MCA
Funding for Churches

Annual report and accounts 2024

Front cover and below: All Saints Church, Wokingham
(Exterior pictures: Andy Marshall Architectural Photography)

All Saints Church, Wokingham's "spaceforall" project was first conceived in 2014 and was at detailed design stage when Covid-19 hit. The second stage bid for the National Lottery funding for just under £1 million was being prepared when this funding stream was withdrawn because of the pandemic, potentially delaying the project by three years.

The essential elements of the project were reviewed to create a highly flexible worship and community space: to remove the pews and install underfloor heating and a new accessible entrance; and to add a servery and toilets.

The potential funds available from grants and their generous congregation were assessed, but a shortfall remained, even for a significantly cut-down project.

"We applied to Methodist Chapel Aid and they granted us the loan on the security of two Victorian cottages we owned. We would have been in a real mess otherwise, but now have a lovely light space used regularly for concerts, a repair café, and other community activities as well as for worship. "

MCA
Funding for Churches

We provide loans to Christian churches and associated organisations at the lowest practicable rate of interest. Our loans are primarily intended to enhance church buildings for the benefit and inspiration of the church and community. We seek to operate to the highest standards of ethical behaviour in all that we do.

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Chair's Statement

Economic Background

During 2024 the economy, both in the UK and worldwide, continued to be impacted by unrest in the Middle East, and the war in Ukraine/ Russia. In addition, the elections in the UK and USA led to further economic uncertainty. The Bank of England base rate remained higher than expected, reducing by only 0.50% to end the year at 4.75%.

All of this has continued to create challenges for the Company, but its strong balance sheet and established business model gives the Board confidence that the Company is well placed to continue to support its customers, both borrowers and depositors.

The Company's Performance

Throughout 2024 the Company has operated successfully and within its regulatory requirements. Once again, the two most significant indicators of the Company's long-term sustainability, namely adequate capital and sufficient liquidity, have proved to be very robust.

It has been encouraging to see the increase in term loans over the past year (i.e. excluding short-term bridging loans), from £7.3 million to £7.8 million, and this has been accommodated within the Board's policy parameters and in accordance with its strategic plan.

Capital Adequacy

The Company ensures that at all times it maintains adequate levels of capital, and it has continued to meet all regulatory requirements relating to its capital adequacy. The Board is always aware that there is the risk that the Company's capital could be eroded by factors outside its control, and this risk is addressed regularly in its meetings.

The Board's policy is to enhance the Company's capital base by seeking to produce an annual operating surplus, prior to taking into account capital movements on the investment portfolio. This policy has ensured that the Company's capital base has continued to stay well ahead of the minimum required by the regulators, even after the effects of market volatility on the value of the Company's investment portfolio and income.

Liquidity

The Company also ensures that at all times it holds sufficient liquid assets to enable it to repay its instant access depositors and to advance the loans approved by the Board when demanded by the borrower. Liquidity levels have, in fact, been maintained well above the minimum requirement throughout the year through a well-established process of daily monitoring to meet the Company's needs, which is in line with the Board's policy and regulatory requirements.

Chair's Statement continued

The Company's Vision

The Company continues its policy of making loans to Christian churches and associated organisations at the lowest practicable rates of interest and this will continue to be its priority.

Within that broad policy, the Board continues to implement its strategy of promoting its loans to a wide range of Christian churches and associated organisations. This is part of the aim to diversify the Company's core lending activity. The Board will continue to pursue the Company's vision, whilst recognising that the current financial reality of economic uncertainty may well continue for some time.

Loans

Following the continued success of the Company's marketing strategy, total drawn term loans increased, as planned, during 2024 and amounted to £7.8 million at the year-end. The balance of short-term bridging loans, which continue to be a core part of the Company's lending business, fluctuates from month to month and was £1.3 million at the end of the year. In addition, further approved loans are forecast to be advanced during 2025. This growing demand is expected to continue during the coming year reflecting an increasing level of enquiries and applications for loans for church property projects.

Non-Methodist property loans now account for over half the total committed lending, demonstrating the success of the Board's ongoing marketing strategy to a range of Christian churches and associated organisations.

Deposits

Monies held on deposit with the Company decreased slightly during the year, partly as a result of the anticipated maturity of Child Trust Funds. The Board's strategy is to maintain deposits at appropriate levels to support the Company's growing lending activities and manage the associated risks. The Board actively manages the overall level of deposits and is pleased to report that the Company's pro-active approach to contacting potential new depositors, including churches and charities, has resulted in £0.6 million of deposits from new customers during the year, in addition to £1.5 million of deposits received from existing customers.

Interest Rates

The Company has endeavoured, in these times of economic uncertainty, to reflect its appreciation of the loyalty of its depositors, by maintaining competitive interest rates. In addition, it has sought to deliver stability of interest rates for borrowers at the lowest practicable levels, in keeping with its main purpose.

Money market interest rates available to the Company fell during the year following two decreases in the Bank of England base rate. Nevertheless, interest rates for depositors were maintained as the Company aims to remain competitive, provide a high quality of service to its customers, and maintain deposit levels.

Chair's Statement continued

Strategic Planning

The Company pursues a strategy of growing its loan portfolio in a careful and sustainable manner and managing the level of deposits to achieve this objective. The formal Strategic Business Plan continues to be reviewed annually by the Board and progress is monitored by management on a monthly basis.

The Board will meet for a Strategy Day in February 2025, which will provide an opportunity to discuss in detail the Board's strategic business plans for the next 5 years.

Regulatory Issues

The Board continues to liaise with the regulators. i.e. the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) in relation to new requirements which become effective in 2025 and beyond. Whilst the regulatory demands being made on institutions within the industry are significant, the Company is confident of continuing to fulfil its obligations in this respect.

The Board

There have been two changes in our Board membership in 2024. Rev. Paul Ferguson retired in April 2024 following nearly 12 years of dedicated service, 10 years of which coincided with his appointment as Bishop of Whitby. The Board has expressed its deep gratitude to Paul for the wisdom and guidance that he brought, particularly in relation to Church of England governance and lending, and for his dedicated work for the Company over the years.

I am pleased to welcome Mr Paul Casey to the Board. He was appointed in May 2024 and his considerable background in finance and experience in the church and charity sector will strengthen the wide cross-section of knowledge and expertise on the Board.

Although his retirement has been planned for, personal circumstances have meant that Peter Mills retired as Chair on 30 November 2024. Having obtained the necessary regulatory pre-approval, I was appointed as Chair on 1 December 2024 (having previously been the Deputy Chair following Peter's appointment as the Chair) and look forward to playing my part in the continuing success of the Company. I am grateful to Peter for his service as Chair since April 2023, and to his agreement to continue as the Deputy Chair until his planned retirement from the Board in April 2025.

I would also like to express my sincere thanks to all the Directors for their commitment to the Company, and their personal support. It is a privilege to serve the Company, and to be a part of its service to Christian churches and associated organisations.

Chair's Statement continued

The Staff

Finally, I would like to express the sincere thanks of the whole Board to our loyal staff who have continued to deliver the day-to-day work of the Company so effectively. Their knowledge and commitment continue to be evident, and this, together with the continuing support of the Board, enables the Company to look to the future with confidence. In particular, I would like to recognise the contribution of Sue Lynn who retired in September 2024 from her role as Administrative Assistant after 17 years of excellent service.

Richard Price MA
Chair
7 January 2025

Strategic Report

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2024.

Principal Activities

The Company's purpose is to give support to Christian churches and associated organisations, primarily by providing loans for building schemes 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 generates a competitive level of interest for the depositor;
- pays only a nominal dividend to its shareholders; and
- pursues policies to ensure the adequacy of both its capital base and its level of liquidity at all times.

The Memorandum and Articles of Association permit the Company to give support to Christian churches and associated organisations by making loans for purposes that are not building related, as was illustrated in a very small way by the car loan scheme for Methodist presbyters and deacons (which was closed to new applicants at the end of 2023). However, the Board has no intention of amending its main focus of activity in the foreseeable future.

Board Strategy for the Company

The Board recognises its ongoing responsibility to keep under review its strategies through which it pursues its aims and objectives. Its strategic planning is focused mainly on lending to Christian churches and associated organisations, managing deposit levels and ensuring that the Company's business model remains sustainable.

The Board has adopted a Strategic Business Plan (SBP), a rolling 5-Year Plan setting out the Company's immediate and medium-term plans to meet its objectives. This takes account of the economic context in which the Company operates as a bank.

In the ongoing development of the SBP, the Board has placed particular emphasis on the following areas:

a) Governance Review

The Board has continued to review its effectiveness during 2024 and ongoing work includes the implementation of succession planning. This will be developed further during 2025.

Strategic Report continued

b) **Advertising and Marketing**

The Board has an ongoing objective to develop its communication to churches and associated organisations. Significant progress has been made in actively promoting the Company's loan services both to Methodist churches and to other denominations, primarily the Church of England. A strategy for the managed growth of the Company's deposit base has been agreed by the Board, initially focussing on promoting the Company's notice accounts to churches and church organisations.

c) **Lending Policy**

A key aim of the strategy is to promote the Company outside the Methodist Church, primarily to the larger denominations and organisations. The planned controlled growth in lending levels is defined and monitored in line with the SBP. Thus, the level of advanced term loans grew during 2024 in line with this strategy and further commitments are forecast to be advanced during 2025. Non-Methodist property loans accounted for 68% of the total committed lending at the year-end.

The Board has carefully considered the risks associated with this growth and has adopted limits and early warning indicators which are monitored monthly.

d) **Sustainability Plans**

The Board has reviewed the risks to the sustainability of the Company, both in terms of fulfilling its primary purpose and in continuing to meet its regulatory obligations. It considered both the general economic environment and the recent strong interest and demand from church trustees. This has confirmed its belief that there is ongoing demand within the Christian churches for the Company's niche products. The basis for this assumption will continue to be reviewed at least annually.

The Company's key indicators of its long-term sustainability, namely adequate capital and sufficient liquidity, have proved to be very robust and remain substantially above internal targets and regulatory limits.

The SBP continues to be developed to take account of changing financial circumstances and the needs of churches. Updated management information packs, including a review against targets, are included at each Board Meeting to enable Board members to maintain close supervision and to agree any appropriate action.

Strategic Report continued

Strategy for 2025 and Beyond

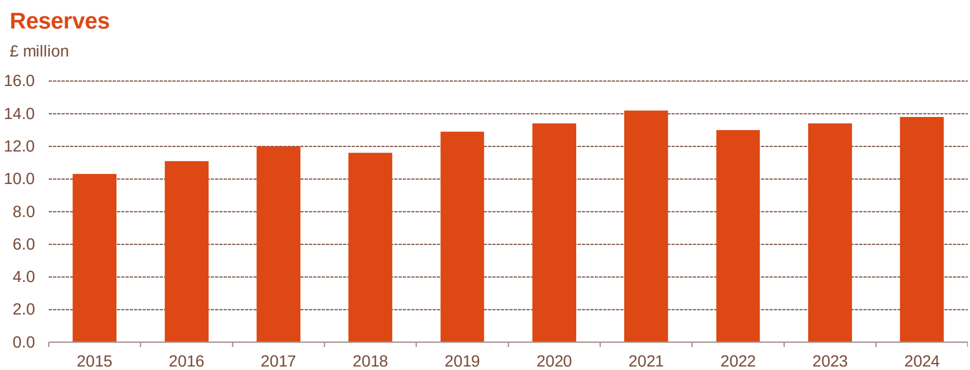
The Board's key aims for 2025 and beyond are:

- following the repayment of the £1.3 million of existing short-term bridging loans (as at 31 December 2024), to increase the Company's ongoing loan book in a controlled way from £7.8 million to around £10.7 million by 2028 (although there remains the capacity for this figure to increase with demand), and
- to manage the level of deposits to support the Company's lending, particularly as the existing Child Trust Funds held with the Company reach maturity over the period to January 2029.

The Board is clear that lending growth should continue to be achieved only from high-quality loan applications which satisfy the Company's risk assessment process. Internal limits (e.g. borrower and denomination) are closely monitored within the Company's lending policy.

Overall Performance in 2024

During 2024 an operating surplus of £166,252 was achieved, before deducting the £371,214 of realised losses on the sale of fixed interest investments. Since these realised losses on the sale of fixed interest investments were more than offset by other positive movements in the value of its investments during the year, the Company's reserves increased by £393,695 during 2024. The graph below shows the capital position over the past ten years:



The Company's Return on Assets for the year ended 31 December 2024 was 1.1% (2023: 1.1%).

Strategic Report continued

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

Loans

The Company's primary function is to make loans available to Christian churches and associated organisations at the lowest practicable rates of interest. The Board's strategy is to increase the overall level of lending, primarily to the larger denominations, whilst recognising and managing the associated risks.

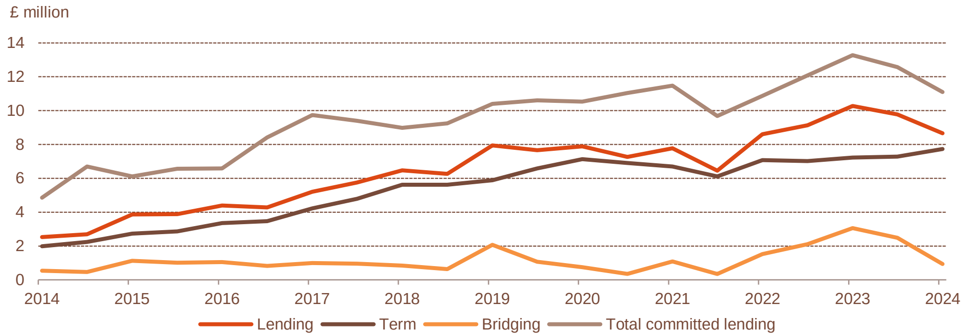
The table below shows the total value and number of loans over the past three years.

			Amount £m			Number of loans
	2022	2023	**2024**	2022	2023	**2024**
Loan balances at year end						
Term loans	7.1	7.3	**7.8**	39	39	**41**
Bridging loans	1.4	3.0	**1.3**	5	10	**3**
	8.5	10.3	**9.1**	44	49	**44**
Car loans	0.0	0.0	**0.0**	3	2	**1**
Total	**8.5**	**10.3**	**9.1**	**47**	**51**	**45**
Undrawn loans at year end	2.4	2.2	**0.8**	9	6	**2**
Total drawn and undrawn loans	**10.9**	**12.5**	**9.9**	**56**	**57**	**47**
Loan advances during year						
Property loans	4.2	4.7	**3.5**	12	19	**12**
Car loans	0.0	0.0	**0.0**	1	0	**0**
	4.2	**4.7**	**3.5**	**13**	**19**	**12**

The benefits of the Company's ongoing advertising and marketing strategy are continuing to be realised with a 6% increase in the total level of drawn term loans during the year. This is shown in the graph on the next page.

Strategic Report continued

Total lending to Christian churches and associated organisations



In addition, enquiries have been made about loan facilities for some further projects and preliminary discussions have already taken place to assess their feasibility.

With regard to interest rates, those charged by the Company for property loans remained unchanged during the year. The standard rate was 5.65% (5.75% APR including fees) for term loans and 6.65% (6.90% APR including fees) for bridging loans.

Short term bridging loans account for approximately 15% of the total loans as at 31 December 2024. This was, as expected, less than the previous year, following the repayment of several substantial short-term loans during the first half of 2024. The proportion of bridging loans is lower than has been the case in the past, e.g. at one exceptional point in 2008 the percentage had reached nearly 80%. Having a higher aggregate value of term loans has resulted in a more sustainable and stable loan book.

The Company's car loan scheme, which has never been a significant part of its business, closed for new applications at the end of 2023 and the one remaining loan is scheduled to be repaid during the next two years.

Deposits

The Board's strategy in relation to deposits is to maintain these at appropriate levels to support the Company's lending activities and manage the associated risks.

The Company would like to thank its depositors for their support and loyalty, particularly during the ongoing difficult economic conditions. A large proportion of these funds remain with the Company for many years, enabling the Company to plan for the future growth of its capital base and 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 practicable it generates a competitive level of return. The money market interest rates available to the Company decreased during the year following two reductions in the Bank of England base rate. However, interest rates for depositors were maintained in order to attract new deposit balances.

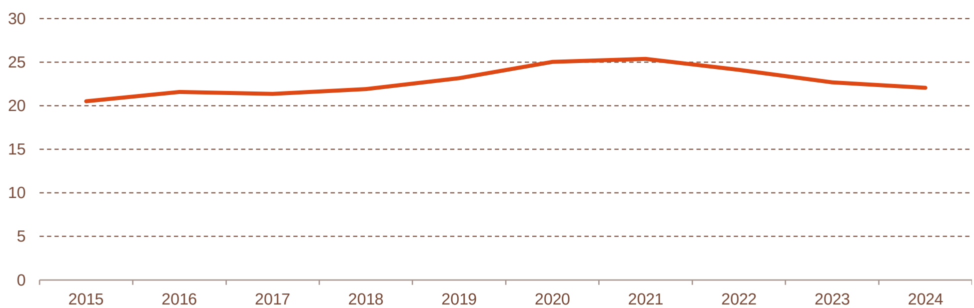
The Company's participation in the Financial Services Compensation Scheme, which guarantees £85,000 of each eligible depositor's savings in the event of the failure of the Company, has enabled customers to continue to deposit with confidence.

As shown in graph below, the amount held on deposit with the Company decreased during the year with the total as at 31 December 2024 being £22,043,458 (2023: £22,687,021). Withdrawals during the year represented 15% of the balance of deposits at the start of the year and new deposits and interest applied amounted to 12%.

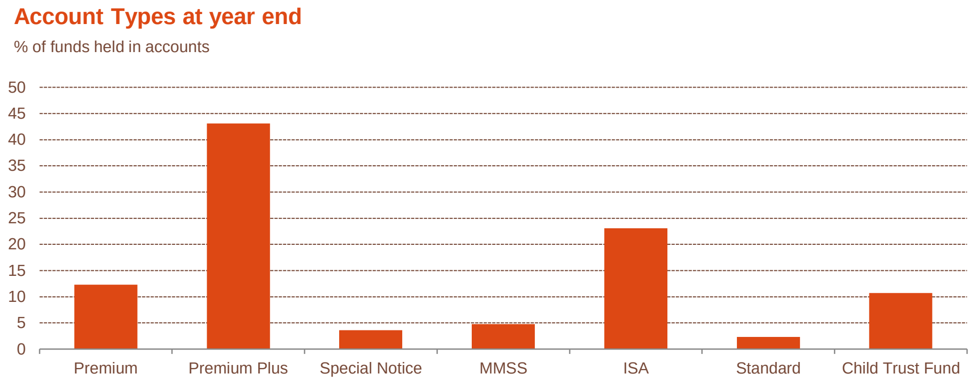
The Company opened 217 new savings accounts during the year, of which 172 were Restricted Cash ISAs opened automatically upon the maturity of Child Trust Funds where no instructions had been provided in advance. The number of accounts held with the Company totalled 2,452 as at 31 December 2024 (2023: 2,731). The total amount held on deposit as at 31 December 2024 included 43% held in Premium Plus Accounts, 23% in ISAs and 11% in Child Trust Fund (CTF) Accounts.

Deposits at year end

£ million



Strategic Report continued



Investments

The Company holds an investment portfolio to generate income and long-term capital growth to support its primary purpose of lending to Christian churches and associated organisations for property projects at the lowest practicable rates. This portfolio is carefully managed within Board-approved limits.

As at 31 December 2024 the total carrying value of equity shares and debt securities amounted to £16,393,319 (2023: £16,425,133). This comprised £4,208,030 (2023: £4,824,018) dated treasury stocks, £4,049,871 (2023: £4,500,425) bond funds and £8,135,418 (2023: £7,100,690) equity shares and similar investments. The Investment Manager held short term funds of £517,884 (2023: £283,197) for investment purposes. In addition, the Company held £8,355,272 of cash and deposits with other UK financial institutions (2023: £8,813,937).

A provision for the amortisation of the premium on dated treasury and commercial loan stocks was made amounting to £55,620 for the year (2023: £101,184). This is the write-off of the difference between the purchase price of a bond and its final maturity value, over the remaining term. Following gilt disposals during 2024 the total provision is now £226,135 (2023: £364,989).

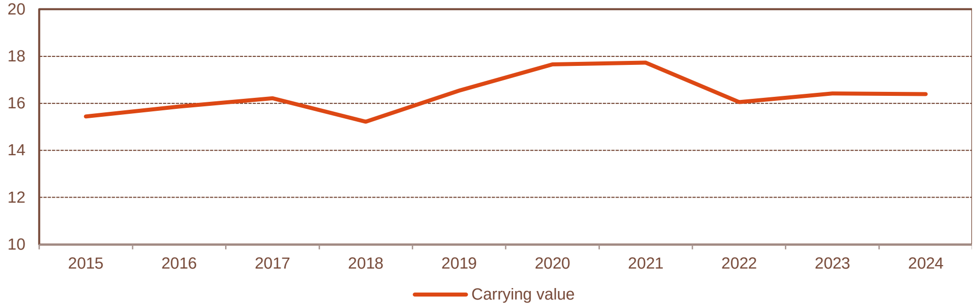
In addition, there was a positive fair value adjustment to the Company's investment portfolio in the year of £694,496 (2023: positive adjustment of £391,546) which is shown in the Statement of Income and Retained Earnings.

Further details of the Company's investments are shown in Note 12 of the financial statements.

The change in the total market value of the investments is shown in the graph on the next page.

Strategic Report continued

Investments at year end
£ million



It is important to note that the Company's policy of holding investments is for the long term and that it is not an investment trading company. The Company continues to be grateful to its Investment Manager, Sarasin & Partners LLP, for its services provided during the year.

Ethical Investment

The Company's policy statement on ethical investing policy is shown below and is implemented by the Company's Investment Manager. This is in addition to the Investment Manager's own ethical policies and practices.

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

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

It will be necessary for the foreseeable future for the Company to hold collective investment funds in order to secure appropriate asset allocation within the investment portfolio. Where this is the case, the Company does not have the ability to screen the underlying transactions of the fund. Nevertheless, it will review the underlying holdings on a six-monthly basis with a view to making known to the Investment Manager any concerns that it may have.

Strategic Report continued

The Company will seek to ensure that voting rights are exercised in accordance with good corporate governance criteria, and will periodically review the manner in which its Investment Manager exercises these rights on its behalf, including through any collective investment funds managed by the Investment Manager."

Other Matters

Capital Adequacy

The Company holds capital in order to provide a buffer against possible losses in times of financial stress. In common with all other UK banks, the Company carried out rigorous stress testing on its capital and liquidity levels during 2024 and calculated that, in addition to the minimum regulatory requirement, a further internally-calculated capital buffer should be retained to protect against any future stresses on the Company's capital resources, although there has never been a need to call upon this buffer. Even after making this allowance and including regulatory deductions, there remained substantial headroom above the combined regulatory capital and calculated buffer.

Looking ahead, the Board has budgeted for an operating surplus in 2025 of approximately £138,000 (before adjusting for any investment value changes) which would strengthen the Company's capital position further.

The Board is committed to reviewing its Internal Capital Adequacy Assessment Process (ICAAP) at least annually, and more frequently if necessary. A statement showing the current position on capital adequacy as calculated within the framework of the ICAAP document is presented at each meeting of the Board.

Risk Appetite Statement

The Company's management operates a low to medium risk strategy in meeting the Company's objectives. This is reflected in the type and level of risk to which the Company is exposed 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 a company's business, specifically the risk of not being able to carry out its business plan and desired strategy. In assessing business risk, consideration is given to internal and external factors.

Risk Appetite

The Company will not take, or retain, risk positions that threaten its ability to remain a sustainable organisation or its ability to meet its primary purpose. The business risk appetite is set by reference to the approved budget and Strategic Business Plan sanctioned by the Board.

Mitigation

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

Revenue and capital investment considerations require additional in-depth assessment followed by Board approval. Risk assessments are conducted as part of all financial approval processes.

Liquidity Risk

Liquidity risk is the risk that a 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 a company does not have sufficiently stable and diverse sources of funding.

Risk Appetite

The Company's liquidity risk appetite has two elements: its own internal liquidity measurement and also the regulatory liquidity coverage ratio:

a) Internal measurement

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.

If the Company can achieve this test then it has sufficient liquidity not only for the 0 to 8 day period, but also for a minimum of 90 days due to the nature of the depositor maturity and loan advance profiles.

Therefore, the Company has adopted a liquidity risk appetite based on maintaining sufficient liquid assets to cover at least 100% of anticipated outflows under a 90 day continuous period of market-wide, Company-specific and combined stresses.

b) Liquidity coverage ratio (LCR)

The Company's policy is to maintain a LCR of at least 200% at all times, i.e. double the regulatory minimum, and using only extremely high liquidity and credit quality (level 1) assets, i.e. UK gilts.

Additional liquid assets will also be held for internal liquidity management.

Mitigation

The Company mitigates the risk of a negative liquidity mismatch (inadequate liquidity) which is outside its appetite by managing the liquidity profile of the statement of financial position 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, reflecting the organisation's low risk appetite.

Market and Interest Rate Risk

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

Risk Appetite

The Board's risk appetite for interest rate risk is to manage its assets and liabilities so as to limit the effect of a 2% market rise in interest rates (as calculated in the interest rate gap report) to a maximum of 7% of the Company's regulatory capital.

The average remaining period to maturity for fixed interest investments held directly will not exceed 8.5 years.

In addition, no fixed interest investment will be held with a remaining maximum term of longer than 15 years.

The Board acknowledges that there is some additional interest rate sensitivity within the equity and bond fund holdings. Consequently, the Company will not hold investment assets with no specific maturity date (i.e. equities, bond funds and other collective investment schemes) with a total value exceeding 100% of its regulatory capital.

The Board has decided to limit the total amount invested in equities (including equity related investment funds, but excluding alternative investment funds e.g. infrastructure) to the lowest of:

- 45% of the total market value of funds in its investment portfolio i.e. excluding money market investments and loans to trustees and individuals; or
- 25% of the Company's total assets; or
- 80% of regulatory capital.

The Company has almost 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. There remains one outstanding fixed rate car loan which was advanced prior to the product being withdrawn at the end of 2023.

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

With regard to interest rate risk the Company's Treasury Policy Statement includes limits for both the average remaining period and the maximum remaining period to maturity for fixed interest investments (excluding investments held by bond funds).

Trigger points are in place in order to respond quickly to adverse market value movements.

Operational and Regulatory Risk
Operational risk is 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.

Regulatory risk arises due to ever increasing regulatory requirements and the increasing volume and pace of change from the 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's operational risks arise largely as a result of the following possible events:

- business disruption (including as a result of the failure of key suppliers or the incidence of a pandemic);

- fraud and forgeries;
- fines and penalties (including regulatory);
- staffing issues (including long term sickness);
- health and safety issues; and
- legal cases.

The Company ensures that it adopts all regulatory, legal and other compliance requirements in a proportionate and timely manner.

The Company's operational/regulatory risk appetite is to limit the expected potential losses arising from these events to 2% of the Company's Own Funds (i.e. regulatory capital) in total.

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);
- estimation of exposure to probability and event likelihood for each material risk identified; and
- appropriate action to mitigate or minimise the risk.

The above are embedded into the Company's daily procedures.

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

Credit Risk (wholesale markets)
Risk Appetite
The Company will not engage in wholesale deposit lending other than with UK interbank counterparties with strong long-term credit ratings (minimum Moody's rating of Baa3 for UK banks / building societies and A3 for overseas banks / building societies), or allow placements exceeding the Company's internal limits (subject to the PRA pre-notification rules). The amount of deposits placed with any one bank or building society is limited to 25% of the Company's regulatory capital.

In addition, the Company invests in UK government gilts and corporate bonds via its Investment Manager which operates within parameters and limits agreed by the Board. The corporate bonds are all held via a sterling denominated investment fund which is considered by the Investment Manager to be low risk and well diversified.

Mitigation

After careful checks have been made, the counterparties with whom the Company places deposits are approved in advance by the Board and exposures are subject to Board approved limits as specified in the Treasury Policy Statement.

Credit Risk (retail markets)

Risk Appetite

The Company lends to Christian churches and associated organisations within the UK and the total balance on loan at any time is restricted to an internally imposed limit of 80% of the total depositors' balances or 150% of share capital plus reserves, whichever is the lower, less any non-instant access deposit accounts held by the Company with other financial institutions. Individual loan approvals cannot be greater than 10% of the Company's regulatory capital unless agreed by the Board. Term loans above £60,000 are secured by way of a declaration from the trustees as well as a legal charge or equivalent (unless agreed otherwise by the Board) and loans up to £60,000 by way of a declaration from the trustees. For bridging loans for manse purchases a solicitor's undertaking is obtained to repay the proceeds of the house sale to the Company up to the amount of the loan outstanding.

The car loan scheme for Methodist presbyters and deacons closed to new applications at the end of 2023.

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 and due consideration given to the collateral. All property loans require Director approval in accordance with the Company's lending policy.

Capital Risk

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

The Company's minimum regulatory capital, also known as the Total Capital Requirement (TCR), as of 31 December 2024 was 17.72% of risk-weighted assets.

Strategic Report continued

Risk Appetite
The Company's overall capital risk appetite is to maintain Common Equity Tier 1 (CET1) capital (i.e. the highest quality regulatory capital) of at least 35% of risk weighted assets.

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 is approved by the Board annually.

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

Climate Change Risk
Climate change risk is defined as the risk resulting from climate change and affecting natural and human systems and regions. Climate change risk is likely to manifest itself in physical events such as extreme weather conditions; it may lead to systemic changes in public policy as society moves to a low-carbon economy, and it may affect the ability of the Company to deliver its services, or affect the value of its assets and loan security.

There is increased focus on these risks by key stakeholders (e.g. customers) and the regulatory landscape is evolving to reflect these risks. As such, there is also the potential reputational risk associated with the Company investing in organisations which could be seen as responsible for, or contributing to, climate change.

Risk Appetite
The financial risks of climate change to the Company are primarily in relation to the market risks associated with its effect on the Company's investment portfolio and the credit risks of lending to Christian churches and associated organisations.

Therefore, the risk appetite is considered within other existing risk categories, i.e. market risk and credit risk.

Mitigation
The Company will continue to develop its consideration of sustainability and climate related issues and integrate these within the risk register and monthly management information schedules.

Stress testing / scenario analysis is carried out in respect of significant falls in the value of the Company's investments, reductions in investment income and the credit risks of lending to Christian churches and associated organisations, as part of the annual ICAAP. The results are used in calculating the internal capital buffers. It is recognised that climate change could be a driver for such stresses e.g. increased natural disasters.

The Board requires the Investment Manager to demonstrate a continued commitment to recognising and responding to climate change as part of their investment decision making process. This may include performing climate stress testing (based on both de-carbonisation and physical stresses) and deciding whether to divest or engage with companies based on the results. In addition, the Investment Manager has aligned its business with the goals of the Paris Climate Accords (as updated by any revised global commitments that result from new scientific research), including pressing investee companies to align to these goals.

As the scientific evidence on climate change becomes ever clearer, the Company will further embed climate risk in its existing risk management framework.

Remuneration Risk

The Company will ensure that its remuneration decisions are in line with its business strategy and long-term objectives, and consistent with its ethos, current financial condition and future prospects.

The Company's staff and Non-Executive Directors are keen to support the work of the Company in furthering the work of Christian churches and associated organisations, as well as protecting depositors and fulfilling the Company's regulatory obligations.

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

Conduct Risk

The Company will ensure that conduct risk (the risk of the Company treating its retail customers unfairly and delivering inappropriate outcomes) is effectively managed in order to protect customers. Conduct risks will be assessed, managed and reported to the Audit and Risk Committee and Board within the monthly management information schedules (including "nil returns" if applicable). Ongoing management oversight will be undertaken by the Chief Executive.

The Company will comply with all applicable regulatory conduct requirements, including the Financial Conduct Authority (FCA)'s Consumer Duty, and will invest sufficient resources to ensure this outcome is achieved and that they become even more closely embedded in the business.

Strategic Report continued

In controlling risk, it is appropriate to state that risk in any activity cannot be eradicated completely. The Company operates in a risk environment. These risks need to be managed within acceptable limits and in accordance with an agreed appetite.

The risks identified by the Board, Audit and Risk Committee and Senior Officers form the Company's Conduct Risk Appetite Statement and come under the three broad headings shown below:

1) Governance and Culture (including Business model and strategy)
2) Products (pre- and post- completion)
3) Financial crime

These categories reflect the principles by which the Company seeks to ensure good customer outcomes and manage conduct risk generally.

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 an annual basis and corrective action will be taken whenever necessary.

In the final quarter of 2024, the Board sent out a further Customer Satisfaction Survey to a proportion of its depositors and borrowers. The results are summarised in the table below. A 5-point scale was used, "Strongly Agree" being the best score. None of the 27 replies received implied concern by using "Disagree" or "Strongly Disagree".

	Depositors (% Agree / Strongly Agree)	Borrowers (% Agree / Strongly Agree)
Happy with overall service provided by the Company	100%	100%
Would recommend the savings account / loan to others	95%	100%

No complaints were received from customers during 2024 (2023: none).

Statement by the Directors in Performance of their Statutory Duties in Accordance with Section 172(1) of the Companies Act 2006

Section 172 of the Companies Act 2006 requires directors of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members and stakeholders as a whole.

In doing this, Section 172 requires the Directors to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- maintenance of the Company’s reputation for high standards of business conduct; and
- need to act fairly as between the different stakeholders of the Company.

In discharging its Section 172 duties, the Board has regard to the interests and views of the Company’s internal and external stakeholders, including:

- Christian churches and associated organisations: supporting those customers to achieve their property-related projects, contributing to the churches’ mission plans and developing their positive impact within the wider community;
- other customers: aiming to provide a high level of service to all customers, helping those churches, charities, businesses and individuals that rely on the Company’s services;
- staff: having a workforce that feels valued and supported;
- suppliers: developing trusted business partnerships that provide value for money and good service;
- environment: recognising the direct impact that the Company can have on the environment and making responsible choices that align with its values (e.g. via its Ethical Investment Policy);
- regulators: ensuring the Company adheres to all relevant regulation and maintains an open, transparent relationship with regulators including the PRA and FCA;
- the Independent Auditor: ensuring the Company’s Independent Auditor is kept aware of all key developments through an open, transparent relationship; and
- HMRC: ensuring the Company is paying all due taxes and complying with relevant reporting requirements.

Strategic Report continued

By considering the Company's purpose, vision and values together with its strategic priorities, the Board aims to make sure its decisions are consistent and equitable. The Company’s strategy is reviewed annually by the Board including the considerations listed above.

The Board sets, approves and oversees the execution of the business strategy and related policies, and delegates authority for day-to-day management to its executives. The Board reviews the financial and operational performance of the Company. Monthly management information is produced shortly after completion of the management accounts and circulated to Audit and Risk Committee members and Board members prior to each meeting. It includes the Company’s headroom above the minimum internal early warning indicators, limits and regulatory requirements. The Board and its committees also review other areas over the course of the financial year including risk, regulatory compliance, environmental, corporate governance, legal and health and safety matters, as well as stakeholder-related matters, diversity and inclusivity, and corporate responsibility.

This ensures that the Board has an overview of engagement with stakeholders and complies with its Section 172 duty to promote the success of the Company.

Signed by order of the Directors

Steven Jones BA FCCA
Company Secretary

Registered office:
53 Walmgate, York, YO1 9TY

Approved by the Directors on 25 February 2025

Directors' Report

The Directors have pleasure in presenting their report and the financial statements of the Company for the year ended 31 December 2024.

Directors

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

	Ordinary A shares of £0.25 each		Amounts held on deposit	
	At 31 Dec 2024 No.	At 31 Dec 2023 No.	**At 31 Dec 2024 £**	At 31 Dec 2023 £
Richard Price	**241**	241	**-**	-
Peter Mills	**175**	175	**-**	-
Helen Ashley Taylor	**-**	-	**-**	-
Jeremy Burchill	**200**	200	**-**	-
Paul Casey (appointed 1 May 2024)	**-**	-	**-**	-
Paul Ferguson (retired 18 April 2024)	**-**	-	**-**	-
Anne Goodman	**-**	-	**-**	-
Peter Green	**-**	-	**43,998**	42,686
Christopher Jarratt	**64**	64	**-**	-
Guy Priestley	**-**	-	**-**	-
Andrew Slim	**166**	166	**51,794**	58,808
	846	846	**95,792**	101,494

Corporate Governance

Whilst Methodist Chapel Aid Limited, 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 Board of Directors, which meets at least five times a year, directs and controls the work of the Company. With the exception of the Chief Executive, the Directors are all Non-Executive and the Board is supplied, through the offices of its Chief Executive and Company Accountant, who is also its Company Secretary, with information in the form of monthly management accounts, budgets, forecasts, etc. to allow it to discharge its responsibilities.

Directors' Report continued

The Company has an Audit and Risk Committee, consisting of four Non-Executive Directors (Jeremy Burchill (Chair), Anne Goodman, Guy Priestley and Andrew Slim), which meets at least four times annually and ensures that the recommendations of the PRA, the FCA and the internal and independent auditors are considered and implemented as appropriate. Other Directors are invited to attend its meetings and often do so. It also oversees the work and considers the reports of the Company's internal audit function, reviewing the implementation of its recommendations where appropriate, and considers the effectiveness of internal controls. To comply with the requirements of legislation and to ensure prudent management of the business, the Company has established a range of internal controls, which have operated effectively throughout the year.

In addition, the Company has a Nomination Committee, consisting of three Non-Executive Directors (Richard Price (Chair), Peter Green and Peter Mills) which was established to develop a recruitment and remuneration strategy together with succession plans for the Board, its Committees and Senior Officers. This also includes developing training and induction processes for Directors and reviewing the Board's employment policy and practice.

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

Supervision

The Company is authorised by the PRA and regulated by the FCA and the PRA. Throughout the year the Company has kept within the regulators' guidelines and there has been frequent contact between the Company and the regulators as part of the monitoring process.

Proposals

- The Directors propose a dividend of 28.25 pence per fully paid A share and £11.30 per fully paid B share of the Company, payable on 30 April 2025 (Detailed in Note 10 of the financial statements).
- Anne Goodman, Peter Green and Guy Priestley retire by rotation and, being eligible, offer themselves for re-election for a three-year term.
- Paul Casey, having been appointed to the Board by the Directors on 1 May 2024 and. being eligible, offers himself for re-election for a one-year term.
- The independent auditor, Beever and Struthers, has indicated its willingness to continue in office and its appointment for 2025 is proposed.

Directors' Report continued

Donations

For many years the Company's policy has been to make donations at the level of 10% of the previous year's adjusted operating surplus to a number of Christian charities reflecting the Company's business and heritage. During the year the Company made the following contributions to 6 charities (2023: 7 charities):

	2024 **£**	2023 £
Charitable donations	**11,500**	14,000

Strategic Report

The Company has chosen in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out in the Company's Strategic Report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, 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 the surplus or deficit of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Directors' Report continued

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.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

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

Signed by order of the Directors

Steven Jones BA FCCA
Company Secretary

Registered office:
53 Walmgate, York, YO1 9TY

Approved by the Directors on 25 February 2025

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

Opinion

We have audited the financial statements of Methodist Chapel Aid Limited (the ‘Company’) for the year ended 31 December 2024 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2024 and of its result 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements Section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (FRC) Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not prepare a separate opinion on these matters.

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

Key Audit Matter	How Our Audit Responded to the Key Audit Matter
Property Loan Provisioning At 31 December 2024 the property loan book totalled £9.132m (2023: £10.32m) as shown in note 11 of the financial statements. No provision has been recorded against these loans. The determination of impairment provisions is a highly subjective and judgemental area and there is regulatory scrutiny with respect to provisioning levels. Note 2 to the financial statements (accounting policies) discloses the provisions policy. The loan provision is considered a key source of estimation uncertainty and this is disclosed within the accounting policies notes – Judgements and key sources of estimation uncertainty. The majority of the Company's lending is secured on property and the Company has very limited historical issues with arrears. During the year, three loans had its term extended, with one loan still outstanding at year end. There is also a perceived higher default risk as a result of the ongoing cost of living crisis. We have identified property loan provisioning as one of the most significant assessed risks of material misstatement. On this basis we have identified this as a key audit matter and this is unchanged from the previous year.	Our audit work included but was not restricted to the following: • We understood and assessed the loan application procedure including, where applicable, the challenge by the Board of the loans recommended for approval. We tested the adherence to the loan lending and security taking policy and found the procedures in place were operating effectively. • We understood and evaluated management's criteria for determining whether an impairment event had occurred and therefore whether there was a requirement to calculate an impairment provision. Each loan was considered for impairment individually. No loans were identified as impaired at the balance sheet date for which the Company did not have satisfactory security. • We reviewed all loans outside the repayment terms at the balance sheet date for recoverability. These are disclosed in note 19 of the financial statements. Additionally, we specifically reviewed extended loans for indicators of impairment. No loans were identified as impaired at the balance sheet date for which the Company did not have satisfactory security. • For a sample of loans noted as secured, we have confirmed the Company has satisfactory title to the security. We have also reviewed management's assessment of the intrinsic value of the security held and confirmed it is in excess of the individual loan values. Based on the procedures performed and evidence obtained, we found management's assumptions to be reasonable and did not identify any issues or misstatements that require reporting to the Audit and Risk Committee.

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

Our Application of Materiality

Our audit work is based upon an assessment of materiality to identify misstatements contained in the financial statements considered fundamental to the reader. We consider the materiality of a misstatement to the class of transaction or balance to which it belongs and the overall impact of the balance on the statement of income and retained earnings and the statement of financial position. An item would be considered material to the financial statements if, through error or non-disclosure, the financial statements would no longer show a true and fair view.

Based on our professional judgement we deemed materiality for the financial statements as a whole for the year ended 31 December 2024 to be £274,000 (2023: £267,000). For 31 December 2024, the benchmark used for this calculation was 2% of net assets. We believe net assets to be akin to regulatory capital and therefore a key performance measure of the Company. As the Company is a bank, and therefore designated as a public interest entity, we consider this benchmark to be appropriate.

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 75% of financial statement materiality. We also determine lower levels of specific materiality for certain areas such as Board Members' remuneration and related party transactions.

We determined the threshold at which we will communicate misstatements to the Audit and Risk Committee to be £13,700. Additionally, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The materiality calculated has been applied to our audit work at the planning stage which included, but was not restricted to, a review and testing of the operation of key controls within the business in relation to revenue, interest payment, payroll and loan authorisation procedures. Materiality was applied to the undertaking of substantive testing on significant transactions and material account balances.

The scope, nature, timing and extent of our audit procedures performed was determined by our risk assessment and was communicated to the Audit and Risk Committee through our audit plan.

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

Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- reviewing the impact of any potential impairment within the loans advanced and the security held over loans as explained fully within the Key Audit Matters section of our report. We concur with management that the loan book does not show signs of impairment and have concluded that management has adequate procedures in place to identify loans that may become impaired over the longer term.
- reviewing headroom in regulatory capital. This was found to be sufficient.
- reviewing and evaluating the assumptions and scenarios used within the stress testing performed by management as part of the PRA regulatory requirements and reviewing the results of the impact of the stresses on the ability of the Company to continue on a going concern basis. The assumptions used within the stress testing appear reasonable based on our knowledge of the Company and its activities. The results of the stress testing showed that even under severe stresses, the Company could continue as a going concern for the foreseeable future.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

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

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on Which We are Required to Report by Exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Ability to Detect Irregularities

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our understanding of the Company and through discussion with the Directors and other management (as required by auditing standards). We identified the principal risks of non-compliance with laws and regulations related to the Prudential Regulation Authority (PRA) regulations and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements. We evaluated management’s incentives and opportunities for fraudulent manipulation of the financial statements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. Audit procedures performed included:

- discussions with the PRA as part of the annual supervisory review and a review of their key correspondence with the Company;
- discussions with management, enquiring over non-compliance with laws, regulations and fraud;
- reviewing internal audit reports;

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

- reviewing minutes of all Board meetings and Audit and Risk Committee meetings and attendance at two Audit and Risk Committee meetings each year; and
- review of transactions (including journals) using data analytic software.

There are inherent limitations in the audit procedures described above. We did not identify any such irregularities, however as with any audit, there remained a higher risk of non-detection of irregularities due to fraud, as these may involve deliberate concealment, collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Other Matters which we are Required to Address

We were appointed by the Directors of the Company on 16 December 2010. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is fifteen years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of Our Report

This report is made solely to the Company's members, 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 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.

Suzanne Lomax BA FCA
(Senior Statutory Auditor)

For and on behalf of

Beever and Struthers
Chartered Accountant & Statutory Auditor

The Beehive, Lions Drive, Shadsworth Business Park, Blackburn BB1 2QS

27 February 2025

Statement of Income and Retained Earnings For the year ended 31 December 2024

	Note	2024 £	2023 £
Interest receivable – on loans	3	**542,736**	485,539
Interest receivable – on debt securities	3	**351,721**	346,423
Interest receivable – on bank and building society deposits	3	**412,981**	347,139
Interest payable to depositors		**(702,772)**	(570,746)
Interest payable - amortisation of debt securities	12	**(55,620)**	(101,184)
Dividend income from equity shares	3	**186,640**	172,192
Investment losses on debt securities	12	**(371,214)**	(27,579)
Fees and commissions payable to Investment Manager		**(3,575)**	(19,845)
Other operating income	4	**4,900**	6,543
Administrative expenses – staff costs	7&8	**(310,501)**	(281,131)
Administrative expenses – other		**(246,970)**	(260,190)
Depreciation	13	**(13,288)**	(9,937)
Operating (deficit)/surplus	5	**(204,962)**	87,224
Fair value adjustment to investments	12	**694,496**	391,546
Surplus on ordinary activities before taxation		**489,534**	478,770
Tax on surplus on ordinary activities	9	**(94,522)**	(75,924)
Surplus for the financial year and total comprehensive income		**395,012**	402,846
Dividends paid and payable	10	**(1,317)**	(1,233)
Retained earnings at the start of the year		**13,352,435**	12,950,822
Retained earnings at the end of the year		**£13,746,130**	£13,352.435

All the activities of the Company are from continuing operations.

The notes on pages 38 to 59 form part of these financial statements.

Statement of Financial Position
As at 31 December 2024

	Note	**2024** **£**	2023 £
Assets			
Cash and bank balances		**8,355,272**	7,520,873
Loans and advances to customers	11	**9,138,711**	10,330,064
Investments:			
Issued by public body		**4,208,030**	4,824,018
Other loans and advances		**4,049,871**	4,500,425
Equity investments		**8,135,418**	7,100,690
	12	**16,393,319**	16,425,133
Tangible fixed assets	13	**300,959**	305,490
Investments held for short term purposes	14	**1,831,800**	1,576,261
Prepayments, accrued income and other assets	15	**127,040**	135,703
Total Assets		**36,147,101**	36,293,524
Liabilities			
Customer Accounts	16	**22,043,458**	22,687,021
Other Liabilities	16	**167,472**	131,713
Total Liabilities		**22,210,930**	22,818,734
Provisions			
Deferred tax	17	**188,844**	121,158
Net Assets		**£13,747,327**	£13,353,632
Shareholders' Funds			
Called up equity share capital	20	**1,197**	1,197
Reserves		**13,746,130**	13,352,435
		£13,747,327	£13,353,632

These financial statements were approved by the Board of Directors and authorised for issue on 25 February 2025, and are signed on behalf of the Board by:

Richard J Price MA
Chair

A Christopher Jarratt FCA
Director

Company registration number: 30546

The notes on pages 38 to 59 form part of these financial statements.

Statement of Cash Flows
For the year ended 31 December 2024

	2024 £	2023 £
Cash flows from operating activities		
Surplus for the financial year	**395,012**	402,846
Adjustments for:		
Depreciation of tangible assets	**13,288**	9,937
Amortisation of investments	**55,620**	101,184
Fair value adjustment to investments	**(694,496)**	(391,546)
Tax on surplus on ordinary activities	**94,522**	75,924
Accrued income / expenses	**374**	28,738
Changes in:		
Trade and other debtors	**16,981**	(7,535)
Trade and other creditors	**231**	782
Loans repaid by / (advanced to) customers	**1,191,353**	(1,844,567)
Customer accounts	**(643,563)**	(1,426,267)
Cash from/(used in) operations	**429,322**	(3,050,504)
Tax paid	**-**	-
Net cash from / (used in) operating activities	**429,322**	(3,050,504)
Cash flows from investing activities		
Purchase of tangible assets	**(8,757)**	(277,678)
Purchase of investments	**(8,583,459)**	(4,590,974)
Proceeds from sale of investments	**9,254,149**	4,504,060
Net cash from / (used in) investing activities	**661,933**	(364,592)
Cash flows from financing activities		
Dividends paid	**(1,317)**	(1,233)
Net cash used in financing activities	**(1,317)**	(1,233)
Net increase / (decrease) in cash and cash equivalents	**1,089,938**	(3,416,329)
Cash and cash equivalents at beginning of year	**9,097,134**	12,513,463
Cash and cash equivalents at end of year	**£10,187,072**	£9,097,134
Consisting of		
Cash	**8,355,272**	7,520,873
Short term liquid investments	**1,831,800**	1,576,261
Cash and cash equivalents at end of year	**£10,187,072**	£9,097,134

The notes on pages 38 to 59 form part of these financial statements.

Notes to the Financial Statements

1 General Information

The Company is a private company limited by shares and incorporated in England. The address of its registered office is 53 Walmgate, York, YO1 9TY

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

2 Accounting Policies

Statement of Compliance

These financial statements have been prepared in compliance with United Kingdom Generally Accepted Accounting Practice including FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' as well as the Companies Act 2006.

Basis of Preparation

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 relevant British Bankers' Association Statements of Recommended 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.

The financial statements are prepared in Sterling, which is the functional currency of the entity.

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 Chair's Statement, the Strategic Report 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 Strategic 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 5-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.

Notes to the Financial Statements continued

2 Accounting Policies continued

Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Determination of recoverability of loans made to customers:

  Property loans: A specific provision is made against customer loans, where, in the opinion of the Directors, the loan is not fully recoverable. An impairment provision of £nil (2023: £nil) was recognised in respect of property loans totalling £9,132,617 (2023: £10,320,477) of which £1,644,631 (2023: £3,055,123) are unsecured. Note 19 contains further details of the impairment consideration.

Significant judgements

Management have not made any significant judgements (apart from those involving estimations) in the process of applying the entity's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Revenue and Expenses Recognition

Investment Income

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

Provision is made for the gross amount of interest accrued on fixed interest-bearing securities on an effective interest rate (‘EIR’) basis. The EIR being the rate that, at the inception of the financial asset, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying value.

Notes to the Financial Statements continued

2 Accounting Policies continued

Revenue and Expenses Recognition continued

Interest receivable

Interest receivable on loans is credited to income twice yearly in line with the terms of the loan agreements and is recognised in the statement of income and retained earnings on an accruals basis.

Interest payable

Interest payable on deposit accounts is charged to expenses twice yearly in line with the terms of the accounts and is recognised in the statement of income and retained earnings on an accruals basis.

Other income and expenses

Other income and expenses are recognised on an accruals basis.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in income or expenditure, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on the taxable surplus for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable surpluses. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Tangible Assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

Notes to the Financial Statements continued

2 Accounting Policies continued

Depreciation

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

Freehold land	–	No depreciation
Freehold buildings	–	50 years
Freehold building improvements	–	10 years
Leasehold improvements	–	Over the remaining life of the lease
Office equipment	–	5 years straight line
Computer equipment	–	3 to 5 years straight line

Investments

Government and corporate bonds with a fixed rate of return are treated as basic financial instruments and amortised using the effective interest rate method.

Equity investments are treated as other financial instruments.

Corporate bonds with a variable return not linked to a single observable rate and asset backed bonds are treated as other financial instruments.

Impairment of Fixed Assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in income or expenditure unless the provision was originally recognised as part of the cost of an asset.

Notes to the Financial Statements continued

2 Accounting Policies continued

Provisions continued

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in income or expenditure in the period it arises.

Financial Instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in income or expenditure.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in income or expenditure immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in income or expenditure immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

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.

Notes to the Financial Statements continued

3 Income

Income arises from interest receivable on customer loans and interest and dividends earned on investments as analysed in the Statement of Income and Retained Earnings.

The whole of the income is attributable to the principal activity of the Company wholly undertaken in the United Kingdom.

4 Other Operating Income

	2024 **£**	2023 £
Loan administration fees received and sundry income	**4,900**	6,543
	4,900	6,543

5 Operating (Deficit) / Surplus

Operating (deficit) / surplus is stated after charging / (crediting):

	2024 **£**	2023 £
Depreciation of tangible assets	**13,288**	9,937
Amortisation of investments	**55,620**	101,184
Investment losses on debt securities	**371,214**	27,579
Decrease of bad debt provision (car loans)	**(90)**	(155)
Operating lease costs - land and buildings	**2,134**	7,200
Operating lease costs - other equipment	**2,531**	2,313

6 Auditor's Remuneration

	2024 **£**	2023 £
Fees payable for the audit of the financial statements (exclusive of VAT)	**27,400**	24,150

Notes to the Financial Statements continued

7 Staff Costs

The average number of persons employed by the Company during the year on a headcount basis, excluding the Directors, amounted to:

	2024 No.	2023 No.
Administrative staff	**3**	3
Management staff	**1**	1
	4	4

The aggregate payroll costs incurred during the year, relating to the above (excluding the Directors' remuneration disclosed in note 8), were:

	2024 £	2023 £
Wages and salaries	**133,535**	121,789
Social security costs	**13,451**	12,194
	146,986	133,983

Total staff costs (including Directors' remuneration) are £310,501 (2023: £281,131).

8 Directors' Remuneration

The Directors' aggregate remuneration in respect of qualifying services was

	2024 £	2023 £
Remuneration	**150,674**	135,432
Social security costs	**12,841**	11,716
	163,515	147,148

The number of Directors who accrued benefits under Company pension plans was 0 (2023:0).

In addition, Directors expenses in the year amounted to £6,918 (2023: £6,441).

The above aggregate remuneration includes the Company's 1 executive Director (2023: 1) and 9 Non-Executive Directors (2023: 9). The Non-Executive Directors are not involved in the daily management or operations of the Company.

Notes to the Financial Statements continued

9 Tax on Surplus on Ordinary Activities

Major components of tax expense

	2024 **£**	2023 £
Current tax:		
UK current tax expense	**26,836**	-
Adjustments in respect of prior periods	**-**	-
Total current tax	**26,836**	-
Deferred tax:		
Origination and reversal of timing differences	**67,686**	71,369
Impact of change in tax rate	**-**	4,555
Tax expense on surplus on ordinary activities	**94,522**	75,924

Reconciliation of tax expense

The tax assessed on the surplus on ordinary activities for the year is the same as (2023: same as) the standard rate of corporation tax in the UK of 25% (2023: 23.5%).

	2024 **£**	2023 £
Surplus on ordinary activities before taxation	**489,534**	478,770
Surplus on ordinary activities by rate of tax	**122,384**	112,511
Items not allowable for tax purposes	**(178)**	(547)
Exempt dividend income	**(46,660)**	(40,465)
Non-chargeable investment losses / (gains)	**18,440**	(3,972)
Unrealised non-chargeable investment losses	**536**	3,842
Effect of increase in tax rate (*)	**-**	4,555
Adjustments to tax charge in respect of previous periods	**-**	-
Tax expense on surplus on ordinary activities	**94,522**	75,924

(*) Deferred tax in the current and prior year has been provided for at a rate of 25% following the substantive enactment of the Finance Bill 2021 giving rise to an increase in the corporation tax rate from 1 April 2023.

Notes to the Financial Statements continued

10 Dividends

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2024 **£**	2023 £
Ordinary A shares at 27.50p (2023: 25.75p)	**1,130**	1,058
Ordinary B shares at £11.00 (2023: £10.30)	**187**	175
	1,317	1,233

Dividends proposed after the year end and not recognised as a liability:

	2024 **£**	2023 £
Ordinary A shares at 28.25p (2023: 27.50p)	**1,161**	1,130
Ordinary B shares at £11.30 (2023: £11.00)	**192**	187
	1,353	1,317

11 Debtors

Loans and advances to customers

	2024 **£**	2023 £
Loans and advances to customers	**9,138,711**	10,330,064

	At 31 Dec 2023 £	Advanced £	Repaid £	Transfer Secured/ Unsecured £	Released/ (provided) £	**At 31 Dec 2024** **£**
Property loans - secured	7,265,355	1,764,451	(1,541,820)	–	–	**7,487,986**
Property loans - unsecured	3,055,122	1,743,000	(3,153,491)	–	–	**1,644,631**
Property loans - total	10,320,477	3,507,451	(4,695,311)	–	–	**9,132,617**
Car loans - unsecured	9,833	–	(3,583)	–	–	**6,250**
	10,330,310	3,507,451	(4,698,894)	–	–	**9,138,867**
Provision for bad debts	(246)	–	–	–	90	**(156)**
	10,330,064	3,507,451	(4,698,894)	–	90	**9,138,711**

Notes to the Financial Statements continued

11 Debtors continued

Loans and advances to customers continued

Of the unsecured property loans shown on the previous page, £984,000 (2023: £2,340,372) relate to short term bridging loans for the purchase of clergy housing. In such cases a solicitor's undertaking has been obtained to repay the proceeds of the house sale to the Company up to the amount of the loan outstanding.

Analysis of maturity of loans and advances to customers

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

	2024 £	2023 £
Due within 3 months	**350,750**	1,449,455
In more than 3 months but not more than 1 year	**1,907,530**	2,103,477
In more than 1 year but not more than 5 years	**3,184,280**	3,463,531
In more than 5 years	**3,696,307**	3,313,847
Less provision for bad debts	**(156)**	(246)
	9,138,711	10,330,064

Term loans above £60,000 are secured by way of a declaration from the trustees of the church or associated organisation as well as a legal charge (unless agreed otherwise by the Board) and loans up to £60,000 by way of a declaration from the trustees of the church or associated organisation. For bridging loans for manse purchases a solicitor's undertaking is obtained to repay the proceeds of the house sale to the Company up to the amount of the loan outstanding.

Notes to the Financial Statements continued

12 Investments

	Government stock £	Commercial loan stock £	Equity investments £	Total £
Cost				
At 1 January 2024	5,189,007	4,500,425	7,100,690	16,790,122
Additions	2,668,004	-	5,915,455	8,583,459
Disposals	(3,422,846)	(333,176)	(5,692,601)	(9,448,623)
Fair value adjustment	-	(117,378)	811,874	694,496
At 31 December 2024	**4,434,165**	**4,049,871**	**8,135,418**	**16,619,454**
Amortisation				
At 1 January 2024	364,989	–	–	364,989
Charge for year	55,620	–	–	55,620
Disposals	(194,474)	–	–	(194,474)
At 31 December 2024	**226,135**	**–**	**–**	**226,135**
Net book value				
At 31 December 2024	**4,208,030**	**4,049,871**	**8,135,418**	**16,393,319**
At 31 December 2023	4,824,018	4,500,425	7,100,690	16,425,133

Investments held at amortised cost totalling £4,208,030 (2023: £4,824,018) have a market value of £4,027,939 (2023: £4,372,672) (including interest accrued of £34,223 (2023: £18,940)).

Investments held at fair value totalling £12,185,289 (2023: £11,601,115) have a historical cost of £12,319,021 (2023: £11,458,987).

If the above investments were realised at the date of the statement of financial position, a corporation tax liability would arise on gains/losses made in the region of £184,000 (2023: £177,000) assuming a tax rate of 25% (2023: 25%).

During the year, the Company disposed/part disposed of 8 debt securities (2023: 6 debt securities), which had been held at amortised cost, as follows:

	2024 £	2023 £
Proceeds	**2,857,158**	249,415
Cost	**(3,422,846)**	(298,208)
Amortisation to date of sale	**194,474**	21,215
	(371,214)	(27,579)

Notes to the Financial Statements continued

13 Tangible Assets

	Freehold Property £	Freehold Improve-ments £	Leasehold Improve-ments £	Office Equipment £	Computer Equipment £	Total £
Cost						
At 1 January 2024	249,802	25,955	27,857	10,726	115,152	429,492
Additions	-	466	-	7,715	576	8,757
Disposal	-	-	(27,857)	(3,853)	-	(31,710)
At 31 December 2024	**249,802**	**26,421**	**-**	**14,588**	**115,728**	**406,539**
Depreciation						
At 1 January 2024	-	-	27,857	10,242	85,903	124,002
Charge for the year	-	2,642	-	1,383	9,263	13,288
Eliminated on disposals	-	-	(27,857)	(3,853)	-	(31,710)
At 31 December 2024	**-**	**2,642**	-	**7,772**	**95,166**	**105,580**
Net book value						
At 31 December 2024	**249,802**	**23,779**	**-**	**6,816**	**20,562**	**300,959**
At 31 December 2023	249,802	25,955	-	484	29,249	305,490

In August 2023, the Company purchased a building (53, Walmgate, York) for use as its office premises for a total cost of £249,802. A programme of upgrading the building began in October 2023 with associated costs of £466 (2023: £25,955) having been incurred during the year. This work was completed by March 2024, enabling the Company to occupy the building prior to the expiry of the lease of its previous premises in April 2024. The building purchased was originally constructed in around 1840 and the Company's policy is for the purchase cost (less residual value) to be depreciated over a 50 year period from the date of acquisition. However, given the nature, location, age and condition of the building, the residual value is expected to be at least equal to the purchase cost, as such no depreciation is charged on the asset.

14 Investments held for short term purposes

	2024 £	2023 £
Funds held short term by Sarasin & Partners LLP for investment	**517,884**	283,197
Cash at bank in 90+ days notice accounts	**1,313,916**	1,293,064
	1,831,800	1,576,261

Notes to the Financial Statements continued

15 Prepayments, accrued income and other assets

	2024 £	2023 £
Prepayments and accrued income	**127,040**	135,703

16 Liabilities

Customer Accounts

	2024 £	2023 £
Customer accounts	**22,043,458**	22,687,021

Amounts standing to the credit of depositors:

	2024 £	2023 £
At 1 January	**22,687,021**	24,113,288
Received	**2,827,888**	2,718,717
Withdrawn	**(3,471,451)**	(4,144,984)
At 31 December	**22,043,458**	22,687,021

Analysis of maturity of customer accounts

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

	2024 £	2023 £
In one year or less or repayable on demand	**19,449,013**	19,691,519
In more than one year but not more than two years	**1,480,613**	1,343,348
In more than two years	**1,113,832**	1,652,154
	22,043,458	22,687,021

Other Liabilities

	2024 £	2023 £
Corporation tax	**26,836**	-
Other taxation and social security	**10,510**	10,279
Accruals and deferred income	**130,126**	121,434
	167,472	131,713

Notes to the Financial Statements continued

17 Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2024 £	2023 £
Included in provisions (note 18)	**188,844**	121,158

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

	2024 £	2023 £
Excess of taxation allowances over depreciation of fixed assets	**4,572**	7,014
Provision for fair value adjustments to investments	**184,272**	177,332
Excess management charges	**-**	(63,188)
	188,844	121,158

18 Provisions

	Deferred tax (note 17) £
At 1 January 2024	121,158
Provided	67,686
At 31 December 2024	188,844

Notes to the Financial Statements continued

19 Financial Instruments

The carrying amount for each category of financial instrument is as follows:

Financial assets:

	2024 £	2023 £
Financial assets measured at fair value through income or expenditure		
– Investments	**12,185,288**	11,601,115

Financial assets that are debt instruments measured at amortised cost		
– Investments	**4,208,030**	4,824,018
– Cash and balances at central banks	**8,355,272**	7,520,873
– Cash held in investment portfolio	**517,884**	283,197
– Cash at bank in 90+ days notice accounts	**1,313,916**	1,293,064
– Loans and advances to customers:		
– – Property loans	**9,132,617**	10,320,477
– – Car loans	**6,250**	9,833
	23,533,969	24,251,462

Financial liabilities:

	2024 £	2023 £
Financial liabilities measured at amortised cost		
– Customer deposit accounts	**22,043,458**	22,687,021

For all financial instruments measured at fair value, the basis for determining the fair value is the quoted market price in an active market.

The following risks arise from the financial instruments held by the Company:

Credit Risk

This is 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.

For each of the Company's holdings in financial instruments, i.e. loans, investments and bank deposits, the Company's maximum exposure to credit risk is the carrying value as shown in the statement of financial position, plus the committed undrawn loans of £0.8 million (2023: £2.2 million). This maximum exposure is before taking into account any underlying security and the Company has no exposure to derivatives or similar instruments.

Notes to the Financial Statements continued

19 Financial Instruments continued

Customer default risk

In total, £7.5 million (2023: £7.3 million) of the Company's £9.1 million (2023: £10.3 million) property loans were secured by legal charge (or equivalent) on church buildings or manses. In addition, for unsecured bridging loans (2024: £1.0 million, 2023: £2.3 million), the Company has obtained undertakings from the appropriate solicitors to repay the proceeds from sale of properties currently being marketed for sale. The remaining loans of £0.7 million (2023: £0.7 million) are generally smaller unsecured loans.

As at 31 December 2024, the Company had one secured bridging loan (2023: no loans) and no unsecured bridging loans (2023: 2 loans) which were neither past due nor impaired but for which capital repayment extensions had been agreed. The capital balance of these loans was £0.4 million (2023: total £0.1 million). The interest has been received on a timely basis and this loan is expected to be repaid in full in the first half of 2025 following the completion of the sale of property.

The Company's loans past due but not impaired are summarised below:

	As at 31 December 2024		As at 31 December 2023	
	Balance overdue £	**Balance of loans £**	Balance overdue £	Balance of loans £
Up to 1 month overdue	**–**	**–**	83,561	225,231
Over 1 month overdue	**–**	**–**	–	–

The Company's property term loans are repayable in semi-annual instalments on 30 June and 31 December each year. The above figures in the prior year represent repayments that were due on 31 December but were received in January, i.e. these relate to short term timing differences only.

Loans and advances to customers are reviewed regularly to determine whether there is any objective evidence of impairment. The Company has no concerns about the credit quality of its loans and no specific impairment provisions have been included.

The Company has never suffered any bad debts on property loans in its history and therefore no collective impairment provision has been included in respect of these. However, a collective provision of £156 (2023: £246) has been included in respect of the £6,250 (2023: £9,833) balance of unsecured car loans.

The Company has not taken possession of any collateral it holds as security for loans during 2024 (2023: none).

19 Financial Instruments continued

Treasury credit risk

The credit risk of treasury assets is considered to be relatively low. No assets are actively traded. Certain liquid assets are held as part of the Company's liquidity buffer.

The Company does not engage in wholesale deposit lending other than with interbank counterparties with strong long-term credit ratings (minimum Moody's rating of Baa3 for UK banks / building societies and A3 for overseas banks / building societies), or allow placements exceeding the Company's large exposures capital base (subject to the PRA notification rules). The amount of deposits placed with any one bank is limited to 25% of the Company's regulatory capital. The maximum term of any deposit as at 31 December 2024 was 6 months (2023 6 months).

In addition, the Company invests in UK government gilts, equities and major company corporate bonds via its Investment Manager, Sarasin & Partners LLP. The Investment Manager operates within parameters and limits agreed by the Board. The corporate bonds are held through a collective investment undertaking considered by the Investment Manager to be low risk and well diversified.

As at 31 December 2024 and at 31 December 2023 none of the treasury assets were past due or impaired.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its current and future obligations as they fall due, or is only able to do so at excessive cost.

The Company's policy is to ensure that it maintains a minimum liquidity position, consisting of bank deposits, UK gilts and other readily-realisable investments, sufficient to meet a demand for payment of all retail deposits repayable within 8 days, even under stressed scenarios.

The maturity of the Company's financial liabilities is shown on the next page.

Notes to the Financial Statements continued

19 Financial Instruments continued

Liquidity Risk continued

	Total £	Less than 1 month (*) £	1 - 3 months £	3 months to 1 year £	1 to 5 years £	More than 5 years £
At 31 December 2024						
Customer deposits	**22,043,458**	11,728,909	9,511,086	-	803,463	-
Other liabilities	**167,472**	167,472	-	-	-	-
	22,210,930	11,896,381	9,511,086	-	803,463	-
At 31 December 2023						
Customer deposits	**22,687,021**	12,157,160	9,726,398	-	803,463	-
Other liabilities	**131,713**	131,713	-	-	-	-
	22,818,734	12,288,873	9,726,398	-	803,463	-

(*) Child Trust Funds have been included in the ‘Less than 1 month’ column as they can be transferred to other providers, at the request of the registered contact, within this period. However, the child is not entitled to the funds until they become 18 years of age and this will occur gradually over the period until 2029.

Market Risk

Market risk is the risk that the value of, or income arising from, the Company’s assets and liabilities change as a result of changes in market prices or interest rates.

The Company has a Board-approved Treasury Policy Statement which includes limits for all aspects of applicable market risks.

Interest Rate Risk

The Company is exposed to the risk of loss from fluctuations in the future cash flows because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps between assets and liabilities based upon the next interest rate re-pricing dates as against the contractual maturity dates of the instruments.

The customer deposits placed with the Company are all variable rate and rates can be adjusted as necessary dependent on market conditions, subject to a 3-month notice period where not in the depositors’ favour.

The Company’s property loans are also all variable rate, although the Company’s policy has been to maintain stability in loan rates wherever possible.

Notes to the Financial Statements continued

19 Financial Instruments continued

Market Risk continued

Interest Rate Risk continued

The Company's deposits placed with other financial institutions are also variable rate with no fixed rate or fixed term deposits held as at 31 December 2024 (2023: none) and no deposits linked to other benchmarks.

The Company holds no options or other derivative instruments and has no multi-currency interest rate exposures.

Therefore, the Company's interest rate risk arises primarily as a result of its investment portfolio. The bond and gilt investments are fixed rate, fixed term investments and so changes in market interest rates will have the following effects:

- In the event of rising market interest rates, no additional income will be generated from these investments to fund the possible interest rate rises for the Company's depositors.
- The market value of the fixed rate investments will decrease in the event of market rate rises (which have not already been priced into the current market value).

The Senior Officers monitor the interest rate risk on a monthly basis and this is reported to the Audit and Risk Committee. The impact of a potential 2% parallel shift in the yield curve against the Company's interest-bearing assets is computed back to a net present value.

The reported interest rate sensitivity on the year-end statement of financial position (measured as the effect of a 2% parallel shift in Sterling interest rates) was as follows:

	2024 **£'000**	2023 £'000
Net present Value Sensitivity to:		
Positive Shift (+2%)	**(273)**	(407)
Negative Shift (-2%)	**316**	472

The interest rate sensitivities above are illustrative only and are based on simplified scenarios. The figures represent the effect on net interest income and fixed interest security values arising from a parallel fall or rise in the yield curve and do not take into account the effect of any further actions taken to mitigate the effect.

Notes to the Financial Statements continued

19 Financial Instruments continued

Market Risk continued

Interest Rate Risk continued

A 2% rise in market rates would also have the following effect on the Company's ongoing operating surplus, assuming that it was passed on in full to both borrowers and depositors and was reflected in rates available on the Company's bank deposits:

	2024 £'000	2023 £'000
Reduction in surplus	**65**	71

In reality, the Company would carefully and quickly manage the extent to which the rate increase was passed on to depositors and borrowers to minimise this risk further. In addition, the Company can make transfers to/from its investment portfolio which gives a further tool to manage its net surplus.

Foreign exchange risk

The Company has no significant direct exposure to foreign exchange rate movements as almost all of its assets and liabilities are Sterling denominated.

Market price risk

The Company has a significant investment portfolio of long-term investments which are held primarily in order to:

- provide income to cover the Company's fixed costs and enable it to fulfil its primary purpose, i.e. providing loans for building schemes to Christian churches and associated organisations at the lowest practicable rate of interest throughout the duration of each loan;
- provide readily realisable assets (primarily the government gilts part of the portfolio) to enable the Company to meet its liquidity requirements; and
- generate long term capital growth to further strengthen the Company's capital base.

The investment portfolio is managed by Sarasin & Partners LLP within an investment mandate including benchmarks, limits and other parameters agreed by the Board within the Company's risk appetite.

The main market risk relates to the volatility of the investments, particularly the equities and equity funds in response to market or investment-specific events. A 25% decrease in the market value of equity investments would result in a negative movement in the unrealised gain/loss on these investments totalling £2.0 million (2023: £1.8 million). The Company's capital would decrease by the same amount but would remain well above the regulatory minimum.

Notes to the Financial Statements continued

19 Financial Instruments continued

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.

The Company is obliged to maintain regulatory capital above the €5 million base capital requirement applicable to banks or the amount calculated under the Pillar 1 plus Pillar 2A requirements, whichever is the higher.

In addition, the Company's internal policy is to maintain an internally-calculated buffer to cover potential stresses.

The Company's actual regulatory capital, all of the highest quality 'Common Equity Tier 1', remained above that required by the regulatory limit and internal policy during 2024 (and 2023).

20 Called Up Share Capital

Issued, called up and fully paid:

	2024		2023	
	No	**£**	No	£
Ordinary A shares of £0.25 each	**4,108**	**1,027**	4,108	1,027
Ordinary B Shares of £10 each	**17**	**170**	17	170
	4,125	**1,197**	4,125	1,197

20 Operating Leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2024 £	2023 £
Not later than 1 year	**2,531**	4,656
Later than 1 year and not later than 5 years	**8,161**	9,969
Later than 5 years	**-**	723
	10,692	15,348

Notes to the Financial Statements continued

22 Analysis of Changes in Net Debt

	At 1 Jan 2024 £	Cash flows £	At 31 Dec 2024 £
Cash and cash equivalents			
Cash at bank and in hand	7,520,873	834,399	**8,355,272**
Short term liquid investments	1,576,261	255,539	**1,831,800**
	9,097,134	1,089,938	**10,187,072**
Borrowings			
Debt due within one year	–	–	**–**
Total	9,097,134	1,089,938	**10,187,072**

£1,313,916 (2023: £1,293,064) held within bank accounts requiring more than 90 days' notice of withdrawal has been included within investments held for short term purposes.

23 Related Party Transactions

Anne Goodman (Director) is the Chief Executive of the Trustees for Methodist Church Purposes. The Trustees for Methodist Church Purposes hold, as full trustee of the MCA Charitable Trust, 30% (2022: 30%) of the share capital of the Company. It holds these shares for the charitable purposes of the Methodist Church generally.

The Directors are considered to be the key management personnel of the Company and their remuneration has been disclosed in note 8.

24 Winding up

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.

25 Controlling Party

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

Officers and Professional Advisers

The Board of Directors
As at 31 December 2024

Richard J Price MA (Chair from 1 December 2024, previously Deputy Chair)
Peter A Mills FCA (Deputy Chair from 1 December 2024, previously Chair)
Helen E Ashley Taylor BMus FCCA
D Jeremy M Burchill LLB BL
J Paul Casey (appointed 1 May 2024)
Rt Revd Paul J Ferguson MA FRCO (retired 18 April 2024)
Anne F Goodman BSc (Econ)
Peter Green MBA
A Christopher Jarratt BSc FCA
Guy Priestley ACIB
Andrew C Slim BA FCIB

Chief Executive

A Christopher Jarratt BSc FCA

Company Accountant and Company Secretary

Steven R Jones BA FCCA

Registered Office

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www.mcafundingforchurches.co.uk

Registered in England and Wales No. 30546

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority
Firm Reference No: 204508

Auditor

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Chartered Accountant & Statutory Auditor
The Beehive
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Principal Banker

HSBC Bank Plc
City of London Branch
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Solicitor

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Investment Manager

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Internal Auditor

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