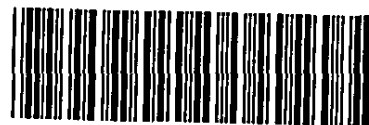


THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
(A COMPANY LIMITED BY GUARANTEE)

COMPANY NUMBER 00364987
CHARITY NUMBER 236878

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

WEDNESDAY



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COMPANIES HOUSE

**THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

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THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

COMPANY INFORMATION

Company number	00364987
Chanty number	236878
Directors / Trustees	Revd M Heaney (Chair/Moderator) Mr G Lomas (Convener) Mr E Southwick (Treasurer) Professor J Briggs Mrs B Tickner Revd A Williams Revd C Whiteley Revd D Spademan Major J Read Revd J Edwards Revd T Howard Revd R Gee
General Secretary	Mr F Kantor
Registered Office	27 Tavistock Square London WC1H 9HH
Bankers	CAF Bank Limited 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ
Solicitors	Ashton Graham Waterfront House, Wherry Quay, Ipswich, Suffolk IP4 1AS
Auditors	Mercer & Hole Chartered Accountants Gloucester House, 72 London Road, St Albans, Hertfordshire. AL1 1NS
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 2012

DIRECTORS REPORT (CONTINUED)

The directors present their annual report with the accounts for the company for the year ended 31 December 2012. The accounts comply with the requirements of the Companies Act 2006, the Financial Reporting Standard for Smaller Entities (effective April 2008) and follow the recommendations in "Accounting and Reporting by Charities: Statement of Recommended Practice 2005".

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 also known by the working name The Free Churches' Group (hereafter, the FCG).

The members of the company are representatives of the constituent denominations. 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 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

Professor J Briggs (retired 4 December 2012)
Mr P Putman (Treasurer) (retired 1 April 2013)
Mrs B Tickner (retired 16 August 2012)
Revd A Williams
Revd M Heaney (Chair/Moderator)
Mr G Lomas (Convener)
Revd C Whitely
Revd D Spademan (appointed 21 September 2012)
Major John Read (appointed 21 September 2012)
Revd Jonathan Edwards (appointed 21 September 2012)
Revd T Howard (appointed 21 September 2012)
Revd R Gee (appointed 21 September 2012)

The directors usually meet at least twice a year. However, in the year under review they only met once due to constraints related to the lengthy vacancy of the post of General Secretary. During the course of the year a number of new directors were appointed and two retirements were recorded. Directors are elected by members of the FCG at their Group meeting based on their skills and experience (often as trustees / directors within their denomination). Time is given during directors meetings to focus on the role and changes in legislation. Those new to the work of the company meet with the General Secretary to receive an orientation on the work of the FCG. Where required, formal training or advice from consultants is given.

The day-to-day work of the company is delegated to the General Secretary. However, in the year under review, this position was vacant for most of the year. During this period, management responsibility for the FCG was undertaken by the Secretary for Healthcare Chaplaincy, the Rev Debbie Hodge (in addition to her normal duties as Executive officer for Healthcare Chaplaincy). Mr Frank Kantor was appointed as General Secretary of the FCG on the 1st November 2012 reporting to the Chair/Moderator of the FCG, the Revd Michael Heaney.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

The company has a joint operating agreement with Churches Together in England. The General Secretary serves as line manager to those staff within the joint operating agreement working on Free Church matters, particularly the officer for Health Care Chaplaincy, the Secretary for Prison Chaplaincy, and the Officer for Education and their administrative support. These three officers are further supported by specialist committees of volunteers to shape these areas of work.

OBJECTIVES AND ACTIVITIES

The principal object of The Free Church Federal Council (Incorporated) is "the advancement of the Christian religion" and specifically "the promotion of the objects of the Free Church Federal Council, and for the furtherance of such objects to hold such evangelistic, educational, business or other meetings as may from time to time be determined." These objects are as follows, with an outline of how they have been fulfilled during the year.

1) To express the essential unity in Christ of the Evangelical Free Churches of England and Wales.

The FCG only held one Group meeting during the year following the Annual General Meeting where the annual report was presented. Group meetings address issues related to members' common foundation in Christian faith and in the Free Church tradition. This unity is expressed in the representation of the Moderator at public events. The Moderator has fulfilled a large number of engagements in his own right and as a co-President of Churches Together in England, raising the profile and influence of the Free Churches in England and Wales. This has also been fulfilled through joint representations made to government and others by the staff Secretaries, and through the endorsement of particular Christian initiatives.

2) To secure their federation on the basis of their common Evangelical faith, each denomination retaining liberty to fulfil its own distinctive witness and mission.

The members of the FCG have continued to examine its unifying character, particularly in relation to working with a wider constituency of churches in the area of chaplaincy. This is part of the relationship with Churches Together in England and the FCG are careful to safeguard the distinctive nature of the Free Churches in this. The Directors met once during the year, acting as stewards of the subscriptions and financial resources that make the work of the FCG possible. During the year applications for membership were received from a number of smaller church groupings. However, due to the fact that they only had a regional or local presence, they were not received into membership as the criteria for membership of the FCG is reserved for churches with a national presence in England or Wales. The FCG also had to deal with a difficult judicial review process related to a membership application for the FCG which was struck out by the Court on technical and procedural grounds. This case has highlighted the need for a comprehensive review of the criteria and process of considering membership applications for the FCG which the General Secretary has been asked to undertake.

3) To foster their fellowship in worship and work, to co-ordinate their counsels, activities and resources for the evangelisation of the people and the extension of Christ's Kingdom in every sphere of life.

The members' meetings have served to build fellowship as well as to discuss and debate matters of concern and interest. These meetings have focussed on the work of the Free Churches Education Committee, the Health Care Chaplaincy Steering Committee, and the Secretary for Prison Chaplaincy's Steering Group, and that of the General Secretary. In addition, the FCG is represented on numerous other ecumenical structures and networks based on the distinctive contribution of the Free Churches to a range of issues impacting on faith and society.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

The Education Officer has been involved in the provision of consultancy to member churches, including the Baptist Union of Great Britain, the United Reformed Church and the New Testament Church of God, enabling them to undertake educational projects and initiatives

- 4) To maintain the spiritual testimony of the Free Churches, to uphold full religious liberty and to take action when authorised to do so in matters affecting the responsibilities and rights of the federated Churches.**

The Secretaries of the FCG have pursued this objective in the areas of education, healthcare chaplaincy, prison chaplaincy and general legislation. A change in Government has meant on-going changes in emphasis in the FCG's areas of work

Education - work has focussed on ensuring representation on Local Authority Standing Advisory Councils on Religious Education (SACREs) and providing support for Free Church representatives. The Secretary serves as a Trustee of Christian Education and Chair of the charity's Publications Committee. She serves as a board member of the Religious Education Council of England and Wales, and as a member of its Governance Committee. She is a member of the Department for Education's Faith Groups' meeting, and co-ordinates the meetings and joint activities of the faith groups that have an involvement in education. She also acts as secretary to the new Ecumenical Higher Education Policy Committee, and is a member of the steering group of Pray for Schools.

Health Care - work has focussed generally on denominational and faith authorisation and expanding the stats base of authorised chaplains. More specifically, work with the Methodist church has focussed on the development of health care chaplaincy as a way for church members to engage with their local health providers in serving their communities. Discussions on accreditation of church and faith community based training programmes for health care chaplains to enhance the provision of care offered to NHS Trusts, is on-going. The model of health care chaplaincy is being used in the development of chaplaincy education in other sectors.

Prison Service - in September 2011 the Secretary for Prison Chaplaincy was appointed who serves the National Offender Management Service as their Free Churches Faith Advisor. During 2012, the eligibility criteria for all those from Free Church traditions who wish to be considered for Prison Chaplaincy post has been clarified and expanded. The Secretary is now able to offer Faith Endorsement for ministers of churches who are of a Free Church tradition and who are either members of either CTE or FCG.

General Secretary - work relating to legislation has largely been conducted through the Churches Legislation Advisory Service, of which the General Secretary is a member. The General Secretary also serves on the Places of Worship Forum of English Heritage, the Free Churches Choir Committee and as a member of the Management Group of Stamp Out Poverty.

The Education Officer is a member of the Boards of Christian Education and the Religious Education Council for England and Wales. The Secretary for Prison Chaplaincy sits as a permanent member of the NOMS Multi-Faith Chaplaincy Council and has developed a working group to look at the feasibility of developing a national scheme to help Faith Communities be better prepared to receive ex-offenders.

- 5) To promote fellowship and united action where possible with other branches of the Church throughout the world and in particular with Churches Together in England, Cytûn and Churches Together in Britain and Ireland.**

The FCG has maintained its Joint Working Agreement with Churches Together in England, with its staff serving both organisations. The FCG has continued to work through the implications of also working on behalf of smaller denominations in CTE's membership.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

As a number of its members are in membership with Churches Together in Britain and Ireland a close interest has been maintained in the work of this group of churches. A relationship is maintained with Cytun and the churches in Wales, although in most practical senses this is diminishing as issues of interest are devolved to the Welsh Assembly. The FCG is represented informally at the Senior Representatives Meeting, on the Churches Inter-Religious Network and the Church and Public Issues Network of CTBI.

Initiatives to enable work done for the smaller Free Churches to be offered to other small denominations within Churches Together in England have not progressed far during this year. Although no longer a member, the FCG participates in aspects of the work of Churches Together in Britain and Ireland, namely the Environmental Issues Network, the Churches Inter-religious Network and the Church and Public Issues Network. The FCG continues to relate to Cytun and the Free Church Council of Wales as they work out the support of hospital chaplains and SACRE representatives in Wales. The Education Officer co-ordinates the development and provision of resources for Education Sunday, in partnership with member churches of CTE, and other partner organisations. The resources are used by Churches throughout the United Kingdom.

THE YEAR AHEAD

This will bring significant changes to the work of the FCG.

The appointment of a full-time General Secretary on the 1st November 2012 of the FCG was based on a strategic decision of the directors to appoint a full-time General Secretary to oversee and lead a strategic review of the charity in the light of the sentiments expressed in the Cotswold Statement ratified by Council members in 2011.

The year ahead will therefore be one of significant transition for the company as the strategic objectives and work programmes of the FCG are reviewed in the light of the objectives outlined above and a new strategic profile is developed to enhance and strengthen the public witness of the Free Churches in England and Wales.

Our work in the key areas of education and healthcare and prison chaplaincy will continue to provide a resource to our member churches for engagement in these key public service vocations and ministries as well as seeking to influence policy debates on the numerous reforms in education, criminal justice and healthcare provision policy. This engagement will be guided by the established principles related to chaplaincy as well as the values and principles which guide the work of the FCG related to our public benefit, religious freedom and human flourishing.

The post of Education Officer which currently serves member churches of both the FCG and Churches Together in England is to be reviewed to establish the contribution of this post to informing and equipping these churches on the challenges and opportunities posed by the rapid changes taking place in the education system. The Free Church Education Committee has also undertaken a review of its strategic plan and is exploring the most effective ways to support SACRE members as resources from Local Authorities are diminishing. Their review will feed in to the review of this post and this process will enable both the FCG and CTE to evaluate their strategy and focus on education at a time of rapid change in policy, funding and approach to this critical aspect of our social life.

Funding for the posts of the Secretaries of Health Care and Prisons continue to pose challenges with cuts to the relevant Government departments and the financial constraints that member churches are currently facing which will require careful monitoring. This will be done against the increasing number of applications for endorsement and accreditation of Healthcare and Prison Chaplains from member churches and churches seeking membership of the FCG to have their chaplains accredited as Free Church chaplains.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

The review of the relationship between the FCG and CTE undertaken by the Directors last year will result in significant changes in the management of the two charities in the year ahead. The Secretaries for Health Care Chaplaincy and Prison chaplaincy and the General Secretary and their support staff are due to be transferred on to new employment contracts with the FCG on the same terms and conditions of service currently applicable to CTE. A separate payroll is to be established for the FCG staff and the FCG is to register as an employer with HMRC. In addition, the administration and financial management of the two charities are to be separated out over the course of the year with a view to establishing distinct cost centres for the FCG and CTE operations.

An assessment of the rental value of the property currently rented to CTE at 27 Tavistock Square, London is also due to take place in the coming year which might have implications for the Joint Operating Agreement between the two charities. This will require strategic decisions to be made by both charities related to their strategic focus, administration needs and office presence as the current office space at 27 Tavistock Place which is shared by both charities is underutilised by some margin.

Other issues which will require careful monitoring in the coming year include

- An increasing number of applications for membership of the FCG will require a constant monitoring of the nature and character of the FCG, particularly in relation to its historic roots
- The Directors will continue to monitor the FCG's investments based on the increased costs which the appointment of a full-time General Secretary will mean for the charity
- Financially, the Directors will continue to closely monitor the FCG's property portfolio, with a view to making strategic decisions about their Westbury and London properties
- Within the Joint Operating Agreement with CTE, work continues to offer support and the possibility of participation to other denominations in areas of work that are currently covered by the work of the Free Churches. Similarly, some of the areas of work covered by CTE's Co-ordinating Groups are to be communicated to smaller non-participating denominations, including the Free Churches. Such work will entail a change in the pattern of meetings and care will be taken to ensure that the FCG has the space within these to maintain its identity.

PUBLIC BENEFIT

The FCG's purpose is in the support of its member church denominations in their mission across England and Wales. Inasmuch 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 FCG's particular engagement with education, health care, prisons and the legislative governance of the nation, amongst other things, is evidential of a commitment to wider society and a concern for public wellbeing.

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 FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

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. The FCG's engagement with the regulations around the Points Based System for Immigration during this year has, while attending to the particular needs of its member churches, been made on the basis of common justice that applies to all.

FINANCIAL REVIEW

The results for the year, as given in the Statement of Financial Activities, are considered satisfactory by the trustees. Additional grants received in the year have enabled the establishment of programmes on Prison Chaplaincy and a Health Care Advisory Panel. Save for this the income and expenditure remained comparable to previous years. The quoted investments benefitted from gains in market value of a satisfactory level given market conditions. Grants are made at the directors' discretion.

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. CCLA Investment Management Limited and 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 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 present situation and foreseeable requirements of the charity, but will continue to review the overall position and policy at regular intervals.

CONNECTED AND RELATED CHARITIES

The company has a joint operating agreement with Churches Together in England. Some staff within the joint operating agreement work on Free Church matters, particularly the CEO, the officer for Health Care Chaplaincy, the officer for Education and the secretary for Prison Chaplaincy. The Free Church Federal Council (Incorporated) contributes to the staff and other costs within the joint operating agreement. These costs are included in these accounts.

AUDITORS

Mercer & Hole were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity. A resolution proposing their re-appointment for a further year will be put to the Annual General Meeting.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS REPORT (CONTINUED)

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.

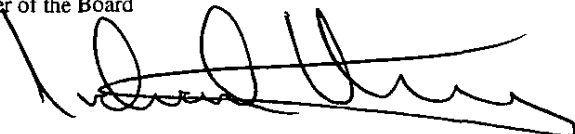
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of the information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective April 2008).

By order of the Board



RED M HEANEY

Dated

11 July 2013

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

Churches in Communities International

Church of God of Prophecy

Church of the Nazarene

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 AUDITORS
TO THE MEMBERS OF
THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2012**

We have audited the financial statements of The Free Church Federal Council (Incorporated) for the year ended 31 December 2012 which comprise the Statement of Financial Activities (including the Income and Expenditure Account), the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors 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 Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. 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 company's affairs as at 31 December 2012 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 applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

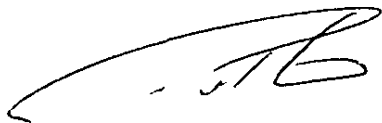
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' 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 directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



Senior Statutory Auditor
for and on behalf of
Mercer & Hole
Chartered Accountants
and Registered Auditors

Gloucester House
72 London Road
St Albans
Hertfordshire
AL1 1NS

Date 11-7-13

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	Unrestricted Funds 2012 £	Restricted Funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
INCOMING RESOURCES					
Incoming resources from generated funds:					
Voluntary income					
Donations and grants		15,595	-	15,595	15,615
Activities for generating funds					
Rental income		60,000	-	60,000	60,000
Investment income					
UK listed investments		58,454	-	58,494	55,769
Rental properties		92,500	-	92,500	92,500
Other		5,134	-	5,134	1,545
Incoming resources from charitable activities:					
Grants	2	-	129,175	129,175	58,700
Total Incoming Resources		231,683	129,175	360,858	284,129
RESOURCES EXPENDED					
Costs of generating funds					
Property management costs		10,993	-	10,993	3,843
Charitable activities	3	186,696	118,424	305,120	270,483
Governance costs	5	4,961	-	4,961	12,617
Total Resources Expended		202,650	118,424	321,074	286,943
Net Incoming/(Outgoing) Resources					
Net Income for the Year		29,033	10,751	39,784	(2,814)
Gains / (Losses) on revaluations and disposals of investment assets		77,384	-	77,384	(49,195)
Net Movement in Funds		106,417	10,751	117,168	(52,009)
Balances at 1 January		3,082,989	-	3,082,989	3,134,998
Balances at 31 December		3,189,406	10,751	3,200,157	3,082,989

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

BALANCE SHEET AS AT 31 DECEMBER 2012

	Notes	2012 £	2011 £
Fixed Assets			
Tangible assets	7	151,159	157,746
Investments	8	2,743,290	2,665,906
		<u>2,894,449</u>	<u>2,823,652</u>
Current Assets			
Debtors	9	53,500	-
Cash at bank and in hand		377,087	372,933
		<u>430,587</u>	<u>372,933</u>
Current Liabilities			
Amounts falling due within one year	10	<u>124,879</u>	<u>113,596</u>
Net Current Assets		305,708	259,337
Net Assets		<u>3,200,157</u>	<u>3,082,989</u>
Funds			
Unrestricted			
General unrestricted funds	12	3,189,406	3,082,989
Restricted funds		10,751	-
Total Funds		<u>3,200,157</u>	<u>3,082,989</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

On behalf of the Board of Directors

Director
Dated

11 July 2013

REV M HANNEY

Company Number 00364987

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

1. Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and follow the recommendations in *Accounting and Reporting by Charities Statement of Recommended Practice* issued in 2005

Donations and incoming grants

Donations and legacies are accounted for when received Grants are accounted for on an accruals basis

Investment income

Incoming resources from investments are accounted for when receivable

Grants payable

Grants have been made available on a limited basis towards supporting the cost of health care chaplaincy training (this being shared on an ecumenical basis) 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

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
Computer equipment	- 20% / 33% straight line
Furniture and equipment	- 10% / 20% 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 2012 (CONTINUED)

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. Incoming Resources from Charitable Activities: Grants

Restricted Funds	2012 £	2011 £
Department of Health – Health Care Chaplaincy	63,375	48,000
Department of Health – Advisors Panel	30,000	-
MultiFaith Group – Health Care Chaplaincy	2,500	5,000
Baptist Union of Great Britain – Education Officer	5,800	5,700
Methodist Church – Prison Chaplaincy	27,500	-
Total	129,175	58,700

3. Charitable Activities: Direct Expenditure

	Unrestricted Funds 2012 £	Restricted Funds 2012 £	Total Funds 2012 £	Total Funds 2011 £
Grants paid:				
Ministerial counselling service	1,490	-	1,490	1,470
CTE women's co-ordinating group	-	-	-	1,000
	1,490	-	1,490	2,470
Direct expenditure:				
General	122,578	-	122,578	156,154
Health Care Chaplaincy	6,208	65,875	72,083	55,068
Advisors Panel	-	19,249	19,249	-
Education officer	43,610	5,800	49,410	45,728
Prison Chaplaincy	12,810	27,500	40,310	11,063
	185,206	118,424	303,630	268,013
Total	186,696	118,424	305,120	270,483

£108,791 (2011 £145,573) of the general direct expenditure, and all of the Health Care Chaplaincy, Education Officer and Prison Chaplaincy expenditure was paid to Churches Together in England as part of the joint operating agreement detailed in note 14. The remaining general expenditure was depreciation, amortisation and sundry costs.

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(CONTINUED)**

4. Directors' Emoluments and Staff Costs

Directors' emoluments amounted to £nil (2011 £nil) Directors' pension benefits were £nil (2011 £nil)

Expenses reimbursed to directors for travel, subsistence and conference expenses were £1,601 (2011 £2,854)

The company has a joint operating agreement with Churches Together in England. Some staff within the joint operating agreement work on Free Church matters, particularly the General Secretary, the officer for Health Care Chaplaincy, the officer for Education and the secretary for Prison Chaplaincy. The Free Church Federal Council (Incorporated) contributes to the staff and other costs within the joint operating agreement amounting to £270,594 (2011 £257,432)

5. Governance Costs

The governance costs for the year consisted of

	2012	2011
	£	£
Directors' Travel, Meetings and Other Expenses	1,601	9,257
Audit Fees	3,360	3,360
	4,961	12,617

6. Net Incoming Resources

Net incoming resources is stated after charging

	2012	2011
	£	£
Audit fee	3,360	3,360
Amortisation and Depreciation	8,007	8,346

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(CONTINUED)**

7. Tangible Fixed Assets

	Furniture and Equipment	Leasehold Property Improvements	Total
	£	£	£
Cost			
At 1 January 2012	-	234,444	234,444
Additions	1,420	-	1,420
At 31 December 2012	1,420	234,444	235,864
Depreciation			
At 1 January 2012	-	76,698	76,698
Charge for the year	119	7,888	8,007
At 31 December 2012	119	84,586	84,705
Net Book Value			
At 31 December 2012	1,301	149,858	151,159
At 31 December 2011	-	157,746	157,746

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

8. Investments

	UK Listed Investments General Funds	Investment Properties General Funds	Total
	£	£	£
Market Value			
At 1 January 2012	1,370,906	1,295,000	2,665,906
Redemption in year	-	-	-
Increase on revaluation in year	77,384	-	77,384
At 31 December 2012	1,448,290	1,295,000	2,743,290
Historic Cost			
At 1 January 2012	1,198,491	667,881	1,866,372
Redemption in year	-	-	-
At 31 December 2012	1,198,491	667,881	1,866,372

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

8. 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

	2012 %	2011 %
COIF income share units	28.86	27.89
COIF fixed interest units	8.52	8.91
COIF property fund units	7.15	8.05
Epworth affirmative fund income units	41.27	40.44
Epworth affirmative fund fixed interest units	12.50	12.77

The investment properties were revalued at estimated open market value as at 27 July 2010 by Curchod & Co, Chartered Surveyors of Weybridge, Surrey

9. Debtors

	2012 £	2011 £
Other debtors: Department of Health grants	53,500	-
Total	<u>53,500</u>	<u>-</u>

10. Current Liabilities: Amounts Falling Due Within One Year

	2012 £	2011 £
Churches Together in England	78,895	36,711
Accruals	4,795	9,260
Deferred current year income	40,250	67,625
Other Creditors	939	-
Total	<u>124,879</u>	<u>113,596</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
(CONTINUED)**

11. Deferred Income

	2012 £	2011 £
Deferred income brought forward		
-Rental income	23,125	12,500
-Healthcare Chaplaincy grant	12,000	12,000
-Healthcare Chaplaincy grant – Multifaith Group	2,500	-
-Advisors Panel grant – DoH	30,000	-
	<u>67,625</u>	<u>24,500</u>
Deferred income released in the year		
-Rental income	(23,125)	(12,500)
-Healthcare Chaplaincy grant	(12,000)	(12,000)
-Healthcare Chaplaincy grant – Multifaith Group	(2,500)	-
-Advisors Panel grant – DoH	(30,000)	-
	<u>(67,625)</u>	<u>(24,500)</u>
Incoming resources deferred in the current year		
-Rental income	23,125	23,125
-Healthcare Chaplaincy grant – DoH	13,375	12,000
-Healthcare Chaplaincy grant – Multifaith Group	3,750	2,500
-Advisors Panel grant – DoH	-	30,000
	<u>40,250</u>	<u>67,625</u>
Deferred income carried forward		
-Rental income	23,125	23,125
-Healthcare Chaplaincy grant	13,375	12,000
-Healthcare Chaplaincy grant – Multifaith Group	3,750	2,500
-Advisors Panel grant – DoH	-	30,000
	<u>40,250</u>	<u>67,625</u>

12. Funds

	1 January 2012 £	Income/ Gains £	Expenditu re/ Losses	31 December 2012 £
Unrestricted Funds:				
General unrestricted funds				
Capital reserve	384,512	-	-	384,512
General reserve	1,898,943	231,683	(202,650)	1,927,976
Listed investment revaluation reserve	172,415	77,384	-	249,799
Investment property revaluation reserve	627,119	-	-	627,119
Total unrestricted funds	<u>3,082,989</u>	<u>309,067</u>	<u>(202,650)</u>	<u>3,189,406</u>
Restricted Funds				
Healthcare Chaplaincy	-	65,875	(65,875)	-
Healthcare Advisory Panel	-	30,000	(19,249)	10,751
Education	-	5,800	(5,800)	-
Prison Chaplaincy	-	27,500	(27,500)	-
Total restricted funds	<u>-</u>	<u>129,175</u>	<u>(118,424)</u>	<u>10,751</u>
Total Funds	<u>3,082,989</u>	<u>438,242</u>	<u>(312,074)</u>	<u>3,200,157</u>

THE FREE CHURCH FEDERAL COUNCIL (INCORPORATED)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

12. Funds (continued)

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

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, a grant received from the Baptist Union of Great Britain was restricted to the costs of the education officer, a grant from the Methodist Church was restricted to the costs of prison chaplaincy.

13. Analysis of Net Assets Between Funds

	Tangible Fixed Assets £	Investments £	Net Current Assets £	Total £
Unrestricted Funds				
General unrestricted funds	151,159	2,743,290	294,957	3,189,406
Restricted Funds	-	-	10,751	10,751
Total Funds	<u>151,159</u>	<u>2,743,290</u>	<u>305,708</u>	<u>3,200,157</u>

14. Related Parties and Control

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

The company has a joint operating agreement with Churches Together in England. Some staff within the joint operating agreement work on Free Church matters, particularly the General Secretary, the officer for Health Care Chaplaincy, the officer for Education and the secretary for Prison Chaplaincy. The Free Church Federal Council (Incorporated) contributes to the staff and other costs within the joint operating agreement. These costs are included in note 3 of these financial statements.