

The Methodist Chapel Aid Association Limited

Annual Report and Accounts 1997

Contents

Directors and Officers	1
Notice of Meeting	2
Chairman's Statement	3
Statement of Directors' Responsibilities	4
Report of the Directors	4/5
Report of the Auditors	6
Income and Expenditure Account	7
Balance Sheet	8
Cash Flow Statement	9
Notes and Accounting Policies	10-13



Directors

T. RAYMOND BRADLEY, J.P., C.P.F.A. (Chairman)

W. ARTHUR H. HOLROYD, M.A., D.S.A., F.H.S.M. (Deputy Chairman)

Rev. STUART J. BURGESS, B.D., M.Ed., M.Th., M.A.

Rev. Dr. DONALD ENGLISH, C.B.E., M.A., B.A.

Rev. RALPH E. FENNELL, M.A.

Rev. JEFFREY W. HARRIS, M.A., B.D.

MARY J. HILBORNE

Rev. NICHOLA G. JONES, M.A., B.A.

Rev. PETER A. KERRIDGE

Rev. KENNETH E. STREET, M.A., B.A.

Officers, Bankers and Advisers

Secretary and Registered Office: 1 Telford Terrace, York YO2 1DQ

Secretary and Chief Executive:

J. A. WELLS, F.C.M.A., M.I.Mgt.

Chief Accountant:

A. R. APPLEBY, F.C.A.

Company Accountant:

M. GREENBERG, F.C.C.A. (Appointed July 1997)

Auditors:

PANNELL KERR FORSTER
Chartered Accountants,
Pannell House,
6 Queen Street,
Leeds

Principal Bankers:

MIDLAND BANK plc
13 Parliament Street,
York

Solicitors:

HARROWELL SHAFTOE
1 St. Saviourgate,
York

WALTONS & MORSE
Plantation House,
31/35 Fenchurch Street,
London

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 108th ANNUAL GENERAL MEETING of the Members will be held at the BEECHWOOD CLOSE HOTEL, SHIPTON ROAD, YORK, on TUESDAY, 31 MARCH 1998, at 12.45 p.m. for the following purposes:

1. To receive and consider the Directors' Report and Statement of Accounts and Balance Sheet, and the Auditors' Report thereon.
2. To declare a Dividend.
3. To elect Directors.
4. To re-appoint Pannell Kerr Forster as Auditors and authorise the Directors to fix their remuneration.
5. To transact any other business of an Annual General Meeting.

Dated this 24th day of February, 1998.

By Order of the Board

J. A. WELLS



Secretary

Note: A Shareholder entitled to attend and vote is entitled to appoint a proxy, not necessarily a shareholder, to vote in his stead.

Chairman's Statement

The Year in Perspective

The reason for our existence is the making of loans to Methodist Trustees and it is encouraging to see that despite the ever-increasing complexities, constraints and uncertainties of today's financial world, 1997 has been a successful year. This must be a source of satisfaction to all our borrowers and lenders alike, to whom we express our appreciation.

More specifically, loans to Methodist Trustees once again reached a record level of £2.25 million, an increase of just over 27% in the year. It should be noted, however, that this year's figure included a short-term bridging loan of £250,000 which spanned the year-end and was repaid early January 1998. Even excluding this loan, the increase amounted to 13%. Loans approved and not yet advanced are also at a healthy level, standing at £1,185,165 at the end of the year. In all, 122 circuits and churches were receiving or had been promised a loan for property purposes at 31 December 1997, 8 more than twelve months ago.

The net surplus on our ordinary activities, before taking into account the surplus on disposal of investments and the amount written off fixed asset investments, stands at £156,819, slightly higher than the equivalent figure last year. £100,000 of this surplus is reinvested to strengthen our overall reserves, or capital base, which now stand at over £2.4 million.

There was very little movement on the purchase and sale of investments, in line with our policy of holding investments on a long-term basis. Once again, the significant rise in the value of equities on the UK stock market was well matched by the market value of our own portfolio, which at the year end totalled £7.29 million compared with a book value of £3.56 million. The portfolio includes a small number of Far East investments which have dropped in value but it is anticipated that these will recover in the longer term to their former or enhanced values.

As well as generating income, the Board has been successful in attracting and retaining depositors. The total amount standing to the credit of depositors has risen from £5.9 million to £6.5 million this year, an increase of 10.2%, a new record.

The Methodist Ministers Saving Scheme, which was introduced following changes in Ministers' car and travel allowance arrangements, shows balances which have increased this year to a total of £684,195.

The balances on our TESSA accounts have also continued to increase as depositors have taken up their annual entitlements to subscribe. It is pleasing to see that a substantial proportion of our depositors whose TESSA accounts have matured have rolled their accounts over into new TESSAs with us. In addition, other categories of deposits have shown an overall increase of nearly 6%.

Board and Staff

Last year we welcomed our new Chief Executive and this year we welcome our new Company Accountant Mr Mike Greenberg. Alan Appleby, our Chief Accountant over the last two years and our Secretary and Accountant for seven years beforehand, is due to retire early in 1998 but it would be right at this stage to express our thanks for all the dedicated work that he has done for the Company and we wish him a long and happy retirement.

Once again we accord to the Board and Staff our grateful thanks for their loyalty and industry throughout the past year.



T. RAYMOND BRADLEY
Chairman

Statement of Directors' Responsibilities

Company law requires the directors 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 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 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 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 Directors

The Directors have pleasure in presenting their Report and Accounts for the year ended 31st December, 1997.

Principal Activity: The principal activity of the company, in which there was no change during the year, was the financing of loans to Methodist Trustees for the provision and upkeep of Methodist property.

Investment Policy: It is the Board's policy, in line with the Methodist Church, not to invest in companies which are substantially involved in tobacco, alcohol, gambling and/or the arms trade.

Corporate Governance: The company is of the opinion that it complies with the essential features of the Code of Best Practice published by the Cadbury Committee, set up to address the financial aspects of corporate governance.

Accounts: The Accounts reveal the satisfactory state of the affairs of the Company.

The Directors believe that sustained growth will continue in 1998, but the level of activity will, as always, depend upon the loyalty of depositors.

Surplus: The surplus for the year including the net gains on sales of investments was £131,280 after taxation.

Reserves: The Directors propose a transfer from Income and Expenditure account to General Reserve of £100,000.

Dividends: The Directors propose a Dividend of £4.06 per fully paid share and 10.50 pence per partly paid share of the Association, payable on 30th April, 1998.

Donations: During the year the Association made donations for Methodist charitable purposes of £10,000 gross, partly under Deed of Covenant and the "Gift Aid" scheme.

Loans to Trustees: Loans advanced to Trustees during the year amounted to £1,534,232. Repayments in the year totalled £1,054,087.

Deposits: The total amount now standing to the credit of depositors is £6,514,034 of which £1,758,434 represents deposits by trustees of Methodist funds.

Report of the Directors continued

The Directors of the Association are listed on Page 1.

Rev. Dr. Donald English, Rev. Ralph E. Fennell, Mr. W. Arthur H. Holroyd and Rev. Peter A. Kerridge retire by rotation and, being eligible, offer themselves for re-election.

The interests of the Directors in the share capital of the Association are stated below:

No. of Ordinary Shares of £10 each, 25 pence paid

	At 31 December, 1997	At 31 December, 1996
T. Raymond Bradley	20	20
Rev. Stuart J. Burgess	10	10
Rev. Dr. Donald English	70	70
Rev. Ralph E. Fennell	60	60
Rev. Jeffrey W. Harris	40	40
Mary J. Hilborne	10	10
W. Arthur H. Holroyd	90	90
Rev. Nichola G. Jones	10	10
Rev. Peter A. Kerridge	90	90
Rev. Kenneth E. Street	10	10
TOTAL	410	410

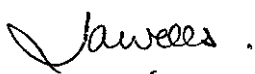
Auditors:

The Auditors, Pannell Kerr Forster, have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD

J. A. WELLS

Secretary



5th February, 1998

Report of the Auditors to the shareholders of The Methodist Chapel Aid Association Limited

We have audited the financial statements on pages 7 to 13 which have been prepared under the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors 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 to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards. 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 directors 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 state of affairs of the company as at 31st December 1997 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors
Leeds

5th February, 1998

Income and expenditure account

For the year ended 31st December, 1997

	Notes	1997	1996
		£	£
Income			
Interest on loans to Methodist Trustees		123,443	110,977
Income from quoted investments	(13)		
Franked investment income		182,532	157,008
Unfranked investment income		181,442	193,843
Interest on National Savings and Bank deposits		184,936	126,631
Donations and Sundry Income		36,853	255
		<u>709,206</u>	<u>588,714</u>
Expenditure			
Interest payable to depositors		351,696	305,702
Management expenses		177,909	114,859
Depreciation	(2)	2,246	—
Directors' emoluments		5,370	6,168
Auditors' remuneration		5,166	4,851
Payment to charities, partly under Deed of Covenant and "Gift Aid" scheme - Gross		10,000	6,000
		<u>552,387</u>	<u>437,580</u>
Net Operating Surplus before Taxation		156,819	151,134
Surplus on Disposal of Investments during the Year		17,923	238,414
Amount written off Fixed Asset Investment	(14)	(25,131)	(24,562)
Net Surplus on Ordinary Activities before Taxation		149,611	364,986
Taxation	(15)		
Corporation tax for the year		—	26,395
Tax credits on franked investment income		36,602	31,155
Adjustment in respect of previous years		—	(1,250)
Deferred taxation		(18,271)	(13,801)
		<u>18,331</u>	<u>42,499</u>
Net Surplus for the Year after Taxation		131,280	322,487
Dividends proposed			
Partly paid up shares at 10.50p (1997: 10.00p)		431	411
Fully paid up shares at £4.06 (1997: £3.87)		69	66
		<u>500</u>	<u>477</u>
		130,780	322,010
Transfer to Investment Reserve	(7)	—	(200,000)
Transfer to General Reserve	(7)	(100,000)	(100,000)
		<u>(100,000)</u>	<u>(300,000)</u>
Net Income Retained		30,780	22,010
Balance Brought Forward		362,505	340,495
Balance Carried Forward	(7)	393,285	362,505

All amounts relate to continuing operations.

The company has no other recognised gains or losses other than the surplus for the year.

The movements on reserves are set out in Note 7.

Balance Sheet

As at 31st December, 1997

	Notes	1997		1996	
		£	£	£	£
Tangible Fixed Assets	(2)		14,615		—
Quoted Investments	(3)	3,556,270		3,754,582	
National Savings Deposits		27,067		27,083	
Bank Deposit Accounts	(5)	3,064,756		2,623,175	
			6,648,093		6,404,840
Loans to Methodist Trustees	(4)/(5)		2,253,771		1,773,626
			8,916,479		8,178,466
Current Assets					
Corporation Tax		2,000		1,520	
Loan interest receivable		11,441		4,289	
Investment interest accrued		41,127		45,081	
Short-term bank deposits		67,687		82,232	
Other		33,376		4,227	
		155,631		137,349	
Less Current Liabilities					
Sundry creditors		97,593		59,995	
Corporation tax		—		—	
Proposed dividend		500		477	
Unclaimed dividends and interest		2,304		2,380	
		100,397		62,852	
			55,234		74,497
			8,971,713		8,252,963
Less Provision for Liabilities and Charges					
Deferred taxation	(15)		687		18,958
			8,971,026		8,234,005
Financed by:					
Share Capital	(6)	1,197		1,197	
Investment Reserve	(7)	887,510		887,510	
General Reserve	(7)	1,175,000		1,075,000	
Income and Expenditure Account	(7)	393,285		362,505	
Equity Shareholders' Funds	(8)		2,456,992		2,326,212
Deposits	(5)/(9)		6,514,034		5,907,793
			8,971,026		8,234,005

Approved by the Board on 5th February, 1998

T. R. BRADLEY, Chairman
W. A. H. HOLROYD, Director
J. A. WELLS, Secretary

Cash Flow Statement

For the year ended 31st December, 1997

	Notes	1997		1996	
		£	£	£	£
Net Cash Inflow from Operating Activities	(10)		290,335		1,109,683
Taxation					
Corporation tax received/(paid)		1,520		(2,352)	
Taxation paid by deduction at source		(38,601)		(59,070)	
Total Tax Paid			(37,081)		(61,422)
Capital Expenditure and Financial Investment (11)			174,243		(391,764)
Equity Dividend Paid			(477)		(453)
Increase in Cash	(12)		427,020		656,044

Notes and accounting policies

For the year ended 31st December, 1997

1. Accounting Policies

(a) Basis of preparation of financial statements

The company is an authorised institution under the Banking Act 1987 and therefore in accordance with Section 257 of the Companies Act 1985 these financial statements are prepared in compliance with Section 255 of and Schedule 9 to the Companies Act 1985 and in accordance with applicable accounting standards.

(b) Interest

Interest credited to depositors and charged to borrowers is calculated on the outstanding balance on a daily basis at six-monthly rests. The dates to which interest is calculated are: borrowers 30th June and 31st December; depositors 15th May and 15th November.

(c) Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets over their expected useful lives.

The Company's other accounting policies are disclosed under the appropriate headings in the following notes.

2. Fixed Assets

	Office Equipment	Computer Equipment	Total
Cost	£	£	£
At 1st January, 1997	10,401	14,012	24,413
Additions	—	16,861	16,861
Disposals	(222)	(691)	(913)
At 31st December, 1997	10,179	30,182	40,361
Depreciation			
At 1st January, 1997	10,401	14,012	24,413
Charge for year	—	2,246	2,246
Disposals	(222)	(691)	(913)
At 31st December, 1997	10,179	15,567	25,746
Net Book Amounts			
At 31st December, 1997	—	14,615	14,615
At 31st December, 1996	—	—	—

3. Quoted Investments

	At 31st Dec, 1996 £	Purchases £	Disposals £	Amounts written off Investments £	At 31st Dec, 1997 £
At cost	3,754,582	500,980	(674,161)	(25,131)	3,556,270
At Market Value	6,377,229				7,292,094

Amounts written off fixed asset investments comprise amortisation of the premium on Treasury Stock (Note 14).

4. Loans to Methodist Trustees

At 31st Dec, 1996 £	Advanced £	Repaid £	At 31st Dec, 1997 £
1,773,626	1,534,232	(1,054,087)	2,253,771

Notes and accounting policies continued

For the year ended 31st December, 1997

5. Analysis of Maturity of Bank Deposit Accounts, Loans and Deposits

Bank Deposit Accounts

Balances on Bank Deposit Accounts are all due to mature within three months.

Loans

The maturity of advances secured on Methodist property from the balance sheet date is as follows:

	1997	1996
	£	£
Repayable on demand	—	2,850
In more than three months but not more than one year	1,102,296	675,615
In more than one year but not more than five years	1,058,402	981,169
In more than five years	93,073	113,992
	<u>2,253,771</u>	<u>1,773,626</u>

Deposits

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

	1997	1996
	£	£
Repayable on demand	5,686,659	5,080,418
In more than one year but not more than five years	827,375	827,375
	<u>6,514,034</u>	<u>5,907,793</u>

6. Share Capital

There was no change in the share capital during the year.

Authorised	5,000 shares of £10 each	£50,000
Issued	17 shares of £10 each fully paid	170
	4,108 shares of £10 each 25p paid	1,027
		<u>£1,197</u>

7. Reserves

	Investment Reserve £	General Reserve £	Income and Expenditure Account £
At 1st January, 1997	887,510	1,075,000	362,505
Net Surplus for year	—	—	130,780
Transfer to general reserve	—	100,000	(100,000)
At 31st December, 1997	<u>887,510</u>	<u>1,175,000</u>	<u>393,285</u>

8. Reconciliation of Movement in Equity Shareholders' Funds

	1997	1996
	£	£
Opening Shareholders' Funds	2,326,212	2,004,202
Surplus for the year	130,780	322,010
Closing Shareholders' Funds	<u>2,456,992</u>	<u>2,326,212</u>

Notes and accounting policies continued

For the year ended 31st December, 1997

9. Deposits

Amounts standing to the credit of depositors

At 31st Dec, 1996	Received	Withdrawn	At 31st Dec, 1997
£	£	£	£
5,907,793	1,743,624	(1,137,383)	6,514,034

10. Reconciliation of Operating Surplus to Net Cash Inflow from Operating Activities

	1997 £	1996 £
Net surplus on ordinary activities	149,611	364,986
(Increase)/Decrease in interest receivable and prepaid expenses	(32,349)	7,856
Depreciation	2,246	—
Effect of other deferrals and accruals on operating activities cash flow	37,522	(1,602)
Surplus on disposal of investments	(17,922)	(238,414)
Amounts written off investments	25,131	24,562
Net cash flow from trading activities	164,239	157,388
Net increase in deposits	606,241	1,020,840
Net increase in loans to Methodist Trustees	(480,145)	(68,545)
Net cash inflow from operating activities	290,335	1,109,683

11. Capital Expenditure and Financial Investment

Purchase of investments	(500,978)	(2,147,139)
Sale of investments	692,082	1,755,375
Purchase of tangible fixed assets	(16,861)	—
	174,243	(391,764)

12. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1997 £	1996 £	Cash flow £
Bank deposits	67,687	82,232	(14,545)
Bank deposit accounts	3,064,756	2,623,175	441,581
National Savings deposits	27,067	27,083	(16)
	3,159,510	2,732,490	427,020

13. Investment Income

Franked investment income: Dividends received are accounted for on the basis of cash received plus the attributable tax credit.

Unfranked investment income: Provision is made for the gross amount of interest accrued on fixed interest bearing securities.

Notes and accounting policies continued

For the year ended 31st December, 1997

14. Amounts Written Off Fixed Asset Investments

	1997	1996
	£	£
Amortisation of Premium on Treasury Stock	25,131	24,562

The premium on Treasury Stock is amortised on a straight line basis over the period from purchase to redemption date.

15. Taxation

The UK taxation rates applied are as follows

	1997	1996
Corporation tax on net income	24% and 23%	25% and 24%
Income tax on Franked Investment Income	20%	20%
Corporation tax on net chargeable Gains	24% and 23%	25% and 24%

Provision is made for deferred taxation, using the liability method, at the rates at which the liability is expected to crystallise, as follows:

	£
At 1st January, 1997	18,958
Charge for the year	(18,271)
At 31st December, 1997	687
The provision is made up as follows:	£
Chargeable gains rolled over	17,185
Short term timing differences	(1,627)
Accelerated Capital Allowances	932
Losses offset	(15,803)
	687

16. Related Party Transactions

A director Rev. Kenneth Street is the Connexional Property Secretary of the Methodist Church, a member of the London Committee and a member of the board of the Trustees for Methodist Church Purposes.

All loans made by the Association are authorised by the Property Committee of the Methodist Church.

A bridging loan was made to the London Committee prior to the year end for £250,000 under normal trading terms.

Trustees for Methodist Church Purposes own 49.4% of the share capital of the Association.