

**Methodist Chapel Aid Limited**  
**Financial Statements**  
**For**  
**The Year Ended 31 December 2012**

**Company Registration Number 30546**

THURSDAY



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25/04/2013  
COMPANIES HOUSE

**BEEVER AND STRUTHERS**  
Chartered Accountants & Statutory Auditor  
St. George's House  
215 - 219 Chester Road  
Manchester  
M15 4JE

# **Methodist Chapel Aid Limited**

## **Financial Statements**

**Year Ended 31 December 2012**

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# **Methodist Chapel Aid Limited**

## **Officers and Professional Advisers**

### **The Board of Directors (as at 31 December 2012)**

G Alan Pimlott ACIB  
Revd Kenneth E Street MA BA  
Revd James A Booth LLB  
D Jeremy M Burchill LLB BL  
Ven Paul J Ferguson MA FRCO  
Peter J Forward FCA  
Anne F Goodman BSc (Econ)  
Michael Greenberg FCCA  
Susan R Howdle BCL MA  
Peter A Mills FCA

(Chairman)  
(Deputy Chairman)

### **Company Secretary and Chief Executive**

John A Wells FCMA MCMI

### **Company Accountant**

A Christopher Jarratt BSc FCA

### **Registered Office**

1 Telford Terrace  
Albemarle Road  
York  
YO24 1DQ  
Telephone 01904 622150  
Fax 01904 672727  
E-mail: [mca@methodistchapel.co.uk](mailto:mca@methodistchapel.co.uk)  
[www.methodistchapel.co.uk](http://www.methodistchapel.co.uk)

Registered in England and Wales Number 30546

Authorised and regulated by the Financial Services  
Authority (FSA)  
FSA Firm Reference Number 204508

### **Auditor**

Beever and Struthers  
Chartered Accountants  
& Statutory Auditor  
St George's House  
215 - 219 Chester Road  
Manchester  
M15 4JE

### **Principal Bankers**

HSBC Bank Plc  
13 Parliament Street  
York  
YO1 8XS

### **Solicitors**

Harrowells LLP  
1 St Saviourgate  
York  
YO1 8ZQ

# **Methodist Chapel Aid Limited**

## **Chairman's Statement**

**Year Ended 31 December 2012**

### **Economic Background**

Global economic and financial uncertainty has continued throughout 2012 and very little appears to have been settled in terms of long term policy. The challenges for banks and countries alike are huge, and definitive resolutions seem elusive at the present time.

A measure of stability has characterised the stock market towards the year end but doubts about the soundness of bank balance sheets generally and their capacity to lend has resulted in a fairly sterile economy with only minor pieces of good news from time to time. At the time of writing, i.e. early January 2013, whilst it is true to say that some progress has been made in the US regarding its fiscal problems, there remains much more to be done

### **The Company's performance**

During these difficult times Methodist Chapel Aid Limited has functioned well and within its regulatory requirements. The two most significant pointers to the Company's sustainability in the longer term – adequate capital and sufficient liquidity – have proved to be very robust

### **Capital adequacy**

The Company has continued to meet all regulatory requirements relating to its capital adequacy

The Board's policy in recent years has been to enhance its capital base by producing an annual surplus of approximately £100,000 together with a further £100,000 being the realised gain on the sale of investments. This policy and practice has ensured that the Company's capital base has continued to grow each year and so has stayed well ahead of the minimum required by the regulatory body

The Board is well aware that the Company's capital could be eroded by factors outside of its control. Nevertheless, to date and since the crisis began in 2008, major external impacts have been avoided.

### **Reserves**

The Company's strong capital base has allowed the Board to increase its reserves each year as shown in the Annual Report and this factor is key in ensuring the stability and sustainability of the Company

### **Liquidity**

Methodist Chapel Aid Limited must also hold sufficient liquid assets to enable the Company to repay its depositors and to advance loans approved by the Board on demand. Liquidity levels have, in fact, been maintained well above the minimum requirement through a well-established process of daily monitoring to meet the Board's needs and which is consistent with its policy and regulatory requirements

### **Loans**

The slow progress in the wider economy eventually to move out of recession and to begin the process of growth has contributed to, unsurprisingly, a downturn in demand for loans. Loan demand over the longer term shows cyclical trends and the peak demand of five years ago, just prior to the beginning of the global crisis, has slowed since that date. However, during the latter half of 2012, demand increased; this was seen as an encouraging sign but one which has to be viewed against a continually changing financial background where confidence is fragile and uncertain

# **Methodist Chapel Aid Limited**

## **Chairman's Statement** *(continued)*

**Year Ended 31 December 2012**

### **Deposits**

Monies held on deposit have reached record high levels in recent years. Once again, the economic factors have led to a modest fall in deposits over the past two years and Company information has tended to show that these relate mainly to specific personal and financial factors prevailing at the present time.

### **Interest Rates**

The Company will endeavour in these difficult times to reflect its appreciation of the loyalty of its depositors by maintaining competitive interest rates.

Interest rates have remained low across the board as a result of the slow economic and financial progress made during the recession and as a result of the Bank of England's policy on interest rates. It seems highly likely that such pressures will continue to be felt throughout the eurozone and the impact on the UK will remain a significant factor. However, the Company will do all in its power to remain competitive while the present wider and international economic problems persist and thereafter.

### **Renewal of the Board**

During the past two years significant changes have taken place through natural timings of retirements of Directors. At the same time the Company has developed a policy for the renewal of the Board which arose naturally out of its governance review which began in 2011.

In 2012 the aim had been to recruit two new Directors. However the recruitment process proved very fruitful, twenty-six applications were received and the field was very strong. Eight people were shortlisted and the Board decided that the advantages of recruiting four new non-executive Directors in 2012 was an opportunity not to be missed in order to fill the existing vacancies and to take full and timely advantage of the skills and experience available.

The new Directors took up their appointments at the September 2012 Board Meeting and it is pleasing to report that the integration of continuing and new members has been very positive and beneficial.

I would like to extend a warm welcome to all our new Directors – Peter Mills, who was appointed in 2011, but who did not get a specific mention last year, and Jeremy Burchill, Paul Ferguson, Peter Forward and Anne Goodman who took up office in 2012. We are delighted to have them all on board and ready to meet the challenges of 2013 and beyond.

### **The Company's Vision**

Present economic circumstances are challenging for the Company and its customers. The Board recognises that current financial realities may well continue for some time. However, the Company's policy of making loans to Christian organisations at the lowest practicable rate of interest will continue to be its priority. Within that broad policy the Board is continuing to develop its provision of loans to a range of Christian denominations consistent with its aim of diversification of its core lending activity.

### **Strategic Planning**

As a vital part of MCA's governance review the Directors meet informally from time to time in order to discuss strategic issues at greater length. This practice will continue in 2013 in order to ensure that the Company's ongoing needs are met and that the organisation adapts as appropriate to changing economic times. The development of a formal strategic plan is ongoing and this plan will be reviewed annually.

# **Methodist Chapel Aid Limited**

## **Chairman's Statement** *(continued)*

**Year Ended 31 December 2012**

### **The Staff**

The Board is pleased to report that its loyal and dedicated staff have remained in post throughout another challenging year. I would like to express the heartfelt gratitude of the Board for their hard work and support during 2012

Alan Pimlott

Chairman

# **Methodist Chapel Aid Limited**

## **The Directors' Report**

**Year Ended 31 December 2012**

### **Report of the Directors**

The Directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2012.

### **Principal Activities**

The Company's purpose is to give support to Christian churches, primarily by providing loans for building schemes to Christian churches and associated organisations at the lowest practicable rate of interest throughout the duration of each loan.

In support of the Company's purpose it.

- operates procedures for accepting deposits, seeking to ensure that every deposit is safe, and as far as possible generating a competitive level of interest for the depositor,
- does not give priority to enhancing the level of dividend paid to its shareholders,
- pursues policies that seek to ensure the adequacy of both its capital base and its level of liquidity at all times

The Memorandum & Articles of Association permit the Company to give support to Christian churches by making loans for purposes that are not building related, as is illustrated in a small way by the present car loan scheme for Methodist presbyters and deacons. However, the Board has no intention of amending its main focus of activity in the foreseeable future.

### **Overall Performance**

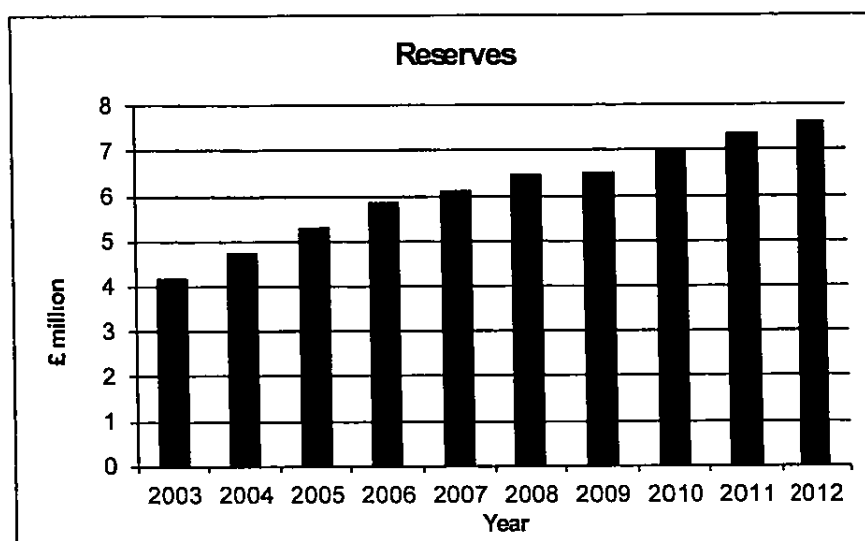
During 2012 an operating surplus of £192,471 was achieved, £52,871 higher than that budgeted at the start of the year. The most significant contributions to this additional surplus were increased income from the Company's investment portfolio and bank deposits. Offsetting this to some extent, however, was a lower than expected level of interest received on loans and on income from loan stocks.

As a consequence of this operating surplus, together with gains made from the sale of investments which realised over £51,000 (after amortisation of the premium paid on fixed interest investments), the Company's reserves have risen by £243,376 as at the end of 2012. The capital is now 86% above the Euro 5m threshold compared with 76% at the end of 2011 and 63% at the end of 2010. The graph overleaf shows the increasing capital over the past ten years.

# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012



The Company's performance on loans, deposits and investments was as follows

### Loans

The table below shows the total value and number of loans over the past three years

	Amount (£ m)			Number of loans		
	2010	2011	2012	2010	2011	2012
<b>Loans balances at year end</b>						
Term loans	2.0	2.5	1.9	52	54	48
Bridging loans	1.3	0.4	0.7	8	3	4
	3.3	2.9	2.6	60	57	52
Car loans	0.2	0.1	0.1	43	40	36
Total	3.5	3.0	2.7	103	97	88
<b>Undrawn loans at year end</b>	2.8	1.6	1.0	17	10	6
	6.3	4.6	3.7	120	107	94
<b>Loan advances during year</b>						
Property loans	3.0	2.4	1.8	25	29	19
Car loans	0.1	0.1	0.1	13	9	8
	3.1	2.5	1.9	38	38	27



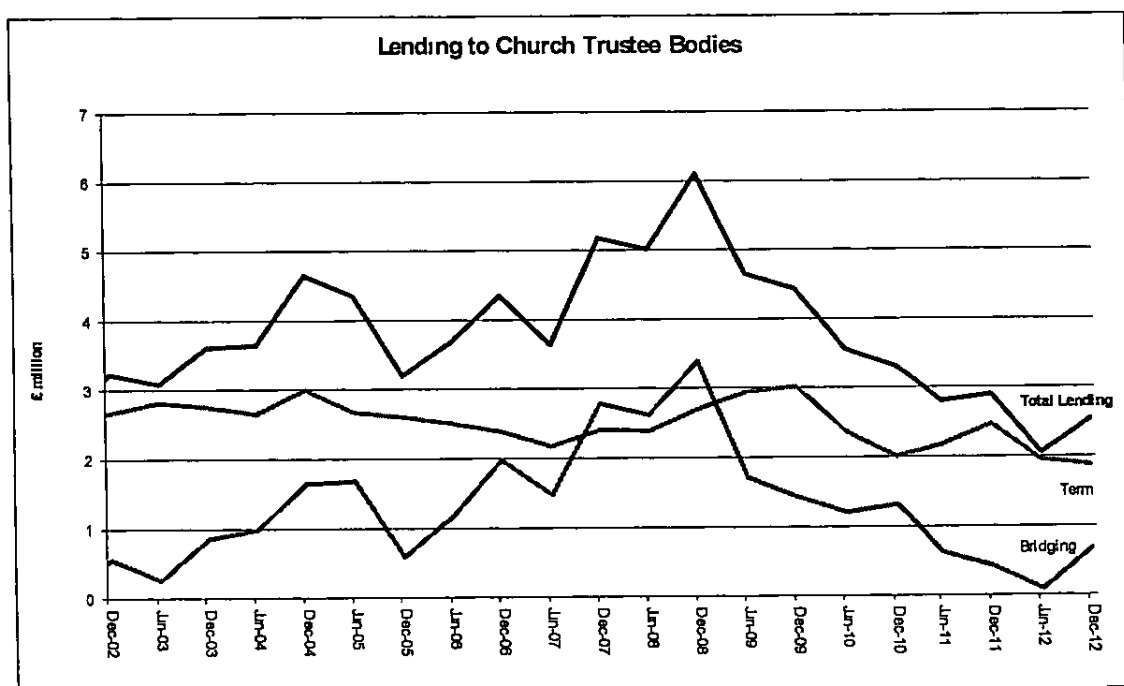
# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012

The graph below shows the level of lending to church trustee bodies over the past ten years. We must continue to assume that the overall decline in demand for the Company's services over the past few years is in some measure due to the international economic downturn in general and to the slowdown in the UK property market in particular. Nevertheless the Board is seeking to address this fall in demand by offering property loans to church bodies of other Christian denominations and organisations as well as Methodist, and it is encouraging to report that such loans currently comprise 13% of the Company's loan book. So long as there continues to be a demand from Christian organisations, whatever the scale, the Company will be satisfying its primary purpose.

With regard to interest rates, those charged by the Company for property loans were reduced in March 2010 by 0.2% and the standard rate is 3.17% APR for term loans and 4.19% APR for bridging loans. The Company's rate for car loans remained at 5.00% APR fixed throughout 2010, 2011 and 2012, and in April 2010 the Board introduced a 0.5% discount incentive for car loan applicants who choose to purchase a car with low carbon dioxide emissions, i.e. one which falls within bands A to F of the government's car tax banding system.



### Deposits

The Company would like to thank depositors for their support and loyalty and particularly during the ongoing difficult economic conditions. By the diligent and ethical investment of these funds, a large proportion of which is 'sticky' and remains with the Company for many years, the Company plans its future profits, the vast majority of which are retained in the business to grow the capital base still further, and to enable it to provide loans to Christian churches and associated organisations at the lowest practicable rate of interest throughout the duration of each loan.

# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

**Year Ended 31 December 2012**

The Company always seeks to ensure that every deposit is kept safe, and that as far as possible it generates a competitive level of interest for the depositor.

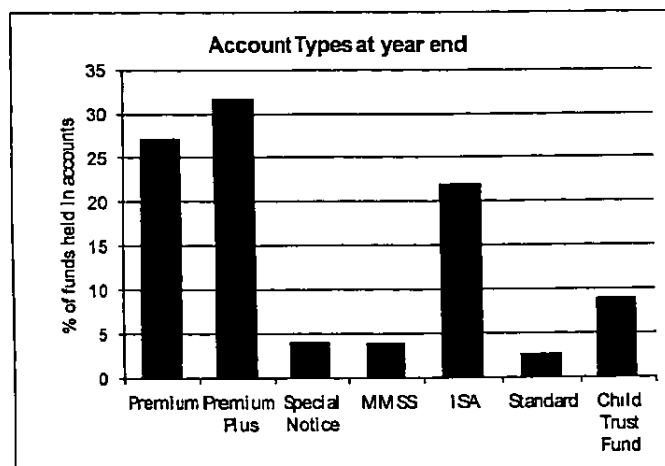
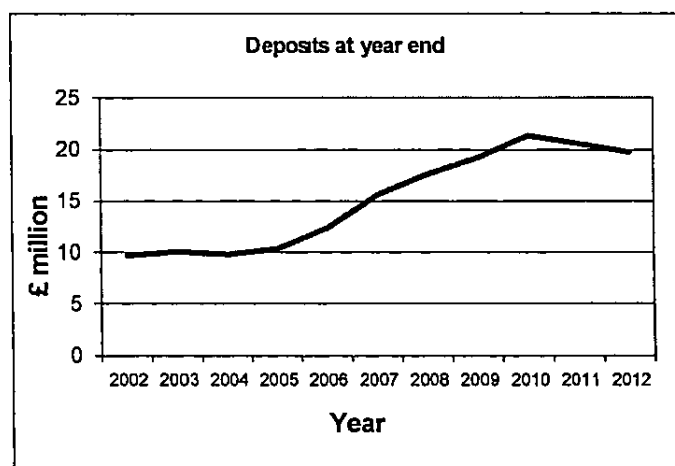
The Company's participation in the Financial Services Compensation Scheme, which guarantees £85,000 of each eligible depositor's savings in the event of the failure of the Company, has enabled customers to continue to invest with confidence

The amount held on deposit with the Company decreased slightly in the year, with the total as at 31 December 2012 being £19,689,836. Withdrawals during the year represented 15% of the balance of deposits at the commencement of the year and new deposits amounted to 11%.

The Company saw 51 new savings accounts opened during the year, which included 18 new Child Trust Funds and 33 others. The total number of accounts held with the Company totalled 3,564 as at 31 December 2012 (3,617 in 2011 and 3,443 in 2010)

The total amount held on deposit as at 31 December 2012 included 32% held in Premium Plus Accounts, 22% in ISAs and 9% in Child Trust Fund (CTF) Accounts.

The Company continues to hold three major deposits from the Methodist Church Fund for Property, London Mission Fund and Mission in Britain Fund with total balances of £800,000 held on two years notice of withdrawal



# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012

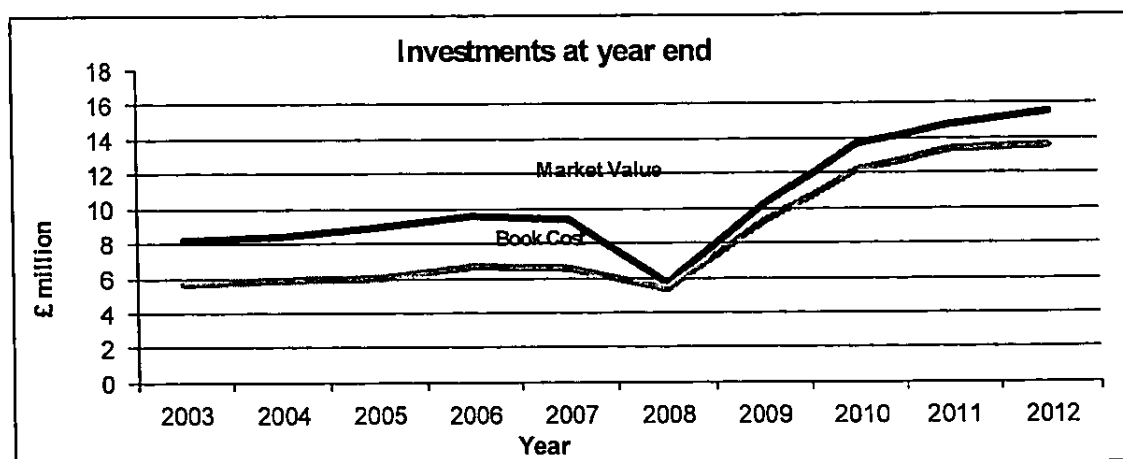
### Investments

As at 31 December 2012 the total book cost of equity shares and debt securities amounted to £13,275,426. This comprised £2,940,507 dated treasury stocks, £3,311,244 fixed interest dated commercial loan stocks, £1,591,680 variable rate commercial loan stock funds and £5,431,995 equity shares and similar investments. In addition, the Company held £11,103,861 of deposits with other UK financial institutions (2011 £11,255,876)

A provision for the amortisation of the premium of dated treasury and commercial loan stocks was made amounting to £43,989 for the year. This is the write off of the difference between the purchase price of a bond and its final maturity value, over the remaining term. The total provision is now £99,031

There have been changes within the Company's portfolio in order to further strengthen its capital base and manage risk. In addition, the Company is required to realise on a regular basis a proportion of the assets in its liquid assets buffer. As a result, during the year, gains of £95,129 were realised on the sale of investments which added to the Company's capital base. The proceeds of these sales were re-invested in the investment portfolio. The book cost of investments sold during the year amounted to approximately 15% of the investments held at the beginning of the year. This reflects the Company's policy of holding investments for the long term. It is important to note that the Company is not a dealing company.

The graph below demonstrates a positive difference between market value and book cost during 2012, with market value as at 31 December 2012 of £15,287,047 being 15% above book cost (2011 11% above book cost), even after the substantial realisation of gains during the year.



The Company continued to be grateful to its Investment Manager, Sarasin & Partners, for its services provided during the year.

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### **Ethical Investing Policy**

The Company's policy statement on ethical investing reads as follows -

"It is the Company's policy to move towards an equities portfolio of investments in companies which are seeking to address their environmental and social responsibilities alongside their economic responsibilities

The Company will not invest in companies which are substantially involved in tobacco, gambling, alcohol, the arms trade, oppressive regimes, pornography, intensive farming and/or activities which infringe basic human rights

The Company will not invest in companies which are mainly involved in animal testing of cosmetic or household products, and/or in activities with a harmful ecological impact

Within the framework of sustaining its capacity to make loans to Church Trustee bodies and others at the lowest practicable rates of interest the Company intends to give encouragement to environmentally friendly actions, and as far as possible to reduce its involvement in environmentally detrimental actions "

### **Other Matters**

#### **Capital Adequacy**

In common with all other UK banks the Board carried out rigorous stress testing on its capital and liquidity levels during 2012 and calculated that in addition to the minimum requirement of euro 5m a further £1 6m of capital should be retained as a buffer against future stresses on the Company's capital resources, although there has never been a need to call upon this buffer. Even after making this allowance there remained headroom at the end of 2012 of c£3 5m, i.e. over 86% above the Euro 5m threshold. On top of this the Company's investment portfolio had a market value which was c£2 0m above net book value and whilst this figure can go down as well as up, nevertheless some or all of any such future surplus could be realised at short notice in order to enhance the Company's total capital resources still further.

Looking ahead, the Board has budgeted for an operating surplus in 2013 of c£140,000 after the amortisation of the premium on fixed interest investments, and it is likely that there will be an additional amount of surplus on disposal of investments to enhance this figure by the end of the year.

The Board is committed to reviewing its Internal Capital Adequacy Assessment Process (ICAAP) at least annually, and more frequently if necessary. Regular reviews normally coincide with the preparation of the Company's Annual Budgets and Four Year Plans. A statement showing the current position on capital adequacy as calculated within the framework of the ICAAP document is presented at each meeting of the Board.

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### **Risk Appetite Statement**

The Company's management operate a low to medium risk strategy in meeting the Company's objectives. This is reflected in the type and level of risk that the Company is exposed to when compared with appetites and risk profiles demonstrated by other UK financial institutions whose business model is similar in terms of size and level of complexity.

### **Principal Risks**

The principal risks faced by the Company are

#### **Business Risk**

Business risk arises from changes to the Company's business, specifically the risk of not being able to carry out the Company's business plan and desired strategy. In assessing business risk, consideration is given to internal and external factors.

#### ***Risk Appetite***

The business risk appetite is set by reference to the approved budget and four year plan sanctioned by the Board.

#### ***Mitigation***

As part of the annual budgeting and planning process, the Company develops a set of management actions to prevent or mitigate the impact on earnings in the event that business risks materialise. Additionally, business risk monitoring, through regular reports and oversight, results in corrective actions to plans and reductions in exposures where necessary.

Revenue and capital investment considerations require additional in-depth assessment followed by Board approval. Formal risk assessment is conducted as part of the financial approval process.

#### **Liquidity Risk**

The risk that the Company does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost, or that the Company does not have sufficiently stable and diverse sources of funding, or that the funding structure is inefficient.

#### ***Risk Appetite***

The Company ensures that it maintains a minimum liquidity position sufficient to meet a demand for payment of all retail deposits repayable within 8 days, even under stressed scenarios. The Board and the Company's management operate a low risk strategy when compared with liquidity levels and risk profiles of other UK financial institutions with similar business models and this is reflected in the measures that the Company has in place to monitor liquidity. The Company has undertaken stress tests in this regard.

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### *Mitigation*

The Company mitigates the risk of a liquidity mismatch which is outside its appetite by managing the liquidity profile of the balance sheet through both short-term liquidity management and long-term strategic funding

The Company aims to maintain a minimum liquidity position that is well in excess of regulatory requirements, even under stressed scenarios, being reflective of the organisation's low risk appetite

### Market & Interest Rate Risk

The risk from adverse movements in external markets, e.g. interest rate movements, equity movements or currency movements which could potentially reduce income and/or increase expenses

### *Risk Appetite*

The Company has recently increased the proportion of gilts within the portfolio and already holds over 100% of the FSA required amount as its liquidity buffer. The Board has decided to limit the amount invested in UK equities to one third of the total market value of funds in its investment portfolio, (i.e. excluding money market investments and loans to trustees and individuals), and its observance will be carefully monitored through the daily reports via the internet.

Only UK equities which relate to companies within the FTSE 350 can be purchased, thereby ensuring that a high quality is maintained and that the liquidity of such investments is not a problem. Corporate bonds are highly rated sterling investments in quoted companies. The Company has no direct exposure to foreign exchange risk as it does not trade in these markets or in currencies other than Sterling.

The Company does not offer any fixed rate deposit or loan products other than car loans (limited to £250,000 in total) and therefore can respond appropriately to movements in market interest rates, within the framework of giving at least 2 months advance notice of any reduction in interest rates payable to customers.

### *Mitigation*

The Company has restricted its investments to highly rated, easily realisable fixed interest and equity stocks. The Company does not expect to generate significant losses upon the sale of these investments.

The unrealised gain on the Company's investments (currently £2.0m) is monitored closely and trigger points are in place in order to respond quickly to adverse movements.

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### Operational Risk

The risk of reductions in earnings through financial or reputational loss, from inadequate or failed internal processes and systems, operational inefficiencies, or from people-related or external events

#### *Risk Appetite*

The Company will not engage in activities that in the opinion of the Board would fall outside its purpose. The Company has no intention of amending its main focus of activity in the foreseeable future. The Company's Audit and Risk Committee of non-executive Directors approves annually the risk based annual Internal Audit Plan, and the Internal Auditor's monthly reports are sent to the members of the Audit and Risk Committee.

The Company's Senior Officers produce detailed operational reports for the Board on a regular basis and the Company's Procedures Manual is maintained for all of the Company's main processes. A strict control environment operates with the segregation of duties being observed and audited. This segregation of duties is considered appropriate for the size of the Company.

#### *Mitigation*

The Company undertakes the following

- identification of the key operational risks within the business,
- evaluation of the effectiveness of the existing control framework covering each of the key risks to which the business is exposed,
- evaluation of both the financial risk and non-financial risk (e.g. reputational damage);
- for each material risk identified an estimate of exposure to probability and event likelihood is undertaken, and
- appropriate action to mitigate or minimise the risk

This process is embedded into the Company's daily procedures

### Regulatory Risk

Regulatory risk arises due to the ever increasing regulatory requirements and the increasing volume and pace of change from within the UK and European financial regulators. This can impact a company, both operationally in terms of cost of compliance, with uncertainty about legal and regulatory expectations, and strategically through pressure on key earnings streams.

#### *Risk Appetite*

The Company looks to ensure that it adopts all regulatory, legal and other compliance requirements in a proportionate way that satisfies the requirements of the regimes in a business enhancing fashion.

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### *Mitigation*

The Company has in place systems and controls to ensure that it complies with its regulatory reporting requirements as well as a framework to ensure that new and amended regulation is embedded in to the systems and processes of the organisation

### Counterparty Credit Risk

The risk of a reduction in earnings and/or value, as a result of the failure of a party with whom the Company has contracted to meet its obligations as they fall due (i.e. loan repayments, investments or bank deposits).

### *Risk Appetite*

#### Credit Risk (wholesale markets)

The Company will not engage in wholesale deposit lending other than with UK interbank counterparties with strong long term credit ratings, or allow placements exceeding the Company's large exposures capital base (subject to the FSA pre-notification rules). The amount of deposits placed with any one bank is limited to 50% of the total, although the largest amount held with any one bank at 31 December 2012 was much less at 18% of the total

In addition, the Company invests in UK government gilts and major company corporate bonds via its investment manager, Sarasin and Partners. Sarasin and Partners operates within parameters and limits agreed by the Board. The corporate bonds are all sterling based and considered by the Investment Manager to be low risk and well diversified

### *Mitigation*

After careful checks have been made, the counterparties with whom the Company places deposits are approved in advance by the Board

#### Credit Risk (retail markets).

The Company lends to Christian churches and organisations within the UK only and the total balance on loan at any time is restricted to a self-imposed guideline of 50% of the total depositors' balances or 150% of share capital plus reserves, whichever is the lower, less any non-instant access deposit accounts held by the Company with other financial institutions. Individual loan approvals cannot be greater than 10% of the FSA approved capital. Loans above £60,000 are generally secured by way of a legal charge and loans up to £60,000 by way of a declaration from the Managing Trustees of the church. Bridging loans for manse purchase are secured by way of a solicitor's undertaking to repay the proceeds of the house sale to the Company

Car loans to individuals (Methodist presbyters and deacons) are limited to a total balance advanced of £250,000 and a maximum loan of £10,000 per individual



# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### *Mitigation*

Financial risk assessments are undertaken on all term property loans (including review of accounts covering three years) and loans are approved in accordance with defined limits with due consideration given to the collateral. All property loans require the approval of at least one Director and/or the Chief Executive.

### Capital Risk

Capital risk is defined as the risk that the Company has insufficient capital to provide a resource large enough to absorb losses or that the capital structure is insufficient to meet regulatory requirements.

### *Risk Appetite*

The Company's target is to maintain its capital resources at a level which is increasingly above the Euro 5 million plus £1 6m (subject to review) to cover potential stresses as identified in the Company's ICAAP

### *Mitigation*

The Company has developed an early warning system to enable the occurrence of the risks to its capital base to be quickly identified and corrective action taken where necessary

The Company adopts a prudent and responsible approach to the management of capital and has prepared a detailed ICAAP document which was approved by the Board and in response to which the FSA felt able to issue Individual Capital Guidance (ICG) to the Company

The Board of the Company accepts that there is inherent risk in running a banking business, however, it is the Company's policy to minimise the unavoidable risks and further mitigate them wherever the costs of doing so are proportionate to the potential impact

### Remuneration Risk

The Company seeks to ensure that its remuneration decisions are in line with its business strategy and long term objectives, and consistent with the Company's ethos, current financial condition and future prospects

The Company's staff and non-executive Directors are keen to support the work of the Company in furthering the work of the Christian churches, as well as protecting depositors and fulfilling the Company's regulatory obligations

In view of this, the Company does not have any bonus schemes or other reward or compensation schemes in place to reward staff for performance

# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012

### Residual Risk

The Company holds capital both to cover events that can be anticipated with a reasonable degree of certainty and to deal with market stresses. In addition, capital is held in excess of the minimum required by the FSA to cover events that are unforeseen

### **Treatment of Customers**

As part of its policy of continuous improvement the Company strives to ensure that its customers are treated fairly at all times. Reviews of the Company's performance towards its customers occur on a regular basis and corrective action will be taken whenever necessary

In the final quarter of 2012 the Board sent out a further Customer Satisfaction Survey to a proportion of its depositors, borrowers with property loans and borrowers with car loans.

On the two questions analyzed by the Company so far the results have been as follows. A 6 point score total was used, 6 being the best score. Only one reply was received that implied concern by using scores 1 to 3.

	<u>Depositors</u>	<u>Borrowers with property loans</u>	<u>Borrowers with car loans</u>
Level of satisfaction with documentation provided by MCA (out of 6)			
(a) clarity and conciseness of content	5 3	5 7	5 4
(b) quality of presentation	5 3	5 5	5 4
Level of satisfaction with communication and assistance provided by MCA (out of 6)			
(a) before the account was opened	5 6	5 8	5 9
(b) after the account was opened	5 6	5 7	5 7

No complaints were received from customers during 2012

# **Methodist Chapel Aid Limited**

## **The Directors' Report *(continued)***

**Year Ended 31 December 2012**

### **Corporate Governance**

Whilst Methodist Chapel Aid Ltd, a private limited company, is not governed by the requirements of the London Stock Exchange, the following disclosures in connection with corporate governance are made voluntarily to comply with accepted best practice. These disclosures do not necessarily cover all aspects on which the Company would have to report were it subject to the requirements of the London Stock Exchange, but do cover those aspects which are considered to be most relevant to the Company.

The Company is headed by an effective Board of Directors, which meets five times a year, with a sixth meeting planned in case of need, and which directs and controls the work of the Company. The Directors are all non executive and the Board is supplied, through the offices of its Chief Executive, who is also the Company Secretary, with information in the form of monthly management accounts, budgets, forecasts, etc to allow it to discharge its responsibilities.

The Company has an Audit and Risk Committee, consisting of three non-executive Directors (Revd Kenneth E Street, Chairman, Mr Michael Greenberg and Mr Peter A Mills), which meets at least three times annually and ensures that the recommendations of the Financial Services Authority and the external auditors are considered in full and implemented, where appropriate. It also oversees the work and considers the reports of the Company's internal audit function, reviewing the implementation of its recommendations where appropriate, and considers the effectiveness of internal controls. To comply with the requirements of legislation and to ensure prudent management of the business, the Company has established a range of internal controls, which have operated effectively throughout the year. The work of the Committee has been carried out with the expert help of Mr Steve Logun, the Company's Internal Auditor.

In addition, the Company has a Nomination Committee, consisting of three non-executive Directors (Mr G Alan Pimlott, Revd Kenneth E Street and Mrs Susan Howdle) which was established during 2011 to develop a recruitment and remuneration strategy and succession plans for the Board, its Committees and Senior Officers. This also includes developing training and induction processes for Directors and reviewing the Board's employment policy and practice.

In achieving high standards of corporate governance the Company has taken into account the relevant features of the UK Corporate Governance Code.

### **Supervision**

The Company is authorised and regulated by the Financial Services Authority (FSA). Throughout the year Methodist Chapel Aid has kept within the FSA's guidelines and there has been frequent contact between the Company and the regulator as part of the monitoring process. There have also been meetings with the FSA in preparation for the changeover from one regulator to two, namely the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), in 2013.

### **Proposals**

- The Directors propose a dividend of £7.70 per fully paid share and 19.20 pence per partly paid share of the Company, payable on 30 April 2013 (Detailed in note 7 of the financial statements).
- Revd J A Booth and Mr G A Pimlott retire by rotation and, being eligible, offer themselves for re-election for a three year term.
- Mr D J M Burchill, Ven P J Ferguson, Mr P J Forward and Mrs A F Goodman were appointed to the Board on 1 September 2012 and, being eligible, offer themselves for re-election as follows:-

# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012

### Proposals *(Continued)*

- Mr D J M Burchill and Ven P J Ferguson for one year, the Board's intention being to recommend at the appropriate time the re-appointment of each Director for a further three year period thereafter.
- Mr P J Forward for two years, the Board's intention being to recommend at the appropriate time his re-appointment for a further three year period thereafter.
- Mrs A F Goodman for three years
- The auditor, Beever and Struthers, has indicated its willingness to continue in office and its appointment for 2013 is proposed

### The Directors and their Interests in the Shares of the Company

The Directors who served the Company during the year together with their beneficial interests in the shares of the Company were as follows:

	Ordinary shares of £10 Each, 25 pence paid		Amounts held on deposit	
	At 31 Dec 2012 No.	At 31 Dec 2011 No.	At 31 Dec 2012 £	At 31 Dec 2011 £
G Alan Pimlott (*)	20	20	-	-
Revd Kenneth E Street (*)	50	50	29,375	30,311
Revd James A Booth (*)	-	-	-	-
D Jeremy M Burchill	-	-	-	-
Ven Paul J Ferguson	-	-	-	-
Peter J Forward	-	-	-	-
Anne F Goodman	-	-	-	-
Michael Greenberg	305	305	28,096	27,684
Susan R Howdle	200	200	21,680	21,363
Peter A Mills	175	175	-	-
Rt Revd James H Bell	-	50	-	-
W Arthur H Holroyd	-	50	-	19,239
Revd Dr Stuart J Burgess	-	-	-	212,253
	<u>750</u>	<u>850</u>	<u>79,151</u>	<u>310,850</u>

D Jeremy M Burchill, Ven Paul J Ferguson, Peter J Forward and Anne F Goodman were appointed as Directors on 1 September 2012

Rt Revd James H Bell resigned as a Director on 15 February 2012.

W Arthur H Holroyd and Revd Dr Stuart J Burgess retired as Directors on 30 March 2011

Directors indicated by (\*) have their shareholdings restricted by the Company's Articles of Association by virtue of their membership of the Board of The Trustees for Methodist Church Purposes – see note 15.

# Methodist Chapel Aid Limited

## The Directors' Report *(continued)*

Year Ended 31 December 2012

### Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors 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 profit or loss 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company's independent auditor is unaware, and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.


### Donations

During the year the Company made the following contributions

	2012	2011
	£	£
Charitable	<u>21,000</u>	<u>13,000</u>

Registered office  
1 Telford Terrace  
Albemarle Road  
York  
YO24 1DQ

Signed by order of the Directors



John A Wells FCMA MCMI  
Company Secretary

Approved by the Directors on 6 February 2013

# **Methodist Chapel Aid Limited**

## **Independent Auditor's Report to the Shareholders of Methodist Chapel Aid Limited**

**Year Ended 31 December 2012**

We have audited the financial statements of Methodist Chapel Aid Limited for the year ended 31 December 2012 on pages 22 to 37. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of Directors and Auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the Annual Report, financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **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 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 annual 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 surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

## **Methodist Chapel Aid Limited**

### **Independent Auditor's Report to the Shareholders of Methodist Chapel Aid Limited *(continued)***

**Year Ended 31 December 2012**

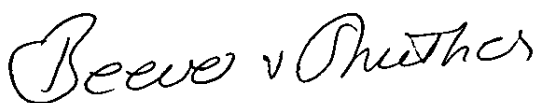
#### **Opinion on Other Matters Prescribed by the Companies Act 2006**

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.



CAROLINE MONK (Senior Statutory Auditor)  
For and on behalf of  
BEEVER AND STRUTHERS  
Chartered accountants & Statutory Auditor

St. George's House  
215-219 Chester Road  
Manchester  
M15 4JE

27 February 2013

# Methodist Chapel Aid Limited

## Income and Expenditure Account

Year Ended 31 December 2012

	Note	2012 £	2011 £
Interest receivable - on loans		97,540	121,912
Interest receivable - on debt securities		418,706	432,338
Interest receivable - on National Savings and bank deposits		171,814	170,592
Interest payable to depositors		(342,185)	(372,791)
Dividend Income from equity shares		249,957	217,767
Fees and commissions payable		(80,158)	(67,604)
Other operating income		3,305	3,196
Administrative expenses - staff costs	3&4	(150,408)	(154,098)
Administrative expenses - other		(153,998)	(129,212)
Depreciation	8	<u>(22,102)</u>	<u>(21,743)</u>
<b>Operating surplus</b>		<b>192,471</b>	<b>200,357</b>
Surplus on disposal of investments during the year		95,129	221,510
Amortisation of the premium paid on fixed interest investments	5	<u>(43,989)</u>	<u>(46,422)</u>
<b>Surplus on ordinary activities before taxation</b>		<b>243,611</b>	<b>375,445</b>
Tax on surplus on ordinary activities	6	661	(7,413)
<b>Surplus for the financial year</b>		<b><u>244,272</u></b>	<b><u>368,032</u></b>

All activities of the Company are classified as continuing

The Company has no recognised gains or losses other than the results for the year as set out above

The notes on pages 25 to 37 form part of these financial statements.



# Methodist Chapel Aid Limited

## Balance Sheet

31 December 2012

	Note	2012 £	2011 £
<b>Assets</b>			
Tangible Fixed Assets	8	53,548	75,650
Investments	9	13,176,395	13,257,175
Cash and bank balances		11,103,861	11,255,876
Loans and advances to customers	10	2,657,519	3,043,838
Prepayments, accrued income and other assets	10	134,105	183,057
Investments held for short term purposes	12	272,518	189,347
<b>Total Assets</b>		<b><u>27,397,946</u></b>	<b><u>28,004,943</u></b>
<b>Liabilities</b>			
Customer Accounts	13	19,689,836	20,539,492
Other Liabilities	13	100,581	101,298
<b>Total Liabilities</b>		<b><u>19,790,417</u></b>	<b><u>20,640,790</u></b>
<b>Net Assets</b>		<b><u>7,607,529</u></b>	<b><u>7,364,153</u></b>
<b>Shareholders' Funds</b>			
Called up equity share capital	16	1,197	1,197
Reserves	17	<u>7,606,332</u>	<u>7,362,956</u>
	18	<u>7,607,529</u>	<u>7,364,153</u>

These financial statements were approved by the Directors and authorised for issue on 6 February 2013 and are signed on their behalf by.

G A Pimlott - Chairman

K E Street - Director

J A Wells - Secretary

Company Registration Number 30546

The notes on pages 25 to 37 form part of these financial statements.

# **Methodist Chapel Aid Limited**

## **Cash Flow Statement**

**Year Ended 31 December 2012**

	Note	2012 £	2011 £
<b>Net cash (outflow) / inflow from operating activities</b>	19	(118,692)	50,018
<b>Capital expenditure and financial investment</b>	19	50,744	(1,113,122)
<b>Equity dividends paid</b>	7	(896)	(848)
<b>Decrease in cash</b>	19	<u>(68,844)</u>	<u>(1,063,952)</u>

The notes on pages 25 to 37 form part of these financial statements.

# **Methodist Chapel Aid Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2012**

### **1. Accounting Policies**

#### **Basis of Accounting**

The Company is an authorised institution under the Financial Services and Markets Act 2000 and therefore in accordance with Section 478 of the Companies Act 2006 these financial statements are prepared in accordance with applicable accounting standards, together with the British Bankers' Statements on Accounting Practice (SORP) and the special provisions of Statutory Instrument 2008 No 410 Schedule 2 part 1 Section A of the Companies Act 2006 relating to banking companies.

#### **Going Concern**

The Company's business activities, together with the factors likely to affect its future development, finances, performance position, liquidity and cashflows are set out in the Chairman's Statement and the Directors' Report. The Company's objectives, together with a summary of its policies and procedures for managing its capital risk management objectives and its exposures to interest, liquidity and credit risk are referred to in the Directors' Report.

The Company has sufficient financial resources and as a consequence the Directors believe it is well placed to manage its business risks successfully despite the current uncertain economic outlook

Based on a rolling 4 year plan which has been approved by the Board and after making enquiries, the Directors consider there to be a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the going concern basis in preparing the Annual Report and the Financial Statements has continued to be adopted

#### **Interest**

Interest receivable on loans is credited to income twice yearly in line with the terms of the loan agreements and is recognised in the income and expenditure account on an accruals basis

Interest payable on deposit accounts is charged to expenses twice yearly in line with the terms of the accounts and is recognised in the income and expenditure account on an accruals basis

#### **Investment Income**

Dividend income received from equity shares is accounted for on the basis of cash and excludes the attributable tax credit.

Provision is made for the gross amount of interest accrued on fixed interest bearing securities

#### **Provision for Bad Debts**

A specific provision is made against loans, where, in the opinion of the Directors, the loan is not fully recoverable

A general provision is made against those unsecured advances which have not been specifically identified as impaired, but where the Company's experience and the general economic climate indicate that losses may ultimately be realised

# **Methodist Chapel Aid Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2012**

### **1. Accounting Policies (*continued*)**

#### **Fixed Assets**

All fixed assets are recorded at cost

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Over the remaining life of the lease
Office equipment	-	5 years straight line
Computer equipment	-	3 to 5 years straight line

#### **Investments**

Equity investments are stated at cost less provision for any permanent diminution in value. Debt securities and other fixed income securities are stated at cost, with premiums/discounts to par value amortised on a straight line basis over the period to redemption

#### **Operating Lease Agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged in the income and expenditure account on a straight line basis over the period of the lease

#### **Deferred Taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

#### **Financial Instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

The Company does not use derivative instruments or hold investments for trading or hedging purposes

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 1. Accounting Policies (*continued*)

#### Cash and Cash Equivalents

Cash and cash equivalents comprise cash and demand deposits with banks together with short term highly liquid investments that are readily convertible to known amounts of cash and insignificant risk of change in value

### 2. Operating Surplus

Operating surplus is stated after charging

	2012	2011
	£	£
Depreciation of owned fixed assets	22,102	21,743
Auditor's remuneration		
- as auditor	8,520	8,322
- for other services	3,570	2,760
Operating lease costs		
- Land and buildings	<u>5,000</u>	<u>5,000</u>

### 3. Particulars of Employees

The average full time equivalent number of staff employed by the Company during the financial year, excluding Directors, amounted to

	2012	2011
	No	No
Number of administrative staff	2	2
Number of management staff	2	2
	<u>4</u>	<u>4</u>

The aggregate payroll costs of the above were.

	2012	2011
	£	£
Wages and salaries	121,590	118,003
Social security costs	11,680	11,980
	<u>133,270</u>	<u>129,983</u>

### 4. Directors' Remuneration

The Directors' aggregate remuneration in respect of qualifying services was

	2012	2011
	£	£
Aggregate remuneration	17,138	24,115
Expenses	7,692	5,298
	<u>24,830</u>	<u>29,413</u>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 5. Amortisation of Premium Paid on Fixed Interest Investments

	2012	2011
	£	£
Amortisation	<u>43,989</u>	<u>46,422</u>

The premium on treasury stock and commercial stock is amortised on a straight line basis over the period from purchase to redemption date.

### 6. Taxation on Ordinary Activities

#### (a) Analysis of charge in the year

	2012	2011
	£	£
Current tax		
UK Corporation tax based on the results for the year		
At 24% (2011 - 26%)	-	-
Total current tax	<u>-</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	<u>661</u>	<u>(7,413)</u>

#### (b) Factors affecting current tax charge

The tax assessed on the surplus on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24.50% (2011 – 26.49%)

	2012	2011
	£	£
Surplus on ordinary activities before taxation	<u>243,611</u>	<u>375,445</u>
Expected tax charge by rate of tax	59,678	99,467
Expenses not deductible for tax purposes	(10,093)	492
Capital allowances for period in excess of depreciation	4,132	3,001
Other short term timing differences	733	-
Utilisation of tax losses and other deductions	(6,771)	(43,132)
Income not taxable for tax purposes	5,144	(39,536)
Franked investment income	(61,233)	(57,693)
Chargeable gains	<u>8,410</u>	<u>37,401</u>
Total current tax	<u>-</u>	<u>-</u>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 7. Dividends

#### Equity dividends

	2012 £	2011 £
Paid during the year		
Partly paid up shares at 18 70p (2011 17 70p)	768	727
Fully paid up shares at £7 50 (2011 £7 10)	128	121
	<u>896</u>	<u>848</u>
Proposed after the year-end (not recognised as a liability).		
Partly paid up shares at 19 20p (2011 18 70p)	789	768
Fully paid up shares at £7.70 (2011: £7.50)	131	128
	<u>920</u>	<u>896</u>

### 8. Tangible Fixed Assets

	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 January 2012 and 31 December 2012	<u>27,857</u>	<u>21,591</u>	<u>97,588</u>	<u>147,036</u>
<b>Depreciation</b>				
At 1 January 2012	25,898	17,753	27,735	71,386
Charge for the year	1,857	964	19,281	22,102
At 31 December 2012	<u>27,755</u>	<u>18,717</u>	<u>47,016</u>	<u>93,488</u>
<b>Net book value</b>				
At 31 December 2012	<u>102</u>	<u>2,874</u>	<u>50,572</u>	<u>53,548</u>
At 31 December 2011	<u>1,959</u>	<u>3,838</u>	<u>69,853</u>	<u>75,650</u>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 9. Investments

	Debt Securities and Other Fixed Income Securities	Equity Shares	Total
	£	£	£
<b>Cost</b>			
At 1 January 2012	8,802,073	4,524,097	13,326,170
Additions	-	1,840,906	1,840,906
Disposals	(958,642)	(933,008)	(1,891,650)
At 31 December 2012	<u>7,843,431</u>	<u>5,431,995</u>	<u>13,275,426</u>
<b>Amortisation of Premium</b>			
At 1 January 2012	68,995	-	68,995
Amortisation charged in year	43,989	-	43,989
Released on Disposal	(13,953)	-	(13,153)
At 31 December 2012	<u>99,031</u>	<u>-</u>	<u>99,031</u>
<b>Net book value</b>			
At 31 December 2012	<u>7,744,400</u>	<u>5,431,995</u>	<u>13,176,395</u>
At 31 December 2011	<u>8,733,078</u>	<u>4,524,097</u>	<u>13,257,175</u>

The market value of the investments is £15,342,929 (2011: £14,827,486)

The market value of the securities includes accrued interest of £55,882 (2011: £63,038)

If the above investments were realised at the balance sheet date, a corporation tax liability would arise on gains/losses made in the region of £180,000 (2011: £175,000) (assuming a tax rate of 24% (2011: 26%))



# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 10. Debtors

#### Loans and advances to customers

	2012 £	2011 £
Loans and Advances to Customers	<u>2,657,519</u>	<u>3,043,838</u>

	At 31 Dec 2011 £	Advanced £	Repaid £	Released/ (provided) £	At 31 Dec 2012 £
Property loans	2,893,183	1,810,250	2,162,554	-	2,540,879
Car loans	<u>154,518</u>	<u>54,288</u>	<u>89,175</u>	-	<u>119,631</u>
	3,047,701	1,864,538	2,251,729	-	2,660,510
Provision for bad debts	<u>(3,863)</u>	-	-	<u>872</u>	<u>(2,991)</u>
	<u>3,043,838</u>	<u>1,864,538</u>	<u>2,251,729</u>	<u>872</u>	<u>2,657,519</u>

#### Analysis of maturity of loans and advances to customers

The maturity of advances to customers from the balance sheet date is as follows;

	2012 £	2011 £
Due within 3 months	34,144	265,970
In more than 3 months but not more than 1 year	1,361,305	1,000,158
In more than 1 year but not more than 5 years	1,039,445	1,547,180
In more than 5 years	225,616	234,393
Less provision for bad debts	<u>(2,991)</u>	<u>(3,863)</u>
	<u>2,657,519</u>	<u>3,043,838</u>

#### Prepayments, accrued income and other assets

	2012 £	2011 £
Prepayments and accrued income	128,338	177,951
Deferred taxation (note 11)	<u>5,767</u>	<u>5,106</u>
	<u>134,105</u>	<u>183,057</u>

# **Methodist Chapel Aid Limited**

## **Notes to the Financial Statements**

**Year Ended 31 December 2012**

### **11. Deferred Taxation**

The deferred tax included in the Balance sheet is as follows:

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Included in debtors (note 10)	<b><u>5,767</u></b>	<b><u>5,106</u></b>

The movement in the deferred taxation account during the year was

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Balance brought forward	<b>5,106</b>	<b>12,519</b>
Income and expenditure account movement arising during the year	<b><u>661</u></b>	<b><u>(7,413)</u></b>
Balance carried forward	<b><u>5,767</u></b>	<b><u>5,106</u></b>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Excess of depreciation over taxation allowances	<b>8,182</b>	<b>11,086</b>
Tax losses available	<b><u>(13,949)</u></b>	<b><u>(16,192)</u></b>
	<b><u>5,767</u></b>	<b><u>5,106</u></b>

### **12. Investments held for short term purposes**

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Funds held short-term by Sarasin & Partners for investment	<b><u>272,518</u></b>	<b><u>189,347</u></b>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 13. Liabilities

#### Customer Accounts

	2012 £	2011 £
Customer Accounts	<u>19,689,836</u>	<u>20,539,492</u>

#### Customer Accounts

Amounts standing to the credit of depositors,

	2012 £	2011 £
At 1 January 2012	20,539,492	21,357,832
Received	2,310,733	4,218,504
Withdrawn	<u>(3,160,389)</u>	<u>(5,036,844)</u>
At 31 December 2012	<u>19,689,836</u>	<u>20,539,492</u>

#### Analysis of maturity of customer accounts

Deposits are repayable from the date of the balance sheet in the ordinary course of business as follows,

	2012 £	2011 £
In one year or less or repayable on demand	17,142,317	18,233,043
In more than one year but not more than two years	805,307	805,307
In more than two years	<u>1,742,212</u>	<u>1,501,142</u>
	<u>19,689,836</u>	<u>20,539,492</u>

#### Other Liabilities

	2012 £	2011 £
Other taxation and social security	17,191	18,042
Accruals and deferred income	<u>83,390</u>	<u>83,256</u>
	<u>100,581</u>	<u>101,298</u>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 14. Commitments under Operating Leases

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as set out below.

	2012		2011	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire				
Within 1 year	2,084	-	-	-
Within 2 to 5 years	-	1,895	5,000	1,895

### 15. Related Party Transactions

Three Directors, Revd James Booth, Mr Alan Pimlott and Revd Kenneth Street are members of the Board of the Trustees for Methodist Church Purposes. These Directors have their shareholdings restricted by the Company's Articles of Association by virtue of their membership of the Board of The Trustees for Methodist Church Purposes.

The Trustees for Methodist Church Purposes hold, as full trustee of the MCA Charitable Trust, 30.0% (2011: 30.0%) of the share capital of the Company. It holds these shares for the charitable purposes of the Methodist Church generally.

During the year a loan was extended to Luther King House Educational Trust, a Company in which a director, Revd James Booth, is also a director. The balance outstanding at the year end was £17,500. The loan was made under the normal commercial rates offered by Methodist Chapel Aid.

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 16. Share Capital

#### Authorised share capital:

	2012 £	2011 £
5,000 Ordinary shares of £10 each	<u>50,000</u>	<u>50,000</u>

#### Allotted and called up:

	2012 No	£	2011 No	£
17 Ordinary shares fully paid of £10 each	17	170	17	170
4,108 Ordinary shares - £0.25 paid of £10 each	<u>4,108</u>	<u>1,027</u>	<u>4,108</u>	<u>1,027</u>
	<u>4,125</u>	<u>1,197</u>	<u>4,125</u>	<u>1,197</u>

### 17. Reserves

	2012 £	2011 £
Balance brought forward	7,362,956	6,995,772
Surplus for the financial year	244,272	368,032
Equity dividends	(896)	(848)
Balance carried forward	<u>7,606,332</u>	<u>7,362,956</u>

### 18. Reconciliation of Movements in Shareholders' Funds

	2011 £	2011 £
Surplus for the financial year	244,272	368,032
Equity dividends	(896)	(848)
Net addition to shareholders' funds	<u>243,376</u>	<u>367,184</u>
Opening shareholders' funds	7,364,153	6,996,969
Closing shareholders' funds	<u>7,607,529</u>	<u>7,364,153</u>

The Articles of Association of the Company require that in the event of the Company being wound up, any surplus of funds remaining after the settling of all liabilities and repayment of the share capital shall be distributed in accordance with the directions of the Methodist Conference.

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 19. Notes to the Cash Flow Statement

#### Reconciliation of Operating Surplus to Net Cash (Outflow)/Inflow from Operating Activities

	2012	2011
	£	£
Net surplus on ordinary activities	243,611	375,445
Depreciation	22,102	21,743
Amortisation of premium on debt securities	30,036	3,766
Net decrease in debtors	49,613	7,896
Net (decrease)/increase in creditors	(717)	1,892
	<u>344,645</u>	<u>410,742</u>
Net decrease in loans advanced to customers	386,319	457,616
Net decrease in customer accounts	(849,656)	(818,340)
Net cash (outflow)/inflow from operating activities	<u>(118,692)</u>	<u>50,018</u>

#### Capital Expenditure and Financial Investment

	2012	2011
	£	£
Payments to acquire tangible fixed assets	-	(3,993)
Acquisition of equity shares	(1,840,906)	(756,192)
Disposal of equity shares	933,008	610,916
Acquisition of debt securities	-	(2,758,491)
Disposal of debt securities	958,642	1,794,638
Net cash outflow for capital expenditure and financial investment	<u>50,744</u>	<u>(1,113,122)</u>

# Methodist Chapel Aid Limited

## Notes to the Financial Statements

Year Ended 31 December 2012

### 19. Notes to the Cash Flow Statement *(continued)*

#### Reconciliation of Net Cash Flow to Movement in Net Funds

	2012	2011
	£	£
(Decrease) in cash in the period	(68,844)	(1,063,952)
Change in net funds	(68,844)	(1,063,952)
Net funds at 1 January 2012	11,445,223	12,509,175
Net funds at 31 December 2012	<u>11,376,379</u>	<u>11,445,223</u>

#### Analysis of Change in Net Funds

	At 1 Jan 2012	Cash flows	At 31 Dec 2012
	£	£	£
Net cash			
Cash in hand and at bank	11,255,876	(152,015)	11,103,861
Cash equivalents	189,347	83,171	272,518
Net funds	<u>11,445,223</u>	<u>(68,844)</u>	<u>11,376,379</u>

### 20. Ultimate Controlling Party

The Company was under the control of the Board of Directors throughout the current year and the previous year