

THE MORAVIAN UNION (INCORPORATED)

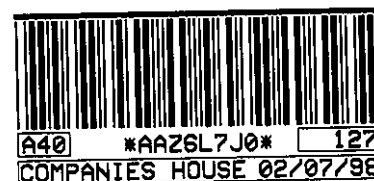
(A company limited by guarantee)

Company Number: 133708

REPORT OF THE
COMMITTEE OF MANAGEMENT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31ST DECEMBER 1997



KINGSTON
SMITH
Chartered Accountants



The Moravian Union (Incorporated)

Legal and Administrative Information

The Moravian Union (Incorporated), a company limited by guarantee (No. 133708), was established in 1914 to act as trustee of the property of and to administer the British Province of the Moravian Church within the British Isles. The British Province of the Moravian Church or Unitas Fratrum is a registered charity (No. 251211), governed by a Provincial Synod. A sister company, the Trust Society for the Furtherance of the Gospel, acts in a similar capacity in relation to the Province's missionary work overseas.

The company is governed by its Memorandum and Articles of Association. The Committee of Management, who are the directors in company law and trustees of the company's charitable activities, are appointed by Synod. The Articles of Association require the Committee to act in accordance with resolutions of Synod.

Church House and Registered Office	5-7 Muswell Hill London N10 3TJ
Governing Body of the Church	The British Provincial Synod of the Moravian Church
Committee of Management	Rt. Rev. G.E. Birtill Rev. W.J.H. McOwat Mrs. J.K. Morten Mr. D. Woods
Investment Advisors	Laing & Cruickshank Investment Management Limited Broadwalk House 5 Appold Street London EC2A 2DA
Bankers	Barclays Bank plc Muswell Hill 223 Muswell Hill Broadway London N10 1DD
Solicitors	Gregory, Rowcliffe & Milners 1 Bedford Row London WC1R 4BZ
Auditors	Kingston Smith Chartered Accountants Devonshire House 60 Goswell Road London EC1M 7AD

The Moravian Union (Incorporated)

Report of the Committee of Management

Objectives

The objective of the company is to administer the British Province of the Moravian Church, which is a registered charity No. 251211. It achieves this objective by administering the property and funds of the British Province which are vested in the company.

Activities

The company receives assessments from congregations, dividends and interest from its investments, significant grants under the terms of the Bates Trusts for the Moravians (registered charities No. 234212 and 234214) and income from other sources, and applies the income in paying stipends to ministers, pensions to retired ministers, providing ministerial training, assisting congregations and generally administering the affairs of the Church.

There were no changes in the objectives or activities during the year nor are any changes foreseen.

Resources

Net incoming resources from operations for the year amounted to £87,731 (1996 - £115,372) and the total of other recognised gains amounted to £366,622 (1996 - £205,236). At the end of the year total funds stood at £4,016,453 (1996 - £3,562,100).

The company's assets, on a fund by fund basis, are available and adequate to fulfil its charitable obligations.

Fixed Assets

As explained in note 2 to the accounts, properties in use by congregations are not included in the balance sheet. In the opinion of the Committee of Management the market value of the freehold property is in excess of cost. During the year two manses were sold.

Investments are pooled in accordance with a scheme agreed with the Charity Commissioners and all investments held have been acquired in accordance with the powers available to the trustees.

Directors

The names of the members of the Committee of Management (who are directors for the purposes of the Companies Act) are set out on page 1.

On Behalf of the Committee of Management


.....
Rev. W.J.H. McOwat

5-7 Muswell Hill
London N10 3TJ

16th June 1998

The Moravian Union (Incorporated)
Committee of Management's Responsibilities and Report of the Auditors

Statement of Responsibilities of the Committee of Management

Company law requires the Committee of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period.

In preparing those financial statements, the Committee of Management are required to follow best practice and select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The Committee of Management are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

**Report of the Auditors to the Members of
The Moravian Union (Incorporated)**

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention, as modified by the revaluation of investments, and the accounting policies set out on page 7.

Respective Responsibilities of the Committee of Management and Auditors

As described above the company's Committee of Management, who are the directors for the purposes of company law and also are the trustees for the charitable activities of the company, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion based on our audit on those statements and report our opinion to you.

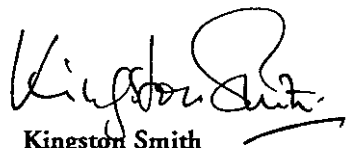
Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Committee of Management in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the charitable company's state of affairs as at 31st December 1997 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Kingston Smith
Chartered Accountants and
Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 23rd June 1998

The Moravian Union (Incorporated)
Statement of Financial Activities
For the year ended 31st December 1997

	Unrestricted Funds		Restricted Funds	Endowment Funds	Total 1997	Total 1996
	General	Designated				
	£	£	£	£	£	£
Incoming Resources						
Congregation assessments (note 5)	22,224	233,185	-	-	255,409	238,607
Investment income (note 6)	13,876	84,529	37,146	517	136,068	130,561
Interest receivable	22,985	1,494	13,800	-	38,279	33,866
Rent (note 7)	4,455	12,660	612	-	17,727	19,367
Bates Trusts	91,822	75,500	1,674	40,494	209,490	204,708
Unity income	-	-	16,479	-	16,479	28,137
Capital grant	-	-	-	35,000	35,000	-
Legacies	-	-	-	-	-	4,959
TSFG (Inc.) - Share of expenses	42,063	-	-	-	42,063	29,689
Sundry	14,371	5,312	751	-	20,434	3,955
	<u>211,796</u>	<u>412,680</u>	<u>70,462</u>	<u>76,011</u>	<u>770,949</u>	<u>693,849</u>
Less: Due to congregations and schools	-	-	38,283	-	38,283	38,780
Total Incoming Resources	<u>211,796</u>	<u>412,680</u>	<u>32,179</u>	<u>76,011</u>	<u>732,666</u>	<u>655,069</u>
Resources Expended						
Direct charitable expenditure:						
Ministry	420	256,147	-	-	256,567	236,017
Ministerial training	-	19,287	-	-	19,287	12,897
Pensions	-	117,320	-	-	117,320	112,850
Education and child allowance	7,660	-	-	-	7,660	4,576
Choir houses	-	15,525	-	-	15,525	9,942
Grants to congregations and projects	38,849	250	3,451	625	43,175	6,400
Unity expenses	-	-	10,948	-	10,948	9,985
Administration	174,453	-	-	-	174,453	147,030
	<u>221,382</u>	<u>408,529</u>	<u>14,399</u>	<u>625</u>	<u>644,935</u>	<u>539,697</u>
Net Incoming/(Outgoing) Resources before Transfers	(9,586)	4,151	17,780	75,386	87,731	115,372
Transfers between funds	(284)	284	-	-	-	-
Net Incoming/(Outgoing) Resources	(9,870)	4,435	17,780	75,386	87,731	115,372
Gains/(Losses) on Investments and Property:						
Realised investment losses	(1,919)	-	(9,047)	(21,626)	(32,592)	(6,112)
Unrealised investment gains	16,876	-	98,292	205,123	320,291	61,932
Property sales	(2,205)	-	81,128	-	78,923	149,416
Net Movements in Funds (page 5)	<u>2,882</u>	<u>4,435</u>	<u>188,153</u>	<u>258,883</u>	<u>454,353</u>	<u>320,608</u>
Fund balances brought forward at 1st January 1997	<u>950,546</u>	<u>171,418</u>	<u>814,356</u>	<u>1,625,780</u>	<u>3,562,100</u>	<u>3,241,492</u>
Fund balances carried forward at 31st December 1997	<u>953,428</u>	<u>175,853</u>	<u>1,002,509</u>	<u>1,884,663</u>	<u>4,016,453</u>	<u>3,562,100</u>

All funds are unrestricted other than those noted as being restricted.

The Moravian Union (Incorporated)
Income and Expenditure Account
For the year ended 31st December 1997

	Note	1997 £	1997 £	1996 £	1996 £
Income					
Congregation assessments	5		255,409		238,607
Investment income	6		136,068		130,561
Interest receivable			38,279		33,866
Rent	7		17,727		19,367
Bates Trusts - for revenue purposes			168,996		204,708
Unity income			16,479		28,137
Legacies			-		4,959
TSFG (inc.) share of joint expenses			42,063		29,689
Sundry			20,434		3,955
			<u>695,455</u>		<u>693,849</u>
Less: Income due to congregation and schools			<u>(38,283)</u>		<u>(38,780)</u>
			657,172		655,069
Direct Expenditure (Page 4)			<u>644,935</u>		<u>539,697</u>
Operating Surplus for the Year			12,237		115,372
Realised Gains/(Losses)					
On sale of investments		(32,592)		(6,112)	
On sale of property		<u>78,923</u>		<u>149,416</u>	
			<u>46,331</u>		<u>143,304</u>
Surplus for the Year			<u>58,568</u>		<u>258,676</u>

Statement of Total Recognised Gains and Losses

	1997 £	1996 £
Surplus for the year	58,568	258,676
New Endowment Funds received	75,494	-
Unrealised gain on revaluation of investments	<u>320,291</u>	<u>61,932</u>
Net movements in funds (page 4)	<u>454,353</u>	<u>320,608</u>

Historical Cost Profits and Losses

	1997 £	1996 £
Surplus for the year as above	58,568	258,672
Investment gains recognised in prior periods and realised in the current period	<u>15,367</u>	<u>26,414</u>
Historical cost surplus	<u>73,935</u>	<u>285,086</u>

None of the company's activities were acquired or discontinued during the above two financial years.

The attached notes form part of these financial statements.

The Moravian Union (Incorporated)

Balance Sheet at 31st December 1997

	Note	1997 £	1997 £	1996 £	1996 £
Fixed Assets					
Tangible	8		36,193		85,226
Investment in subsidiary	9		14,177		14,177
Other investments	10		<u>2,714,687</u>		<u>2,114,328</u>
			2,765,057		2,213,731
Current Assets					
Debtors	11	972,394		720,751	
Bank deposits		361,551		704,743	
Cash at bank and in hand		<u>49,884</u>		<u>6,254</u>	
		1,383,829		1,431,748	
Creditors: Amounts falling due within one year	12	<u>132,433</u>		<u>83,379</u>	
Net Current Assets			<u>1,251,396</u>		<u>1,348,369</u>
			<u>4,016,453</u>		<u>3,562,100</u>
Endowment Funds	13		1,884,663		1,625,780
Restricted Funds	13		1,002,509		814,356
Unrestricted Funds:					
Designated Funds	13	175,853		171,418	
General	13	<u>953,428</u>		<u>950,546</u>	
			<u>1,129,281</u>		<u>1,121,964</u>
			<u>4,016,453</u>		<u>3,562,100</u>

The balance sheet should be read in conjunction with the analysis of net assets between the fund balances shown in note 13.

Approved by the Committee of Management on 16th June 1998

Rt. Rev. G.E. Birtill *G.E. Birtill*

Rev. W.J.H. McOwat *John McOwat*

The attached notes form part of these financial statements.

The Moravian Union (Incorporated)

Notes to the Financial Statements

For the year ended 31st December 1997

1 Status

The Union was incorporated under the Companies Acts 1908 and 1913 as a company limited by guarantee and not having a share capital. In the event of the union being wound up, the liability of each member shall not exceed £1.

2 Accounting Policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention, except investments which are shown at market value as described below, and in accordance with relevant accounting standards.

The British province of the Moravian Church is a registered charity no. 251211, so the financial statements are presented in accordance with the Statement of Recommended Practice, "Accounting by Charities". Accordingly, the presentation of income and expenditure in the financial statements has been adapted from that prescribed by the Companies Act 1985 to reflect the special nature of the company's activities.

Income Recognition

Income is recognised on an accruals basis except for investment income which is dealt with on a receipts basis.

Expenditure

Expenditure is charged on an accruals basis. All expenditure is treated as direct expenditure, since administration is an objective of the Union.

Tangible Fixed Assets

Properties in use by congregations are not included in the balance sheet, although legal title may be vested in the Union, as the congregations have the beneficial use thereof.

- (i) No depreciation is provided on freehold land and buildings.
- (ii) Office furniture and equipment is written off in the year of purchase.

Investment in Subsidiary

The Committee of Management has taken advantage of the provisions of s248 Companies Act 1985 and have not prepared group financial statements.

Congregations

The assets, liabilities and Revenue Accounts of individual congregations are not incorporated in the financial statements, nor has the value of the content of the Archives been included.

Proceeds of disposal of congregational property are included in gains on property in the Statement of Financial Activities and amounts passed to congregations are included in grants.

Other Investments

Other investments are included at their market value at the balance sheet date in accordance with the Statement of Recommended Practice: "Accounting by Charities".

Operating Leases

Payments for operating lease rentals are charged to the income and expenditure account over the period of the lease.

Pensions

The Union provides voluntary pensions to ministers under rules established by Synod. The pensions are funded from an Endowment Fund for the purpose. The assets are not held separately from other funds of the Union. No provision is made in these accounts for any liability to pay pensions in future periods.

The Moravian Union (Incorporated)
Notes to the Financial Statements
For the year ended 31st December 1997 (Continued)

3 Expenditure (as required by Companies Act 1985)	1997 £	1996 £
Committee of Management remuneration:		
As directors	Nil	Nil
Other services	13,100	12,500
Auditors' remuneration	8,343	6,844
Operating lease rentals	<u>5,072</u>	<u>5,072</u>

Grants paid in the year include the following amounts:

	£
Book Room	14,825
Congregations	16,274

4 Ministers and Church House Staff (as required by Companies Act 1985)	1997 £	1997 No.	1996 £	1996 No.
Ministers'	237,880	16	224,512	16
Administration	<u>34,229</u>	<u>4</u>	<u>32,229</u>	<u>4</u>
	<u>272,109</u>	<u>20</u>	<u>256,741</u>	<u>20</u>
Salaries	243,878		231,619	
Social security costs	<u>28,231</u>		<u>25,122</u>	
	<u>272,109</u>		<u>256,741</u>	

An amount of £3,290 (1996 - £2,857) was reimbursed to two members of the Board of Management in respect of travel expenses incurred in the year.

5 Assessments	1997 £	1996 £
For ministers' stipends	221,747	205,198
For national insurance	11,204	10,578
For administration	<u>22,458</u>	<u>22,831</u>
	<u>255,409</u>	<u>238,607</u>

6 Investment Income	1997 £	1996 £
Quoted securities	134,320	128,863
Unquoted securities	<u>1,748</u>	<u>1,698</u>
	<u>136,068</u>	<u>130,561</u>

The Moravian Union (Incorporated)
Notes to the Financial Statements
For the year ended 31st December 1997 (Continued)

7 Rent	1997	1996
	£	£
Choir Houses	12,660	14,563
Offices	4,046	3,819
Manses	<u>1,021</u>	<u>985</u>
	<u>17,727</u>	<u>19,367</u>

8 Tangible Fixed Assets

Tangible Fixed Assets	£
Freehold property at cost	
At 1st January 1997	85,226
Disposal	<u>(49,033)</u>
At 31st December 1997	<u>36,193</u>

In the opinion of the Committee of Management, the market value of freehold property is in excess of cost.

The freehold property is shown at cost as it is held for direct charitable use.

9 Investment in Subsidiary	1997	1996
	£	£
Shares in Unitas Estates Co. Ltd. at valuation in 1962	<u>14,177</u>	<u>14,177</u>

The investment is 5,671 shares of £10 each, representing 99% of the issued share capital. The company is incorporated in England for the purpose of Estate Management.

The aggregate capital and reserves of the company at 30th April 1997 was £370,332. The profit for the financial year ended 30th April 1997 was £47,413. Under the equity method of valuation the investment in the subsidiary would be £366,629.

10 Other Investments

	Market Value				Cost		
	1.1.97	Additions	Disposals	Unrealised Gains	31.12.97	31.12.97	31.12.96
	£	£	£	£	£	£	£
Quoted securities	2,069,039	1,102,887	(822,818)	312,496	2,661,604	2,275,605	1,980,169
Unquoted	<u>45,288</u>	<u>-</u>	<u>-</u>	<u>7,795</u>	<u>53,083</u>	<u>7,640</u>	<u>7,640</u>
	<u>2,114,327</u>	<u>1,102,887</u>	<u>(822,818)</u>	<u>320,291</u>	<u>2,714,687</u>	<u>2,283,245</u>	<u>1,987,809</u>

Quoted securities are listed on a recognised stock exchange. All investments are held in the UK.

The Moravian Union (Incorporated)
Notes to the Financial Statements
For the year ended 31st December 1997 (Continued)

10 Other Investments (Continued)

The market value of investments representing more than 5% of the portfolio are as follows:

	Market Value	
	1997	1996
	£	£
Lloyds TSB Group plc ordinary 25p shares	149,910	-
Provident Financial plc ordinary 10p shares	159,400	-
10.5% Treasury Stock 1999	227,664	233,980
11.5% Treasury Stock 2001/2004	192,837	195,209
8.0% Treasury Stock 2002/2006	203,978	198,218
7.75% Treasury Stock 2006	217,231	202,728
8.0% Treasury Stock 2009	162,725	147,544
9.0% Conversion Loan 2011	136,232	-

11 Debtors

	1997	1996
	£	£
Loans to congregations and schools and car loans	531,695	270,881
Receivable from Bates Trusts	190,429	186,429
Receivable from a related organisation	52,948	52,972
Other debtors	141,866	160,806
Prepayments	14,515	14,320
Accrued income	40,941	35,343
	<u>972,394</u>	<u>720,751</u>

Included above are debtors amounting to £292,450 (1996 - £53,138) receivable after more than one year.

12 Creditors: Amounts falling due within one year

	1997	1996
	£	£
Congregations, schools and related organisations	103,308	61,627
Social security and other taxes	9,001	9,556
Other creditors	433	909
Accruals	19,691	11,287
	<u>132,433</u>	<u>83,379</u>

The Moravian Union (Incorporated)
Notes to the Financial Statements
For the year ended 31st December 1997 (Continued)

13 Analysis of Net Assets between the Fund Balances

	Endowment	Restricted	Designated	General	Total
	£	£	£	£	£
Fixed assets	-	36,193	-	-	36,193
Subsidiary	14,177	-	-	-	14,177
Investment pool	1,750,511	765,208	-	145,764	2,661,483
Other investments	-	53,204	-	-	53,204
Bank deposits	119,975	147,904	75,853	17,819	361,551
Other net assets	-	-	100,000	789,845	889,845
	<u>1,884,663</u>	<u>1,002,509</u>	<u>175,853</u>	<u>953,428</u>	<u>4,016,453</u>
Unrealised gains included above	<u>253,954</u>	<u>156,342</u>	<u>-</u>	<u>21,146</u>	<u>431,442</u>

The charity's funds are very numerous and many are of some antiquity. Broadly: endowment funds are those funds originally settled on the company, including subsequent growth, and are expendable; restricted funds are those held subject to donor imposed restrictions on use and generally are held for the benefit of particular congregations or schools, approximately £150,000 is restricted as to capital; designated funds are set aside for a particular purpose by the Committee of Management. The above total of funds includes approximately £1.4 million to provide ministers' pensions in the future.

Sufficient resources are held in an appropriate form to allow the restricted funds to be applied to their intended purposes.

14 Other Financial Commitments

At 31st December 1997 the company was committed to making the following payments under non-cancellable operating leases in the year to 31st December 1998 in respect of office equipment.

	1997	1996
	£	£
Operating leases which expire:		
within two to five years	<u>5,072</u>	<u>5,072</u>

15 Related Organisations

The Moravian Union (Incorporated), as part of the British Province of the Moravian Church, is related to the following organisations:

Trust Society for the Furtherance of the Gospel (Incorporated)
Moravian Mission Agency Limited
Fulneck School
Ockbrook School
Congregations in Great Britain and Northern Ireland

The company received the following amounts during the year:

	1997	1996
	£	£
Administration costs paid by the Trust Society for the Furtherance of the Gospel (Incorporated)	42,063	29,689
Assessments received from Fulneck School	2,500	2,500
Assessments received from Ockbrook School	2,000	2,000
Assessments received from Congregations	<u>250,909</u>	<u>234,107</u>

The Moravian Union (Incorporated)
Notes to the Financial Statements
For the year ended 31st December 1997 (Continued)

15 Related Organisations (Continued)

In addition to the above is a grant of £35,000 received from the Trust Society for the Furtherance of the Gospel (Incorporated) to provide ministers' pensions.

At 31st December 1997, the following balances were outstanding:

	1997	1996
	£	£
Due from the Trust Society for the Furtherance of the Gospel (Incorporated)	52,948	52,972
Due from Fulneck School	202,500	177,500
Due from Ockbrook School	252,000	5,054
Due from Congregations	<u>60,658</u>	<u>75,799</u>

Since the year end, the Committee of Management have been informed of the intention of the Trust Society for the Furtherance of the Gospel to contribute £250,000 to the Pension Fund.