits from churches and other Baptist organisations leading to a loss of liquidity:	The Corporation monitors the level of deposits and produces a liquidity report each month to ensure sufficient liquid funds are held to cover obligations
Default on a significant loan:	The Corporation’s loans are all secured against property in excess of the value of the loan, meaning a total loss is unlikely, and most loans are of a level where the Corporation could afford a loss. Careful assessment is made of all borrowers’ ability to repay.
Failure of a major banking counter-party:	The Corporation’s treasury management policy ensures that exposure to individual institutions is limited in line with the default risk presented by each counter-party, which is monitored using external credit-rating agencies.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

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 27 Baptist churches which have objects that are compatible with the charitable objects of the Corporation. The Corporation acts solely as an Agent and carries no decision-making capacity.

Type of Assets Held	£'000	Organisations
Cash Deposits	40	3
Income Units	908	12
National Savings Income Bonds	18	2
UK Equities	2,268	12
Total	3,234	27

The Charity also acts as property trustees for 1,060 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 project to digitalise key church property deeds was started in 2017 and is expected to be completed during 2019.

The names of the churches and other charities for whom the Corporation acts as a Custodian Trustee are available at www.baptist.org.uk/custodianlist2019. The organisations are all Baptist organisations and therefore have objects that are compatible with the charitable objects of the Corporation.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 3 – ACHIEVEMENTS AND PERFORMANCE

The Corporation continued to offer legal and practical information on trusteeship, property and other issues, provide churches with access to funding and offer deposit facilities. Support was provided to churches in meeting the requirements of the new General Data Protection Regulations (GDPR) which came into force in May 2018, including a webinar for member churches of the Baptist Union of Great Britain and a suite of Data Protection documentation for churches to use was provided.

During the year the Corporation undertook trust work on an agency basis on behalf of the Yorkshire Baptist Association and East Midland Baptist Trust Company.

The Corporation made available £3.2m in loans to twenty-three churches, of which £2.1m was lent to support church acquisition and development of church property, £0.9m was lent in connection with manses and £0.2m for paying off pension deficits. Further loans were made of

- £350k to Spurgeon's College
- £2m to the Retired Baptist Ministers Housing Society (RBMHS) for working capital (replacing a previous facility with HSBC). This loan subsequently transferred to RBMHO as part of the transfer of the Society's operations to RBMHO on 31st December 2018.
- £20m to the Retired Baptist Ministers Housing Organisation (RBMHO) in relation to the Family Solution to the deficit in the Baptist Pension Scheme.

All qualifying applications were met as required. The total loans outstanding increased from £14.45m (2017) to £38.06m.

The Gift Aid Scheme continued to act on behalf of the churches and £109k tax was reclaimed.

The Corporation assisted many churches to buy, sell, let or alter their property. In 2018 property transactions totalling over £7.45m (2017: £7.81m) were completed.

The directors were able to make from the Corporation's surplus a donation of £211k to the Baptist Home Mission Fund.

The Corporation 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 Baptist Union hold Practising Certificates from the Solicitors Regulation Authority to undertake reserved activity legal work on behalf of the Corporation.

During the year, the Corporation took over trusteeship and support for 72 churches involving 141 properties that were previously in trusteeship with the North West Baptist Association.

A review of the Solicitors for the provision of legal services to the Corporation was carried out in 2018, and it was agreed to reappoint Anthony Collins Solicitors for a further 5 years.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 4 – PLANS FOR FUTURE PERIODS

The Corporation 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. The Corporation will continue to maintain and develop its suite of guidance leaflets available to churches and will offer training, including webinars, to support churches on various topics of interest.

The Corporation continues to develop its offering of loans and deposits for churches and hopes to grow both its portfolio loans and deposits in the coming year.

As part of its management of risk, the Corporation has continued to work on a project to scan the church trust deeds being held by the Corporation on behalf of local churches and expects to complete this in 2019.

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 5 – FINANCIAL REVIEW

Overall 2018 was a year of good progress for the Corporation and the Directors were pleased that it was able to significantly contribute funds to the Baptist family through a gift of £211,509 to the Home Mission fund and £443,698 in interest paid to depositors.

Review of Financial Results

Overall deposits (excluding the Baptist Union of Great Britain (“BUGB”)) grew during the year from £42.30m to £50.83m, an increase of £8.53m (20%), demonstrating the continued competitiveness of the deposit offering to Baptist organisations.

Excluding the loans to RBMHS and RBMHO, loans grew from £14.45m to £16.06m, an increase of £1.61m (11%). In addition to these, two loans totalling £22m were made to RBMHS/RBMHO:

- a loan of £2m for working capital purposes was made to RBMHS during 2018, that subsequently transferred to RBMHO alongside the transfer of operations, assets and liabilities from RBMHS.
- a loan of £20m was made to RBMHO in December 2018 to support their participation in the Family Solution to the Baptist Pension Scheme.

Overall, income increased to £1,066,941 from £802,625 in 2017, an increase of £264,317. This was primarily due to increased bank interest (up by £107,2356) due to higher balances deposited with financial institutions in the year and an increase in loan interest charged (up by £120,750) due to higher interest rates and increased levels of loans. A legacy of £35k was also received during the year.

Overall expenditure prior to giving to BUGB increased to £855,383 from £697,565 in 2017 an increase of £157,817. Operating costs decreased by £63,195, but these were offset by an increase in interest paid to depositors of £221,012, due to higher interest rates and the greater level of deposits held.

The grant to BUGB reduced to £211,509 from £233,868 a decrease of £22,359.

Policy on Reserves

One of the principal ways of meeting its charitable objective is for the Corporation to operate the Baptist Union Loan Fund. The Corporation 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 total Reserves amounted to £4,263,990 (2017: £4,263,990). This compares to an estimate of minimum required reserves of £3,317,000 (see analysis below). The current level of reserves is considered by the directors to be appropriate as the Corporation wishes to operate with a level of prudence and have reserves capacity to support growth in loans in 2019 and beyond.

Estimate of Minimum Required Reserves Level

Area	£'000	Basis for reserves
6 months' operating expenses	503	Based on budgeted operating expenditure
Winding up costs	100	Redundancy costs plus other
Deposit risk	500	11% of risk-weighted deposits with financial institutions
Lending Risk	2,214	11% of risk-weighted loans
Estimated Reserves Requirement	3,317	
Actual Reserves Available	4,264	

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2018

SECTION 5 – WHO WE ARE

The Baptist Union Corporation Ltd

Company Number	00032743	
Charity Registration No	249635	
Registered and Principal Office	Baptist House, 129 Broadway, Didcot, OX11 8RT	
Directors		
Moderator and Director	Mrs K Martindale	
Ex-officio	Mr J Levick Mr R Wilson	Treasurer Team Leader Support Services
Appointed by Associations	Rev D Warrington (from 26 January 2018) Mr R English Mr E Greenwood (to 10 July 2018) Mr J Ponsford (from 25 January 2019) Mr J Holmes Mr P Lancaster Mr K Lawson (to 4 December 2018) Rev J Lennox Rev C Lewis Rev D Maclean Mr O Obidipe Mr S Salmen Mr M Southcombe Mr A Hawksworth (from 25 June 2018)	Central Baptist Association West of England Baptist Association Southern Counties Baptist Association Eastern Baptist Association Yorkshire Baptist Association South West Baptist Association Northern Baptist Association South Wales Baptist Association Heart of England Baptist Association London Baptist Association East Midlands Baptist Association South Eastern Baptist Association North West Baptist Association
Co-opted	Mr S Welch Mr G Ward (from 10 July 2018)	
Key Management Personnel		
Secretary	Mr R Wilson	
Manager	Mrs C Sanderson	
Deputy Manager	Mr S Wing	
Finance Officer	Lord I D Wakeham	
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' RESPONSIBILITIES

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 Corporation'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 Corporation') for the year ended 31 December 2018 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 Corporation'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.

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 Corporation 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 Corporation'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.

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.

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

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 Corporation 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 Corporation 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 Corporation'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 Corporation 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 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

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

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 Corporation'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 Corporation'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 Corporation 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.

Use of our Report

This report is made solely to the Corporation'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 Corporation'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 Corporation and Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.



Andrew Stickland (Senior Statutory Auditor)

for and on behalf of Kingston Smith LLP, Statutory Auditor

9 April 2019

Devonshire House
60 Goswell Road
London
EC1M 7AD

STATEMENT OF FINANCIAL ACTIVITIES YEAR (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2018

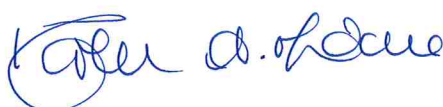
	Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Income					
Donations and legacies	2	34,604	-	34,604	186
Charitable activities	3	750,601	-	750,601	587,134
Investment income	4	281,737	-	281,737	215,305
Other income	5	-	-	-	-
Total Income		1,066,942	-	1,066,942	802,625
Expenditure					
Raising funds	6	72	-	72	5,738
Charitable activities	7	1,066,870	455,513	1,522,383	925,695
Other expenditure	8	-	-	-	-
Total Expenditure	9	1,066,942	455,513	1,522,455	931,433
Net income before gains/(losses) on investment and fixed asset sales			(455,513)	(455,513)	(128,808)
Net gains/(losses) on investments	12	-	-	-	128,808
Transfer to Baptist Union of GB	21	-	-	-	(5,173,822)
Net income before transfers		-	(455,513)	(455,513)	(5,173,822)
Transfers between funds		-	-	-	-
Net income before other recognised losses		-	(455,513)	(455,513)	(5,173,822)
Net movement in funds		-	(455,513)	(455,513)	(5,173,822)
RECONCILIATION OF FUNDS					
Total funds brought forward		4,263,990	455,513	4,719,503	9,893,325
Total funds Carried forward		4,263,990	-	4,263,990	4,719,503

BALANCE SHEET AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	11	-	313,498
Investments	12	-	-
		-	313,498
Current assets			
Debtors	13	38,316,623	14,745,190
Cash and Bank	14	17,167,768	35,233,006
		55,484,391	49,976,196
Current liabilities			
Creditors:			
Amounts falling due within one year	15	51,220,401	45,572,191
Net current assets		4,263,990	4,404,005
Total assets less current liabilities		4,263,990	4,719,503
Net assets		4,263,990	4,719,503
FUNDS OF THE CHARITY			
Restricted income funds	16	-	455,513
Unrestricted income funds		4,263,990	4,263,990
Total funds		4,263,990	4,719,503

The financial statements were approved by the Trustees on 12th March 2019 and signed on their behalf by

Karen Martindale



Moderator

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the reporting period	-	-
Adjustments for:		
Net gains/(losses) on investments	(455,513)	(128,808)
Net income before gains on investment	(455,513)	(128,808)
Adjustments for:	-	
Dividends and interest from investments	(281,737)	(722,416)
(Increase)/decrease in debtors	(23,339,091)	235,029
Increase in creditors and provisions	5,415,868	13,764,409
Return of Capital to Baptist Union of GB Gifted of cash to RBMHS	313,498	(5,173,822)
Net cash provided by operating activities	(18,346,975)	7,974,392
Net cash provided by operating activities	(18,346,975)	7,974,392
Cash flows from investing activities		
Dividends and interest from investments	281,737	722,416
Proceeds from sale of investments	-	4,356,264
Net cash used in investing activities	-	5,078,680
Changes in cash and cash equivalents in the year	(18,065,238)	13,053,072
Cash and cash equivalents brought forward	35,233,006	22,179,934
Cash and cash equivalents carried forward	19 17,167,768	35,233,006

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 2018

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 Corporation has adequate resources to continue in operational existence for the foreseeable future. The Corporation 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 represented 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 Corporation 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 of HMRC's tax rebate for remittance to the church.
- Investment income is accounted for 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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

- 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 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 Corporation'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 Corporation 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 Corporation 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.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

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

(k) Financial instruments

The Corporation 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.

	2018	2017
	£	£
Miscellaneous Trust Account Assets	3,213,119	14,163,257
Covenant Trust Account Assets	605	2,464
Miscellaneous Trust Account Creditors	(3,213,119)	(14,163,257)
Covenant Trust Account Creditors	(605)	(2,464)
Total	-	-

(m) Taxation

The Corporation is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meet the definition of a Corporation 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 Corporation

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 2018

2. DONATIONS AND LEGACIES

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Donations	17	-	17	186
Legacies	34,587	-	34,587	-
	34,604	-	34,604	186

3. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Interest receivable from loans	627,861	-	627,861	507,111
Expenses receivable on trusts	111,225	-	111,225	71,152
Fee for operating gift aid scheme	3,705	-	3,705	5,551
Accommodation fees	6,271	-	6,271	3,320
Other Income	1,539	-	1,539	-
	750,601	-	750,601	587,134

4. INVESTMENT INCOME

	Total 2018 £	Total 2017 £
<u>Quoted Investments:</u>		
UK listed Bonds	-	21,890
UK listed Equities	-	5,686
Overseas listed	-	6,516
Overseas listed Bonds	-	-
UK Property Unit	-	5,903
<u>Other:</u>		
Interest on Cash	281,737	174,381
Other	-	929
	281,737	215,305

5. OTHER INCOME

There was no other income in 2017 or 2018

6. RAISING FUNDS

	Total 2018 £	Total 2017 £
Investment management expenses	72	5,738
	72	5,738

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

7. CHARITABLE ACTIVITIES

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Interest Paid on				
To Trusts	88,909	-	88,909	54,697
To Depositors	354,789	-	354,789	118,793
	443,698	-	443,698	173,490
Gift to Baptist Union				
Home Mission Fund	211,563	-	211,563	233,868
Gift to RBMHO	-	455,513	455,513	-
Support Costs (note 7)	411,609	-	411,609	518,337
	1,066,870	455,513	1,522,382	925,695

The restricted fund was the proceeds of a legacy for the housing of retired Baptist ministers. During the year, the balance of the fund was gifted to the Retired Baptist Ministers Housing Society to fulfil this legacy.

8. SUPPORT COSTS

	Unrestricted Funds £	Restricted Funds £	Total 2018 £	Total 2017 £
Costs				
Interest paid to Baptist				
Home Mission Fund	-	-	-	49,198
Management charges	242,263	-	242,263	270,364
Office facilities	56,960	-	56,960	49,500
Computer expenses	31,000	-	31,000	31,087
Other support costs	20,571	-	20,571	38,412
	350,794	-	350,794	438,561
Governance Costs				
Auditors; (note 9)	21,120	-	21,120	14,922
Legal & Professional	29,638	-	29,638	57,438
Trustee Insurance	10,058	-	10,058	7,416
Total Governance	60,816	-	60,816	79,775
Total Support Costs	411,609	-	411,609	518,337

9. OTHER EXPENDITURE

There was no other expenditure in 2017 or 2018

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

10. NET INCOME FOR THE YEAR

	2018 £	2017 £
This is stated after		
Depreciation	-	-
Auditors' remuneration:		
Audit work	21,120	20,400
Non-audit work	-	-
Non-audit work – (over)/under accrual in respect of prior year	-	(5,478)
Profit on sale of fixed assets	-	-
Loss on sale of fixed assets	-	-

11. EMPLOYEES AND, DIRECTORS

No director received any emoluments from the Corporation during the year (2017: £nil).

There are no direct employees of the Corporation.

Expenses were paid to the 15 directors (2017: twelve) as trustees amounting to £2,521 (2017: £1,976).

12. TANGIBLE FIXED ASSETS

	Freehold Properties £	Total £
Cost		
1 January 2018	313,498	313,498
Additions	-	-
Disposals	313,498	-
31 December 2018	-	313,498
Depreciation		
1 January 2018	-	-
Charge for the year	-	-
31 December 2018	-	-
Net Book Value		
31 December 2018	-	313,498
31 December 2017	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 was provided on freehold properties owned by the Corporation before transfer to the Retired Minister's Housing Society as it is not considered to be material.

The properties were previously held for the housing of retired Baptist ministers under the terms of a legacy received by the Corporation. In the year to 31 December 2018 the Directors agreed to gift these properties to the Retired Baptist Ministers Housing Society for no consideration to fulfil the terms of the legacy.

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

13. FIXED ASSET INVESTMENTS

	Total 2018 £	Total 2017 £
Balance at 1 January	-	4,227,456
Disposals	-	(4,356,264)
Realised and unrealised gains	-	128,808
Balance at 31 December	-	-

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

14. DEBTORS

	2018 £	2017 £
Loans:		
Manses	4,521,194	4,527,583
Churches	10,638,509	9,373,009
Pensions	557,659	549,198
RBMHO	22,000,000	-
Other	343,560	-
	<u>38,060,922</u>	<u>14,449,790</u>
Prepayments and other debtors	11,474	6,168
Interest due but unpaid	11,885	76,386
Secured advances to churches	232,342	212,845
	38,316,623	14,745,190

In respect of the outstanding loans of £38,060,922 (2017: £14,449,790), £2,261,242 (2017: £1,238,700) is due to be repaid within 12 months, £1,887,998 (2017: £1,268,806) is due to be paid within two years, £4,366,035 (2017: £3,702,843) is due to be repaid between three and five years, and £29,545,647 (2017: £8,239,152) is due to be repaid in more than five years.

Loans totalling £2,427,073 (2017: £4,681,623) have been approved but not taken up as at 31 December 2018.

15. CASH AND BANK BALANCES

	2018 £	2017 £
Notice Deposits	2,128,398	14,510,500
Short-term deposits	15,039,370	20,722,506
	17,167,768	35,233,006

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

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

16. CREDITORS

	2018 £	2017 £
Loan fund deposits		
General Deposits	38,764,351	28,140,154
Deposits from Trust Accounts	12,370,321	14,163,257
Baptist Union of Great Britain	6,033	3,139,583
	<u>51,140,705</u>	<u>45,442,994</u>
Amounts falling due within one year:		
Accruals and other creditors	79,091	126,732
Covenant Trust Account assets	605	2,464
	51,220,401	45,572,191

17. RESTRICTED FUNDS

	1 Jan 2018 £	Income £	Expenditure £	Gains and Losses £	Transfers £	31 Dec 2018 £
Retirement Housing	455,513	-	(455,513)	-	-	-
Total	455,513	-	(455,513)	-	-	-

The funds were available for housing of retired Baptist ministers, missionaries and their widows, and were transferred to Retired Baptist Missionary Housing Society during the year.

18. ANALYSIS OF NET ASSETS

	Current Assets £	Current Liabilities £	Total £
Restricted Funds	-	-	-
Unrestricted Funds	55,252,049	50,988,059	4,263,990
	55,252,049	50,988,059	4,263,990

19. ANALYSIS OF CASH AND CASH EQUIVALENTS

	1 Jan 2018 £	Cash Flow £	31 Dec 2018 £
Notice deposits	14,510,500	(12,378,721)	2,131,779
Short-term deposits	20,722,506	(5,686,517)	15,035,989
	35,233,006	(18,065,238)	17,167,768

NOTES TO THE FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

20. RELATED PARTY TRANSACTIONS

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

- a) During the year ended 31 December 2018, the Corporation:
 - a. Incurred management charges and office and ancillary costs totalling £320,291 (2017: £399,513) from the Baptist Home Mission Fund
 - b. Incurred interest of £NIL (2017: £49,198) on Capital advanced by the Baptist Home Mission Fund
 - c. Allocated the total year's surplus of £211,562 (2017: £233,868) for the Baptist Home Mission Fund
- b) At 31 December 2018 the Baptist Home Mission Fund owed the Corporation £6,033 (2017: £278,183) in connection with these transactions.
- c) In December 2018, a long-term loan was provided to the Retired Baptist Missionary Housing Society, who have a common controlling party in Baptist Union of Great Britain, of £20m and secured on properties held within their property portfolio as a fixed charge.

21. REPAYMENT OF CAPITAL

In 2017, capital was returned to the Baptist Union of Great Britain by way of a transfer of the entire portfolio of investments of the Corporation and £800,000 in cash.