



**THE FREE CHURCH FEDERAL
COUNCIL (INCORPORATED)**
(A COMPANY LIMITED BY GUARANTEE)

COMPANY NUMBER 00364987
CHARITY NUMBER 236878

**DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

**THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

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THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
COMPANY INFORMATION**

Company number	00364987
Charity number	236878
Directors / Trustees (as at date of report)	Revd Dr Hugh Osgood (Moderator) Mr Geoff Lomas (Convener) Mr Eric Southwick (Treasurer) Pastor Joshua Bandele Revd James Breslin Revd Deseta Davis Revd Gwendolyne Denny Mr Robert Dowty Major David Evans (Appointed 20 th September 2017) Revd Trevor Howard Revd Stephen Keyworth Revd Christopher Whiteley Dr Joseph Wood
General Secretary	Revd Paul Rochester
Registered Office	27 Tavistock Square, London, WC1H 9HH.
Bankers	CAF Bank Limited 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ.
Solicitors	Ashtons Legal Waterfront House, Wherry Quay, Ipswich, Suffolk, IP4 1AS.
Independent Examiner	Mark Heaton FCCA DChA FCIE K M 1st Floor, Block C, The Wharf, Manchester Road, Burnley, Lancashire, BB11 1JG.
Fund Managers	CCLA Investment Management Ltd COIF Charity Funds 80 Cheapside, London, EC2V 6DZ. Epworth Investment Management Ltd 9 Bonhill Street, London, EC2A 4PE.
Property Agents	Curchod & Co Portmore House, 54 Church Street, Weybridge, Surrey, KT13 8DP.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

The Trustees present their annual report with the accounts for the year ended 31 December 2017. The accounts comply with the requirements of the Companies Act 2006, the Charities Act 2011, the Memorandum and Articles of Association, Financial Reporting Standard 102 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Free Church Federal Council (Incorporated) is a company limited by guarantee (company number 00364987) and a registered charity (charity number 236878). The governing instrument of the charitable company is the Memorandum and Articles of Association.

The charity is the incorporated body of, and uses the working name of, the Free Churches Group (FCG), an unincorporated association, whose members are representatives of its constituent denominations who subscribe to the Doctrinal Statement of the FCG.

The members of the company are representatives of the constituent denominations who are members of the Free Churches Group, together with the officers of the FCG. They meet as The Group Meeting to identify the particular beliefs and values which are held in common and agree the company's objectives.

The directors (who are also trustees for the purposes of charity law) are elected by the company members, seeking the necessary financial and legal skills for the task from within the constituent denominations. They are responsible for financial policy.

The directors / trustees who served during the year were:

Pastor Joshua Bandele
Revd James Breslin
Revd Deseta Davis
Revd Gwendolyne Denny
Mr Robert Dowty
Major David Evans (Appointed 20th September 2017)
Revd Trevor Howard
Revd Stephen Keyworth
Mr Geoff Lomas (Convener)
Revd Dr Hugh Osgood (Moderator)
Mr Eric Southwick (Treasurer)
Revd Christopher Whiteley
Dr Joseph Wood

Directors meetings are chaired by the Moderator. Those new to the work of the company meet with the General Secretary to receive an orientation on the work of the FCG.

The day-to-day work of the company was delegated to the General Secretary, Revd Paul Rochester, who reported directly to the Board of Directors. The officers responsible for the healthcare and prison chaplaincy, and education programmes of the FCG are supported by specialist committees to shape these areas of work.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

OBJECTIVES AND ACTIVITIES

The principal object of The Free Church Federal Council (incorporated) (FCFC) is "the advancement of the Christian religion." The furtherance of the object takes place through the work of the Free Churches Group (FCG) by means such as evangelistic, educational, training and business activities or other meetings as deemed necessary from time to time. FCG promotes faithful witness in the public square with a focus, but not solely, on chaplaincy work in Prisons and Healthcare and faith in Education.

FCG expresses the unity in Christ that is shared by Free Churches in England and Wales by promoting fellowship, shared counsel and working together to extend Christ's kingdom in every sphere of society. This is done whilst recognising that each Group Member remains at liberty to fulfil its own distinctive witness and mission. There are currently 24 denominations and Church groups that are members of FCG.

FCG's core areas of work involve the fields of Healthcare and Prison Chaplaincy and faith in Education, promoting faithful witness in the public square and enabling Free Church engagement.

ACHIEVEMENTS IN 2017

In 2017 FCG has continued to move forward in delivering the 2015-2018 Strategic Plan. The governance changes in 2016 has helped to focus efforts on the four key areas of work that drives FCG's workplan. The core business of chaplaincy in prisons and the healthcare sector has been successful. There have been some significant challenges in the operating environment of Prisons and Healthcare, which are briefly mentioned later. However, we have managed to overcome these challenges and continued to provide an excellent ministry of encouragement and support to Free Church Chaplains working in those sectors. The contribution of these Chaplains, along with those from other Christian denominations and the faith groups, have provided spiritual care to people at some of the most vulnerable times of life. FCG can be proud of its achievements and the leadership it has brought to this ministry.

The recruitment of a part-time Public Affairs Adviser has helped FCG's to improve its engagement in the public square. Important relationships have been fostered with government, policy advisers and intermediaries working on public policy related issues related to FCG's core areas of work, but also more broadly equality and social justice. FCG has sought to use its unique position as an umbrella organisation for 24 denominations and Church groups, which is an asset when working with Government and in the various policy fields. FCG is keen to participate in the field of policy development, based on its core values of equality, striving for public benefit and human flourishing. FCG has sought to occupy a position with Government and its officials to facilitate Free Church engagement in the policymaking process, where it is appropriate to do so. We believe that there is a good platform to build on in 2018.

The four key strategic objectives were:

- i. **Public Benefit** - To enable the Free Churches to engage in the public square by identifying the distinctive public benefit of the role of faith in education, healthcare and prison chaplaincy, and in other related policy areas.
- ii. **Mission and Discipleship** - To contribute to the well-being and flourishing of communities based in local neighbourhoods across England (and parts of Wales) by engaging in holistic mission and whole-life discipleship.
- iii. **Equality and Human Rights /Religious Freedom** - To draw on the Free Churches' rich heritage of campaigning for religious freedom in England to address the challenges to religious freedom, equality and human rights in the UK and abroad.
- iv. **Representation** - To ensure that the Free Churches are represented, from a Christian perspective, in the relevant civic, religious and political fora to play a part in responding to the multiple challenges facing church and society.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

HUMAN RESOURCE AND GOVERNANCE

The new General Secretary, Revd Paul Rochester, continued to manage operations during the year. There were minor changes in staffing, such as, the Healthcare Secretary's role becoming a job-share. Steps were taken to second Meg Burton, who is experienced in the healthcare sector, to share the role with Debbie Hodge as an interim measure until a permanent arrangement is in place. Meg Burton took over post in January 2018.

In terms of Governance, under the requirements of the FCFC Bye-laws and Articles of Association, the Moderator Revd Hugh Osgood was re-elected to serve another 3 years to 31st March 2022 once his current term finishes. Revd Geoff Lomas was also re-elected as Convener to serve until 31st March 2022 allowing Revd Hugh Osgood to continue Chairing the Board. Hugh's appointment means he can continue to spearhead the FCG Commission and, as a CTE President, support CTE during a time of significant transition. Four of FCFC's current Directors who were coming to the end of their terms on 31st March 2018 were also re-elected. Three of these Directors have agreed to stand for a further three years and one for two years. These developments mean the Board is now well placed to tackle the challenges facing FCG over the coming years and to work towards achieving its objectives.

WITNESS IN PUBLIC SQUARE

FCG successfully delivered its core services in terms of the authorisation of Free Church Chaplains for the Prisons and Healthcare sector. This service is critical to chaplaincy in the hospitals and prisons. The Free Churches Secretaries have maintained good working relationships with National Health Service England and Her Majesty's Prison and Probation Service. They have supported the chaplains through training and development activities and pastoral care. FCG places great importance on supporting Free Church Chaplains as it integral to developing a credible Free Church voice in the public square.

In 2017 made excellent progress on Free Church Commission. The Commission will look at the Church and Social Cohesion. Advisers have been appointed from the Free Churches and observers from the Anglicans, Catholics, Orthodox and new Churches and preliminary meetings held. Theos, a recognised and respected research organisation in this field, will be carrying out the research. Theos has supported FCG is drafting a study proposal, which sets out clear objectives and defines the scope and methodology for the research. We are in the process of seeking to secure funding and hope to start the study in earnest in late Spring 2018. We employed a fundraiser who is in contact with funders and to date there are a number showing a keen interest.

We have now established the monthly e-newsletter and improved the website and content. We believe that these developments will facilitate communication in the public square and improve two-way communication with FCG's Group members. There is more to do to improve the use of social media but retaining the services of Charis Communication should help with that.

Education

The work of the Free Churches Group in Education has been carried out largely through the work of the Free Churches Education Officer, the Free Churches Education Assistant, and the Free Church Education Committee. The Free Church Education Committee met three times during 2017, including a two-day residential meeting, and continues to include representatives from a range of member churches.

There has been ongoing oversight of the recruitment and support of Free Church members of Standing Advisory Councils on Religious Education (SACREs) in Local Authorities. This work is carried out on behalf of FCG member churches and tries to ensure that Free Church places on SACREs are filled and that those representing the Free Churches are equipped to do so.

The Higher Education Working Group and the Further Education Group, composed of specialists nominated by Free Churches Group members, have continued their work during

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

Government consultations and proposals for resources to assist member churches in their engagement with these sectors.

The Free Church Education Committee has begun to consult with experts in the schools sector with a view to publishing a report on Free Church involvement with schools, to sit alongside the HE and FE reports, and inform the strategic development of our work in this area.

Towards the end of the year we published a set of resources for schools, *Reforming Christianity*, focusing on the Protestant Reformation, with the aim of encouraging teachers to represent diversity in their teaching about the Christian faith. These resources were funded by the Westhill Endowment and written by RE Today Services. They are hosted on the FCG website and provided free of charge to teachers.

We have continued to meet regularly with Government officials, alongside representatives from other Faith Groups, to discuss policy issues. The Education Officer worked with Churches Together in England to produce resources for Education Sunday 2017. The Free Churches Education Officer works closely with the Religious Education Council and the National Association of SACREs.

Health Care

The Free Churches Group Officer for Health Care Chaplaincy continues to provide development opportunities and support through the Free Church denominations for members to work as Health Care Chaplains in the NHS. This is achieved through the Free Church Chaplains Register, regional meetings for Free Church Chaplains and Chaplaincy Volunteers, along with an annual study. This is supplemented by the contributions to education programmes for Healthcare Chaplains (St Michael's College Cardiff, Guy's and St Thomas Hospital Chaplaincy Course), and to the development of Healthcare Chaplaincy in faiths other than Christian through the Healthcare Chaplaincy Forum and the Network for Pastoral, Spiritual and Religious Care. Intentional Spiritual care is now being developed in community settings under the project title Community Chaplaincy, enabling more patients to receive chaplaincy services and give added benefit of increasing spiritual capital and compassion in the community.

Prison Service

David Liddington MP was appointed as the new Justice Secretary in 2017 during a time of wide-sweeping changes to reform the Prison Service. The government issued a White Paper on prison reform in early 2017 with an increased emphasis on safer prisons in times when self-inflicted deaths, drug use, and violence against fellow offenders and staff continued to rise. Significant funds were committed to increasing prison staff numbers including the recruitment of front line officers.

FCG has continued to support Chaplains and Prisons whilst advising Her Majesty's Prison and Probation Service (HMPPS) - Chaplaincy HQ. Meetings have also been held with ecumenical partners and senior civil servants to work together on the issues facing the Prison Service. FCG's support has enabled Free Church Prison Chaplaincy to respond professionally in increasingly challenging times.

During 2017 we saw a major change to the way chaplains are appointed and changes are under way to effectively formalise the employment status of all Chaplains by offering Fixed Term Contracts while new roles for permanently contracted chaplains were advertised. This will ultimately result in the reduction of the number of sessional chaplain appointments, eventually leading to the point where sessional arrangements are indeed the exception. In 2017 FCG was supporting over 120 sessional chaplains, and so helping them prepare for this change has been a substantial part of our work.

FCG has continued to support, through collaboration and shared goals, the development of the Welcome Directory. This project is designed to have significant impact upon the lives of people leaving prison. Every year many thousands of people in prisons, who engaged positively with

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

FCG has continued to support, through collaboration and shared goals, the development of the Welcome Directory. This project is designed to have significant impact upon the lives of people leaving prison. Every year many thousands of people in prisons, who engaged positively with prison chaplaincy, fail to develop their faith after release. FCG aims to maintain its support for this valuable rehabilitative project as it seeks to help people of faith find welcoming faith communities after leaving prison.

Chaplains continue to meet the needs of prisoners and staff at their point of need. There have been no substantial reductions in the numbers of chaplains across the prison estate, although the number of volunteer chaplains has continued to rise in 2017. While the Prison Service has seen rises in the number of self-inflicted deaths in custody and increases in violence, chaplains have adapted well to these circumstances, whilst themselves being impacted significantly by them. During 2017, FCG arranged a residential 48Hr conference for all Prison Chaplains from Free Church traditions to consider specifically how we develop our resilience during these difficult times.

GENERAL

FCG's membership of the Churches Legislation Advisory Service has continued to prove useful for its Group members. We know from anecdotal evidence that our Group members value the information they receive from CLAS and the helpful seminars they are entitled to attend. FCG's General Secretary is continuing to sit on the CLAS Board.

We successfully held a Dissenters meeting in the last quarter. Attendance at these meetings has significantly improved. We are finding that through contacts of the Chairman of the General Body of Protestant Dissenting Ministers and Deputies and delegates we can attract good speakers and linking topics to the reformation proved useful.

During the year we clarified how FCG's smaller Group members could make better use of the Churches Ministerial Counselling Services (CMCS). This has led to one FCG member remaining a part of the service. The General Secretary has continued to sit on the CMCS Board.

There have been four Board meetings and number of sub-group meetings of the Board during the year. There have been two Group meetings. We have used these to share information encourage participation at a local activities and relevant studies.

THE YEAR AHEAD

One of the key projects for 2018 will be the Commission on the Church and Social Cohesion. Working with Theos, we aim to undertake a minimum of 20 case studies. The results of this research will inform the report in addressing the Churches in England, Government and a range of statutory bodies.

In 2018 we will be concluding the current 5 year strategy and carrying out a review. In addition, we will begin the work on FCG's Strategy for 2019-2023.

PUBLIC BENEFIT

The FCG's purpose is in the support of its member church denominations in their mission across England and Wales. In as much as this mission is founded in and seeks to express the unconditional love of God, the benefits of all that the FCG seeks to do are understood to be 'public' and for the benefit of the wider society. Member churches and their congregations express this through public worship and in service to the communities in which they are set.

The FCG upholds a right to the freedom of expression of religious faith. This has come out of a particular historical context, but finds expression afresh in the current time and is understood to have application wider than the FCG's own membership.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

Particular examples include:

- Engagement in the training of hospital chaplains and their on-going professional development contributes to the quality of a service offered to all patients and hospital staff and to ensure patient trust and safety.
- The support of SACRE representatives in local authorities serves to ensure the appropriate balance in religious education curricula.
- The developed Faith Endorsement criteria of Prison Chaplains ensures that both Public and Private Sector prisons are well served by a diverse range of professional ministers to work as Chaplains in prisons.

FINANCIAL REVIEW

Income derives mainly from investment returns on both listed investments and property. This is supplemented by subscriptions from member churches and other activities. In addition specific grants have been received, for restricted purposes, to support the work in Healthcare and Prisons. Income remained comparable to previous years apart from grant income which has reduced. Grants are made at the directors' discretion.

Total expenditure has been higher than that incurred in 2016 due to increased activity. This has resulted in a net deficit of £146,971 in the general fund which, together with a £121,812 unrealised gain on investments, has been transferred to reserves.

RISK REVIEW

The directors undertake each year a wide ranging appraisal in order to identify the major risks to which the charity is exposed. Steps are taken with a view to mitigating these risks as far as is reasonably possible.

The directors are aware that the continued financial stability of the charity relies on the continued performance and growth of the charity's investments. They believe their regular review of quoted investments, aided by information from the fund managers, largely mitigates this risk as far as possible.

INVESTMENT POWERS AND POLICY

The investment powers of the charity are contained in the Articles of Association and include the power to appoint investment managers. The directors may invest any funds not immediately required by the charity into such securities, property and other investments as they consider greatest overall benefit to the charity, in line with the charity's objectives.

The directors' current policy is to invest in gilt edged securities or investment units with managers of common investment funds: Epworth Investment Management Limited and freehold commercial properties. Surplus funds held for the shorter term are placed in CCLA Investment Management Limited's COIF Charity Fund Deposit Account, which has consistently provided a rate of return higher than that available from a bank.

RESERVES POLICY

It is the policy of the directors to ensure that the charity has adequate reserves to enable it to meet both its ongoing commitments in respect of general charitable activities and its future funding requirements. The directors have assessed this with the aim of achieving reserves equivalent to one year's on-going expenses plus any known existing and future liabilities. This would require free reserves of around £300,000. Free reserves as at 31 December 2017 stood at £229,727.

The charitable activities are largely financed from the yield on invested reserves. It is the long-term policy of the board to maintain the real value of invested reserves and apply their annual yield (interest, dividends, rents and a proportion of any growth in value) to funding the work of the FCG. The directors consider the level of reserves at the year-end to be sufficient for the current requirements of the charity, but will continue to review the overall position and policy at regular intervals.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017 DIRECTORS REPORT (CONTINUED)

term policy of the board to maintain the real value of invested reserves and apply their annual yield (interest, dividends, rents and a proportion of any growth in value) to funding the work of the FCG. The directors consider the level of reserves at the year-end to be sufficient for the current requirements of the charity, but will continue to review the overall position and policy at regular intervals.

INDEPENDENT EXAMINER

Mark Heaton FCCA DChA FCIE of KM, Chartered Accountants, has been appointed as the charitable company's Independent Examiner. A resolution proposing the reappointment of Mark Heaton will be put to the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors, who also act as trustees, are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors (who are also trustees for the purposes of charity law) to prepare financial statements for each financial year. 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including income and expenditure, of the company for that period.

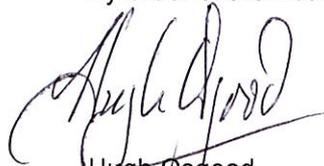
In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

By order of the Board



Hugh Osgood
Moderator

Dated 23rd May 2018

Registered Office: 27 Tavistock Square, London. WC1H 9HH

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

MEMBER DENOMINATIONS

Assemblies of God
Baptist Union of Great Britain
Baptist Union of Wales
Christ Apostolic Church
Church of God of Prophecy
Church of the Nazarene
Churches in Communities International
Congregational Federation
Council of African and Caribbean Churches
UK
Countess of Huntingdon's Connexion
Fellowship of Churches of Christ
Free Church of England
Free Methodist Church
Independent Methodist Churches
Methodist Church
Moravian Church
New Testament Assembly
New Testament Church of God
Old Baptist Union
Presbyterian Church of Wales
The Salvation Army
Undeb yr Annibynwyr Cymraeg
(Union of Welsh Independents)
United Reformed Church
Wesleyan Reform Union

**REPORT OF THE INDEPENDENT EXAMINER
TO THE MEMBERS OF
THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

I report to the charity trustees on my examination of the accounts of the company for the year ended (date) which are set out on pages 11 to 19.

Responsibilities and basis of report

As the charity trustees of the company (and also its directors for the purposes of company law) you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the accounts of the company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your company's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

Since the company's gross income exceeded £250,000 your examiner must be a member of a body listed in section 145 of the 2011 Act. I confirm that I am qualified to undertake the examination because I am a member of the Association of Charity Independent Examiners, which is one of the listed bodies.

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

1. accounting records were not kept in respect of the company as required by section 386 of the 2006 Act; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair view' which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities [applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)].

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.



Mark Heaton FCCA FCIE DChA

KM Chartered Accountants
1st Floor, Block C, The Wharf,
Manchester Road,
Burnley
Lancashire
BB11 1JG

Date: 23rd May 2018

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

	Notes	Unrestricted Funds 2017 £	Restricted Funds 2017 £	Total Funds 2017 £	Total Funds 2016 £
Income and endowments from:					
Donations and legacies:					
Member church subscriptions		18,747	-	18,747	19,521
Donations		-	-	-	50
Charitable activities:					
Grants	2	-	116,500	116,500	161,000
Other trading activities:					
Rental income		54,271	-	54,271	48,197
Investments:					
UK listed investments		57,870	-	57,870	56,509
Rental properties		92,500	-	92,500	92,500
Other		127	-	127	592
Other					
Conference Fee		1,347	930	2,277	1,424
Other		17,521	-	17,521	5,719
Total		<u>242,383</u>	<u>117,430</u>	<u>359,813</u>	<u>385,512</u>
Expenditure on:					
Investment management costs:					
Property management costs		4,345	-	4,345	7,641
Charitable activities					
Grants payable	3	12,712	28,371	41,083	56,734
Other	3	335,399	125,957	461,356	374,490
Total		<u>352,456</u>	<u>154,328</u>	<u>506,784</u>	<u>438,865</u>
Net income / (expenditure)		<u>(110,073)</u>	<u>(36,898)</u>	<u>(146,971)</u>	<u>(53,353)</u>
Gains / (losses) on investment assets		121,812	-	121,812	155,915
Net Movement in Funds		<u>11,739</u>	<u>(36,898)</u>	<u>(25,159)</u>	<u>102,562</u>
Reconciliation of funds					
Total funds brought forward		3,116,387	59,086	3,175,473	3,072,911
Total funds carried forward		<u>3,128,126</u>	<u>22,188</u>	<u>3,150,314</u>	<u>3,175,473</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**BALANCE SHEET
AS AT 31 DECEMBER 2017**

	Notes	2017		2016	
		£	£	£	£
Fixed Assets					
Tangible assets	6	121,046		133,726	
Investments	7	<u>2,898,399</u>		<u>2,926,587</u>	
			3,019,445		3,060,313
Current Assets					
Debtors	8	71,716		137,099	
Cash at bank and in hand		<u>159,085</u>		<u>85,133</u>	
		230,801		222,232	
Current Liabilities					
Amounts falling due within one year	9	<u>99,932</u>		<u>107,072</u>	
Net Current Assets			130,869		115,160
Net Assets			<u>3,150,314</u>		<u>3,175,473</u>
Funds					
Unrestricted:					
General unrestricted funds	10		3,128,126		3,116,387
Restricted funds	10		22,188		59,086
Total Funds			<u>3,150,314</u>		<u>3,175,473</u>

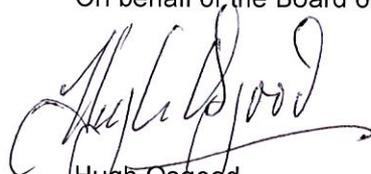
For the year ending 31st December 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the charitable company to obtain an audit of its financial statements for the year ended 31 December 2017 in accordance with Section 476 of the Companies Act 2006.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

On behalf of the Board of Directors:



Hugh Osgood
Moderator

Dated 23rd May 2018

Company Number: 00364987

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

1. Accounting Policies

Basis of preparation

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

Donations and incoming grants

Donations and grants are accounted for when received or receivable where entitlement is demonstrable.

Investment income

Incoming resources from investments are accounted for when receivable.

Grants payable

Grants are made on behalf of the Department of Health to members of the Healthcare Chaplaincy Faith and Belief Group. Grants are also paid to support various work carried out by organisations on behalf of the churches on an ecumenical basis nationally. Grants are accounted for when paid or when there is an obligation to pay.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered and is reported as part of the expenditure to which it relates.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs relevant to strategic management.

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each tangible fixed asset over its expected useful life as follows:

- Leasehold property improvements - straight line over the period to 31 December 2031
- Furniture and equipment - 10% / 20% / 33% straight line

Investment properties

Investment properties are stated at market value. Realised and unrealised gains are included in the Statement of Financial Activities. No depreciation is provided on investment properties. This is a departure from the requirements of the Companies Act 2006 which requires all properties to be depreciated. The directors consider that to depreciate the properties would not give a true and fair view. Depreciation is only one of the many factors reflected in the valuation and the amount which might otherwise have been shown. The investment properties are maintained to a high standard and as such their residual value is expected to be not less than their cost and therefore the depreciation is immaterial to the accounts. Impairment reviews are carried out on an annual basis by the Board. The directors consider that this accounting treatment results in the financial statements giving a true and fair view.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. Accounting Policies (continued)

Listed Investments

Listed investments are shown at market value. Realised and unrealised gains are disclosed in the Statement of Financial Activities.

Funds

Unrestricted funds are incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general fund.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of costs.

2. Income and endowments from Charitable Activities: Grants

Restricted Funds	2017	2016
	£	£
Department of Health – Health Care Chaplaincy	63,500	87,500
Department of Health – Multi Faith Group re Health Care Chaplaincy	26,500	48,500
Department of Health – Advisors Panel	-	15,000
Methodist Church – Prison Chaplaincy	10,000	10,000
Westhill Endowment - Education Project	16,500	-
Total	<u>116,500</u>	<u>161,000</u>

3. Expenditure on: Charitable Activities

	Unrestricted	Restricted	Total	Total
	Funds	Funds	Funds	Funds
	2017	2017	2017	2016
	£	£	£	£
Grants payable:				
Ministerial counselling service	1,632	-	1,632	2,152
Multi Faith Healthcare Chaplaincy Group	-	28,371	28,371	43,500
Other - The Welcome Directory	11,080	-	11,080	11,082
	<u>12,712</u>	<u>28,371</u>	<u>41,083</u>	<u>56,734</u>
Direct expenditure:				
General	209,648	-	209,648	129,813
Health Care Chaplaincy (HCC)	-	98,527	98,527	95,353
Public Affairs Project	30,256	-	30,256	-
HCC Advisors Panel	-	-	-	21,741
Multifaith/Faith and Belief Group	-	-	-	5,000
Education officer	55,755	16,500	72,255	61,967
Prison Chaplaincy	39,740	10,930	50,670	60,616
	<u>335,399</u>	<u>125,957</u>	<u>461,356</u>	<u>374,490</u>
Total	<u>348,111</u>	<u>154,328</u>	<u>502,439</u>	<u>431,224</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

4. Directors' Emoluments and Staff Costs

Staff costs during the year were:	2017 £	2016 £
Wages and salaries	189,360	196,200
Social security costs	15,204	16,132
Pension contributions	28,055	14,032
Total	<u>232,619</u>	<u>226,364</u>

No employees received remuneration greater than £60,000.

The average number of employees during the year was:

	2017 Number	2016 Number
Direct charitable activities	4	4
Management and administration	2	2
Total	<u>6</u>	<u>6</u>

Total compensation paid to key management personnel in the year amounted to £43,815 (2016: £32,535).

Directors' emoluments, including pension benefits, amounted to £nil (2016: £nil).

Expenses reimbursed to six (2016: seven) directors for travel, subsistence and conference expenses were £4,314 (2016: £4,598).

5. Net Income / (Expenditure)

Net incoming resources is stated after charging:	2017 £	2016 £
Independent Examiner's Fee / Audit fee	2,040	2,700
Depreciation	<u>12,680</u>	<u>11,814</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

6. Tangible Fixed Assets

	Furniture and Equipm't £	Leasehold Property Improvem'ts £	Total £
Cost			
At 1 January 2017	24,726	234,444	259,170
Additions	-	-	-
At 31 December 2017	<u>24,726</u>	<u>234,444</u>	<u>259,170</u>
Depreciation			
At 1 January 2017	9,306	116,138	125,444
Charge for the year	4,792	7,888	12,680
At 31 December 2017	<u>14,098</u>	<u>124,026</u>	<u>138,124</u>
Net Book Value			
At 31 December 2017	<u>10,628</u>	<u>110,418</u>	<u>121,046</u>
At 31 December 2016	<u>15,420</u>	<u>118,306</u>	<u>133,726</u>

Leasehold property improvements were effected during preceding years to the London headquarters of the company which it occupies under the terms of a lease due to expire in 2032.

7. Investments

	UK Listed General Funds £	Investment General Funds £	Total £
Market Value			
At 1 January 2017	1,776,587	1,150,000	2,926,587
Increase on revaluation in year	121,812	-	121,812
Redeemed in year	(150,000)	-	(150,000)
At 31 December 2017	<u>1,748,399</u>	<u>1,150,000</u>	<u>2,898,399</u>
Historic Cost			
At 1 January 2017	1,168,110	667,881	1,835,991
At 31 December 2017	<u>1,168,110</u>	<u>667,881</u>	<u>1,835,991</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

7. Investments (continued)

The UK listed investments portfolio is made up of UK fixed interest stocks and equities, all quoted/listed within the UK. Investments which made up over 5% of the value of the portfolio are as follows:

	2017	2016
	%	%
COIF income share units	33.98	30.77
COIF fixed interest units	7.26	7.16
COIF property fund units	7.22	6.85
Epworth affirmative fund income units	49.01	44.22
Epworth affirmative fund fixed interest units	2.53	11.00

The investment properties were revalued at estimated open market value by the Directors.

8. Debtors

	2017	2016
	£	£
Trade debtors	15,770	7,363
Other debtors: Department of Health grants	-	120,000
Prepayments and accrued income	55,946	9,736
Total	<u>71,716</u>	<u>137,099</u>

9. Current Liabilities: Amounts Falling Due Within One Year

	2017	2016
	£	£
Churches Together in England	2,934	2,934
Accruals	2,952	13,770
Deferred rental income	10,625	10,625
Other Creditors	83,421	79,743
Total	<u>99,932</u>	<u>107,072</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

10. Funds

	01-Jan-17	Transfers between funds	Income	Expend iture	Gains/ (Losses)	31-Dec-17
	£		£			£
Unrestricted Funds:						
General reserve	189,800	150,000	242,383	(352,456)	-	229,727
Investment reserve	1,168,110	(117,922)	-	-	-	1,050,188
Investment revaluation reserve	608,477	(32,078)	-	-	121,812	698,211
Property reserve	667,881	-	-	-	-	667,881
Property revaluation reserve	482,119	-	-	-	-	482,119
Total unrestricted funds	3,116,387	-	242,383	(352,456)	121,812	3,128,126
Restricted Funds						
Healthcare Chaplaincy	38,378	-	63,500	(98,527)	-	3,351
Healthcare Advisory Panel	2,423	-	-	-	-	2,423
Multi Faith Healthcare Group	17,285	-	26,500	(28,371)	-	15,414
Education	-	-	16,500	(16,500)	-	-
Prison Chaplaincy	-	-	10,930	(10,930)	-	-
Prison Chaplaincy – Welcome project	1,000	-	-	-	-	1,000
Total restricted funds	59,086	-	117,430	(154,328)	-	22,188
Total Funds	3,175,473	-	359,813	(506,784)	121,812	3,150,314

Unrestricted funds are incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as a general fund. Investments and Property assets are represented as separate funds distinguishing between cost and revaluations as these funds are not available for day to day expenditure.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of costs. During the year grants received from the Department of Health were restricted to health care chaplaincy, funding an Advisory panel and the provision of grants to other faith groups for Healthcare Chaplaincy; and a grant from the Methodist Church was restricted to the costs of prison chaplaincy.

11. Analysis of Net Assets Between Funds

	Tangible Fixed Assets	Investments	Net Current Assets	Total
	£	£	£	£
Unrestricted Funds				
General unrestricted funds	121,046	2,898,399	108,681	3,128,126
Restricted Funds				
	-	-	22,188	22,188
Total Funds	121,046	2,898,399	130,869	3,150,314

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

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

12. Related Parties and Control

The General Secretary had day to day control of the charity. The trustees have overall control of the charity.

Previously Eric Southwick & Co Charity Accountants was appointed to provide the services of Finance Officer to the charity. Eric Southwick & Co Charity Accountants is controlled by E Southwick, a director / trustee of The Free Church Federal Council (Incorporated). E Southwick declared his interest in Eric Southwick & Co Charity Accountants and was absent from discussions and took no part in the decision to appoint Eric Southwick & Co Charity Accountants. The remaining directors were satisfied that it was in the best interests of The Free Church Federal Council (Incorporated) to appoint Eric Southwick & Co Charity Accountants and did so under the authority provided within the company's Articles of Association. The cost of these services in the year was £11,495.

Previously Charis Communications was appointed to provide services to support the development of the charity's website and to increase the charity's use of social media. Charis Communications engages the services of the Rev Dr H Osgood and Rev T Howard is one of its directors, both are directors / trustees of The Free Church Federal Council (Incorporated). The Rev Dr H Osgood and Rev T Howard declared their interests in Charis Communications and were absent from discussions and took no part in the decision to appoint Charis Communication. The remaining directors were satisfied that it was in the best interests of The Free Church Federal Council (Incorporated) to appoint Charis Communications and did so under the authority provided within the company's Articles of Association. The cost of these services in the year was £6,000.

Previously Teeshan HR Consultancy Ltd was appointed to develop a staff handbook for the charity. Teeshan HR Consultancy Ltd is controlled by Rev G Denny, a director / trustee of The Free Church Federal Council (Incorporated). Rev G Denny declared her interest in Teeshan HR Consultancy Ltd and was absent from discussions and took no part in the decision to appoint Teeshan HR Consultancy Ltd. The remaining directors were satisfied that it was in the best interests of The Free Church Federal Council (Incorporated) to appoint Teeshan HR Consultancy Ltd and did so under the authority provided within the company's Articles of Association. The cost of these services in the year was £7,200.