

Methodist Chapel Aid Limited
Financial Statements
For
The Year Ended 31 December 2013



Company Registration Number 30546

BEEVER AND STRUTHERS
Chartered Accountants & Statutory Auditor
St. George's House
215 - 219 Chester Road
Manchester
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Methodist Chapel Aid Limited

Financial Statements

Year Ended 31 December 2013

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Methodist Chapel Aid Limited

Officers and Professional Advisers

Year Ended 31 December 2013

**The Board of Directors
As at 31 December 2013**

G Alan Pimlott ACIB (Chairman)
Peter A Mills FCA (Deputy Chairman)
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

**Company Secretary and
Chief Executive**

John A Wells FCMA MCMI

Company Accountant

A Christopher Jarratt BSc FCA

Registered Office

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Albemarle Road
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Registered in England and Wales No. 30546

Authorised by the Prudential Regulation Authority and
regulated by the Financial Conduct Authority and the
Prudential Regulation Authority
Firm Reference No: 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 2013

Economic Background

There now appear to be real grounds for optimism that the UK is finally on the road to recovery. Growth is expected to continue during 2014, but there are still many economic risks and significant market uncertainty.

The Company's performance

Over the course of 2013 Methodist Chapel Aid Limited has continued to operate successfully and within its regulatory requirements. Once again the two most significant indicators of the Company's long term sustainability, namely adequate capital and sufficient liquidity, have proved to be very robust.

Capital adequacy

The Company ensures that it maintains adequate levels of capital at all times and has continued to meet all regulatory requirements relating to its capital adequacy.

The Board's policy for many years has been to enhance its capital base by producing an annual surplus of approximately £100,000 together with a gain of at least a further £100,000 from 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. This trend has continued in 2013 and the Directors' Report gives details of the further enhancement achieved in the Company's capital base.

The Company has managed to avoid any significant external impacts since the financial crisis began in 2008, however the Board recognises that the Company's capital could be eroded by factors outside of its control.

Liquidity

Methodist Chapel Aid Limited must also ensure that at all times it holds sufficient liquid assets to enable it to repay its depositors and to advance the loans approved by the Board on demand. Liquidity levels have, in fact, been maintained well above the minimum requirement throughout the year 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 continued slow progress in the wider economy has meant an ongoing slow demand for the Company's loans. However, the recent signs of growth, both in the economy generally and in property prices in the UK in particular, have been encouraging. Also, the implementation of the Company's new advertising and marketing strategy which began in 2013 whereby many of the major Christian denominations in the UK are receiving details of the Company's lending facilities, has ensured that the increase in the value of loans advanced, which was first evident in the latter half of 2012, has continued. This can be seen from the graph of lending shown in the Loans section of the Directors' Report later in this report.

Methodist Chapel Aid Limited

Chairman's Statement *(continued)*

Year Ended 31 December 2013

Deposits

Monies held on deposit with the Company increased slightly during 2013 following modest falls in the previous two years.

Interest Rates

The Company has endeavoured, in these difficult times, to reflect its appreciation of the loyalty of its depositors by maintaining competitive interest rates, and this will continue. It will also seek to keep its interest rates to borrowers as stable as possible and at the lowest practicable levels, in keeping with its main purpose.

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.

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 churches and associated organisations at the lowest practicable rate of interest will continue to be its priority. Within that broad policy the Board is continuing to implement its strategy of extending its loans to a range of Christian churches and associated organisations 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 in more depth. This practice will continue in 2014 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 the formal strategic plan is ongoing and this plan will continue to be reviewed annually.

Regulatory issues

The Board is liaising closely with the regulators on several new initiatives which become effective in 2014. Whilst the new demands being made on institutions within the industry are significant, Methodist Chapel Aid Limited is confident that it will be able to fulfil its obligations in this respect.

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 2013.

Alan Pimlott
Chairman

Methodist Chapel Aid Limited

The Directors' Report

Year Ended 31 December 2013

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 2013.

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;
- pays only a nominal dividend 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 and associated organisations 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

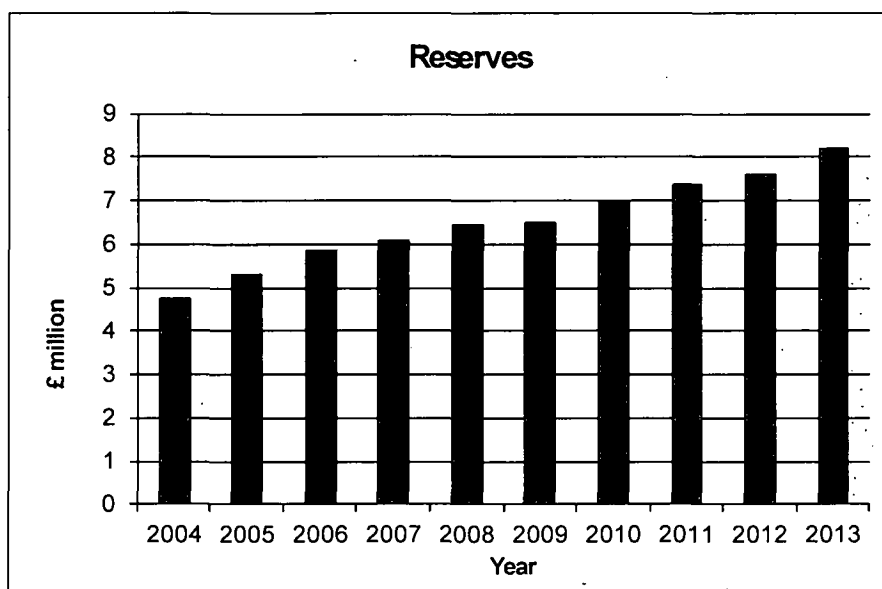
During 2013 an operating surplus of £151,510 was achieved, £27,390 lower than that budgeted at the start of the year. This is largely as a result of falling interest rates available on the Company's deposits with other financial institutions and the rebalancing of the investment portfolio following the agreement of the new mandate in June 2013. This resulted in substantial gains being realised in 2013 in respect of higher yielding bonds which were sold in the year. These transactions effectively brought forward the benefit of the higher income which would have otherwise been gained in future periods. The gains substantially boosted the Company's capital position in 2013, although will result in lower income from loan stocks in the future.

As a consequence of this operating surplus, together with gains made from the sale of investments which realised over £520,000 (after amortisation of the premium paid on fixed interest investments), the Company's reserves have risen by £603,067 as at the end of 2013. The capital is now 97% above the Euro 5m threshold compared with 86% at the end of 2012 and 76% at the end of 2011. The graph overleaf shows the increasing capital over the past ten years.

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013



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		
	2011	2012	2013	2011	2012	2013
Loans balances at year end						
Term loans	2.5	1.9	2.2	54	48	39
Bridging loans	0.4	0.7	0.8	3	4	6
	<u>2.9</u>	<u>2.6</u>	<u>3.0</u>	<u>57</u>	<u>52</u>	<u>45</u>
Car loans	0.1	0.1	0.1	40	36	33
Total	<u>3.0</u>	<u>2.7</u>	<u>3.1</u>	<u>97</u>	<u>88</u>	<u>78</u>
Undrawn loans at year end	1.6	1.0	1.1	10	6	6
	<u>4.6</u>	<u>3.7</u>	<u>4.2</u>	<u>107</u>	<u>94</u>	<u>84</u>
Loan advances during year						
Property loans	2.4	1.8	2.4	29	19	20
Car loans	0.1	0.1	0.1	9	8	13
	<u>2.5</u>	<u>1.9</u>	<u>2.5</u>	<u>38</u>	<u>27</u>	<u>33</u>

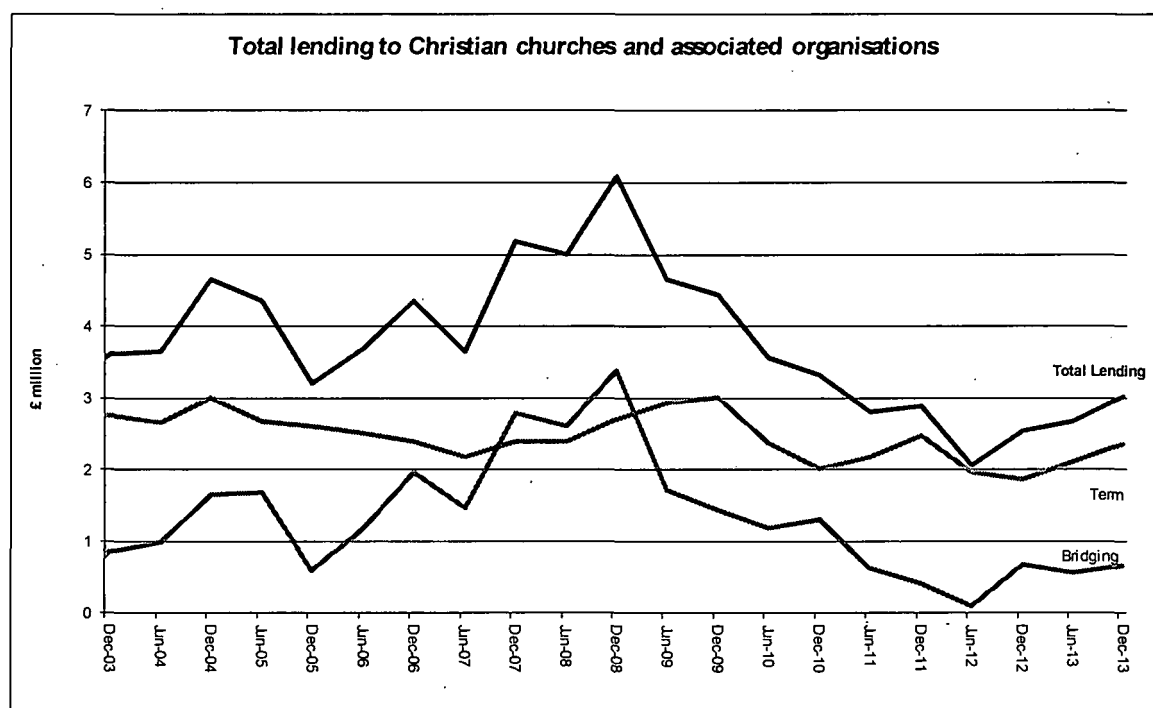
Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

During 2013 the Board began to implement an advertising and marketing strategy to promote the Company's property loans to church bodies of other Christian denominations and organisations as well as Methodist. It is encouraging to report that the level of property loans has increased by around 16% during 2013, as shown in the graph below. This follows declining demand in recent years. Non-Methodist property loans now account for 23% of the total. As 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 have remained unchanged since March 2010 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 has remained at **5.00% APR fixed** with 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 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 2013

The Company always seeks to ensure that every deposit is kept safe, and that as far as possible it generates a competitive level of return. The Board has sought to protect as far as possible the interest rates paid to depositors. However, rates available to the Company on the money market decreased significantly during 2013 and therefore the Board decided that it was necessary to reduce depositor interest rates by 0.25% on 1 October 2013 and for the same reason there will be a further reduction of 0.25% with effect from 15 March 2014.

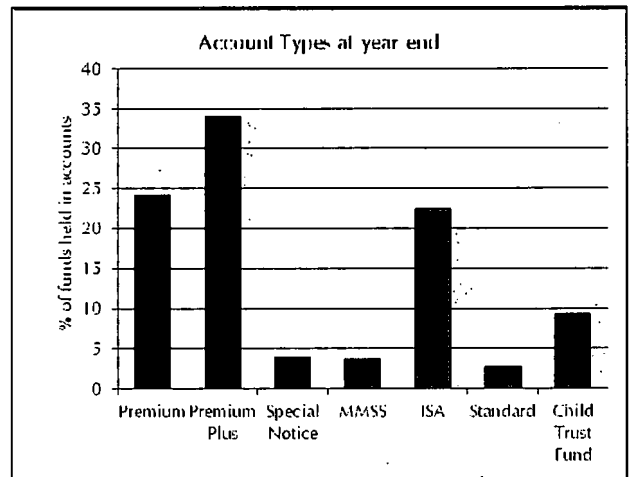
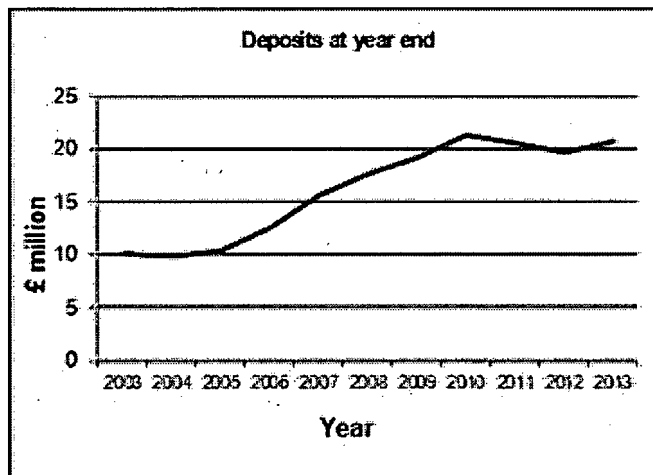
The Company's participation in the Financial Services Compensation Scheme, which guarantees £85,000 of each eligible depositor's savings in the event of the failure of the Company, has enabled customers to continue to deposit with confidence.

The amount held on deposit with the Company increased slightly in the year, with the total as at 31 December 2013 being £20,681,233. Withdrawals during the year represented 11% of the balance of deposits at the start of the year and new deposits amounted to 16%.

The Company saw 70 new savings accounts opened during the year. The total number of accounts held with the Company totalled 3,541 as at 31 December 2013 (3,564 in 2012 and 3,617 in 2011).

The total amount held on deposit as at 31 December 2013 included 34% 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 2013

Investments

As at 31 December 2013 the total book cost of equity shares and debt securities amounted to £13,640,636. This comprised £2,669,572 dated treasury stocks, £2,888,629 commercial loan stocks, £1,971,894 commercial loan stock funds and £6,110,541 equity shares and similar investments. In addition, the Company held £12,000,675 of deposits with other UK financial institutions (2012: £11,103,861).

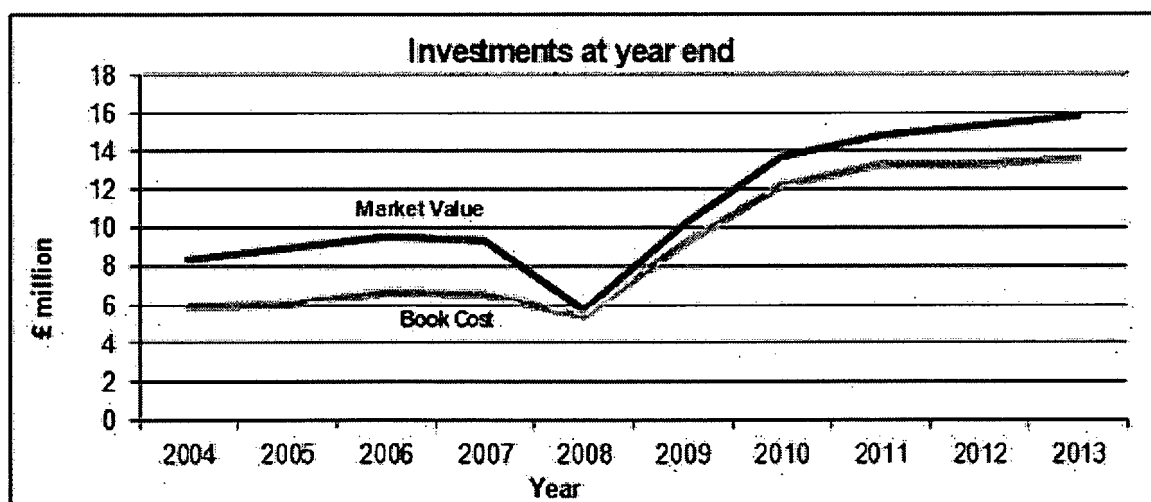
A provision for the amortisation of the premium of dated treasury and commercial loan stocks was made amounting to £38,537 for the year. This is the write off of the difference between the purchase price of a bond and its final maturity value, over the remaining term. The total provision is now £109,610.

The investment portfolio was rebalanced during the year following the agreement of the new investment mandate in June 2013 with a view to further strengthening the Company's capital base and managing 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 £98,183 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.

As a result of both of the above, total gains of £673,285 were realised in the year. However, it is important to note the Company's policy of holding investments for the long term and that it is not a dealing company.

The graph below demonstrates a positive difference between market value and book cost during 2013, with market value as at 31 December 2013 of £15,828,860 being 16% above book cost (2012: 15% 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 2013

Ethical Investing Policy

The Company's policy statement on ethical investing was updated during the year and now reads as follows:-

"MCA will not invest directly in the securities of companies active in the tobacco, alcohol, gambling, pornography or armaments sectors. Where such activities account for more than 10% of corporate turnover the company will be deemed to be "active" in these restricted sectors.

MCA will also seek to adhere to the Christian moral imperative to exercise good stewardship, and may accordingly from time to time determine not to hold securities issued by particular companies where there are concerns regarding the ethics of their business or operational models. MCA is particularly concerned about the animal testing of cosmetic or household products, high interest consumer lending, intensive farming, and the treatment of employees in jurisdictions where employment rights are less well developed than in the UK.

MCA will seek to ensure that voting rights are exercised in accordance with good corporate governance criteria, and will periodically review the manner in which its investment manager exercises these rights on its behalf.

In some cases it may be appropriate for MCA to hold collective investment funds in order to secure asset allocation within its investment portfolio. Where this is the case MCA does not have the ability to screen the underlying portfolio of the fund."

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 2013 and calculated that in addition to the minimum requirement of euro 5m a further £1.7m 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 2013 of c£2.3m, i.e. around 40% above the combined Euro 5m and buffer threshold. On top of this the Company's investment portfolio had a market value which was c£2.2m 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 2014 in line with its strategy, 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. 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 2013

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 any negative impact on earnings in the event that business risks materialise. Additionally, business risk monitoring, through regular reports and oversight, enables the Company to implement 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 all financial approval processes.

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 2013

Mitigation

The Company mitigates the risk of a negative liquidity mismatch (inadequate liquidity) 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 Board has decided to limit the total amount invested in equities (including equity related investment funds) to 45% of the total market value of funds in its investment portfolio i.e. excluding money market investments and loans to trustees and individuals. This limit equates to approximately 25% of the Company's total assets. Within this overall limit UK equities are restricted to a maximum of 35% of the investment portfolio, and investments in overseas equities (being equities of companies domiciled and having a primary listing outside the UK) to 15%.

In relation to UK equities, only equities issued by 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 incur significant losses upon the sale of these investments.

The unrealised gain on the Company's investments (currently £2.2m) is monitored closely and trigger points are in place in order to respond quickly to adverse movements. Prudent levels of gains are realised when considered appropriate by the Investment Manager and Officers / Board.

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 primary purpose 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.

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.

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 PRA pre-notification rules). The amount of deposits placed with any one bank is limited to 25% of the total and is generally kept below 20%. The largest amount held with any one bank as at 31 December 2013 was 17% 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 the bond portfolio is 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 associated organisations within the UK only and the total committed balance on loan at any time is restricted to an internally 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 PRA 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 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.

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.

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 £1.7m (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 PRA 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 and associated organisations, as well as protecting depositors and fulfilling the Company's regulatory obligations.

The Company does not have any bonus schemes or other reward or compensation schemes in place to reward staff for performance.

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 PRA to cover events that are unforeseen.

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 2013 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 analysed by the Company so far the results have been as follows. A 6 point score total was used, 6 being the best score. Only two replies were 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	5.2	5.5	5.8
(b) quality of presentation	5.2	5.0	5.8
Level of satisfaction with communication and assistance provided by MCA (out of 6)			
(a) before the account was opened	5.3	5.6	5.9
(b) after the account was opened	5.4	5.7	5.8

No complaints were received from customers during 2013.

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 and highly qualified 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

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

The Company has an Audit and Risk Committee, consisting of four Directors (Mr D Jeremy M Burchill, Chairman, Mrs Anne F Goodman, Mr Michael Greenberg and Mr Peter A Mills), which met five times in 2013 with a view to ensuring compliance with regulatory requirements and that the recommendations of 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.

In addition, the Company has a Nomination Committee, consisting of three Directors (Mr G Alan Pimlott, Mr Peter A Mills and Ven Paul J Ferguson) 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 by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Throughout the year Methodist Chapel Aid has kept within the regulators' guidelines and there has been frequent contact between the Company and the regulators as part of the monitoring process.

Proposals

- The Directors propose a dividend of £7.90 per fully paid share and 19.70 pence per partly paid share of the Company, payable on 30 April 2014. (Detailed in note 7 of the financial statements).
- Mr D J M Burchill, Ven P J Ferguson and Mr P A Mills retire by rotation and, being eligible, offer themselves for re-election for a three year term.
- The independent auditor, Beever and Struthers, has indicated its willingness to continue in office and its appointment for 2014 is proposed:

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 2013 No.	At 31 Dec 2012 No.	At 31 Dec 2013 £	At 31 Dec 2012 £
G Alan Pimlott	110	20	-	-
Revd James A Booth	-	-	-	-
D Jeremy M Burchill	200	-	-	-
Ven Paul J Ferguson	-	-	-	-
Peter J Forward	200	-	-	-
Anne F Goodman	-	-	-	-
Michael Greenberg	305	305	28,506	28,096
Peter A Mills	175	175	-	-
Revd Kenneth E Street	50	50	30,508	29,375
Susan R Howdle	200	200	32,003	21,680
	<u>1,240</u>	<u>750</u>	<u>91,017</u>	<u>79,151</u>

Revd Kenneth E Street retired as a Director on 17 April 2013.

Susan R Howdle retired as a Director on 26 September 2013.

Donations

During the year the Company made the following contributions:

	2013 £	2012 £
Charitable	<u>20,000</u>	<u>21,000</u>

Methodist Chapel Aid Limited

The Directors' Report *(continued)*

Year Ended 31 December 2013

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 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 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.

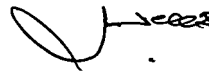
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies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

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 13 February 2014

Methodist Chapel Aid Limited

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

Year Ended 31 December 2013

We have audited the financial statements of Methodist Chapel Aid Limited for the year ended 31 December 2013 on pages 21 to 36. 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 18, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. 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 2013 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 2013

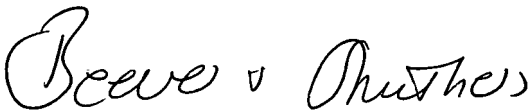
Opinion on Other Matters Prescribed by the Companies Act 2006

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

26 February 2014

Methodist Chapel Aid Limited

Income and Expenditure Account

Year Ended 31 December 2013

	Note	2013 £	2012 £
Interest receivable - on loans		103,098	97,540
Interest receivable - on debt securities		359,236	418,706
Interest receivable - on National Savings and bank deposits		167,942	171,814
Interest payable to depositors		(333,231)	(342,185)
Dividend income from equity shares		257,349	249,957
Fees and commissions payable		(77,060)	(80,158)
Other operating income		3,663	3,305
Administrative expenses - staff costs	3&4	(157,549)	(150,408)
Administrative expenses - other		(151,627)	(153,998)
Depreciation	8	<u>(20,311)</u>	<u>(22,102)</u>
Operating surplus		151,510	192,471
Surplus on disposal of investments during the year		560,312	95,129
Amortisation of the premium paid on fixed interest investments	5	<u>(38,537)</u>	<u>(43,989)</u>
Surplus on ordinary activities before taxation		673,285	243,611
Tax on surplus on ordinary activities	6	(69,298)	661
Surplus for the financial year		<u>603,987</u>	<u>244,272</u>

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 24 to 36 form part of these financial statements.

Methodist Chapel Aid Limited

Balance Sheet

31 December 2013

	Note	2013 £	2012 £
Assets			
Tangible fixed assets	8	33,237	53,548
Investments	9	13,531,026	13,176,395
Cash and bank balances		12,000,675	11,103,861
Loans and advances to customers	10	3,071,395	2,657,519
Prepayments, accrued income and other assets	10	85,347	134,105
Investments held for short term purposes	12	334,592	272,518
Total Assets		<u>29,056,272</u>	<u>27,397,946</u>
Liabilities			
Customer Accounts	13	20,681,233	19,689,836
Other Liabilities	13	164,443	100,581
Total Liabilities		<u>20,845,676</u>	<u>19,790,417</u>
Net Assets		<u>8,210,596</u>	<u>7,607,529</u>
Shareholders' Funds			
Called up equity share capital	16	1,197	1,197
Reserves	17	<u>8,209,399</u>	<u>7,606,332</u>
	18	<u>8,210,596</u>	<u>7,607,529</u>

These financial statements were approved by the Directors and authorised for issue on 13 February 2014 and are signed on their behalf by:

G A Pimlott - Chairman

P A Mills - Director

J A Wells - Secretary

Company Registration Number: 30546

The notes on pages 24 to 36 form part of these financial statements.

Methodist Chapel Aid Limited

Cash Flow Statement

Year Ended 31 December 2013

	Note	2013 £	2012 £
Net cash inflow/ (outflow) from operating activities	19	1,325,018	(118,692)
Capital expenditure and financial investment	19	(365,210)	50,744
Equity dividends paid	7	(920)	(896)
Increase/(decrease) in cash	19	<u>958,888</u>	<u>(68,844)</u>

The notes on pages 24 to 36 form part of these financial statements.

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

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 2013

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 2013

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:

	2013	2012
	£	£
Depreciation of owned fixed assets	20,311	22,102
Auditor's remuneration		
- as auditor	8,730	8,520
- for other services	3,834	3,570
Operating lease costs:		
- Land and buildings	5,945	5,000
- Other equipment	1,914	1,914

3. Particulars of Employees

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

	2013	2012
	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:

	2013	2012
	£	£
Wages and salaries	125,967	121,590
Social security costs	12,108	11,680
	<u>138,075</u>	<u>133,270</u>

4. Directors' Remuneration

The Directors' aggregate remuneration in respect of qualifying services was:

	2013	2012
	£	£
Aggregate remuneration	19,474	17,138
Expenses	8,397	7,692
	<u>27,871</u>	<u>24,830</u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

5. Amortisation of Premium Paid on Fixed Interest Investments

	2013	2012
	£	£
Amortisation	<u>38,537</u>	<u>43,989</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

	2013	2012
	£	£
Current tax:		
UK Corporation tax based on the results for the year At 23.25% (2012 - 24%)	<u>60,001</u>	<u>-</u>
Total current tax	<u>60,001</u>	<u>-</u>
Deferred tax:		
Origination and reversal of timing differences	<u>9,297</u>	<u>(661)</u>
Tax on surplus on ordinary activities	<u>69,298</u>	<u>(661)</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 23.25% (2012 – 24.50%).

	2013	2012
	£	£
Surplus on ordinary activities before taxation	<u>673,285</u>	<u>243,611</u>
Expected tax charge by rate of tax	156,539	59,678
Expenses not deductible for tax purposes	3,080	(10,093)
Capital allowances for period in excess of depreciation	4,084	4,132
Other short term timing differences	-	733
Utilisation of tax losses and other deductions	(18,206)	(6,771)
Income not taxable for tax purposes	(65,140)	5,144
Franked investment income	(59,834)	(61,233)
Chargeable gains	43,546	8,410
Marginal relief	(4,068)	-
Total current tax	<u>60,001</u>	<u>-</u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

7. Dividends

Equity dividends

	2013 £	2012 £
Paid during the year:		
Partly paid up shares at 19.20p (2012: 18.70p)	789	768
Fully paid up shares at £7.70 (2012: £7.50)	131	128
	<u>920</u>	<u>896</u>
Proposed after the year-end (not recognised as a liability):		
Partly paid up shares at 19.70p (2012: 19.20p)	809	789
Fully paid up shares at £7.90 (2012: £7.70)	134	131
	<u>943</u>	<u>920</u>

8. Tangible Fixed Assets

	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 January 2013 and 31 December 2013	<u>27,857</u>	<u>21,591</u>	<u>97,588</u>	<u>147,036</u>
Depreciation				
At 1 January 2013	27,755	18,717	47,016	93,488
Charge for the year	66	964	19,281	20,311
At 31 December 2013	<u>27,821</u>	<u>19,681</u>	<u>66,297</u>	<u>113,799</u>
Net book value				
At 31 December 2013	<u>36</u>	<u>1,910</u>	<u>31,291</u>	<u>33,237</u>
At 31 December 2012	<u>102</u>	<u>2,874</u>	<u>50,572</u>	<u>53,548</u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

9. Investments

	Debt Securities and Other Fixed Income Securities	Equity Shares	Total
	£	£	£
Cost			
At 1 January 2013	7,843,431	5,431,995	13,275,426
Additions	1,550,765	2,467,985	4,018,750
Disposals	(1,864,101)	(1,789,439)	(3,653,540)
At 31 December 2013	<u>7,530,095</u>	<u>6,110,541</u>	<u>13,640,636</u>
Amortisation of Premium			
At 1 January 2013	99,031	-	99,031
Amortisation charged in year	38,537	-	38,537
Released on Disposal	(27,958)		(27,958)
At 31 December 2013	<u>109,610</u>	<u>-</u>	<u>109,610</u>
Net book value			
At 31 December 2013	<u>7,420,485</u>	<u>6,110,541</u>	<u>13,531,026</u>
At 31 December 2012	<u>7,744,400</u>	<u>5,431,995</u>	<u>13,176,395</u>

The market value of the investments is £15,873,374 (2012: £15,342,929).

The market value of the securities includes accrued interest of £44,514 (2012: £55,882).

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 £320,000 (2012: £180,000) (assuming a tax rate of 23% (2012: 24%)).

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

10. Debtors

Loans and advances to customers

	2013 £	2012 £
Loans and Advances to Customers	<u>3,071,395</u>	<u>2,657,519</u>

	At 1 Jan 2013 £	Advanced £	Repaid £	Released/ (provided) £	At 31 Dec 2013 £
Property loans	2,540,879	2,415,797	2,015,916	-	2,940,760
Car loans	<u>119,631</u>	<u>89,945</u>	<u>74,559</u>	-	<u>135,017</u>
	2,660,510	2,505,742	2,090,475	-	3,075,777
Provision for bad debts	<u>(2,991)</u>	-	-	<u>(1,391)</u>	<u>(4,382)</u>
	<u>2,657,519</u>	<u>2,505,742</u>	<u>2,090,475</u>	<u>(1,391)</u>	<u>3,071,395</u>

Analysis of maturity of loans and advances to customers

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

	2013 £	2012 £
Due within 3 months	219,532	34,144
In more than 3 months but not more than 1 year	1,339,082	1,361,305
In more than 1 year but not more than 5 years	865,277	1,039,445
In more than 5 years	651,886	225,616
Less provision for bad debts	<u>(4,382)</u>	<u>(2,991)</u>
	<u>3,071,395</u>	<u>2,657,519</u>

Prepayments, accrued income and other assets

	2013 £	2012 £
Prepayments and accrued income	85,347	128,338
Deferred taxation (note 11)	-	5,767
	<u>85,347</u>	<u>134,105</u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

11. Deferred Taxation

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

	2013 £	2012 £
Included in debtors (note 10)	-	5,767
Included in creditors (note 13)	3,530	-

The movement in the deferred taxation account during the year was:

	2013 £	2012 £
Balance brought forward	5,767	5,106
Income and expenditure account movement arising during the year	(9,297)	661
Balance carried forward	(3,530)	5,767

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

	2013 £	2012 £
Excess of taxation allowances over depreciation	(3,530)	(8,182)
Tax losses available	-	13,949
	(3,530)	5,767

12. Investments held for short term purposes

	2013 £	2012 £
Funds held short-term by Sarasin & Partners for investment	334,592	272,518

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

13. Liabilities

Customer Accounts

	2013	2012
	£	£
Customer Accounts	<u>20,681,233</u>	<u>19,689,836</u>

Amounts standing to the credit of depositors;

	2013	2012
	£	£
At 1 January 2013	19,689,836	20,539,492
Received	3,080,401	2,310,733
Withdrawn	<u>(2,089,004)</u>	<u>(3,160,389)</u>
At 31 December 2013	<u>20,681,233</u>	<u>19,689,836</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;

	2013	2012
	£	£
In one year or less or repayable on demand	17,958,079	17,142,317
In more than one year but not more than two years	805,307	805,307
In more than two years	<u>1,917,847</u>	<u>1,742,212</u>
	<u>20,681,233</u>	<u>19,689,836</u>

Other Liabilities

	2013	2012
	£	£
Corporation tax	60,001	-
Other taxation and social security	16,554	17,191
Accruals and deferred income	84,358	83,390
Deferred tax (note 11)	<u>3,530</u>	-
	<u>164,443</u>	<u>100,581</u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

14. Commitments under Operating Leases

At 31 December 2013 the Company had annual commitments under non-cancellable operating leases as set out below.

	2013		2012	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 year	-	-	2,084	-
Within 2 to 5 years	<u>6,500</u>	<u>1,914</u>	<u>-</u>	<u>1,895</u>

15. Related Party Transactions

Two Directors, Revd James Booth and Mr Alan Pimlott along with Revd Kenneth Street (who retired as a director during the year) are members 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% (2012: 30%) of the share capital of the Company. It holds these shares for the charitable purposes of the Methodist Church generally.

During 2012 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 £12,500 (2012: 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 2013

16. Share Capital

Authorised share capital:

	2013	2012
	£	£
5,000 Ordinary shares of £10 each	<u>50,000</u>	<u>50,000</u>

Allotted and called up:

	2013		2012	
	No	£	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

	2013	2012
	£	£
Balance brought forward	7,606,332	7,362,956
Surplus for the financial year	603,987	244,272
Equity dividends	(920)	(896)
Balance carried forward	<u>8,209,399</u>	<u>7,606,332</u>

18. Reconciliation of Movements in Shareholders' Funds

	2013	2012
	£	£
Surplus for the financial year	603,987	244,272
Equity dividends	(920)	(896)
Net addition to shareholders' funds	<u>603,067</u>	<u>243,376</u>
Opening shareholders' funds	7,607,529	7,364,153
Closing shareholders' funds	<u>8,210,596</u>	<u>7,607,529</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 2013

19. Notes to the Cash Flow Statement

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

	2013 £	2012 £
Net surplus on ordinary activities	673,285	243,611
Depreciation	20,311	22,102
Amortisation of premium on debt securities	10,579	30,036
Net decrease in debtors	42,991	49,613
Net increase/(decrease) in creditors	331	(717)
	<u>747,497</u>	<u>344,645</u>
Net (increase)/decrease in loans advanced to customers	(413,876)	386,319
Net increase/(decrease) in customer accounts	<u>991,397</u>	<u>(849,656)</u>
Net cash inflow/(outflow) from operating activities	<u><u>1,325,018</u></u>	<u><u>(118,692)</u></u>

Capital Expenditure and Financial Investment

	2013 £	2012 £
Acquisition of equity shares	(2,467,985)	(1,840,906)
Disposal of equity shares	1,789,439	933,008
Acquisition of debt securities	(1,550,765)	-
Disposal of debt securities	<u>1,864,101</u>	<u>958,642</u>
Net cash (outflow)/ inflow for capital expenditure and financial investment	<u><u>(365,210)</u></u>	<u><u>50,744</u></u>

Methodist Chapel Aid Limited

Notes to the Financial Statements

Year Ended 31 December 2013

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

Reconciliation of Net Cash Flow to Movement in Net Funds

	2013 £	2012 £
Increase/(Decrease) in cash in the period	958,888	(68,844)
Change in net funds	958,888	(68,844)
Net funds at 1 January 2013	11,376,379	11,445,223
Net funds at 31 December 2013	12,335,267	11,376,379

Analysis of Change in Net Funds

	At 1 Jan 2013 £	Cash flows £	At 31 Dec 2013 £
Net cash:			
Cash in hand and at bank	11,103,861	896,814	12,000,675
Cash equivalents	272,518	62,074	334,592
Net funds	11,376,379	958,888	12,335,267

20. Ultimate Controlling Party

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