

**METHODIST CHAPEL AID LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**Company Number 30546**

**TENON**  
Accountants and Business Advisers  
Tenon House  
Ferryboat Lane  
Sunderland  
SR5 3JN

WEDNESDAY



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**METHODIST CHAPEL AID LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**METHODIST CHAPEL AID LIMITED**

**COMPANY INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**DIRECTORS  
AS AT 31 DECEMBER 2007**

W Arthur H Holroyd MA DSA FIHM (Chairman)  
Revd Kenneth E Street MA BA (Deputy Chairman)  
Rt Revd James H Bell MA BA  
Revd James A Booth LL B  
Revd Dr Stuart J Burgess BD MEd MTh MA  
Michael Greenberg FCCA  
Revd Nichola G Jones MA BA  
G Alan Pimlott ACIB  
Diane Tokins

**SECRETARY**

John A Wells FCMA MCMl

**COMPANY ACCOUNTANT**

David Jackson BA(Hons) ACMA

**ASSISTANTS**

Kathlynn Nicholson  
Susan Lynn

**REGISTERED NUMBER**

30546

**REGISTERED OFFICE**

1 Telford Terrace  
Albemarle Road  
York  
YO24 1DQ

**PRINCIPAL BANKERS**

HSBC Bank plc  
13 Parliament Street  
York  
YO1 8XS

**SOLICITORS**

Harrowell Shaftoe  
1 St Saviourgate  
York  
YO1 8ZQ

**METHODIST CHAPEL AID LIMITED**

**COMPANY INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**AUDITORS**

Tenon Audit Limited  
Tenon House  
Ferryboat Lane  
Sunderland  
SR5 3JN

## **METHODIST CHAPEL AID LIMITED**

### **CHAIRMAN'S STATEMENT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2007**

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As Directors we are frequently reminded of the Company's primary objective, which is to further the purposes of Christian Churches by making loans to Trustees for building schemes and manse purchases at the lowest practicable rate of interest. Measured in financial terms against this standard 2007 has been a record year, with the total amount out on loan at 31 December – £5.85 million – being greater than at the end of any previous year.

The Company's ability to make loans depends heavily on the amount of funds deposited with us as savings, and on which interest is paid. In this area of the Company's activity 2007 has also been a record year – the total of £15.56 million being 25% higher than at the end of 2006 and part of a huge 51% increase over the past two years, as can be seen on the graph on page 5.

Much of this growth has been the result of additional funds being invested in the Company by depositors of long standing, to whom we continue to be grateful. At the same time we have also welcomed new depositors (some prompted by our internet website), including among others a total of 725 cash only Child Trust Fund accounts that have been opened since the Scheme was launched. The Company's capacity to make loans has increased substantially by this growth in the funds deposited with us, as well as by a steady increase in the funds owned by the Company itself.

The picture is not quite so impressive, however, when we look at the number of Church Trustees who have received loans during 2007. At 92 the number of loans outstanding at the end of the year was marginally greater than at the end of the previous year, and approaching the average for the 1990s, but it was still significantly below the typical number of loans made during the early years of the present decade. Within these total numbers there has also been a shift in the balance between loans advanced for building schemes and those advanced for manse purchase, the total amount on loan on 31 December 2007 for manse purchase exceeding for the first time the total amount for building schemes. This change of emphasis is doubtless in part a consequence of the current state of the housing market, but it is also a reflection of what must now be accepted as evidence of a downward rather than an upward trend in the number of loan applications received for building schemes from Methodist Church Trustees.

The trend towards fewer but larger loans is also evident in the schedule of loans that have been approved but have yet to be called upon by Trustees. Whilst the total value of loans waiting to be drawn at the end of the year under review – at £2.8 million – was nearly one third greater than a year earlier, the number of applications that made up this total was one third less over the same period. The Company is always glad to help Trustees by giving approval to a loan application even if in the event the loan is not required.

It is the Board's intention to continue to welcome the receipt of additional deposits and as far as possible to reflect this intention in the levels of interest paid to depositors. With a sustained growth in its capacity to pursue its primary objective the Board will maintain the Company's policy of keeping interest rates charged to borrowers as low as practicable, and will also look for new ways of bringing the service that it offers to the attention of Church Trustees in other denominations as well as Methodist.

In accordance with the Board's policy of donating 10% of its operating surplus to charitable causes a total of £13,300 was donated in 2007, the largest part of which went to the Methodist Relief and Development Fund.

## METHODIST CHAPEL AID LIMITED

### CHAIRMAN'S STATEMENT

#### FOR THE YEAR ENDED 31 DECEMBER 2007

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The Board can with confidence give an assurance to its shareholders, depositors and borrowers that the financial base for its policies is eminently sound and that whilst it is seeking to extend the range of the Company's customers the resources at its disposal are sufficient to enable the Board, if required, to cope successfully with any conceivable worst case scenario

After several years of continuity within the Board's membership it is now necessary to report the retirement of one Director. It is also timely to recommend to the Annual General Meeting the appointment of three new Directors, the number in part anticipating the retirement of other Directors over the next year or so. The total number of Directors in the meantime will increase to nine if these recommendations are approved, which is one below the maximum permitted in the Company's Articles of Association.

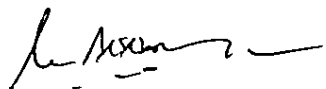
- Diane Tokins has been forced to retire earlier than expected because of ill health, which has prevented her from attending meetings of the Board. We have been most grateful for her contribution to the work of the Board during her 8 years as a Director and have valued especially her knowledge of Methodist Churches and associated organisations in the South East of England.
- Acting within its delegated authority the Board in September 2007 appointed Rt Revd James Bell as a Director for the period to the date of the next Annual General Meeting. James Bell is currently Bishop of Knaresborough and almost certainly is the first non-Methodist to serve on the Board. His appointment is consistent with the Company's aim of making its service available to Churches of other denominations.
- On the same authority the Board appointed Revd Jim Booth as a Director. Jim Booth is currently Chair of the Liverpool District and his appointment restores a direct point of contact between the Company and the District Chairs' meeting.
- On the same basis also the Board in January 2008 appointed Susan Howdle as a Director. Susan Howdle brings with her a legal background, is a former vice-president of the Methodist Conference and lives in Leeds, which is within easy travelling distance to the Company's office in York.

The longer serving members of the Board are delighted to recommend the continued appointment of Susan Howdle, James Bell and Jim Booth as Directors of the Company - for periods of three years in the first instance in the case of Susan Howdle and James Bell, and in the case of Jim Booth for an initial period of two years, so that renewal dates for appointment are more evenly spread.

There has also been a retirement among the Company's officers. Directors and her officer colleagues have greatly appreciated the work of Susan Roberts during her period of over four and a half years with the Company as an administrative assistant. We have welcomed Susan Lynn as her successor.

The day to day work of the Company is wholly dependent on its small team of officers, who together maintain the highest standards of performance – as is evident, for instance, in response times to our customers and in audit reports. The Board is keen to record its renewed thanks both for the services of its staff and for all the advice and support that it receives from them.

Arthur Holroyd  
Chairman



Date 30 January 2008

## **METHODIST CHAPEL AID LIMITED**

### **REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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#### **Overall performance**

- An operating surplus of £101,840 was achieved during 2007, approximately £40,000 better than budgeted for at the beginning of the year. The most significant cause of this unexpected surplus was a growth in the amount of interest received on bank deposits as a result of additional funds deposited with the Company. As a consequence of this operating surplus, together with gains made from the sale of investments which realized £152,343, the Company's reserves have been further strengthened in 2007. The graph below shows the trend over the past six years.
- The effect of the rise in reserves is to increase the Company's capital base by 4.5% this year. The capital base is now 59% above the euro 5m threshold compared with 60% above the threshold at the end of 2006. This slight fall is due to currency fluctuations.

The Company's performance on loans, deposits and investments appears on pages 6 to 9 below.

#### **Loans**

At the end of 2007 the number of Church Trustees with live loans outstanding for building purposes increased by 3% to 92 compared with 89 at the end of 2006. Within this total, 75 were term loans (82 in 2006) and 17 bridging loans (7 in 2006).

Whilst most of the loans outstanding had been made in previous years 41 new loans were advanced during 2007 (37 in 2006). Of these 23 were term loans (24 in 2006) and 18 were bridging loans (13 in 2006). There were also 38 closures of live loans during 2007, of which 30 were term loans and 8 were bridging loans.

Although the number of Church Trustees with live loans outstanding has grown only slightly during 2007 the total amount on loan at the end of the year was significantly greater at £5.7m (compared with £3.6m in 2006 and £2.3m ten years ago). Within this total term loan balances amount to £2.5m (£2.2m in 2006) and bridging loans £3.2m (£1.4m in 2006).

The total amount on loan to Church Trustees rose steadily as the year progressed and in August reached a new record peak of £5.9m (or just over £6m if the total amount on loan to Methodist ministers for car purchase is taken into account). Despite this higher level of lending the Company has maintained its record of never having incurred a bad debt.

A total of 159 Church Trustees received help with loans in one form or another from the Company in 2007, a decrease of 10% compared with 2006. This included 30 loans of which 15 were not subsequently required and 15 were still awaiting advance at the end of 2007. The 15 awaiting advance compared with a figure of 23 at the end of 2006.

The total number of loans which have been approved but not yet advanced fluctuated as the needs of Church Trustees changed over the course of the year. The value of loans approved but not yet advanced at the end of 2007 was £2.8m compared with £1.9m a year ago, an increase of 47%, giving further evidence of the trend towards fewer small term loans and more large bridging loans.

## METHODIST CHAPEL AID LIMITED

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 DECEMBER 2007

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The size of individual loans varied greatly in 2007 - from £4,000 advanced towards the alteration of church premises, to £510,000 for bridging loan facilities

In a year when the Bank of England's base rate rose three times by a total of 0.75% and fell only once (by 0.25%), to close the year at 5.5% it is pleasing to report that the Board succeeded in maintaining the Company's interest rates for property loans at the same level throughout the whole of the year, with a review due to take place early in 2008. The rates at 30 January 2008 stand at **4.40% APR** for term loans and **5.42% APR** for bridging loans

In addition to its property loans the Company also offers car loans to Methodist ministers and deacons. 10 new advances were made during 2007 and 31 loans were outstanding at the end of 2007 compared with 28 at the end of 2006. Like property loans the interest rate charged on all new car loans approved was maintained throughout 2007 and at 30 January 2008 stands at **5.50% APR** fixed for the full term of the loan

The graph below shows trends in the level of lending for bridging loans and term loans and the line entitled 'Total Committed' includes both loans already advanced and loans approved but not yet advanced

#### Deposits

The largest area of growth in the Company's activities during 2007 was in the level of deposits held with the Company. At the end of the year they totalled £15,566,813, representing a substantial increase of £3,127,513 over 2006 (25.1%). This follows an increase in the previous year of 20.7%

Promotion of the Company's activities in Church and Circuit publications in the last two years, together with the level of the Company's interest rates, has successfully produced additional deposits by both existing depositors and new depositors. The growth was evenly spread over the year and peaked in early December at £15,800,000. Withdrawals during the year amounted to £2,440,084

This level of increase was also reflected in the number of new savings accounts opened. At the end of 2006 there were a total of 1671 accounts and by the end of 2007 this had risen to 2058, an increase of 387 (23.1%)

**Premium Deposit Accounts** and **Individual Savings Accounts (ISAs)** remained popular. Balances held in Premium accounts increased by £1,989,219 and ISAs increased by £502,568. Balances in **Standard Deposit accounts** also increased in the year by £340,796

**317 Child Trust Fund Savings Accounts** were opened in the year and the total funds held at the end of 2007 was £344,446 in 725 accounts

On 1 March 2007 the Company's interest rates paid to holders of most deposit accounts were increased by 1.00%, **ISAs** were increased by 0.60% and **Child Trust Funds** by 0.80%. The gross Annual Equivalent (AER) interest rates at 30 January 2008 are as follows -

- **Premium Account** **4.76% to 5.78%**  
(Instant access over £5000)
- **Methodist Ministers Savings Scheme Account** **4.50% to 5.52%**  
(Instant access - Methodist ministers and deacons)



## METHODIST CHAPEL AID LIMITED

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 DECEMBER 2007

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• <b>Standard Account</b> (Instant access)	<b>4.24% to 5.27%</b>
• <b>Mini Cash ISA</b> (Instant access)	<b>5.72%</b>
• <b>Child Trust Fund Savings Account</b> (No withdrawals until child is 18 years of age)	<b>5.93%</b>

The three major depositors within the Methodist Church, the **Property Fund**, **London Mission Fund** and **Home Mission Fund**, continue to hold total balances of £800,000 on two years notice of withdrawal. Interest is currently paid on these accounts at **6.30% AER**.

#### Investments

In order to satisfy ourselves that we are getting the best value for money invitations to tender for the management of the Company's portfolio were issued in the year. Three applicants were interviewed with the result that the current manager, HSBC Investments, was reappointed by the Board for a further initial period of three years with effect from April 2008.

#### Stock Market

2007 was a turbulent year on the stock market when large daily movements in value occurred in response to activity in the USA housing market and pressure on credit in the UK. The market value of equity shares and fixed income securities was £9,312,989 at the end of 2007, a decrease of £215,423 from the beginning of the year. The excess of the total market value of these holdings over the total cost remains at a healthy £2,791,159. As can be seen on the graph below this figure has remained fairly constant over the last five years in spite of some Capital Gains being taken.

Dividends received on equities amounted to £240,849, £14,520 more than last year, whereas income from fixed interest investments totalled £176,428, £10,796 less than last year. The combined income matched the amount included in the budget for the year.

Treasury Stock amounting to £250,740 matured in the year and has been replaced by lower yielding Commercial loan stock which now accounts for 83% of total fixed interest investments, an increase of 6% over the year. A further provision for the diminution in the value of Commercial stock has been made in the accounts amounting to £1,287 and is consistent with the treatment of Treasury Stock.

In addition to dividends and interest a profit on disposal of investments arose in the year amounting to £170,346. This was significantly less than the previous four years as fewer disposals were necessary following the earlier restructuring of the portfolio. This was again reinvested primarily in Commercial loan stock, replacing maturing Treasury stock and maintaining the balance between the market value of fixed interest investments and of equities at 30% and 70% respectively in accordance with the Company's policy.

#### 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"*

## **METHODIST CHAPEL AID LIMITED**

### **REPORT OF THE DIRECTORS**

#### **FOR THE YEAR ENDED 31 DECEMBER 2007**

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*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 "*

#### **Directors' Responsibilities**

The Directors are responsible for ensuring that the Directors' Report and other information included in the Annual Report is prepared in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that period. In preparing those financial statements the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the Directors are aware

- there is no relevant audit information of which the Company's 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

#### **Principal Activities**

The principal activity of the Company, in which there was no change during the year, is the financing of loans to Methodist Trustees for the provision and upkeep of Methodist Church property. It is the Company's intention to extend the services that it offers to Church Trustees of other Christian denominations

#### **Corporate Governance**

In achieving high standards of corporate governance the Company has taken into account the relevant features of the Combined Code on Corporate Governance issued in June 2006

## **METHODIST CHAPEL AID LIMITED**

### **REPORT OF THE DIRECTORS**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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#### **Financial Risk Management**

The Company's financial risk management policy is summarized in note 23 to the financial statements

#### **Directors and their Shareholdings**

Directors and their shareholdings are stated in note 21 to the financial statements

#### **Charitable Donations**

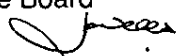
Charitable donations made during the year are listed in note 3 to the financial statements

#### **Proposals**

- The Directors propose a dividend of £6 30 per fully paid share and 15 75 pence per partly paid share of the Company, payable on 30 April 2008
- Revd Dr S J Burgess and Revd K E Street retire by rotation and, being eligible, offer themselves for re-election. It is proposed that Rt Revd James Bell, Revd Jim Booth and Mrs Susan Howdle be appointed as Directors, Rt Revd James Bell and Mrs Susan Howdle for three years in the first instance, and Revd Jim Booth for two years in the first instance
- Shareholders are invited to express their thanks to Diane Tokins, who retires as a Director with effect from 16 April 2008, for her contribution to the Company's work
- The Auditor, Tenon Audit Limited, has indicated its willingness to continue in office and its appointment for the coming year is proposed

The interests of the Directors in the share capital of the Company and significant deposits held in their name are shown in note 21

By Order of the Board  
J A WELLS  
Secretary



Date 30 January 2008

**METHODIST CHAPEL AID LIMITED**  
**SUPERVISION AND AUDIT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**Supervision**

**Financial Services Authority**

The Company is authorised and regulated by the Financial Services Authority

**Audit**

**External Audit**

Following the decision taken at the 117<sup>th</sup> Annual General Meeting the Company appointed Tenon Audit Limited for the year 2007

The external auditor's unqualified report on the accounts is set out on pages 12 and 13

**Audit Committee**

The purpose of the Company's Audit 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

## **METHODIST CHAPEL AID LIMITED**

### **INDEPENDENT AUDITORS' REPORT**

#### **FOR THE YEAR ENDED 31 DECEMBER 2007**

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We have audited the financial statements of Methodist Chapel Aid Limited for the year ended 31 December 2007 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read other information contained in the Directors' Report and the Chairman's Statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

#### **Basis of Audit Opinion**

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

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

**METHODIST CHAPEL AID LIMITED**  
**INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 and of its surplus for the year ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report and the Chairman's Statement is consistent with the financial statements

*Tenon Audit Limited*

Tenon Audit Limited  
Registered Auditor  
Tenon House  
Ferryboat Lane  
Sunderland  
SR5 3JN

Date 28 February 2008

**METHODIST CHAPEL AID LIMITED**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007 £	2006 £
Interest receivable – on loans to Methodist Trustees	1(b)	214,658	207,740
Interest receivable – on debt securities		176,428	187,224
Interest receivable – on National Savings and bank deposits	1(c)	486,493	279,483
Interest payable to depositors	1(b)	(763,427)	(523,043)
Dividend income from equity shares	1(c)	240,849	226,329
Fees and commissions payable		(40,243)	(38,102)
Other operating income		8,438	6,215
Administrative expenses – staff costs	2	(119,072)	(116,201)
Administrative expenses – other	3	(91,896)	(87,155)
Depreciation	1 (d),10	<u>(10,388)</u>	<u>(12,488)</u>
<b>Operating surplus</b>		<b>101,840</b>	<b>130,002</b>
Surplus on disposal of investments during the year		170,346	541,859
Amounts written off fixed interest investments	4	<u>(21,307)</u>	<u>(48,092)</u>
<b>Surplus on ordinary activities before taxation</b>		<b>250,879</b>	<b>623,769</b>
Tax on surplus on ordinary activities	5	<u>3,304</u>	<u>(83,856)</u>
<b>Surplus for the financial year</b>	<b>16</b>	<b><u>254,183</u></b>	<b><u>539,913</u></b>

All amounts relate to continuing operations

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

The movements on reserves are set out in Note 16

The notes on pages 17 to 28 form part of these financial statements

**METHODIST CHAPEL AID LIMITED**  
**BALANCE SHEET**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

	Notes	2007	2006
		£	£
<b>Fixed Assets</b>			
Tangible fixed assets	10		25,598
Equity shares	9	3,571,957	3,484,041
Debt securities and other fixed income securities	9	<u>2,949,873</u>	<u>3,145,280</u>
		<u>6,521,830</u>	<u>6,629,321</u>
		6,537,396	6,654,919
<b>Current Assets</b>			
Loans and advances to customers	7,8	5,851,136	3,710,712
Prepayments and accrued income		203,605	194,635
Cash and bank balances	8	8,727,045	7,612,962
Other assets	11	517,859	322,767
Other debtors	12	<u>3,308</u>	<u>29</u>
		15,302,953	11,841,105
<b>Less: Current Liabilities</b>			
Customer accounts – repayable on demand	14	5,377,877	4,239,547
Customer accounts – with agreed periods of notice	14	10,188,936	8,199,753
Corporation tax		-	86,326
Taxation and social security		38,210	24,224
Other creditors		-	6,471
Accruals and deferred income		<u>136,452</u>	<u>94,294</u>
		(15,741,475)	(12,650,615)
<b>Less: Provision for Liabilities</b>			
Deferred taxation	13	<u>-</u>	<u>-</u>
		6,098,874	5,845,409
<b>Financed by:</b>			
Share capital	15	1,197	1,197
Reserves	16	<u>6,097,677</u>	<u>5,844,212</u>
		<u>6,098,874</u>	<u>5,845,409</u>

Approved by the Board on 30 January 2008  
and signed on its behalf by

W A H Holroyd – Chairman

K E Street – Director

J A Wells – Secretary

The notes on pages 17 to 28 form part of these financial statements



**METHODIST CHAPEL AID LIMITED**

**CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

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	<b>Notes</b>	<b>2007 £</b>	<b>2006 £</b>
Net cash inflow from operating activities	<b>17</b>	1,115,274	2,692,628
<b>Taxation</b>			
Taxation paid		(86,300)	(39,743)
<b>Capital expenditure and financial investment</b>	<b>18</b>	85,827	(641,131)
<b>Equity dividend paid</b>		<u>(718)</u>	<u>(694)</u>
<b>Increase in cash</b>	<b>19</b>	<u>1,114,083</u>	<u>2,011,060</u>

The notes on pages 17 to 28 form part of these financial statements

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**1 Accounting Policies**

**(a) Basis of Preparation of financial statements**

The Company is an authorised institution under the Financial Services and Markets Act 2000 and therefore in accordance with Section 257 of the Companies Act 1985 these financial statements are prepared in compliance with Section 255 of and Schedule 9 to the Companies Act 1985 and in accordance with applicable accounting standards

**(b) Interest**

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

**(c) 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

**(d) Depreciation**

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

The following rates have been applied

Leasehold improvements	15 years
Office equipment	5 years
Computer equipment	3 to 5 years

**(e) Operating Leases**

Operating lease rentals are charged in the income and expenditure account on a straight line basis over the term of the lease

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**1 Accounting Policies (*continued*)**

**(f) Deferred Tax**

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

**(g) 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.

**(h) General provision for bad debts**

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. The provision is to be calculated as 2.5% of £120,000, which is the total of unsecured balances at the end of the year.

**(i) 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.

**(j) Other Accounting Policies**

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

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**2 Staff Costs**

Staff costs were as follows

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	109,337	106,812
Social security costs	9,735	9,389
Pension costs	<u>1,400</u>	<u>1,300</u>
	<b>120,472</b>	<b>117,501</b>

Wages and salaries includes an amount of £12,128 (2006 £10,800) paid in respect of directors' emoluments

The average monthly number of employees (full time equivalent) during the year was

<b>2007</b>	<b>2006</b>
<b>No</b>	<b>No</b>
<u><u>3</u></u>	<u><u>3</u></u>

**3 Other Administrative Expenses**

Donations paid were £13,300 (2006 £13,300) as follows

	<b>2007</b>
	<b>£</b>
The Auxiliary Fund of the Ministers' Retirement Fund	1,000
The Methodist Ministers' Housing Society	1,000
Methodist Church Property Fund	1,500
The London Mission Fund of the Methodist Church	1,000
Methodist Relief and Development Fund	7,300
Englesea Brook	500
The ARC – Addington Fund	<u>1,000</u>
	<b>13,300</b>

In addition to office maintenance costs significant items under this heading are £12,527 (2006 £12,066) for IT software and support, £18,010 (2006 £16,613) for advertising, £12,091 (2006 £6,938) for professional fees and £5,000 (2006 £5,000) in respect of operating leases for land and buildings

Also included within other administrative expenses is an amount of £7,479 (2006 £7,220) in respect of the auditor's remuneration in its capacity as auditor, which included meeting additional regulatory requirements, and an amount of £2,644 (2006 £2,556) in respect of other services

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**4 Amounts written off fixed assets investments**

	2007 £	2006 £
Amortisation of premium on commercial stock	9,705	30,712
Amortisation of premium on Treasury Stock	<u>11,602</u>	<u>17,380</u>
	21,307	48,092
	<u>          </u>	<u>          </u>

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

**5 Tax on surplus on ordinary activities**

**a) Analysis of tax charge in year:**

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax on surplus for the year	-	84,853
Under provision for previous years	<u>(25)</u>	<u>1,204</u>
Total current tax	(25)	86,057
<i>Deferred tax</i>		
Origination and reversal of timing differences (note 13)	<u>(3,279)</u>	<u>(2,201)</u>
	(3,304)	83,856
	<u>          </u>	<u>          </u>

**b) Factors affecting tax charge for the year.**

	2007 £	2006 £
Surplus on ordinary activities before tax	<u>250,879</u>	<u>623,769</u>
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 30%)	75,264	187,131
<i>Effects of</i>		
Expenses not deductible for tax purposes	557	557
Depreciation in excess of capital allowances	1,783	2,201
Franked investment income	(72,255)	(67,899)
Income not taxable for tax purposes	(49,960)	(161,159)
Chargeable gains	41,461	138,359
Marginal relief	-	(14,337)
Utilisation of tax losses and other deductions	3,150	-
Adjustment to tax charge in respect of previous years	<u>(25)</u>	<u>1,204</u>
	(25)	86,057
	<u>          </u>	<u>          </u>

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**6 Dividends**

	2007 £
Dividends paid	
Partly paid up shares at 15 00p	616
Fully paid up shares at £6 00	<u>102</u>
	718
	<u><u>718</u></u>

**7 Loans and advances to customers**

	At 31 Dec 2006 £	Advanced £	Repaid £	Released/ (Provided) £	At 31 Dec 2007 £
Property loans (secured)	3,604,425	6,475,144	4,346,292	-	5,733,277
Vehicle loans (unsecured)	<u>111,287</u>	<u>63,310</u>	<u>53,738</u>	<u>-</u>	<u>120,859</u>
	3,715,712	6,538,454	4,400,030	-	5,854,136
General provision for bad debts	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>(3,000)</u>
	3,710,712	6,538,454	4,400,030	2,000	5,851,136
	<u><u>3,710,712</u></u>	<u><u>6,538,454</u></u>	<u><u>4,400,030</u></u>	<u><u>2,000</u></u>	<u><u>5,851,136</u></u>

**8 Analysis of maturity of bank deposit accounts, loans and advances to customers and customer accounts**

**Bank deposit accounts**

Balances on bank deposit accounts are due to mature in three months or less

**Loans and advances to customers**

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

	2007 £	2006 £
Repayable on demand	-	-
In more than three months but not more than one year	3,424,507	1,699,216
In more than one year but not more than five years	1,626,477	1,194,302
In more than five years	803,152	822,194
Less General provision for bad debts	<u>(3,000)</u>	<u>(5,000)</u>
Total (note 7)	<u><u>5,851,136</u></u>	<u><u>3,710,712</u></u>

**METHODIST CHAPEL AID LIMITED**

**NOTES AND ACCOUNTING POLICIES**

**FOR THE YEAR ENDED 31 DECEMBER 2007**

**8 Analysis of maturity of bank deposit accounts, loans and advances to customers and customer accounts (*continued*)**

**Customer Accounts**

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

	2007 £	2006 £
In one year or less or repayable on demand	14,751,506	11,623,993
In more than one year but not more than two years	<u>815,307</u>	<u>815,307</u>
	<u>15,566,813</u>	<u>12,439,300</u>

**9 Quoted investments**

**Equity Shares**

	At 31 Dec 2006 £	Purchases £	Disposals £	Amounts Written off Investments £	At 31 Dec 2007 £
At cost	<u>3,484,041</u>	<u>600,503</u>	<u>(512,587)</u>	<u>-</u>	<u>3,571,957</u>
At market value	<u>6,324,316</u>				<u>6,350,860</u>

**Debt Securities and other fixed income securities**

	At 31 Dec 2006 £	Purchases £	Disposals £	Amounts Written off Investments £	At 31 Dec 2007 £
At cost	<u>3,145,280</u>	<u>878,788</u>	<u>(1,052,888)</u>	<u>(21,307)</u>	<u>2,949,873</u>
At market value	<u>3,204,096</u>				<u>2,962,129</u>

The market values of the securities includes accrued interest of £48,528 (2006 £74,385). If the above investments were realised at the balance sheet date corporation tax implications would arise on gains/losses made. Hence there is an undisclosed deferred tax liability in the region of £14,558 (2006 £22,316) (assuming a tax rate of 30%). Amounts written off investments are detailed in Note 4.

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**10 Fixed Assets**

	Leasehold Improvements £	Office Equipment £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 January 2007	27,857	20,453	73,321	121,631
Additions	-	357	-	357
Disposals	-	(281)	-	(281)
At 31 December 2007	27,857	20,529	73,321	121,707
<b>Depreciation</b>				
At 1 January 2007	16,612	17,923	61,499	96,034
Charge for year	1,857	1,250	7,281	10,388
Disposals	-	(281)	-	(281)
At 31 December 2007	18,469	18,892	68,780	106,141
<b>Net book value</b>				
At 31 December 2007	<u>9,388</u>	<u>1,637</u>	<u>4,541</u>	<u>15,566</u>
At 31 December 2006	<u>11,245</u>	<u>2,530</u>	<u>11,823</u>	<u>25,598</u>

**11 Other Assets**

	2007 £	2006 £
Funds held by HSBC for investment	<u>517,859</u>	<u>322,767</u>

**12 Other Debtors**

	2007 £	2006 £
Deferred taxation (note 13)	<u>3,308</u>	<u>29</u>



**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**13 Deferred taxation**

The deferred tax included in the balance sheet is as follows

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Included in debtors (note 12)	<u>3,308</u>	<u>29</u>
Included in liabilities and charges (balance sheet)	<u>-</u>	<u>-</u>

The movement in the deferred taxation account during the year was

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
At 1 January 2007	(29)	2,172
Income and expenditure account movement arising during the year (note 5)	<u>(3,279)</u>	<u>(2,201)</u>
At 31 December 2007	<u>(3,308)</u>	<u>(29)</u>

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

	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Excess of taxation allowances over depreciation of fixed assets	(208)	1,471
Tax losses available	<u>(3,100)</u>	<u>(1,500)</u>
	<u>(3,308)</u>	<u>(29)</u>

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**14 Customer Accounts**

Amounts standing to the credit of depositors

	2007 £	2006 £
At 1 January 2007	12,439,300	10,301,842
Received	5,567,597	3,756,445
Withdrawn	<u>(2,440,084)</u>	<u>(1,618,987)</u>
At 31 December 2007	<u>15,566,813</u>	<u>12,439,300</u>

Included within customer accounts repayable on demand is £7,498,211 (2006 £4,809,067) which is held in premium and special notice accounts and represents the balances on those accounts on which no notice is required

**15 Share capital**

There was no change in the share capital during the year

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

**16 Reserves**

	Income and Expenditure Account £
At 1 January 2007	5,844,212
Surplus for year	254,183
Dividends paid (note 6)	<u>(718)</u>
At 31 December 2007	<u>6,097,677</u>

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

**17 Reconciliation of operating surplus to net cash inflow from operating activities**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Net surplus on ordinary activities	250,879	623,769
Net (increase) in prepayments and accrued income	(8,970)	(32,740)
Depreciation	10,388	12,488
Net (increase)/decrease in other assets	(195,092)	213,100
Net increase in accruals and deferred income	42,158	18,142
Net (decrease)/increase in other creditors	(6,471)	6,471
Net increase in taxation and social security	13,986	4,392
Amounts written off investments	<u>21,307</u>	<u>48,092</u>
Net cash inflow from trading activities	128,185	893,714
Net increase in deposits	3,127,513	2,137,458
Net (increase) in loans to Methodist Trustees	<u>(2,140,424)</u>	<u>(338,544)</u>
Net cash inflow from operating activities	<u>1,115,274</u>	<u>2,692,628</u>

**18 Capital expenditure and financial investment**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Purchase of investments	(1,479,291)	(2,422,363)
Sale of investments	1,565,475	1,781,663
Purchase of tangible fixed assets	<u>(357)</u>	<u>(431)</u>
	<u>85,827</u>	<u>(641,131)</u>

**19 Analysis of the balances of cash as shown in the balance sheet**

	<b>2007</b>	<b>2006</b>	<b>Cashflow</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Bank deposits	152,329	118,301	34,028
Bank deposit accounts	8,547,649	7,467,594	1,080,055
National Savings deposits	<u>27,067</u>	<u>27,067</u>	-
	<u>8,727,045</u>	<u>7,612,962</u>	<u>1,114,083</u>

## METHODIST CHAPEL AID LIMITED

### NOTES AND ACCOUNTING POLICIES

#### FOR THE YEAR ENDED 31 DECEMBER 2007

#### 20 Related Party Transactions

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

All applications by Methodist Church Trustees for a loan have been approved by the Methodist Council

Trustees for Methodist Church Purposes hold as custodians 30.0% (2006 30.0%) of the share capital of the Company and have deposits of £454,953 (2006 £454,989) with the Company

Alan Pimlott, a Director, has an interest in a loan of £150,000 (2006 £nil) to Methodist Central Buildings, Manchester. Revd Kenneth Street, a Director, has an interest in a loan of £4,630 (2006 £2,296) to Tiviot Dale Methodist Church

#### 21 Directors' shareholdings and deposits

The interests of the Directors in the share capital and deposit balances of the Company are stated below

	Ordinary shares of £10 each, 25 pence paid		Amounts held on deposit	
	At 31 Dec 2007 No	At 31 Dec 2006 No	At 31 Dec 2007 £	At 31 Dec 2006 £
Revd Dr Stuart J Burgess	102	102	75,297	42,408
Michael Greenberg	205	205	15,559	14,907
W Arthur H Holroyd	647	647	25,395	25,679
Revd Nichola G Jones	114	114	22,783	17,374
G Alan Pimlott	20	20	-	-
Revd Kenneth E Street	50	50	16,576	14,046
Diane Tokins	60	60	10,358	-
Rt Revd James H Bell	-	-	-	-
Revd James A Booth	-	-	-	-
	<u>1,198</u>	<u>1,198</u>	<u>165,968</u>	<u>114,414</u>

#### 22 Other Commitments

At 31 December 2007 the Company had annual commitments under operating leases as follows

	Land and buildings 2007 £	2006 £
Expiry date		
In more than five years	<u>5,000</u>	<u>5,000</u>

**METHODIST CHAPEL AID LIMITED**  
**NOTES AND ACCOUNTING POLICIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2007**

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**23 Financial Risk Management**

**Interest Rate Risk**

The Company does not take deposits or make loans on fixed rate terms, apart from a limited level of fixed rate vehicle loans up to a value of £220,000 and therefore is not directly exposed to movements in interest rates regarding its core business. The only fixed rate instruments held are government stock and corporate bonds. All cash and bank balances are on variable interest rate terms. Consequently the Company does not actively manage interest rate risk and does not use hedging instruments or derivative financial instruments.

Derivatives are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract of agreement, such as interest rates, exchange rate or stock market indices.

Equity shares are held as long term investments and are not actively traded and therefore the Company does not hedge against risks regarding stock market movements.

**Liquidity Risk**

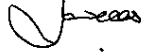
The Company's liquidity policy is to maintain sufficient liquid resources to cover cashflow imbalances and fluctuations in funding, to retain full public confidence in the solvency of the Company and to enable the Company to meet its financial obligations. This is achieved through maintaining a prudent level of liquid assets.

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the 118th ANNUAL GENERAL MEETING of the Members will be held at the BEECHWOOD CLOSE HOTEL, SHIPTON ROAD, YORK, on 16 APRIL 2008, at 12 45 p m for the following purposes

1. To receive and consider the Directors' Report and Statement of Accounts, and the Auditor's Report thereon
2. To declare a dividend
3. To elect Directors
4. To set Directors' fees
5. To re-appoint Tenon Audit Limited as auditor for 2008 and authorise the directors to fix its remuneration
6. To transact any other business of an Annual General Meeting

Date 18 March 2008

By Order of the Board  
J A WELLS   
Secretary

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