Methodist Chapel Aid

ESTABLISHED 1890

Helping the Churches

Annual Report & Accounts 2011

The Methodist Chapel Aid Association Ltd was founded over 100 years ago by the prominent Primitive Methodist philanthropist and jam maker, William Hartley. Based in York but operating throughout the United Kingdom, its primary objective has always been to provide loans to Methodist Trustee bodies at the lowest practicable rates of interest to help in the timely purchase or improvement of church property. In recent years the Company has changed its name to Methodist Chapel Aid Ltd and widened its scope of activity to include the making of loans to Trustees of other Christian Churches as well as Methodist, but with the same main objective. We know from experience that a loan can advance the implementation of a building scheme, and can even sometimes make the difference between a scheme going ahead or not.

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Photographs on front cover and this page:
Penketh Methodist Church, Warrington

Methodist Chapel Aid Limited

The Board of Directors as at 31 December 2011	G Alan Pimlott ACIB (Chairman) Revd Kenneth E Street MA BA (Deputy Chairman) Rt Revd James H Bell MA BA Revd James A Booth LLB Michael Greenberg FCCA Susan R Howdle BCL MA Peter A Mills FCA
Company Secretary	John A Wells FCMA MCMI
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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

The Chairman's Statement

Global context

Events external to Methodist Chapel Aid Limited continue to affect the context in which banking organisations function and there continues to be a high level of uncertainty focused on the European Union and its financial institutions.

This naturally affects interest rates and can impact upon a bank's capital and liquidity levels. The Board has endeavoured to respond positively to each of these factors by focusing on these key areas of the Company's operations.

There is also much comment in the media about the future of the euro and the potential impact of political and economic decisions which will have to be made.

In the case of Methodist Chapel Aid Limited many of these factors have not had any direct impact upon the Company to date and having moved from the great uncertainty of the earlier global economic crisis of 2008 with some strength in its balance sheet and its capital base the Board has taken a measure of comfort from its continuing good performance. Nevertheless, this good news is accepted within that continuing and uncertain context and the Board will be vigilant in taking all key strategic decisions in the months ahead.

Loans

The Company continues to support loan applications from a range of Methodist churches and during 2011 the Board was delighted to witness the first drawdown of a loan to a Church of England project. It is hoped that this will prove to be the first of many future such loans to a variety of Christian churches over the years.

The overall amount on loan at the year end is currently lower than a year ago which understandably reflects the present economic difficulties for local trustees although the number of property loan advances actually increased over the previous year.

Interest rates

A key aim of the Company is to make loans to Christian churches at the lowest possible rate of interest and in 2010 the Board was able to reduce its rates for term and bridging loans since when these have remained unchanged.

Deposits

As ever, the Company is indebted to its depositors whose loyalty is greatly valued and the Board is grateful to have seen a sustained high degree of funds held on deposit notwithstanding the difficult economic situation. The Board will in turn endeavour to maintain competitive rates payable to depositors whenever prevailing circumstances permit. It has particularly welcomed seeing substantial funds held on its Premium Plus term accounts and is pleased to have been able to make such accounts available to receive deposits once more. These term funds in their turn help provide a sound base for the Company's activities and benefit its liquidity under current regulations.

Annual surplus

Methodist Chapel Aid Limited does not exist to maximise its profits for the benefit of its shareholders but rather to provide a continuing service to church trustees in offering loans at low rates of interest. However, and especially in these stringent times, it is both necessary and prudent to produce an annual surplus on its operations which makes its good performance clear to the general public and to the regulator. This it has consistently done over a number of years and that ongoing and consistent performance has, year on year, served to build up a substantial capital base which is well above the levels required by the regulator. This policy must continue in order to ensure that the Company's future is sustainable and this aim, to date, the Board, with the outstanding support of its Officers, has been able to achieve.

In order to do so the Board has developed processes which enable its Officers to monitor performance on a daily basis and it is this detailed monitoring which enables the Company to note external trends and internal movements in both deposits and loans, in rates and currency levels, in its investments and its financial strength, which has proved to be the foundation stone for consistent success in this aim.

However, the present and increasingly changing circumstances in the wider economic world prevent any organisation from assuming that current trends will continue or that fresh and previously unknown factors will not arise which may have a negative impact upon the operation of the Company.

For these reasons the Board remains vigilant and through its Officers maintains its careful monitoring of key issues.

Reserves

The capacity to produce regular annual surpluses has enabled Methodist Chapel Aid to add to its reserves year on year so increasing its capital base which is a key benchmark for the regulators and which gives added strength to the Company. The Company's increasing capital has also given confidence to the Board even in the present context and is a major indicator of the organisation's sustainability.

The Board and its membership

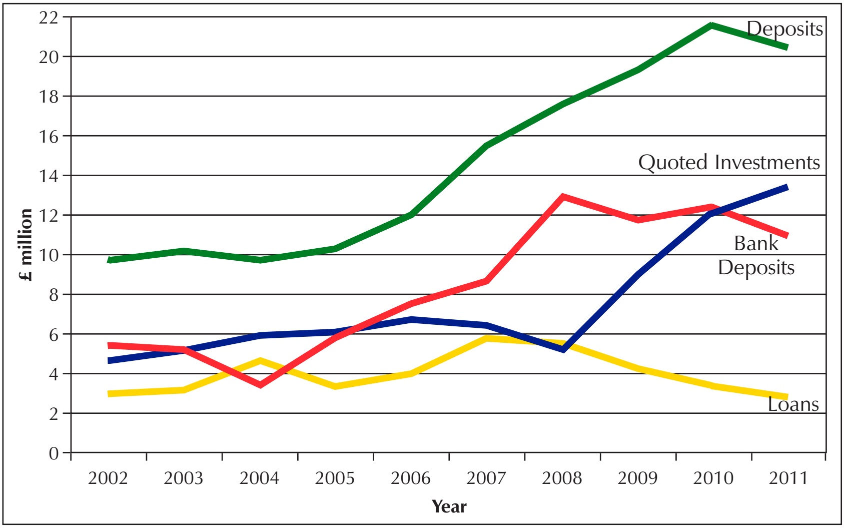
In last year's Annual Report the outgoing Chairman, Arthur Holroyd, paid tribute to two Directors for their service to the Board and then noted his own imminent retirement.

Having been appointed Chairman in April 2011 I wish to place on record my particular heartfelt thanks to Arthur who served the Company with distinction for many years - thirty three as a Director - the last eleven years as Chairman. Methodist Chapel Aid consolidated its position under his leadership and developed new products and services for its customers who were always given a high priority under his Chairmanship. A notable diversification also took place during this period when the Board amended its Memorandum & Articles in order to facilitate the making of loans to non-Methodist churches thus achieving what would clearly have been one of the most significant changes to policy in its entire history.

The high standards set will continue to be the Board's aim as Methodist Chapel Aid moves forward to meet today's challenges and a part of that strategy is the current renewal policy which the Board has begun to implement in 2011 and which will continue in 2012. This will include a range of development and training opportunities for the Directors in order to meet the present needs of the Company and a plan to recruit two new Directors in the coming year following the recent retirements.

The Staff

As ever, the Company and its Board is particularly grateful to its excellent staff who approach their work with great professionalism and efficiency. Their dedicated work on both the important daily routine work of the office and on responding to ever-increasing changes is greatly valued.



Alan Pimlott
Chairman

The Directors' Report

The Directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2011.

Principal Activities and Business Review

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.

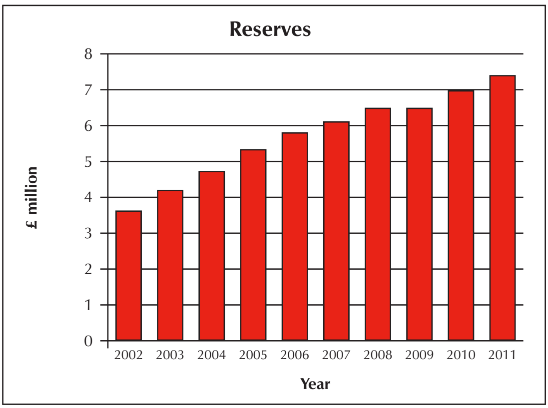
In support of the Company's purpose it:
- operates procedures for accepting deposits, seeking to ensure that every deposit is safe, and as far as possible for generating a competitive level of interest for the depositor;
- does not give priority to enhancing the level of dividend paid to its shareholders;
- 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 ministers and deacons. However, the Board has no intention of amending its main focus of activity in the foreseeable future.

Overall Performance

During 2011 an operating surplus of £200,357 was achieved, £66,157 higher than that forecast at the start of the year. The most significant cause of this additional surplus was increased income from the Company's investment portfolio following a transfer made from its money market funds in February. Offsetting this to some extent, however, was a lower than expected level of interest received on loans.

As a consequence of this operating surplus, together with gains made from the sale of investments which amounted to over £175,000, the Company's reserves, subject to the approval of the financial statements by the Annual General Meeting, will rise by over £360,000 as at the end of 2011. The capital is now 76% above the Euro 5m threshold compared with 63% at the end of 2010 and 45% at the end of 2009. The graph below shows the trend over the past ten years.



Christ Church, Cockfosters, London

The trustees are very grateful for the help received to renovate the church hall, Christ Church House. The new facilities have enabled the church to improve its outreach to the local community with fantastic rooms for children, youth work and pre-school.

The new café, The House, opened in July 2011 and is already popular with local residents and school families. The entrance to the hall is now welcoming and there is disabled access throughout with a lift to the upper room and vastly improved toilets. With new offices for staff and a modern kitchen the building is now in full use and the trustees thank God for everything in making this possible.

Methodist International House, Manchester

Methodist International House is an Edwardian building close to the University of Manchester with a more modern block built behind it to house 62 students, most of whom come from overseas.

In recent years the heating system has caused problems. Last winter a number of students moved out because their rooms could not get adequate heating. The executive were advised that a completely new heating system should be installed, involving new boilers, pumps, pipework and radiator valves. The work is now complete, with heating in all rooms and reduced energy bills through a more efficient system.

The confidence to go ahead with this work was achieved thanks to the promise of a loan from Chapel Aid. Successful fundraising efforts, economies on running costs, and the resultant increase in room lettings, has meant that only £10,000 of the available sum has so far been required, although cash flow demands may mean there will be a need to call on more in the future.

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

Loans

At the end of 2011 there were 97 loans with capital balances of which 54 were term loans (compared with 52 in 2010 and 63 in 2009), 3 were bridging loans (6 in 2010 and 9 in 2009) and 40 were car loans (43 in 2010 and 38 in 2009).

The total amount out on loan at the end of 2011 was £3.0m (compared with £3.5m in 2010 and £4.2m in 2009). Within this total £2.5m related to term loans (compared with £2.0m in 2010 and £2.7m in 2009), £0.4m to bridging loans (£1.3m in 2010 and in 2009) and £0.1m to car loans (£0.2m in 2010 and in 2009).

A total of 67 church trustee bodies and 40 car loan applicants were receiving assistance from the Company at the end of 2011 (compared with 77 and 43 respectively in 2010 and 81 and 38 respectively in 2009).

There were 38 loan advances in 2011 of which 29 were property loans and 9 were car loans (compared with 25 and 13 respectively in 2010 and 37 and 7 respectively in 2009). The size of advance for property loans in 2011 varied from £5,500 for the installation of solar PV panels at a Methodist church to £500,000 for the extension and refurbishment of the premises at a Church of England church.

The number of property loans approved but not yet advanced at the end of 2011 was 10 (17 in 2010 and 11 in 2009). The value of this commitment was £1.7m (compared with £2.8m in 2010 and £1.4m in 2009).

The graph overleaf shows the level of lending over the past ten years. We must continue to assume that the overall decline in demand for the Company's services over the past two or three 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 has begun seeking to address this fall in demand by offering property loans to church bodies of other Christian denominations as well to Methodist, and it is encouraging to report that in the first half of 2011 the Company made its first loan advance to a Church of England church. So long as there continues to be a demand from Christian organisations, whatever the scale, the Company will be satisfying its primary purpose.

Loans advanced during the year

Alderley Edge Methodist Church, Cheshire
Alton Methodist Church, Hampshire
Beacon Methodist Church, Camborne
Burslem Methodist Mission, Stoke on Trent
Chapel Street Methodist Church, Penzance
Chislehurst Methodist Church, Kent
Christ Church, Cockfosters, London
City Road Methodist Church, Birmingham
Cleobury Methodist Church, Shropshire
Copmanthorpe Methodist Church, York
Driffield Methodist Circuit, East Yorkshire
Finsbury Park Methodist Church, London
Harlesden Methodist Church, London
Heswall Methodist Church, Wirral
Hornchurch Methodist Church, Essex
Hoyland Methodist Church, Barnsley
Kelsall Methodist Church, Tarporley, Cheshire
Methodist International House, Manchester
Penketh Methodist Church, Warrington
Reigate Methodist Church, Surrey
Rugby & Daventry Methodist Circuit
Rumney Methodist Church, Cardiff
Salford Methodist Circuit
Settle Methodist Circuit
Sketty Methodist Church, Swansea
South Anston Methodist Church, Sheffield
St Ouen Methodist Church, Jersey
Westminster Methodist Circuit, London
Whaley Bridge Uniting Church, Derbyshire

Penketh Methodist Church, Warrington

The original church was built on the present site in 1860 with two extensions being added before the end of that century. Following redecoration and renewal during the 20th century it was decided in 2002 to build anew.

Following a visit to view a new church in Grantham the Building Executive appointed the same architect and, in due course, the Penketh Project Company Ltd was set up.

Demolition of the old chapel began in April 2009 and worship and activities were transferred to the Church Hall. Building work started in April 2010 and as a result of generous grants and a loan from Methodist Chapel Aid Ltd early completion of the project was achieved.

The keys to the new premises were handed over to the minister nine years to the day after the decision to rebuild had been taken and the building is already serving the local community.

The final target of £1.2 million is now well within reach.

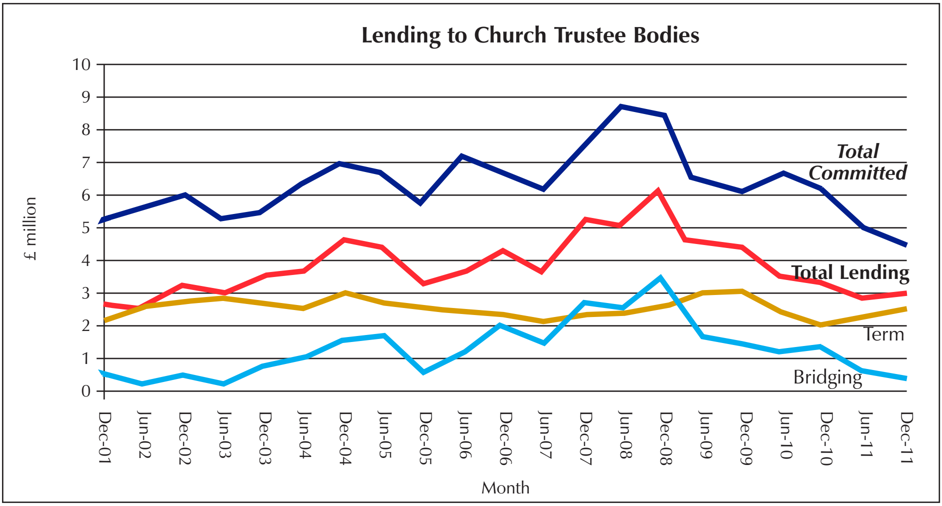
Kelsall Methodist Church, Tarporley, Cheshire

In early 2010 Kelsall Methodist Church (KMC) revived proposals for major improvements and alterations to the main worship area and associated access arrangements to create an integrated church centre equipped for wider church and community use. KMC's vision was for a building alive with activity, growing in faith and engaging with the local community every day of the week.

With input and strong support from the congregation, users of the existing facilities and the local community, a project group developed proposals for the renewal of the church. Key objectives were to create a modern, light and welcoming environment, with a blend of the old and new. This involved retaining the refurbished pipe organ and front façade of the former pulpit as features while at the same time introducing new comfortable and flexible seating, a larger front platform, modern lighting and audio-visual systems. Other major improvements included the introduction of more light and visibility into the church, creating a new access between the hall and church, improved heating and energy efficiency, and upgrading of access within the building.

After the project's approval at an estimated cost of £220,000, the availability of a loan from Methodist Chapel Aid proved invaluable in enabling the project to proceed when a last-minute delay occurred in the availability of agreed grant funding. Work started on site at the end of August 2011 and, despite difficulties and delays with the commissioning of the new heating system, the church was able to resume services in the new worship area as planned on 22 January 2012.

Reaction to the completed scheme has been very positive both from the congregation and from other user groups.



With regard to interest rates, those charged by the Company for property loans were reduced in March 2010 by 0.2% to 3.17% APR for term loans and 4.19% APR for bridging loans and since then the rates have remained unchanged. The Company's rate for car loans remained at 5.00% APR fixed throughout 2010 and 2011, 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 amount held on deposit with the Company decreased slightly in the year, with the total as at 31 December 2011 being £20,539,492. Withdrawals during the year represented 24% of the balance of deposits at the commencement of the year and additional deposits amounted to 20%.

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 is able to plan its future surpluses, the vast majority of which are retained in the business to grow the capital base still further. This enables the Company to provide loans to Christian churches and associated organisations at the lowest practicable rate of interest throughout the duration of each loan.

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 has sought to protect as far as possible the interest rates paid to depositors. However, the current low interest rate environment is proving to be extremely challenging to financial institutions in general and the Company is not immune from this. The total interest received on the Money Market remained at a low level and the Bank of England base rate of 0.5% has remained unchanged since March 2009. Therefore, the Board decided that it was necessary to reduce depositor interest rates on certain accounts by a maximum of 0.25% with effect from 15 March 2011.

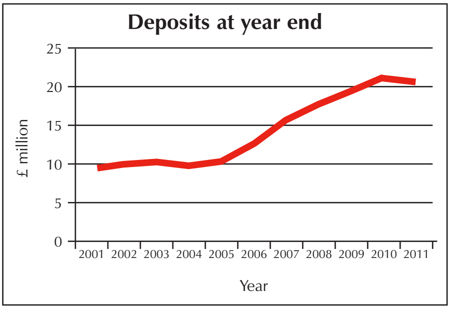
In November 2011 the Board took the decision to remove the restrictions on the opening of Premium, Premium Plus and Cash ISA deposit accounts. As a result, these accounts are once again available to both new and existing depositors.

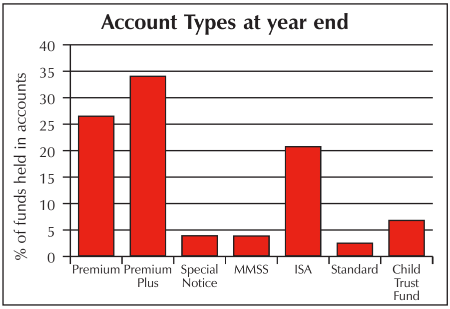
The Company's participation in the Financial Services Compensation Scheme, which guarantees £85,000 of each eligible depositor's savings in the event of the failure of the Company, has enabled customers to continue to invest with confidence.

The Company saw 299 new savings accounts opened during the year, which included 260 new Child Trust Funds and 39 others. The total number of accounts held with the Company totalled 3,617 as at 31 December 2011 (3,443 in 2010 and 2,980 in 2009).

The total amount held on deposit as at 31 December 2011 included 34% held in Premium Plus Accounts, 21% in ISAs and 7% 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.





Investments

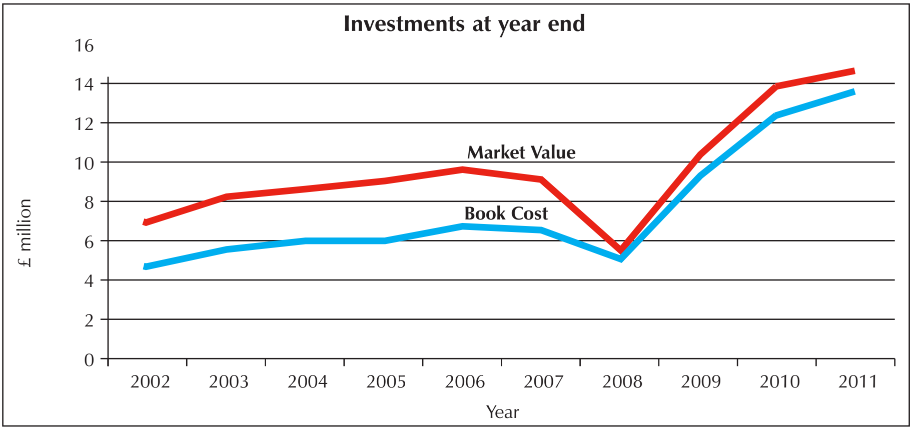
The rates available to the Company on the Money Market remained low and therefore £1m was transferred to the Company's investment portfolio in February 2011. This was invested equally in corporate bonds and gilts. This transfer allowed the benefit of additional interest income and improved further the Company's regulatory liquidity buffer.

There have been changes within the Company's portfolio in order to increase further the liquid assets buffer, 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 £221,510 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 20% 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.

As at 31 December 2011 the total book cost of equity shares and debt securities amounted to £13,257,175. This comprised £3,190,616 dated treasury stocks, £3,950,782 fixed interest dated commercial loan stocks, £1,591,680 variable rate commercial loan stock funds and £4,524,097 equity shares. Thus 34% of the portfolio was invested in equity shares (16% of total assets), compared with 36% (15% of total assets) as at 31 December 2010.

A provision for the amortisation of the premium of dated treasury and commercial loan stocks was made amounting to £46,422 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 £68,995.

The graph below demonstrates a positive difference between market value and book cost during 2011, with market value as at 31 December 2011 of £14,764,448 being 11% above book cost (2010: 12% 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.

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 2011 and calculated that in addition to the minimum requirement of Euro 5m a further £1.4m of capital should continue to be retained as a buffer against future stresses on the Company's capital resources. Even after making this allowance there remained headroom at the end of 2011 of c£1.8m, i.e. over 42% above the Euro threshold. On top of this the Company's investment portfolio had a market value which was c£1.4m above book cost 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 2012 of c£100,000, 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.

Beacon Methodist Church, Camborne

The chapel building was built in 1895 as a Wesleyan Sunday School. Following the closure and demolition of the chapel built in 1865 the Sunday School was renovated in 1990 to create a worship area downstairs and social/ Junior Church room upstairs.

Frost damage during two recent severe winters caused great deterioration to the outside of the building and it was agreed to apply for a loan from Methodist Chapel Aid to assist with the cost of repairs.

Fundraising and receipt of grants mean that the loan is likely to be repaid much earlier than scheduled.

The following is included as a regulatory requirement:

Risk Appetite Statement
The Board and 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.

Mitigation
The Company mitigates the risk of a liquidity position arising which is outside of 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 the funds in its investment portfolio, 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 are 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. Also, the Payment Services Regulations require the Company to give 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 c£1.4m) is monitored closely and trigger points are in place in order to respond quickly to adverse movements.

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 Audit Plan, and the Company's Internal Auditor sends monthly reports 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.

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.

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. Individual loan approvals cannot be greater than 10% of the FSA approved capital. Loans above £50,000 are generally secured by way of a legal charge and loans under £50,000 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 ministers 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 plus the Chief Executive or Company Accountant.

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 5m plus £1.4m (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.

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.

Copmanthorpe Methodist Church, York

The initial motivating factor for the extension was the need for a lift for those unable to use stairs, to enable greater use of the substantial and adaptable upper hall. There was also a need for an improved disabled toilet facility.

Space was created for the lift by rebuilding the entrance porch to the church. In doing so a new staircase, disabled toilet, small meeting room/vestry downstairs and another meeting room upstairs were also created and the entrance area improved considerably in terms of size and attractiveness.

The creation of the new staircase in the entrance enabled the demolition of the old emergency stairs, creating the space for another small meeting room off the lower hall as well as an extended kitchen.

The old external ramp was very steep and narrow and has been replaced with a longer, gentler ramp, well used by wheelchairs and buggies.

The front entrance to the building, leading to the halls, had been covered by a large canopy. The space under this has been enclosed, providing a glazed porch area which enhances the street view of the building as well as providing a useful area for people waiting to pick up children and for buggies etc.

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 2011 the Board sent out a further Customer Satisfaction Survey to a proportion of its depositors, borrowers with property loans and borrowers with car loans. Of the total number of questionnaires sent out the number of responses received was generally lower than in recent years.

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. The percentages shown in brackets after each average score on this scale represent the number of replies received that implied concern by using scores 1 to 3. However, the figures shown for property loans and car loans were based on a very small number of responses.

	Depositors	Borrowers with property loans	Borrowers with car loans
Level of satisfaction with documentation provided by MCA (out of 6)			
(a) clarity and conciseness of content	5.4 (0.00%)	5.2 (0.00%)	5.6 (0.00%)
(b) quality of presentation	5.3 (1.33%)	5.0 (0.00%)	5.2 (0.00%)
Level of satisfaction with communication and assistance provided by MCA (out of 6)			
(a) before the account was opened	5.5 (0.00%)	5.4 (0.00%)	5.2 (0.00%)
(b) after the account was opened	5.5 (1.12%)	5.0 (0.00%)	5.0 (0.00%)

No complaints were received during 2011 (none in 2010 and none in 2009).

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 at least five times a year 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, overseeing 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 non-executive Directors (Mr G Alan Pimlott, Revd Kenneth E Street and Mrs Susan R 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.

Proposals

- The Directors propose that the surplus for the financial year of £368,032 be transferred to reserves.
- The Directors propose a dividend of £7.50 per fully paid share and 18.70 pence per partly paid share of the Company, payable on 30 April 2012. (Detailed in note 7 of the financial statements).
- Mr M Greenberg and Mrs S R Howdle retire by rotation and, being eligible, offer themselves for re-election for a three year term.
- The auditor, Beever and Struthers, has indicated its willingness to continue in office and its appointment for 2012 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 2011	*At 31 Dec 2010*	At 31 Dec 2011	*At 31 Dec 2010*
	No.	*No.*	£	£
G Alan Pimlott (*)	20	20	-	-
Revd Kenneth E Street (*)	50	50	30,311	27,452
Rt Revd James H Bell	50	4	-	-
Revd James A Booth (*)	-	-	-	-
Michael Greenberg	305	205	27,684	27,261
Susan R Howdle	200	200	21,363	21,036
Peter A Mills	175	-	-	-
W Arthur H Holroyd	50	507	19,239	38,186
Revd Dr Stuart J Burgess	-	102	212,253	216,178
Revd Nichola G Jones	-	114	-	21,994
	850	1,202	310,850	352,107

Peter A Mills was appointed as a Director on 25 January 2011.

W Arthur H Holroyd retired as a Director on 30 March 2011.
Revd Dr Stuart J Burgess retired as a Director on 30 March 2011.
Revd Nichola G Jones resigned as a Director on 9 December 2010.

Directors indicated by (*) have their shareholdings restricted by virtue of their membership of the Board of The Trustees for Methodist Church Purposes - see note 15.

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:

	2011	2010
	£	£
Charitable	13,000	10,500

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 1 February 2012

Supervision

Financial Services Authority
The Company is authorised and regulated by the Financial Services Authority. Throughout the year Methodist Chapel Aid has kept within the Financial Services Authority's guidelines and there has been frequent contact between the Company and its regulator as part of the monitoring process, which included implementing the recommendations from the FSA's first formal risk assessment and capital adequacy review visit.

Audit

Independent Audit
Following the decision taken at the 121st Annual General Meeting the Company appointed Beever and Struthers for the year 2011.

The external auditor's unqualified report on the accounts is set out on pages 23 and 24.

Audit and Risk Committee
The purpose of the Company's Audit and Risk Committee is to review and advise the Board on the adequacy of its financial policies and procedures, and the way in which they are being implemented, in the context of efficiency, probity, value for money, risk assessment, and conformity with legal requirements, thereby assisting Directors and Officers of the Company in the effective discharge of their responsibilities.

The work of the Committee in fulfilling its purpose has been carried out with the expert help of Mr Steve Logun, the Company's internal auditor.

Chapel Street Methodist Church, Penzance

The loan facility provided by Methodist Chapel Aid assisted with the funding for the reroofing of the church hall and the adjoining building.

Independent Auditor's Report

to the members of Methodist Chapel Aid Ltd

We have audited the financial statements of Methodist Chapel Aid Limited for the year ended 31 December 2011 on pages 25 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 pages 20 to 21, 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 2011 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.

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

1 February 2012

Income and Expenditure Account

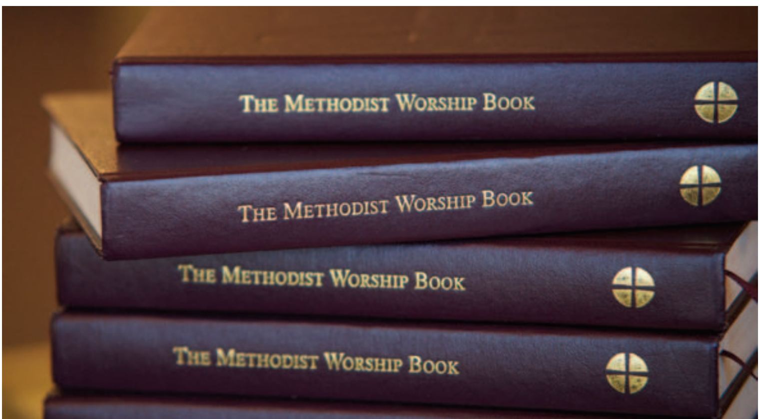
For the year ended 31 December 2011

	Note	2011 £	2010 £
Interest receivable – on loans		121,912	*141,097*
Interest receivable – on debt securities		432,338	*339,129*
Interest receivable – on National Savings and bank deposits		170,592	*164,891*
Interest payable to depositors		(372,791)	*(396,065)*
Dividend income from equity shares		217,767	*213,216*
Fees and commissions payable		(67,604)	*(48,629)*
Other operating income		3,196	*5,151*
Administrative expenses – staff costs	3	(154,098)	*(145,735)*
Administrative expenses – other		(129,212)	*(116,478)*
Depreciation	8	(21,743)	*(26,969)*
Operating surplus		200,357	*129,608*
Surplus on disposal of investments during the year		221,510	*450,617*
Amortisation of the premium paid on fixed interest investments	5	(46,422)	*(34,228)*
Surplus on ordinary activities before taxation		375,445	*545,997*
Tax on surplus on ordinary activities	6	(7,413)	*(44,882)*
Surplus for the financial year		368,032	*501,115*

All of the activities of the Company are classed 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 27 to 36 form part of these financial statements.



Balance Sheet

As at 31 December 2011

	Note	2011 £	2010 £
Assets			
Tangible fixed assets	8	75,650	93,400
Investments	9	13,257,175	12,151,812
Cash and Bank balances		11,255,876	12,340,356
Loans and advances to customers	10	3,043,838	3,501,454
Prepayments, accrued income and other assets	10	183,057	198,366
Investments held for short term purposes	12	189,347	168,819
Total assets		28,004,943	28,454,207
Liabilities			
Customer accounts	13	20,539,492	21,357,832
Other liabilities	13	101,298	99,406
Total liabilities		20,640,790	21,457,238
Net assets		7,364,153	6,996,969
Shareholders' funds			
Called-up equity share capital	16	1,197	1,197
Reserves	17	7,362,956	6,995,772
	18	7,364,153	6,996,969

These financial statements were approved by the Directors and authorised for issue on 1 February 2012, 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 27 to 36 form part of these financial statements.

Cash Flow Statement

For the year ended 31 December 2011

	Note	2011 £	2010 £
Net cash inflow from operating activities	19	50,018	3,427,381
Capital expenditure and financial investment	19	(1,113,122)	(3,138,783)
Equity dividends paid	7	(848)	(814)
(Decrease) / increase in cash		(1,063,952)	287,784

The notes on pages 27 to 36 form part of these financial statements.

Notes and Accounting Policies

For the year ended 31 December 2011

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.

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.

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:

	2011 £	*2010* *£*
Depreciation of owned fixed assets	21,743	*26,969*
Auditor's remuneration		
- as auditor	8,322	*7,953*
- for other services	2,760	*4,407*
Operating lease costs:		
- Land and Buildings	5,000	*5,000*

3. Particulars of Employees

The average number of staff employed by the Company during the financial year amounted to:

	2011 No	*2010* *No*
Number of administrative staff	2	*2*
Number of management staff	2	*2*
	4	*4*

The aggregate payroll costs of the above were:

	2011	2010
	£	£
Wages and salaries	118,003	119,330
Social security costs	11,980	12,016
	129,983	131,346

4. Directors' Remuneration

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

	2011	2010
	£	£
Aggregate remuneration (including expenses)	29,413	18,201

5. Amortisation of Premium Paid on Fixed Interest Investments

	2011	2010
	£	£
Amortisation	46,422	34,228

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

	2011	2010
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 26% (2010 28%)	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	(7,413)	(44,882)

(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 26.49% (2010 - 28%).

	2011	2010
	£	£
Surplus on ordinary activities before taxation	375,445	545,997
Expected tax change by rate of tax	99,467	152,879
Expenses not deductible for tax purposes	492	520
Capital allowances for period in excess of depreciation	3,001	(10,805)
Utilisation of tax losses and other deductions	(43,132)	(49,039)
Income not taxable for tax purposes	(39,536)	(113,922)
Franked investment income	(57,693)	(59,700)
Chargeable gains	37,401	80,067
Total current tax	-	-

7. Dividends

Equity dividends

	2011 £	*2010 £*
Paid during the year:		
Partly paid up shares at 17.70p (2010: 17.00p)	727	*698*
Fully paid up shares at £7.10 (2010: £6.80)	121	*116*
	848	*814*

Proposed after the year-end (not recognised as a liability):		
Partly paid up shares at 18.70p (2010: 17.70p)	768	*727*
Fully paid up shares at £7.50 (2010: £7.10)	128	*121*
	896	*848*

8. Tangible Fixed Assets

	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
Cost				
At 1 January 2011	27,857	21,655	181,383	230,895
Additions	–	3,696	297	3,993
Disposals	–	(3,760)	(84,092)	(87,852)
At 31 December 2011	27,857	21,591	97,588	147,036
Depreciation				
At 1 January 2011	24,041	20,908	92,546	137,495
Charge for the year	1,857	605	19,281	21,743
Disposals	–	(3,760)	(84,092)	(87,852)
At 31 December 2011	25,898	17,753	27,735	71,386
Net book value				
At 31 December 2011	1,959	3,838	69,853	75,650
At 31 December 2010	*3,816*	*747*	*88,837*	*93,400*

9. Investments

	Debt Securities and Other Fixed Income Securities £	Equity Shares £	Total £
Cost			
At 1 January 2011	7,838,220	4,378,821	12,217,041
Additions	2,758,491	756,192	3,514,683
Disposals	(1,794,638)	(610,916)	(2,405,554)
At 31 December 2011	8,802,073	4,524,097	13,326,170
Amortisation of premium			
At 1 January 2011	65,229	-	65,229
Amortisation charged in year	46,422	-	46,422
Released on disposal	(25,509)	-	(25,509)
Released on maturity	(17,147)	-	(17,147)
At 31 December 2011	68,995	-	68,995
Net book value			
At 31 December 2011	8,733,078	4,524,097	13,257,175
At 31 December 2010	*7,772,991*	*4,378,821*	*12,151,812*

The market value of the investments is £14,827,486 (2010: £13,800,598). The market value of the securities includes accrued interest of £63,038 (2010: £71,053).

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 £175,000 (2010: £270,000) (assuming a tax rate of 26%).

10. Debtors

	2011 £	*2010 £*
Loans and advances to customers	3,043,838	*3,501,454*
	3,043,838	*3,501,454*

Loans and advances to customers

	At 31 Dec 2010 £	Advanced £	Repaid £	Released £	At 31 Dec 2011 £
Property loans	*3,318,448*	2,424,761	2,850,026	-	2,893,183
Car loans	*191,901*	60,751	98,134	-	154,518
	3,510,349	2,485,512	2,948,160	-	3,047,701
Provision for bad debts	*(8,895)*	-	-	5,032	(3,863)
	3,501,454	2,485,512	2,948,160	5,032	3,043,838

Analysis of maturity of loans and advances to customers

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

	2011	2010
	£	£
Due within 3 months	265,970	130,656
In more than 3 months but not more than 1 year	1,000,158	1,969,030
In more than 1 year but not more than 5 years	1,547,180	1,295,964
In more than 5 years	234,393	114,699
Less provision for bad debts	(3,863)	(8,895)
	3,043,838	3,501,454

Prepayments, accrued income and other assets

	2011	2010
	£	£
Prepayments and accrued income	177,951	185,847
Deferred taxation (note 11)	5,106	12,519
	183,057	198,366

11. Deferred Taxation

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

	2011	2010
	£	£
Included in debtors (Note 10)	5,106	12,519

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

	2011	2010
	£	£
Balance brought forward	12,519	57,401
Income and expenditure account movement arising during the year (Note 6)	(7,413)	(44,882)
Balance carried forward	5,106	12,519

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

	2011	2010
	£	£
Excess of depreciation over taxation allowances	5,106	12,519
	5,106	12,519

12. Investments

	2011	2010
	£	£
Funds held short-term by Sarasin & Partners for investment	189,347	168,819

13. Creditors

	2011 £	2010 £
Customer accounts	20,539,492	21,357,832
	20,539,492	21,357,832

Amounts standing to the credit of depositors;

	2011 £	2010 £
At 1 January 2011	21,357,832	19,194,468
Received	4,218,504	4,444,010
Withdrawn	(5,036,844)	(2,280,646)
At 31 December 2011	20,539,492	21,357,832

Analysis of maturity of customer accounts

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

	2011 £	2010 £
In one year or less or repayable on demand	18,233,043	19,319,657
In more than one year but not more than two years	805,307	805,307
In more than two years	1,501,142	1,232,868
	20,539,492	21,357,832

Other liabilities

	2011 £	2010 £
Other taxation and social security	18,042	20,806
Accruals and deferred income	83,256	78,600
	101,298	99,406

14. Commitments under Operating Leases

At 31 December 2011 the Company had annual commitments under non-cancellable operating leases as set out below.

	2011		2010	
	Land and buildings £	Other Items £	Land and buildings £	Other Items £
Operating leases which expire:				
Within 1 to 2 years	5,000	-	-	-
Within 2 to 5 years	-	1,895	5,000	1,895

15. Related Party Transactions

Three Directors, Revd James Booth, Alan Pimlott and Revd Kenneth Street, are members of the Board of the Trustees for Methodist Church Purposes.

Trustees for Methodist Church Purposes hold as custodians for the MCA Charitable Trust 30.0% (2010: 30.0%) of the share capital of the Company and have deposits of £459,615 (2010: £469,980) with the Company.

All applications by Methodist Church bodies for a loan have been approved by the Methodist Council or the relevant Methodist District.

16. Share Capital

Authorised share capital:

	2011	2010
	£	£
5,000 Ordinary shares of £10 each	50,000	50,000

Allotted and called up:

	2011		2010	
	No	£	No	£
17 Ordinary shares fully paid of £10 each	17	170	17	170
4,108 Ordinary shares - £0.25 paid of £10 each	4,108	1,027	4,108	1,027
	4,125	1,197	4,125	1,197

17. Reserves

	2011	2010
	£	£
Balance brought forward	6,995,772	6,495,471
Surplus for the financial year	368,032	501,115
Equity dividends	(848)	(814)
Balance carried forward	7,362,956	6,995,772

18. Reconciliation of Movements in Shareholders' Funds

	2011	2010
	£	£
Surplus for the financial year	368,032	501,115
Equity dividends	(848)	(814)
Net addition to shareholders' funds	367,184	500,301
Opening shareholders' funds	6,996,969	6,496,668
Closing shareholders' funds	7,364,153	6,996,969

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.

19. Notes to the Cash Flow Statement

Reconciliation of Operating Surplus to Net Cash Inflow From Operating Activities

	2011 £	2010 £
Net surplus on ordinary activities	375,445	545,997
Depreciation	21,743	26,969
Amortisation of premium on debt securities	3,766	30,349
Net decrease/(increase) in debtors	7,896	(10,675)
Net increase/(decrease) in creditors	1,892	(8,123)
	410,742	584,517
Net decrease in loans advanced to customers	457,616	679,500
Net (decrease)/increase in customer accounts	(818,340)	2,163,364
Net cash inflow from operating activities	50,018	3,427,381

Capital Expenditure and Financial Investment

	2011 £	2010 £
Payments to acquire tangible fixed assets	(3,993)	(81,975)
Acquisition of equity shares	(756,192)	(5,454,011)
Disposal of equity shares	610,916	4,202,259
Acquisition of debt securities	(2,758,491)	(3,271,964)
Disposal of debt securities	1,794,638	1,466,908
Net cash outflow for capital expenditure and financial investment	(1,113,122)	(3,138,783)

Reconciliation of Net Cash Flow to Movement in Net Funds

	2011 £	2010 £
(Decrease)/increase in cash in the period	(1,063,952)	287,784
Change in net funds	(1,063,952)	287,784
Net funds at 1 January 2011	12,509,175	12,221,391
Net funds at 31 December 2011	11,445,223	12,509,175

Analysis of Change in Net Funds

	At 1 Jan 2011 £	Cash flows £	At 31 Dec 2011 £
Net cash:			
Cash in hand and at bank	12,340,356	(1,084,480)	11,255,876
Cash equivalents	168,819	20,528	189,347
Net funds	12,509,175	(1,063,952)	11,445,223

20. Ultimate Controlling Party

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

Rumney Methodist Church, Cardiff

Rumney has had a Methodist presence for over 180 years and Rumney Methodist Church had two churches buildings on the site - the original one which dated back to 1929 and a more recent one built in 1956. These were joined by a two-storey building incorporating two classrooms/meeting rooms.

The church has a very loyal membership with the potential to grow appreciably with better facilities. An inspection of the premises indicated that the buildings required extensive remedial work and in 2006 it was agreed that the ideal solution would be to demolish the newer 1956 building and to refurbish and extend the older 1929 building. Land could be sold to help finance the project, which was expected to cost in excess of £600,000.

A £50,000 loan facility from Methodist Chapel Aid was agreed and this, together with a grant of £300,000 awarded by the Welsh Assembly Government, other smaller grants and monies raised by church members, enabled the project to commence in November 2010. The work was completed in July 2011 and the new building is now being used by other church groups as well as community groups such as dance classes and youth organisations.

Methodist Chapel Aid

ESTABLISHED 1890

Helping the Churches