Registered Number 6369

REPORT & ACCOUNTS 1999

METHODIST INSURANCE

Contents

Mission Statement

Methodist Insurance specialises in the insurance of properties belonging to the Methodist Church and its associated organisations and is broadening its base to serve a wider public.

The Company aims to provide a first class service to all its clients, to satisfy their needs and expectations and to deal promptly and responsibly with their claims.

As part of its Christian witness, the Company's investment portfolio is constructed on a basis consistent with the moral stance and teachings of the Methodist Church.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the one hundred and twenty-seventh Annual General Meeting of the Company will be held at the Company's offices, Brazennose House, Brazennose Street, Manchester, on Wednesday, 17 November 1999 at 12.30 p.m. to transact the following ordinary business:

Resolution No. 1	To receive and consider the Report of the Directors and the Accounts for the year ended 30 June 1999.
Resolution No. 2	To declare a dividend.
Resolution No. 3	To approve the directors' recommended distribution of charitable grants amounting to £350,000 to Methodist funds and organisations.
	To re-elect the following directors who retire by rotation in accordance with Article 93 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:
Resolution No. 4	Herbert W. Tuckey.
Resolution No. 5	Susan R. Howdle.
Resolution No. 6	G. Michael Wearing.
	To elect the following director who retires in accordance with Article 99 of the Company's Articles of Association and who, being eligible, offers himself for election.
Resolution No. 7	Graham V. Doswell.
Resolution No. 8	To re-appoint KPMG Audit Plc as auditors and to authorise the directors to fix their remuneration.

To transact any other ordinary business.

By Order of the Board,
G. SIMPSON, Secretary.
26 October 1999.

A member entitled to attend and vote at this meeting may appoint another person, whether a member or not, as his proxy to attend and, on a poll, to vote instead of him.

Directors and Officers

Directors

Herbert W. Tuckey, F.C.A.	Chairman.
Michael A. H. Willett, F.I.A.	Deputy Chairman.
Susan R. Howdle, B.C.L., M.A.	
Rev. Ralph E. Fennell, M.A.	
Andrew G. Gibbs, M.A., F.C.A.	
Colin H. Boothman, F.R.I.C.S., M.A.Cost E.	
Rev. G. Michael Wearing, M.A., B.D.	
Rev. Martin V. Caldwell.	
Christopher F. Nock, A.C.I.I.	
David A. Blanks, B.A., F.C.I.I.	
Graham V. Doswell, F.C.I.I.	

Officers

David A. Blanks, B.A., F.C.I.I.	General Manager.
Grayham Simpson, F.C.I.S.	Financial Controller and Secretary.
Ronald W. Barnet, F.C.I.I.	Underwriting Manager.

Head Office and Registered Address

Brazennose House, Brazennose Street, Manchester M2 5AS.
Telephone 0161-833 9696
Fax 0161-833 1287

Irish Office

Ecclesiastical Insurance Office plc, 65 Fitzwilliam Square, Dublin 2.
Desmond Campbell. — Attorney for the Republic of Ireland.

Auditors

KPMG Audit Plc, Chartered Accountants,
St. James' Square, Manchester M2 6DS.

Bankers

Midland Bank plc,
100 King Street, Manchester M60 2HD.

Statement by the Chairman

I have the pleasure in presenting the first set of audited accounts reflecting our new arrangement with Ecclesiastical Insurance Group plc. This is working well to our mutual advantage which confirms the decision we made last year.

In the year to 30 June 1999 we have an operating profit on ordinary activities of £1,266,054 compared with £2,634,626 in the previous year. This difference is accounted for by the significant change in the amount of unrealised gains on investments, £2,553,405 last year compared with £862, 847 this year. If this unrealised gain is ignored there is a profit of £403,207 compared with £81,221 last year.

The new reinsurance and management agreements are reflected in many of the detailed comparative figures. It is noteworthy that Gross Premiums written have increased, albeit by only about 2%. With the exception of Reinsurance, this increase is across all direct categories as shown in note 1(b) to the Accounts. This is pleasing as we continue to operate in a competitive market and reflects in part the launch of our new Excel policy.

Gross claims paid have again increased, however the effect of the change in the claims provision and our new reinsurance agreements have significantly reduced the net cost of claims incurred falling from £3,511,494 to £2,015,072. Once again our results have been affected by provisions for the cost of the continuing notification of child abuse and liability claims.

After increasing the amount of grants paid to the Methodist Church to £350,000 compared with £300,000 last year and providing for our tax liability, we have added £720,358 to our Capital and Reserves.

On 1 April we "went live" with our new computer system. The success of this repaid all the careful preparatory work which had led to that moment. We are very grateful to Grayham Simpson and his team who spearheaded this task for us.

As in all spheres of life personal relationships are of crucial importance. We were pleased to acknowledge this by welcoming Graham Doswell, Managing Director of Ecclesiastical Insurance Group, to our Board of Directors. Ron Barnet has been appointed as Underwriting Manager in place of Michael Jarrett who with Colin Ashton are on long term sick leave. Ralph Fennell retires from the Board after fourteen years service. As a former General Secretary of the Property Division and a former Chairman of District, Ralph was able to bring valuable insight to the Board and we shall miss his perceptive contributions.

For many years we have had a number of untraced shareholders and you may have seen that we have been advertising for them or their descendants to come forward and claim the shares to which they are entitled. I draw your attention to the directors proposals on page 7 regarding this matter.

The report and accounts reflect the hard work of our management and staff, ably led by David Blanks and also the support of intermediaries and superintendent ministers. In expressing my sincere thanks to my Deputy Chairman, Michael Willett and my colleagues on the Board these thanks go to all involved in this account of our stewardship over the past year.

These are tough times for insurers and competition is rife. Large companies seem intent on becoming larger by acquisition of other companies and buying business at uneconomic rates. Whereas this is likely to continue, there is still a place for the specialist insurer which seeks to serve the best interest of their speciality. I am confident that as we continue to serve the best interests of The Methodist Church and those who insure with us, we shall continue to hold our own in years to come.

Herbert W. Tuckey - Chairman.

Report of the Directors

The directors submit the Annual Report and Accounts of the Company for the year ended 30 June 1999.

Financial Results

The Profit and Loss Account on pages 8 and 9 shows the profit for the year.
The directors recommend a dividend for the year of 1p per share.

Activities

The principal activity of the Company is the transaction of general insurance business.

Review of Activities

The Chairman's review of the affairs of the Company is set out on page 5.

Directors

The names of the present directors are shown on page 4.
Mr. H.W. Tuckey, Mrs. S.R. Howdle and Rev. G.M. Wearing retire from the board by rotation and, being eligible, offer themselves for re-election.
Mr. G.V. Doswell has been appointed as a director since the last Annual General Meeting. In accordance with Article 99 of the Company's Articles of Association he now retires from the board and being eligible, offers himself for re-election.

Directors' Shareholdings

The directors were interested in the shares of the Company as follows:

	30 June 1999	30 June 1998		30 June 1999	30 June 1998 (or date of appointment)
H.W. Tuckey	1,025	825	Rev. G.M. Wearing	202	35
M.A.H. Willett	1,025	825	Rev. M.V. Caldwell	241	75
S.R. Howdle	250	250	C.F. Nock	250	250
Rev. R.E. Fennell	192	25	D.A. Blanks	485	935
A.G. Gibbs	300	300	G.V. Doswell	250	250
C.H. Boothman	500	500			

Directors' Responsibilities for the Preparation of Financial Statements

Company law requires the directors to prepare financial statements for each financial year which comply with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and estimates that are reasonable and prudent;
c) state whether applicable accounting standards have been followed;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Charitable and Political Contributions

Charitable contributions donated during the year amounted to **£350,885** (1998 £300,904). There were no contributions for political purposes.

Payment of Creditors

It is Company policy to settle all debts with its creditors on a timely basis, taking account of the credit period given by each supplier. The number of days' billings from suppliers outstanding at the end of the financial year was 24 (1998 38).

Report of the Directors (continued)

Year 2000

There is a risk that computers and other electronic systems may fail to function correctly through an inability to recognise or interpret properly dates beyond 31 December 1999. The Company has addressed the issue and all business critical systems are now year 2000 compliant. The operation of our business depends not only on our computer systems, but also to some degree on those of third party partners and suppliers, and where appropriate formal assurances have been sought that their systems will be millennium compliant.

The cost to the business of the millennium compliance programme has not been calculated as a separate item. Most of the likely cost has been charged by 30 June, 1999.

Wherever possible, the potential impact of insurance claims arising from year 2000 related failure has been reduced by inserting exclusion clauses.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board,
G. SIMPSON, Secretary.
30 September 1999.

G. Simpson

Untraced Shareholders

More than three months have elapsed since we placed the last advert re untraced shareholders and there remain at today's date 335 shares (representing some 1.79 percent of the issued share capital of the Company) which have not been claimed. In addition we have received communications in respect of 50 shares where interested parties may be pursuing a claim. We are, therefore, now in a position pursuant to Article 149 of our Articles of Association to sell 335 unclaimed shares on behalf of those untraced members.

The manner of selling these unclaimed shares and the price at which they should be sold is in the discretion of the directors. The directors, taking into account relevant legislation, have resolved that the most appropriate way of dealing with the matter is to give existing members the opportunity to indicate whether they would be interested in acquiring any of these shares whereupon the directors will determine upon an appropriate basis of allocation. In order to ensure that all the shares are taken up, the directors have agreed to acquire the shares themselves if there is insufficient interest from members.

The price the directors have decided should be paid for each share is 10p, which is the amount paid in cash on each share and is the price at which shares in the Company have traded at in the past, and accords with the value on a winding-up of the Company as explained in note 11 to these accounts.

The proceeds of the sale will, pursuant to the Articles, remain a permanent debt of the Company to the person entitled until claimed but no interest will accrue on such money.

In the event that any new claims are made, or any existing claimant decides not to pursue a notified claim prior to the date of sale the number of shares being sold will change accordingly.

Should any member, therefore, wish to acquire part of the 335 shares currently held by untraced members (up to a maximum of 100 shares per member), please could they write to the Company Secretary at the registered address shown on page 4 indicating their interest by no later than 30th November 1999.

Profit and Loss Account : Technical Account - General Business

(continuing operations)

For the year ended 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Earned premiums, net of reinsurance					
Gross premiums written	1	7,435,258		7,294,735	
Outward reinsurance premiums		(7,376,430)		(3,238,585)	
			58,828		4,056,150
Change in the gross provision for unearned premiums		(85,929)		252,290	
Change in the gross provision for unearned premiums, reinsurers' share		2,446,361		(190,307)	
			2,360,432		61,983
			2,419,260		4,118,133
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(4,354,532)		(4,149,407)	
Reinsurers' share		2,053,753		1,214,499	
		(2,300,779)		(2,934,908)	
Change in the provision for claims					
Gross amount		(754,841)		(1,332,402)	
Reinsurers' share		1,040,548		755,816	
		285,707		(576,586)	
			(2,015,072)		(3,511,494)
Net operating expenses	3		(950,404)		(1,315,796)
General business operating result			(546,216)		(709,157)
Change in the equalisation provision	4		(2,427)		(102,295)
Balance on the technical account for general business	1		(548,643)		(811,452)

The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Profit and Loss Account : Non-technical Account

(continuing operations)

For the year ended 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Balance on the general business technical account			(548,643)		(911,452)
Investment income	5	951,850		892,673	
Unrealised gains on investments		862,847		2,553,405	
			1,814,697		3,446,078
Operating profit on ordinary activities before other charges			1,266,054		2,634,626
Charitable grant to Methodist funds and organisations			(350,000)		(300,000)
Profit on ordinary activities before tax			916,054		2,334,626
Tax on profit on ordinary activities	6		(195,509)		(767,244)
Profit on ordinary activities after tax			720,545		1,567,382
Dividends proposed			(187)		(187)
Profit for the financial year	7		720,358		1,567,195

There are no recognised gains or losses other than the profit on ordinary activities after tax stated above.

A separate reconciliation of the movement in the shareholders' funds is not provided as there are no movements for the year other than the profit shown above.

Statement of Historical Cost Profits and Losses

For the year ended 30 June 1999

	1999 £	1998 £
Profit on ordinary activities before tax	916,054	2,334,626
Realisation of revaluation gains on previous years	569,598	145,615
Net unrealised gains	(862,847)	(2,553,405)
Historical cost profit/(loss) on ordinary activities before tax	622,805	(73,164)
Historical cost profit/(loss) for the financial year	427,109	(840,595)

The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Balance Sheet

As at 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Assets					
Investments					
Other financial investments	8		15,265,197		17,668,963
Reinsurers' share of technical provisions					
Provision for unearned premiums		4,073,962		1,627,601	
Claims outstanding		8,508,318		7,467,770	
			12,582,280		9,095,371
Debtors					
Debtors arising out of direct insurance operations					
Policyholders		99,257		64,313	
Intermediaries		664,459		554,427	
		763,716		618,740	
Debtors arising out of reinsurance operations		670,559		379	
Other debtors		108,798		21,417	
			1,543,073		640,536
Other assets					
Tangible assets	9	595,832		603,669	
Cash at bank and in hand	10c	1,026,328		884,557	
			1,622,160		1,488,226
Prepayments and accrued income					
Accrued interest and rent		124,561		167,145	
Deferred acquisition costs		-		240,367	
Other prepayments and accrued income		130,385		218,319	
			254,946		625,831
			31,267,656		29,518,927

The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Balance Sheet

As at 30 June 1999

	Note	1999 £	1999 £	1998 £	1998 £
Liabilities					
Capital and reserves					
Called up share capital	11	112,500		112,500	
Profit and loss account	7	9,101,281		8,380,923	
			9,213,781		8,493,423
Technical provisions					
Provision for unearned premiums		4,073,962		3,988,033	
Claims outstanding		15,619,493		14,864,652	
Equalisation provision	4	205,119		202,692	
			19,898,574		19,055,377
Provisions for other risks and charges	12		1,259,180		1,359,203
Creditors					
Creditors arising out of direct insurance operations					
Policyholders		14,182		12,862	
Intermediaries		3,942		2,258	
		18,124		15,120	
Creditors arising out of reinsurance operations		567,361		197,078	
Other creditors including taxation and social security	13	272,719		363,554	
Proposed dividend		187		187	
			858,391		575,939
Accruals and deferred income			37,730		34,985
			31,267,656		29,518,927

The financial statements were approved by the board of directors on 30 September 1999 and were signed on its behalf by:

Herbert W. Tuckey, Chairman.

The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Cash Flow Statement

For the year ended 30 June 1999

	Note	£	1999 £	£	1998 £
Net cash flows from operating activities	10a		(2,265,795)		1,272,050
Taxation					
U.K. corporation tax paid		(329,826)		(47,354)	
Overseas tax paid		(858)		(961)	
			(330,684)		(48,315)
Capital expenditure					
Purchase of tangible fixed assets			(335,773)		(350,316)
Equity dividends paid			(187)		(187)
Charitable grants paid			(350,000)		(300,000)
Net cash (outflow)/inflow			(3,282,439)		572,732
Cash flows were applied as follows:					
Increase in cash holdings			141,771		73,774
Net portfolio (divestment)/investment					
Shares and other variable yield securities		(656,861)		(63,979)	
Debt securities and other fixed income securities		(726,788)		610,982	
Loans secured by mortgages		(12,000)		(19,302)	
Other loans: unsecured		(885)		(4,410)	
Deposits with credit institutions		(2,027,676)		(24,333)	
	10b		(3,424,210)		498,958
Net application of cash flows			(3,282,439)		572,732

Movement in opening and closing cash and portfolio investments

	Note	£
Net cash inflow for the period		141,771
Cash flow from portfolio investments		(3,424,210)
Movements arising from cash flows		(3,282,439)
Changes in market values		1,020,444
Total movement in cash and portfolio investments		(2,261,995)
Cash and portfolio investments at 1 July 1998		18,553,520
Cash and portfolio investments at 30 June 1999	10c	16,291,525

The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Accounting Policies

A. Disclosure requirements

The accounts have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The financial statements have also been prepared in accordance with applicable accounting and reporting standards and the statement of recommended practice on accounting for insurance business issued by the Association of British Insurers and under the historical cost convention with investments being included at market value as permitted by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993.

B. Premium income

1. Premiums written are accounted for in the year in which the risk commences.
2. Unearned premiums represent that proportion of premiums written in the year to 30 June, which relate to periods from 1 July to the subsequent dates of expiry of the policies, and have been computed as follows:-
(i) Direct business - on a daily pro-rata basis.
(ii) Inwards treaty business - as provided for in the respective treaty contracts.

C. Claims

1. Outstanding

Provisions for notified claims as at 30 June each year are determined on an individual case basis after taking into account related handling expenses, expected recoveries, anticipated inflation and trends in settlements. Estimates made are based on the information available at the time.
Provision is also made in respect of claims incurred but not reported at 30 June.
Any differences between original claims provisions and subsequent re-estimates or settlements are reflected in the underwriting results of the year in which claims are re-estimated or settled.

2. Incurred

Claims incurred includes all claims and claims settlement expense payments made in respect of the financial period, and the movement in provision for outstanding claims and settlement expenses and includes claims incurred but not reported, net of salvage and subrogation recoveries.

3. Equalisation provision

An equalisation provision has been established comprising amounts set aside in accordance with the Insurance Companies (Reserves) Act 1995 to mitigate exceptional high loss ratios in future years for classes of business displaying a high degree of claims volatility.

D. Investments

1. Investment income

Investment income is accounted for on an accruals basis, including, where appropriate, the imputed tax credit. Dividends are recognised on the date on which the related investment goes 'ex-dividend'. Interest is accrued up to the balance sheet date. Realised gains or losses represent the difference between net sales proceeds and purchase price or, if previously valued, the valuation at the last balance sheet date.

2. Unrealised gains and losses

Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date. All unrealised gains and losses are taken to the Non-technical Account.

3. Valuation

All investments are stated at their current value. Listed investments are stated at mid-market value. Unlisted investments are valued by the directors on a prudent basis with regard to their likely realisable values.

E. Capital expenditure

Expenditure on computer equipment and software, office equipment, furniture, fixtures and fittings, and motor vehicles is capitalised and depreciated by equal annual instalments over the estimated useful lives of the assets, which are as follows:

Computer equipment and software	4 years
Office equipment	5 years
Furniture, fixtures and fittings	8 years
Motor vehicles	5 years

F. Deferred acquisition expenses

Provision is made for deferred acquisition expenses relating to unearned premiums. However, under current 100% reinsurance arrangements there is no net unearned premium at 30 June 1999 and consequently no provision.

G. Foreign currencies

Assets and liabilities in foreign currencies have been converted into sterling at the rates of exchange ruling at 30 June. Differences on exchange have been dealt with through the Profit and Loss Account.

H. Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that a liability will crystallise in the foreseeable future.

1 Segmental Information

a. Geographical analysis

	1999 Gross premiums written £	1999 Profit before tax £	1999 Net assets £	1998 Gross premiums written £	1998 Profit before tax £	1998 Net assets £
United Kingdom	7,154,770	894,708	8,710,069	7,061,346	2,139,958	3,010,842
Eire	280,488	21,346	503,712	233,389	144,670	482,581
Total	7,435,258	916,054	9,213,781	7,294,735	2,384,628	3,493,423

b. Technical account analysis

	Direct fire and damage to property £	Direct liability £	Direct accident and health £	Direct miscellaneous financial loss £	Direct total £	Reinsurance £	Grand total £
1999							
Gross premiums written	6,331,430	675,184	163,238	87,035	7,256,887	178,371	7,435,258
Gross premiums earned	6,217,208	653,534	157,913	72,652	7,101,307	248,022	7,349,329
Gross claims incurred	2,365,769	2,582,615	38,043	13,785	5,000,212	109,161	5,109,373
Gross operating expenses	1,064,939	113,690	27,669	13,988	1,220,286	149,549	1,369,835
Gross technical result	2,786,500	(2,042,771)	92,201	44,879	880,809	(10,688)	870,121
Reinsurance balance	2,471,427	(1,139,218)	36,845	48,300	1,417,354	1,410	1,418,764
Net technical result	315,073	(903,553)	55,356	(3,421)	(536,545)	(12,098)	(548,643)
1998							
Gross premiums written	6,219,617	646,985	159,315	69,815	7,095,732	199,003	7,294,735
Gross premiums earned	6,334,417	749,217	160,470	71,804	7,315,908	231,117	7,547,025
Gross claims incurred	4,004,753	1,446,691	(2,797)	12,333	5,460,980	20,829	5,481,809
Gross operating expenses	1,830,319	190,423	46,838	20,578	2,088,158	139,577	2,227,735
Gross technical result	499,345	(887,897)	116,429	38,893	(233,230)	70.711	(162,519)
Reinsurance balance	350,505	248,495	1,966	35,609	636,575	12,358	643,933
Net technical result	148,840	(1,136,392)	114,463	3,284	(869,805)	58,353	(811,452)

Commission payable in respect of direct insurance is £230,724 (1998 £449,587).

2 Prior Years' Claims Provisions

The difference between the loss provision made at the beginning of the year for outstanding claims incurred in previous years, and the payments made during the year and the loss provision at the end of the year in respect of such outstanding claims, (under)/over, are as follows:

	1999 £	1998 £
Fire and damage to property	696,939	501,310
Liability	(839,645)	(1,070,345)
Accident and health	13,465	33,545
Miscellaneous financial loss	(4,597)	3,730
	(133,838)	(531,760)

3 Net Operating Expenses

	1999	1998
	£	£
Acquisition costs, being commissions	(9,943)	435,834
Change in gross deferred acquisition costs	240,667	13,714
	230,724	449,548
Administrative expenses	1,139,111	1,778,187
Gross operating expenses	1,369,835	2,227,735
Reinsurance commissions and profit participation	(419,431)	(911,939)
	950,404	1,315,796
Net operating expenses include:		
Directors' emoluments		
Executive capacity (excluding pension contributions)	35,806	77,106
Non-executive capacity (excluding pension contributions)	25,769	28,686
Pension Contributions	5,241	9,274
Pension to former director	13,604	13,107
Auditors' remuneration		
Audit fees	13,747	14,913
Non-audit fees	105,886	3,713
Depreciation	343,610	262,394

4 Equalisation Provision

This is required by law to be included within technical provisions in the balance sheet. However, there was no liability for such amounts at the balance sheet date and, as such, these reserves are over and above the provisions required to meet the anticipated ultimate cost of settlement of outstanding claims at the balance sheet date.The charge to the general business technical account of £2,427 has increased the provision to £205,119.

5 Investment Income

	1999	1998
	£	£
Income from investments	794,253	838,756
Gains on the realisation of investments	157,597	53,917
	951,850	892,673

6 Taxation

	1999	1998
	£	£
U.K. corporation tax at 29%	296,500	340,000
Over provision in respect of prior years	(35,021)	(25,001)
Tax in respect of U.K. dividends received	34,053	4,497
	295,532	319,496
Deferred taxation	(100,023)	447,748
	195,509	767,244

7 Reserves

	Profit & loss account
	£
At beginning of year	8,380,923
Profit for the financial year	720,358
At end of year	9,101,281

8 Investments

	Market value 1999 £	Market value 1998 £	Cost 1999 £	Cost 1998 £
Shares and other variable-yield securities	6,088,054	6,517,537	1,815,053	1,911,092
Debt securities and other fixed-income securities	8,786,052	8,719,774	6,254,713	6,815,129
Loans secured by mortgages	152,800	164,300	152,800	164,300
Other loans: unsecured	-	885	-	885
Deposits with credit institutions	238,291	2,265,967	238,291	2,265,967
	15,265,197	17,668,463	8,460,857	11,157,373
Investments listed on the U.K. Stock Exchange included above	14,849,106	15,212,312	8,044,766	8,701,221

9 Tangible Assets

	Computer equipment & software £	Office equipment fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 July 1998	993,904	189,615	68,262	1,251,781
Additions	333,783	1,990	-	335,773
At 30 June 1999	1,327,687	191,605	68,262	1,587,554
Accumulated depreciation				
At 1 July 1998	526,412	88,748	32,952	648,112
Depreciation for the year	307,444	22,514	13,652	343,610
At 30 June 1999	833,856	111,262	46,604	991,722
Net book value				
At 30 June 1999	493,831	80,343	21,658	595,832
At 30 June 1998	467,492	100,867	35,310	603,669

10 Cash Flow Statement

a. Reconciliation of operating profit to net cash flows from operating activities

	1999 £	1998 £
Profit on ordinary activities before other charges	1,266,054	2,634,626
Depreciation charges	343,610	262,394
Unrealised gains on investments	(862,847)	(2,553,405)
Realised gains on investments	(157,597)	(53,917)
(Increase)/Decrease in debtors	(902,537)	163,451
Decrease in prepayments and accrued income	370,885	40,043
(Decrease)/Increase in technical provisions	(2,643,712)	616,898
Increase in creditors	351,657	168,426
Tax in respect of U.K. dividends received	(34,053)	(4,497)
Increase/(Decrease) in accruals and deferred income	2,745	(1,969)
Net cash (outflow)/inflow from operating activities	(2,265,795)	1,272,050

b. Net portfolio investments

The movement on net portfolio investments is made up as follows:

	Purchases 1999 £	Sales 1999 £	Net 1999 £	Purchases 1998 £	Sales 1998 £	Net 1998 £
Shares and other variable yield securities	3,344	660,205	(656,861)	300,158	364,137	(63,979)
Debt securities and other fixed income securities	-	726,788	(726,788)	860,982	250,000	610,982
Loans secured by mortgage	-	12,000	(12,000)	19,000	38,302	(19,302)
Other loans: unsecured	-	885	(885)	-	4,410	(4,410)
	3,344	1,399,878	(1,396,534)	1,180,140	656,849	523,291
Deposits with credit institutions			(2,027,676)			(24,333)
			(3,424,210)			498,958

c. Movement in cash and portfolio investments

	At 1 July 1998 £	Cash flow £	Changes to market value £	At 30 June 1999 £
Cash at bank and in hand	884,557	141,771	-	1,026,328
Shares and other variable yield securities	6,517,537	(656,861)	227,378	6,088,054
Debt securities and other fixed income securities	8,719,774	(726,788)	793,066	8,786,052
Loans secured by mortgages	164,800	(12,000)	-	152,800
Other loans: unsecured	885	(885)	-	-
Deposits with credit institutions	2,265,967	(2,027,676)	-	238,291
	18,553,520	(3,282,439)	1,020,444	16,291,525

11 Share Capital

At 30 June 1999 and 1998	Authorised £	Issued £
18,750 shares of £6 each fully paid	112,500	112,500

On a winding-up of the Company, shareholders are only entitled to receive the amount paid up in cash, excluding any amount credited as paid up resulting from the capitalisation of any reserves or profits of the Company. They have no further right to participate in the surplus assets of the Company.
The remaining surplus is to be distributed to or for the benefit of the Methodist Church, as defined and constituted under the Methodist Church Act 1976 or the Methodist Church in Ireland, as the Company in general meeting on the recommendation of the directors shall determine.

12 Provisions for Other Risks and Charges
Deferred taxation

	£
At beginning of year	1,359,203
Charge for the year in the profit and loss account	(100,023)
At end of year	1,259,180

Deferred taxation has been fully provided for as follows:

	1999 £	1998 £
Difference between accumulated depreciation and capital allowances	(23,501)	12,549
On revaluation of investments	1,327,964	1,427,998
Other timing differences	(45,283)	(81,344)
	1,259,180	1,359,203

13 Other Creditors including Taxation and Social Security

	1999	1998
	£	£
Taxation payable	131,045	145,024
Social security	10,233	85,042
Other	131,441	133,488
	272,719	363,554

14 Staff Numbers and Costs

The average number of persons employed by the Company (excluding directors) during the year was as follows:

	1999	1998
Underwriting	-	19
Claims	-	8
Accounting	-	6
Administration	-	9
	-	42

The aggregate payroll costs in respect of these persons were as follows:

	1999	1998
	£	£
Wages and salaries	-	751,843
Social security costs	-	61,518
Other pension costs	-	299,573
	-	1,112,934

From 1 July 1998 the business of the Company has been managed by Ecclesiastical Insurance Office plc which took over the employment of all the staff of the Company from that date.

15 Pension Costs

The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company under a Grouped Funding policy. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the Attained Age method. The scheme has been closed to new entrants from 1 July 1998 and the Attained Age method is particularly suitable for such schemes. The most recent valuation was as at 1 January 1999. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 7½ % per annum, that salary increases would average 6 % per annum and that present and future pensions would increase at the rate of 4% per annum. The most recent actuarial valuation showed that the notional value of the scheme's assets was £3,457,435 and that the actuarial value of those assets represented 106% of the benefits that had accrued to members, based on salaries projected to normal retirement date or the date of earlier withdrawal.
The pension contribution for the period was £106,726 (1998 £299,572).
One director is accruing retirement benefits under this scheme.

16 Transactions with Directors & Officers

At 30 June 1999 the amounts outstanding in respect of transactions, arrangements and agreements with directors and officers of the Company were:

Directors:

Director	Loan Type	Security	Interest Paid	Maximum Balance during the year	Outstanding 30-6-99	Outstanding 30-6-98
			£	£	£	£
D.A.Blanks	House Purchase	Mortgage	200	7,000	-	7,000
	Sundry	None	-	7,936	4,329	4,329

Officers:

	Number of officers	1999	1998
		£	£
House purchase loans	1	35,000	40,000
Other loans	2	4,582	7,480

Notes on the Accounts (continued)

17 Currency Exchange

The rate of exchange used for converting Eire Punts was IR£1.2002.

18 Financial Commitments

	1999	1998
	£	£
Authorised by the directors and contracted for:		
Capital expenditure	-	106,000
Computer software	-	35,000

19 Significant Shareholding

At 30 June 1999 the Company had an interest of 20% or more of the nominal value of the issued share capital in Epworth Investment Management Limited which is held as an investment of the Company. Mr M.A.H. Willett, a director of the Company, is also on the board of Epworth Investment Management Limited. The holding has not been dealt with in accordance with the statement of standard accounting practice relating to associated companies because the Company does not exert a significant influence over the operating and financial policy of Epworth Investment Management Limited.

Details of the Company's shareholding:

Country of incorporation	Class of shares held	Percentage held
England	Ordinary shares	25
England	9% Non-voting redeemable preference shares	25

The called-up share capital of Epworth Investment Management Limited is £100,000. The company's last accounts for the year ended 31 August 1998 show capital and reserves of £111,079 following a profit for the year of £19,359. There is no market in the company's shares which have been valued at cost in the accounts.

20 Related Party Transactions

At 1 July 1998 the Company entered into a Joint Administration Agreement with Ecclesiastical Insurance Office plc, under which Ecclesiastical Insurance Office plc manages and administers the Company's insurance business and accepts all insurances written by the Company.

During the year the Company ceded premiums net of claims and commissions to the value of £6,114,879 to Ecclesiastical Insurance Office plc, which also bore expenses of the Company's business of £1,611,806.

At 30 June 1999 £566,902, was due to Ecclesiastical Insurance Office plc.

Mr. G. V. Doswell, a director of Ecclesiastical Insurance Office plc, joined the board of the Company on 20 October 1998 and Mr. H.W. Tuckey, the chairman of Methodist Insurance PLC, became a member of All Churches Trust Ltd., which is the ultimate holding company of Ecclesiastical Insurance Office plc, on 23 July 1998.

Report of the Auditors

To the members of the Methodist Insurance PLC.

We have audited the financial statements on pages 8 to 19.

Respective responsibility of directors and auditors

As described on page 6 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Our evaluation of the presentation of information in the financial statements has regard to the statutory requirement for insurance companies to maintain equalisation provisions.The nature of equalisation provisions, the amounts set aside at 30 June 1999, and the effect of the movement in these provisions during the year on the general business technical result and profit before tax, are disclosed in note 4.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditors
Manchester
15 October 1999