



# **Baptist Union Corporation Limited**

## **Annual Report and Financial Statements**

For the year ended 31 December 2014

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

A Company Limited by Guarantee Registered in England No 00032743 Registered Charity No 249635  
**Secretary** David Locke **Manager** Linda Holder

**GENERAL INFORMATION AS AT 24 MARCH 2014**

<b>Moderator</b>	Mr T S Lees	
<b>Directors</b>	Mr P E Brazier Mr D J Locke FCA The Revd S L Copson Mr E J Greenwood The Revd R Merrin Mr J M Hemes Mr P R Price (until 31 July 2014) Mr R A Hughes Mr K Lawson	Mr D M Leverett The Revd P W Martin Ms K A Martindale Mr R M Nicholls (until 31 July 2014) Mr S P Welch Mr J Holmes Mr P Lancaster Mr R J English (from July 2014) Mr MA Broad MBE
<b>Secretary</b>	Mr D J Locke FCA	
<b>Manager</b>	Mrs L A Holder	
<b>Deputy Manager</b>	Mr S Wing	
<b>Finance Officer</b>	Mrs M Kareem-Osho	
<b>Registered Office</b>	Baptist House 129 Broadway Didcot Oxfordshire OX11 8RT	
<b>Company Registration No</b>	00032743	
<b>Charity Registration No</b>	249635	
<b>Auditor</b>	Wilkins Kennedy LLP Bridge House London Bridge London SE1 9QR	
<b>Bankers</b>	HSBC Bank plc 186 Broadway Didcot Oxfordshire OX11 8RP	
<b>Investment Managers</b>	Schroders (Cazenove Capital Management) 12 Moorgate London EC2R 6DA	
<b>Solicitors</b>	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B2 2EF	
<b>Surveyors</b>	Biscoe Craig Hall 5-6 Staple Inn Holborn London WC1V 7QU	

## REPORT OF THE DIRECTORS

The Directors present their report and audited financial statements for the year ended 31 December 2014.

### 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 and 24 June 2014.

#### Charitable Object

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

#### Recruitment and Appointment of Directors

The Company is run by a Board of Directors who act as Trustees of the Charity, and who met three times in 2014.

The Board of Directors consists of:

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

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

#### Directors

The Directors who served during the year were as follows:

Ex-officio:

Mr R M Nicholls	General Manager (Until 31 July 2014)
Mr D J Locke FCA	Finance Director and Team Leader Support Services Team
Mr M A Broad MBE	Treasurer

Appointed by the members in Annual General Meeting:

Mr T S Lees (Moderator)

Appointed by Associations:

Mr P E Brazier	Heart of England Baptist Association
The Revd S L Copson	Central Baptist Association
Mr E J Greenwood	Southern Counties Baptist Association
Mr J M Hemes	East Midlands Baptist Association
Mr R A Hughes	South Eastern Baptist Association
Mr J Holmes	Eastern Baptist Association
Mr P Lancaster	Yorkshire Baptist Association
Mr K Lawson	South West Baptist Association
The Revd P W Martin	London Baptist Association
The Revd R Merrin	Northern Baptist Association
Mr P R Price (until July 2014)	West of England Baptist Association
Mr R J English (from July 2014)	West of England Baptist Association
Mr S P Welch	North Western Baptist Association
Vacancy	South Wales Baptist Association

Co-opted:

Mr D M Leverett  
Ms K A Martindale

## REPORT OF THE DIRECTORS (continued)

### Directors' Interests

No Director had any beneficial interest in the Company or in any contract or arrangement of a material nature with the Company during the year under review, although one church (2013: one) and one Association (2013: one), of which a Director is a member, has a loan from the Company in the ordinary course of its business. Expenses were paid to the twenty (2013: twenty) Directors amounting to £4,952 (2013: £4,173).

### Induction and Training of Directors

Prospective Directors are asked to confirm they are not disqualified from serving as Charity Trustees. After appointment they are provided with information about governance and the Company's principal activities and processes. Updates on current legal issues are regularly provided to the Directors

### Related Parties

The members of the 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 Company, as well as substantial capital. Details of these costs and interest paid are set out in note 19 of these financial statements.

### Major risks

The company's major risks as identified by the Directors have been reviewed and systems set up to mitigate them. The major risk was the possible breakdown of the Company's business model.

### Objectives and Activities

#### Objects and Principal Activities

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

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

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

The Company's aims:

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

## **REPORT OF THE DIRECTORS (continued)**

### **Public benefit**

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

The Directors in 2014 sought to achieve this by the granting of loans to assist churches with finance for new buildings, for extensions and/or refurbishment of church premises as well as the sale and purchase of church manses. The Directors also sought to help churches maintain their income with interest bearing deposits and continued to assist churches with a wide range of services, including legal and general advice, Gift Aid service and acting as custodian trustees.

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

### **Grants**

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

## **Achievements and Performance**

### **Review of the year**

The Company continued to offer legal and practical information on trusteeship, property and other issues, provide churches with access to funding and offer deposit facilities. In particular the Company has provided guidance for those Baptist churches with an annual income over £100,000 seeking registration as Charities as required by the Charities Act 2011.

During the year the Company undertook trust work on behalf of the North Western Baptist Association in addition to the Yorkshire Baptist Association and East Midland Baptist Trust Company.

The Company has made available £4.6m in loans to sixteen churches of which £1.4m was lent in connection with manses and £120K in connection with paying off pension deficits. All qualifying applications were met as required. The total loans outstanding reduced slightly from £13.9m to £12.0m.

The Gift Aid Scheme continued to act on behalf of the churches and £174k tax was reclaimed.

The Company's investments increased by just over £220k. The Company assisted many churches to buy, sell, let or alter their property. In 2014 property transactions totalling over £11.2m were completed.

The Directors were able to make from the Company's surplus a single donation of £65k to the Baptist Home Mission Fund.

The 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](http://www.baptist.org.uk).

### **Financial Review**

The results of the Company and appropriation thereof for the year are set out in the accompanying income and expenditure account and notes 11 and 12 to the financial statements. There was a surplus of £150,455 (2013: £222,766) from which £65,000 (2013: £65,000) was donated to the Baptist Union of Great Britain. There was a surplus of £99 in the restricted fund. The general fund made a surplus of £302,726 because of the increase of realised and unrealised losses on investment assets. This was transferred to the General Reserve. The company continued to maintain a policy of offering interest on deposits at a margin above the Bank of England's Minimum Lending Rate, and sometimes above the rates received by the company on its own cash deposits. This is seen as appropriate assistance to churches in a low interest rate environment. The company does not set financial targets because its success is not measured by increasing deposits, or loans, or churches in Trusteeship, but by whether it substantially meets the needs of the Baptist churches in membership of the Baptist Union of Great Britain. The Directors are satisfied that the Company has done so during the past year.

More detail is also provided in the Information appendices.

## REPORT OF THE DIRECTORS (continued)

### Reserves

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

At the end of the year, the General Reserves amounted to £9.0m (2013: £8.7M). This compares to an estimate of required reserves of £8.3m (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 2015, and the demand for loans and availability of loans will continue to be reviewed by the Directors in 2015.

#### Estimate of required Reserves:

Area	£m	Commentary
Two years operating expenditure	0.9	Based on budgeted annual expenditure
Winding up costs	0.5	Redundancy costs plus other
Investment Risk	1.0	25% of investment portfolio
Deposit Risk	2.1	10% of deposits with banks
Lending Risk	1.2	10% of loan book
Legal	1.5	Cost of any possible future legal action
Pension Scheme risk	1.1	Estimate relating to pension buy out costs relating to staff
<b>Estimated Reserves requirement</b>	<b>8.3</b>	

#### General Reserves:

BUC Free Reserves	2.8
BUGB Investment Capital (HMF)	6.2
<b>Actual Reserves available</b>	<b>9.0</b>

### Investments

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

The Directors noted that the value of investments during the year increased by £217k from a value of £3.8k to £4.1k (a growth in capital value of 5.8%).

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 8 to the financial statements.

During the year the Directors reviewed the investment strategy and after a retendering exercise changed investment managers from Sarasin and Partners LLP to Schroder & Co. Limited, trading as Cazenove Capital Management. RLAM remain the bond managers but this bond allocation is delegated to Schroder as part of their management of a single overall portfolio.

The transition in portfolios took place over Q1 2014 with the new benchmark in place from 1 April 2014. The performance of the new investment managers was 6.1% versus 7.9% for the nine months ending 31 December 2014. The target for investment income is 3.5% per annum.

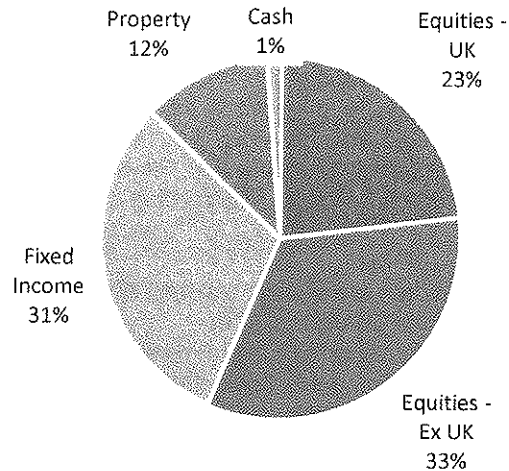
Performance can be summarised as:

Performance from 1 April 2014 to 31 Dec 2014	Portfolio	Benchmark	Relative
Baptist Union Corporation Investment Funds	6.1%	7.9%	-1.8%

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, 10% IPD Property Index and 3% for the cash index.

**REPORT OF THE DIRECTORS (continued)**

The actual asset allocation position at the end of December 2014 is shown below:



*Figure 1 – BUC Investment Portfolio Asset Allocation at 31 December 2014*

Overall, the Directors are pleased that the transition in the portfolio has been handled well and the target income level is being achieved. There are concerns about the performance of the overall fund performance over the first nine months of the mandate and this will be monitored carefully in 2015.

**Plans for Future Periods**

The Company intends to continue to respond to the needs of Baptist churches, and to offer guidance to them on legislative and other statutory developments affecting churches. Charitable Incorporated Organisations are available as an alternative legal structure for charities. The Company created a 'Baptist precedent document' that was recognised as an Approved Governing Document by the Charity Commission. The document, with suitable notes, is available free of cost to Baptist churches. A training event was held to explain the new structure with further events planned.

**Funds Held as Custodian Trustee on Behalf of Others**

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

A full list of the churches on whose behalf assets are held by the Company is available if requested.

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.

### Trustees' Responsibilities

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

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

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

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

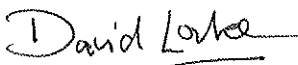
In so far as the trustees are aware:

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

### Auditors

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

By order of the Board



D Locke – Secretary  
24 March 2015



**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 2014 which comprise the Income and Expenditure Account, the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

**Respective responsibilities of trustees and auditor**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the 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 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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



**R Haslam (Senior Statutory Auditor)**

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

Bridge House  
London Bridge  
London SE1 9QR

Date: 16 April 2015

BAPTIST UNION CORPORATION LIMITED  
(Company Number 00037423)

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	2014		2013	
		£	£	£	£
Operating Income:					
Gift Aid Scheme	13		9,037		9,494
Expenses receivable on Trusts			87,273		66,843
Accommodation fees			4,143		5,751
Dividends and Interest receivable:					
Interest and Income from Investments		346,484		411,079	
Loans		480,148		476,703	
			<u>826,632</u>		<u>887,782</u>
			927,085		969,870
Charges:					
Interest payable on Loans:					
Trusts		72,514		81,478	
Depositors		89,255		94,659	
			<u>161,769</u>		<u>176,137</u>
Management charges			274,309		273,998
Legal and professional expenses			46,351		48,850
Auditors remuneration			28,850		29,066
Printing, postage, office equipment & sundry expenses			30,802		48,991
Trustees Indemnity Insurance			6,474		2,978
Computer expenses			26,500		25,200
Office facilities			47,000		45,600
Investment management			13,910		(549)
Ex-gratia payments to assist churches with payments of interest			-		85
			<u>635,965</u>		<u>650,356</u>
			291,120		319,514
Less Baptist Home Mission Fund – Interest on Capital			<u>140,862</u>		<u>158,611</u>
			150,258		160,903
Donations and Legacies			197		61,873
Surplus on ordinary activities for Financial Year			150,455		222,776
Allocated to Baptist Home Mission Fund			65,000		65,000
Retained Surplus for Year			<u>£85,455</u>		<u>£157,776</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

Surplus on Income and Expenditure Account		85,455	157,776
Increase in Market Value of Investments		217,370	208,256
Transfer to Reserves	11&12	<u>£302,825</u>	<u>£366,032</u>

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

The notes on pages 13 to 17 form part of these financial statements.

BAPTIST UNION CORPORATION LIMITED  
(Company Number 00037423)

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2014**

	Note	Unrestricted £	Restricted £	Total 2014 £	Total 2013 £
<b>Incoming Resources:</b>					
Donations and Gifts		197	-	197	61,873
Investment Income		826,533	99	826,632	887,782
Other income		100,452	-	100,452	82,088
<b>Total Incoming Resources</b>		<b>927,182</b>	<b>99</b>	<b>927,281</b>	<b>1,031,743</b>
<b>Resources Expended</b>					
Cost of generating funds					
Interest payable		302,630	-	302,630	334,862
Investment Management		13,910	-	13,910	(549)
Direct Charitable Expenditure	14	448,243	-	448,243	477,342
Governance Costs	15	72,549	-	72,549	62,312
Gain on currency exchange		4,494	-	4,494	-
<b>Total Resources Expended</b>		<b>841,826</b>	<b>-</b>	<b>841,826</b>	<b>873,967</b>
<b>Net Incoming Resources for the Year</b>		<b>85,356</b>	<b>99</b>	<b>85,455</b>	<b>157,776</b>
<b>Other recognised gains and losses</b>					
Gains on Investments		217,370	-	217,370	208,256
<b>Net incoming resources before transfers</b>		<b>302,726</b>	<b>99</b>	<b>302,825</b>	<b>366,032</b>
Transfers between funds		-	-	-	-
<b>Net movement in funds</b>		<b>302,726</b>	<b>99</b>	<b>302,825</b>	<b>366,032</b>
Balance brought forward at 1 January		8,687,855	488,357	9,176,212	8,810,180
<b>Balance carried forward at 31 December</b>		<b>£8,990,581</b>	<b>£488,456</b>	<b>£9,479,037</b>	<b>£9,176,212</b>

The notes on pages 13 to 17 form part of these financial statements.

BAPTIST UNION CORPORATION LIMITED  
(Company Number 00037423)

**BALANCE SHEET AS AT 31 DECEMBER 2014**

	Note	2014		2013	
		£	£	£	£
TANGIBLE FIXED ASSETS	6		471,881		471,881
CURRENT ASSETS					
Debtors	7	12,122,575		13,479,550	
Investments	8	4,007,009		3,786,363	
Cash at bank and in hand	9	<u>20,636,835</u>		<u>17,181,166</u>	
		36,766,419		34,447,079	
Creditors:					
Amounts falling due within one year	10	<u>27,759,263</u>		<u>25,742,748</u>	
NET CURRENT ASSETS			<u>9,007,156</u>		<u>8,704,331</u>
NET ASSETS			<u>£9,479,037</u>		<u>£9,176,212</u>
GENERAL FUND	11		8,990,581		8,687,855
RESTRICTED FUND	12		<u>488,456</u>		<u>488,357</u>
			<u>£9,479,037</u>		<u>£9,176,212</u>

The financial statements set out on pages 13 to 17 were approved by the Board of Directors on 24 March 2015 and were signed on its behalf by:

Simon Lees



Date: 24 March 2015

The notes on pages 9 to 17 form part of these financial statements.

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014**

**RECONCILIATION OF OPERATING RESULT TO NET OPERATING CASH FLOWS**

	Note	2014		2013	
		£	£	£	£
Operating Result	17		291,317		381,387
(Increase)/Decrease in accrued income and prepayments			(8,702)		84,789
Increase/(Decrease) in accruals and deferred income			1,077		(80,634)
			<u>283,692</u>		<u>385,542</u>
Net decrease in loans and advances to manses and churches		1,365,677		268,167	
Net increase in deposits by individuals, churches and Baptist Organisations		2,015,438		563,620	
			<u>3,381,115</u>		<u>831,787</u>
Net cash inflow from operating activities			<u>£3,664,807</u>		<u>£1,217,329</u>

**CASH FLOW STATEMENT**

	2014		2013	
	£	£	£	£
Net cash inflow from operating activities		3,664,807		1,217,329
Returns on investment and servicing of finance				
Baptist Home Mission Fund		(205,862)		(223,611)
Capital expenditure and financial investment:				
Purchase of tangible fixed assets		-		-
Net movement on sales of investment securities		(3,276)		(16,976)
		<u>(3,276)</u>		<u>(16,976)</u>
		3,455,669		976,742
Management of liquid reserves:				
Net movement on term deposits		-		-
Increase in cash		<u>£3,455,669</u>		<u>£976,742</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH (Note 18)**

	2014	2013
	£	£
Increase in cash in the year	3,455,699	976,742
Cash used to increase liquid resources	-	-
Change in net cash	3,455,699	976,742
Net cash at 1 January	17,181,166	16,204,424
Net cash at 31 December	<u>£20,636,835</u>	<u>£17,181,166</u>

The notes on pages 13 to 17 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014**

**1 STATUS OF COMPANY**

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

The Company is also a registered charity.

**2 ASSETS HELD AS CUSTODIAN TRUSTEE**

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

**3 ACCOUNTING POLICIES**

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

**(a) Basis of Accounting:**

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

**(b) Depreciation:**

**Tangible Assets:**

Office equipment is written off in the year of purchase.

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

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

**(c) Incoming resources**

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

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

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

**(d) Resources expended**

All resources expended have been included on an accruals basis.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

3 ACCOUNTING POLICIES (continued)

(f) Fund accounting

Unrestricted funds

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

Restricted fund

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

4 DIRECTORS' EMOLUMENTS

No director received any emoluments from the Company during the year (2013: £nil). There are no direct employees of the Company. Expenses were paid to the twenty (2013: twenty) directors amounting to £4,952 (2013: £4,173).

5 TAXATION

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

6 TANGIBLE FIXED ASSETS: At Cost

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Freehold Properties:		
1 January	471,881	471,881
Additions	-	-
31 December	<u>£471,881</u>	<u>£471,881</u>

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

7 DEBTORS – Due within one year

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Loans:		
Loan Fund:		
Manses	3,624,802	3,644,428
Churches	8,281,119	9,741,129
Pensions	113,959	-
Debtors:		
Miscellaneous Trusts Account:		
Secured Advances to Churches	35,240	44,367
Interest due but unpaid	61,155	40,184
General Account: Other Debtors	6,300	9,442
	<u>£12,122,575</u>	<u>£13,479,550</u>

The outstanding loans of £12,019,880 include £1,828,716 due to be repaid within 12 months, a further £1,388,614 due within 2 years, £3,474,185 due between three and five years, and £5,328,365 due in more than five years.

Loans totalling £4,265,250 (2013: £1,761,279) have been approved but not taken up as at 31 December 2014.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

8 INVESTMENTS: At Market Value

	<b>Quoted at Market Value</b>	<b>Cash with Managers</b>	<b>Total 2014 £</b>
1 January	3,664,065	122,298	3,786,363
Additions	2,991,702	55,325	3,047,027
Disposals	(2,916,239)	(127,511)	(3,043,750)
Realised and unrealised gains	217,369	-	217,369
31 December	<u>£3,956,897</u>	<u>£50,112</u>	<u>£4,007,009</u>

The above investments are managed by Schroders with the exception of direct investment of £216k. In 2014 stocks were transferred from Sarasins and Royal London Asset Management Limited to Schroders.

	<b>2014 £</b>	<b>2013 £</b>
Historical Cost	<u>£3,243,229</u>	<u>£3,460,598</u>

The following investments exceed 5% of the total portfolio during 2014:

<b>Security</b>	<b>Holding</b>	<b>2014 £</b>	<b>2013 £</b>
Royal London Ethical Bond Fund	1,038,915	1,136,846	1,882,181
Equities	1,567,268	2,163,285	1,123,409
Charities Property Fund	365,671	389,915	197,260

9 CASH AT BANK AND IN HAND

	<b>2014 £</b>	<b>2013 £</b>
Current Accounts (Interest bearing):		
Covenant Trusts Account	23,379	16,941
Miscellaneous Trusts Account	18,102,760	15,824,016
General Account	2,510,696	1,340,209
	<u>£20,636,835</u>	<u>£17,181,166</u>

10 CREDITORS: Due within one year

	<b>2014 £</b>	<b>2013 £</b>
Miscellaneous Trusts Account (secured by way of deeds of trust)	<u>12,849,883</u>	<u>12,140,782</u>
Covenant Trusts Account:		
Other Creditors	4,850	7,447
Loan Fund:		
Deposits:		
Individuals	9,841	32,298
Churches and other Baptist Organisations	11,848,773	11,520,226
Baptist Union of Great Britain	2,944,740	1,944,493
General Account:		
Other Creditors	101,176	97,502
	<u>£27,759,263</u>	<u>£25,742,748</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

11 GENERAL FUND

	<b>BUGB HMF</b>	<b>BUC Ltd</b>	<b>2014 Total</b>	<b>2013 Total</b>
			<b>£</b>	<b>£</b>
Balance as at 1 January	5,950,284	2,737,571	8,687,855	8,321,937
Surplus for the year	203,865	98,861	302,726	365,918
Balance as at 31 December	<u>6,154,149</u>	<u>£2,836,432</u>	<u>£8,990,581</u>	<u>£8,687,855</u>

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

12 RESTRICTED FUND

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Balance as at 1 January	488,357	488,243
Surplus for the Year	99	114
Balance as at 31 December	<u>£488,456</u>	<u>£488,357</u>

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

13 COVENANT AND GIFT AID SCHEME

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Contributions for disbursement	694,417	674,946
Income Tax recovered	173,604	168,737
	<u>868,021</u>	<u>843,683</u>
Less:		
Received by various Baptist and other Charities	858,984	834,189
	<u>£9,037</u>	<u>£9,494</u>

14 DIRECT CHARITABLE EXPENDITURE

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
General legal and financial assistance	354,480	382,664
Operating Baptist Union Loan Fund	23,914	23,215
Operating Gift Aid Scheme	4,849	6,463
Supporting the Baptist Union Home Mission Fund	65,000	65,000
	<u>£448,243</u>	<u>£477,342</u>

15 GOVERNANCE COSTS

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Legal Fees	18,887	12,395
Audit	28,520	29,066
Trustees Indemnity Insurance	6,474	2,978
Trustees expenses	4,952	4,173
Management expenses	13,716	13,700
	<u>£72,549</u>	<u>£62,312</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

16 RECONCILIATION OF MOVEMENTS IN RESERVES

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Surplus for the year	367,825	431,032
Allocation to Baptist Home Mission Fund	(65,000)	(65,000)
	<u>302,825</u>	<u>366,032</u>
Reserves as at 1 January	9,176,212	8,810,180
Reserves as at 31 December	<u>£9,479,037</u>	<u>£9,176,212</u>

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

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Surplus on ordinary activities for the financial year	150,455	222,776
Add:		
Baptist Home Mission Fund – Interest on capital	140,862	158,611
	<u>£291,317</u>	<u>£381,387</u>

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

	<b>1 Jan 2014</b>	<b>Cash Flow</b>	<b>31 Dec 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cash and Bank Balances	<u>£17,181,166</u>	<u>£3,455,669</u>	<u>£20,636,835</u>

19 RELATED PARTY TRANSACTIONS

The members of the company are the Trustees of Baptist Union of Great Britain, therefore the Baptist Union of Great Britain is a related party to the company.

- a) During the year ended 31 December 2014 the company:
  - i) Incurred management charges and office and ancillary costs totalling £378,612 (2013: £393,789) from the Baptist Home Mission Fund.
  - ii) Incurred interest of £140,862 (2013: £158,611) on Capital advanced by the Baptist Home Mission Fund.
  - iii) Allocated £65,000 (2013: £65,000) of its surplus for the year to the Baptist Home Mission Fund.
- b) At 31 December 2014 the company owed the Baptist Home Mission Fund £nil (2013: £74) in connection with these transactions.