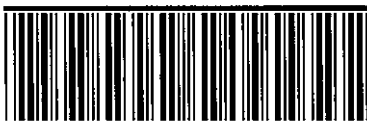


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REPORT &

ACCOUNTS

1997



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COMPANIES HOUSE 19/12/97



METHODIST  INSURANCE

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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-fifth Annual General Meeting of the Company will be held at the Company's offices, Brazennose House, Brazennose Street, Manchester, on Thursday, 16 October 1997 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 1997. |
| Resolution No. 2 | To declare a dividend. |
| Resolution No. 3 | To approve the directors' recommended distribution of charitable grants amounting to £300,000 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 | Michael A. H. Willett. |
| Resolution No. 5 | Andrew G. Gibbs.

To elect the following directors who retire in accordance with Article 99 of the Company's Articles of Association and who, being eligible, offer themselves for election: |
| Resolution No. 6 | Christopher F. Nock. |
| Resolution No. 7 | David A. Blanks. |
| 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.
24 September 1997.

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.
Michael A. H. Willett, F.I.A.
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.

Chairman.

Deputy Chairman.

Officers

David A. Blanks, B.A., F.C.I.I.
Grayham Simpson, F.C.I.S.
Michael J. Jarrett, F.C.I.I.

General Manager.

Financial Controller and Secretary.

Underwriting Manager.

Head Office and Registered Address

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

Irish Office

Mayo House, 61 Rathdown Park, Dublin 6.
Rev. Paul Kingston.

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

In July we celebrated the Company's 125th anniversary. When seeking funds for the proposed new venture in 1871, the year before we began insuring, it was said:

"The object of the proposed Company is not to enrich its members but to help the cause of God, and should the project succeed, it is believed that it will ultimately yield a respectable sum which may be yearly given into the hands of Methodism".

Since then we have donated over £8,000,000 to Methodism, nearly £2,500,000 of that sum in the last five years. Even more importantly, in those last five years we have paid gross claims of £16,837,000. I think we may fairly claim that we have fulfilled those original objects up to now and you may be sure we will continue to do so in the future.

This has been a year of mixed fortunes.

Premium income has fallen slightly, reflecting the competitive market. Insurance is a long term business and we shall continue to exercise a prudent underwriting policy even though that may mean a modest loss of market share.

Net claims at £4,236,632 are the highest in the Company's history. Much of this relates to provisions made for recently notified possible child abuse claims going back many years. These substantial additional provisions have caused us to release the non-statutory claims reserve built up in recent years.

The unrealised gains on investments of £1,244,691 inflate the retained profit disclosed of £1,494,425 and if eliminated shows that we have given over half our profit in charitable grants.

We welcome two new directors, Christopher Nock, formerly a manager with one of the large insurance composites and David Blanks our General Manager.

I should like to thank my colleagues on the board, the management and staff for carrying an unusually heavy load with fortitude and cheerfulness. Also my thanks go to the hundreds of Superintendent Ministers and Insurance Intermediaries who are in regular contact with us and whose support is invaluable.

We are using our 125th anniversary to raise the profile of the Company but are well aware of the need to face up to the harsh realities of the market place. We shall continue to operate in a thoroughly professional manner, doing our best to serve our policyholders and the Methodist Church and we look forward to their continuing support in the years that lie ahead.

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 1997.

Financial Results

The Profit and Loss Account on pages 7 and 8 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. R.A. Johnson retired from the board during the year.

Mr. M.A.H. Willett and Mr. A.G. Gibbs retire from the board by rotation and, being eligible, offer themselves for re-election.

Mr. C.F. Nock and Mr. D.A. Blanks have been appointed as directors since the last Annual General Meeting. In accordance with Article 99 of the Company's Articles of Association they now retire from the board and, being eligible, offer themselves for election.

Directors' Shareholdings

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

	30 June 1997	30 June 1996		30 June 1997	30 June 1996 (or date of appointment)
H.W. Tuckey	500	500	C.H. Boothman	500	500
M.A.H. Willett	500	500	Rev. G.M. Wearing	35	35
S.R. Howdle	250	250	Rev. M.V. Caldwell	75	75
Rev. R.E. Fennell	25	25	C.F. Nock	250	-
A.G. Gibbs	300	300	D.A. Blanks	835	835

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:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- 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.

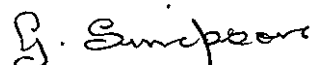
Charitable and Political Contributions

Charitable contributions donated during the year amounted to £302,048 (1996 £301,846). There were no contributions for political purposes.

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.
29 August 1997.



Profit and Loss Account : Technical Account - General Business

(continuing operations)

For the year ended 30 June 1997

		1997		1996	
	Note	£	£	£	£
Earned premiums, net of reinsurance					
Gross premiums written	1	7,667,526	7,786,694		
Outward reinsurance premiums		<u>(3,614,795)</u>	<u>(3,594,021)</u>		
		4,052,731		4,192,673	
Change in the gross provision for unearned premiums		2,770	(26,027)		
Change in the gross provision for unearned premiums, reinsurers' share		<u>42,752</u>	<u>87,744</u>		
		45,522		61,717	
		<u>4,098,253</u>		<u>4,254,390</u>	
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(4,245,753)	(3,619,199)		
Reinsurers' share		<u>1,789,653</u>	<u>1,252,158</u>		
		<u>(2,456,100)</u>	<u>(2,367,041)</u>		
Change in the provision for claims					
Gross amount		(6,171,206)	(1,903,520)		
Reinsurers' share		<u>4,390,674</u>	<u>873,430</u>		
		<u>(1,780,532)</u>	<u>(1,030,090)</u>		
		(4,236,632)		(3,397,131)	
Net operating expenses	3	<u>(973,762)</u>		<u>(962,207)</u>	
General business operating result		<u>(1,112,141)</u>		<u>(104,948)</u>	
Change in the equalisation provision	4	949,603		-	
Balance on the technical account for general business		<u>(162,538)</u>		<u>(104,948)</u>	

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 1997

	Note	£	1997 £	£	1996 £
Balance on the general business technical account			(162,538)		(104,948)
Investment income	5	775,277		809,219	
Unrealised gains on investments		1,244,691		596,068	
Investment expenses and charges	6	(14,375)	2,005,593	-	1,405,287
Operating profit on ordinary activities before other charges			1,843,055		1,300,339
Charitable grant to Methodist funds and organisations			(300,000)		(300,000)
Profit on ordinary activities before tax			1,543,055		1,000,339
Tax on profit on ordinary activities	7		(48,443)		(264,548)
Profit on ordinary activities after tax			1,494,612		735,791
Dividends proposed			(187)		(187)
Profit for the financial year	8		<u>1,494,425</u>		<u>735,604</u>

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

Statement of Total Recognised Gains and Losses

For the year ended 30 June 1997

	1997	1996
	£	£
Profit on ordinary activities after tax	1,494,612	735,791
Prior year adjustment	-	1,459,537
Total gains recognised since the last annual report	<u>1,494,612</u>	<u>2,195,328</u>

Statement of Historical Cost Profits and Losses

For the year ended 30 June 1997

	1997	1996
	£	£
Profit on ordinary activities before tax	1,543,055	1,000,339
Realisation of revaluation gains on previous years	42,556	114,295
Net unrealised gains	(1,244,691)	(596,068)
Historical cost profit on ordinary activities before tax	<u>340,920</u>	<u>518,566</u>
Historical cost profit for the financial year	<u>292,290</u>	<u>253,831</u>

Reconciliation of Movements in Shareholders' Funds

For the year ended 30 June 1997

	1997	1996
	£	£
Profit on ordinary activities after tax	1,494,612	735,791
Dividends proposed	(187)	(187)
Profit for the financial year	<u>1,494,425</u>	<u>735,604</u>
Claims equalisation reserve released to the general business technical account	(1,050,000)	-
Opening shareholders' funds		
As previously stated	6,481,803	3,236,662
Prior year adjustment	-	2,509,537
As restated	<u>6,481,803</u>	<u>5,746,199</u>
Closing shareholders' funds	<u>6,926,228</u>	<u>6,481,803</u>

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

Balance Sheet

As at 30 June 1997

			1997	1996
	Note	£	£	£
Assets				
Investments				
Other financial investments	9		14,562,683	12,745,649
Reinsurers' share of technical provisions				
Provision for unearned premiums		1,817,908		1,775,156
Claims outstanding		<u>6,711,954</u>	<u>2,321,280</u>	
			8,529,862	4,096,436
Debtors				
Debtors arising out of direct insurance operations				
Policyholders		64,633		74,081
Intermediaries		<u>613,814</u>	<u>689,935</u>	
		678,447	764,016	
Debtors arising out of reinsurance operations		107,645		4,475
Other debtors		<u>156,849</u>	<u>12,882</u>	
			942,941	781,373
Other assets				
Tangible assets	10	515,747		381,651
Cash at bank and in hand	11c	<u>810,783</u>	<u>879,627</u>	
			1,326,530	1,261,278
Prepayments and accrued income				
Accrued interest and rent		155,455		176,289
Deferred acquisition costs		254,381		263,775
Other prepayments and accrued income		<u>256,038</u>	<u>169,704</u>	
			665,874	609,768
			<u>26,027,890</u>	<u>19,494,504</u>

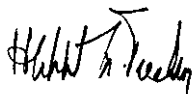
The accounting policies and notes on pages 13 to 19 form an integral part of these accounts.

Balance Sheet

As at 30 June 1997

		1997		1996	
	Note	£	£	£	£
Liabilities					
Capital and reserves					
Called up share capital	12	112,500	112,500		
Profit and loss account	8	6,813,728	5,319,303		
Claims equalisation reserve	8	-	1,050,000		
			6,926,228		6,481,803
Technical provisions					
Provisions for unearned premiums		4,240,323	4,243,093		
Claims outstanding		13,532,250	7,361,044		
Equalisation provision	4	100,397	-		
			17,872,970		11,604,137
Provisions for other risks and charges	13		911,455		769,747
Creditors					
Creditors arising out of direct insurance operations					
Policyholders		15,230	6,305		
Intermediaries		8,650	26,457		
		23,880	32,762		
Creditors arising out of reinsurance operations		86,106	199,072		
Other creditors including taxation and social security	14	170,110	356,016		
Proposed dividend		187	187		
			280,283		588,037
Accruals and deferred income			36,954		50,780
			<u>26,027,890</u>		<u>19,494,504</u>

The financial statements were approved by the board of directors on 29 August 1997 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 1997

	Note	£	1997 £	1996 Restated £
Net cash inflow from operating activities	11a		1,286,139	1,551,816
Taxation				
U.K. corporation tax paid		(154,471)	(232,230)	
Overseas tax paid		(1,355)	(1,445)	
			(155,826)	(233,675)
Capital expenditure				
Purchase of tangible fixed assets		(332,062)	(456,933)	
Sale of tangible fixed assets		19,810	20,395	
			(312,252)	(436,538)
Equity dividends paid			(187)	(187)
Charitable grants paid			(300,000)	(300,000)
			<u>517,874</u>	<u>581,416</u>
Cash flows were invested as follows:				
(Decrease)/ Increase in cash holdings			(68,844)	878,940
Net portfolio investment				
Shares and other variable yield securities		8,878	(79,194)	
Debt securities and other fixed income securities		414,578	659,852	
Loans secured by mortgages		(10,198)	3,750	
Other loans: unsecured		(5,160)	9,573	
Deposits with credit institutions		178,620	(891,505)	
	11b		<u>586,718</u>	<u>(297,524)</u>
Net investment of cash flows			<u>517,874</u>	<u>581,416</u>
Movement in opening and closing cash and portfolio investments				£
Net cash inflow for the period				(68,844)
Cash flow from portfolio investments				586,718
Movements arising from cash flows				517,874
Changes in market values				1,230,316
Total movement in cash and portfolio investments				1,748,190
Cash and portfolio investments at 1 July 1996				13,625,276
Cash and portfolio investments at 30 June 1997	11c			<u>15,373,466</u>

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.

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 reserve

A claims equalisation reserve has been maintained over recent years to provide for future significant fluctuations in claims experience. It has been transferred to the profit and loss account because of the large increase to claims outstanding.

4. 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 representing commission relating to unearned premiums and has been based on actual expenses.

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.

I. Cash flow statement

The format of the cash flow statement has been revised in accordance with the changes to Financial Reporting Standard 1 'Cash Flow Statements'.

Notes on the Accounts

1 Segmental Information

a. Geographical analysis

	1997	1997	1997	1996	1996	1996
	Gross premiums written £	Profit before tax £	Net assets £	Gross premiums written £	Profit/ (Loss) before tax £	Net assets £
United Kingdom	7,412,066	462,810	6,652,993	7,502,573	1,115,423	6,279,609
Eire	255,460	30,245	273,235	284,121	(115,084)	202,194
Total	<u>7,667,526</u>	<u>493,055</u>	<u>6,926,228</u>	<u>7,786,694</u>	<u>1,000,339</u>	<u>6,481,803</u>

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 £
1997							
Gross premiums written	6,396,309	752,096	156,817	71,701	7,376,923	290,603	7,667,526
Gross premiums earned	6,393,273	744,971	156,523	74,200	7,368,967	301,329	7,670,296
Gross claims incurred	3,095,251	7,174,891	46,282	12,161	10,328,585	88,374	10,416,959
Gross operating expenses	1,596,842	187,793	39,086	19,733	1,843,454	179,948	2,023,402
Gross technical result	1,701,180	(6,617,713)	71,155	42,306	(4,803,072)	33,007	(4,770,065)
Reinsurance balance	1,200,853	(4,818,262)	1,956	37,679	(3,577,774)	20,247	(3,557,527)
Net technical result	<u>500,327</u>	<u>(1,799,451)</u>	<u>69,199</u>	<u>4,627</u>	<u>(1,225,298)</u>	<u>12,760</u>	<u>(1,212,538)</u>
1996							
Gross premiums written	6,467,758	760,388	156,431	80,891	7,465,468	321,226	7,786,694
Gross premiums earned	6,506,162	694,943	157,088	82,138	7,440,331	320,336	7,760,667
Gross claims incurred	4,698,779	659,620	1,460	28,426	5,388,285	134,434	5,522,719
Gross operating expenses	1,525,239	179,355	36,953	20,226	1,761,773	179,598	1,941,371
Gross technical result	282,144	(144,032)	118,675	33,486	290,273	6,304	296,577
Reinsurance balance	258,596	82,623	1,955	35,727	378,901	22,624	401,525
Net technical result	<u>23,548</u>	<u>(226,655)</u>	<u>116,720</u>	<u>(2,241)</u>	<u>(88,628)</u>	<u>(16,320)</u>	<u>(104,948)</u>

Commission payable in respect of direct insurance is £462,825 (1996 £485,999)

Notes on the Accounts (continued)

2 Prior Years' Claims Provisions

(Under)/over provisions for net claims relating to 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 are as follows:

	1997	1996
	£	£
Fire and damage to property	415,833	574,859
Liability	(1,722,472)	(192,314)
Accident and health	9,516	6,911
Miscellaneous financial loss	1,084	-
	<u>(1,296,039)</u>	<u>389,456</u>

3 Net Operating Expenses

	1997	1996
	£	£
Acquisition costs, being commissions	453,431	476,730
Change in gross deferred acquisition costs	9,394	9,269
	<u>462,825</u>	<u>485,999</u>
Administrative expenses	1,560,577	1,455,372
	<u>2,023,402</u>	<u>1,941,371</u>
Gross operating expenses		
Reinsurance commissions and profit participation	(1,049,640)	(979,164)
	<u>973,762</u>	<u>962,207</u>
Net operating expenses include:		
Directors' emoluments		
Fees and expenses	20,324	18,455
Pension to former director	12,631	12,138
Auditors' remuneration		
Audit fees	17,956	17,819
Non-audit fees	8,949	5,761
Depreciation	<u>175,343</u>	<u>105,167</u>

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 establishment of the equalisation provision has created a charge to the general business technical account of £100,397 which has been netted with the £1,050,000 released from the equalisation reserve to give an overall credit of £949,603 (1996 nil).

5 Investment Income

	1997	1996
	£	£
Income from investments	775,277	757,507
Gains on the realisation of investments	-	51,712
	<u>775,277</u>	<u>809,219</u>

6 Investment Expenses and Charges

	1997	1996
	£	£
Losses on the realisation of investments	<u>(14,375)</u>	<u>-</u>

Notes on the Accounts (continued)

7 Taxation

	1997 £	1996 £
U.K. corporation tax	-	159,000
Over provision in respect of prior years	(131,680)	(253)
Tax in respect of U.K. dividends received	<u>38,415</u>	<u>34,535</u>
	(93,265)	193,282
Deferred taxation	<u>141,708</u>	<u>71,266</u>
	<u>48,443</u>	<u>264,548</u>

8 Reserves

	Profit & loss account £
At beginning of year	5,319,303
Profit for the financial year	<u>1,494,425</u>
At end of year	<u>6,813,728</u>

9 Investments

	Market value 1997 £	Market value 1996 £	Cost 1997 £	Cost 1996 £
Shares and other variable-yield securities	5,152,506	4,229,976	1,783,784	1,746,725
Debt securities and other fixed-income securities	6,930,480	6,199,238	6,195,901	5,781,323
Loans secured by mortgages	184,102	194,300	184,102	194,300
Other loans: unsecured	5,295	10,455	5,295	10,455
Deposits with credit institutions	<u>2,290,300</u>	<u>2,111,680</u>	<u>2,290,300</u>	<u>2,111,680</u>
	<u>14,562,683</u>	<u>12,745,649</u>	<u>10,459,382</u>	<u>9,844,483</u>
Investments listed on the U.K. Stock Exchange included above	<u>12,057,986</u>	<u>10,404,214</u>	<u>7,954,686</u>	<u>7,503,048</u>

10 Tangible Assets

	Computer equipment & software £	Office equipment fixtures & fittings £	Motor vehicles £	Total £
Cost				
At 1 July 1996	369,351	181,689	65,313	616,353
Additions	275,605	16,431	40,026	332,062
Disposals	-	(9,636)	(37,077)	(46,713)
At 30 June 1997	<u>644,956</u>	<u>188,484</u>	<u>68,262</u>	<u>901,702</u>
Accumulated depreciation				
At 1 July 1996	165,684	48,917	20,101	234,702
Depreciation for the year	136,967	24,724	13,652	175,343
Disposals	-	(9,636)	(14,454)	(24,090)
At 30 June 1997	<u>302,651</u>	<u>64,005</u>	<u>19,299</u>	<u>385,955</u>
Net book value				
At 30 June 1997	<u>342,305</u>	<u>127,479</u>	<u>48,963</u>	<u>515,747</u>
At 30 June 1996	<u>203,667</u>	<u>132,772</u>	<u>45,212</u>	<u>381,651</u>

Notes on the Accounts (continued)

11 Cash Flow Statement

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

	1997 £	1996 £
Profit on ordinary activities before other charges	1,843,055	1,300,339
Depreciation charges	175,343	105,167
Loss on sale of tangible fixed assets	2,813	10,067
Unrealised gains on investments	(1,244,691)	(596,068)
Realised losses/(gains) on investments	14,375	(51,712)
(Increase) in debtors	(22,614)	(89,355)
(Increase) in prepayments and accrued income	(56,106)	(72,650)
Increase in technical provisions	1,835,407	968,373
(Decrease)/increase in creditors	(159,202)	1,124
Tax in respect of U.K. dividends received	(38,415)	(34,535)
(Decrease)/increase in accruals and deferred income	(13,826)	11,066
(Decrease) in claims equalisation reserve	(1,050,000)	-
Net cash inflow from operating activities	<u>1,286,139</u>	<u>1,551,816</u>

b. Net portfolio investments

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

	Purchases 1997 £	Sales 1997 £	Net 1997 £	Purchases 1996 £	Sales 1996 £	Net 1996 £
Shares and other variable yield securities	328,019	319,141	8,878	190,438	269,632	(79,194)
Debt securities and other fixed income securities	414,578	-	414,578	659,852	-	659,852
Loans secured by mortgage	-	10,198	(10,198)	38,500	34,750	3,750
Other loans: unsecured	-	5,160	(5,160)	15,365	5,792	9,573
	<u>742,597</u>	<u>334,499</u>	<u>408,098</u>	<u>904,155</u>	<u>310,174</u>	<u>593,981</u>
Deposits with credit institutions			178,620			(891,505)
			<u>586,718</u>			<u>(297,524)</u>

c. Movement in cash and portfolio investments

	At 1 July 1996 £	Cash flow £	Changes to market value £	At 30 June 1997 £
Cash at bank and in hand	879,627	(68,844)	-	810,783
Shares and other variable yield securities	4,229,976	8,878	913,652	5,152,506
Debt securities and other fixed income securities	6,199,238	414,578	316,664	6,930,480
Loans secured by mortgages	194,300	(10,198)	-	184,102
Other loans: unsecured	10,455	(5,160)	-	5,295
Deposits with credit institutions	2,111,680	178,620	-	2,290,300
	<u>13,625,276</u>	<u>517,874</u>	<u>1,230,316</u>	<u>15,373,466</u>

Notes on the Accounts (continued)

12 Share Capital

At 30 June 1997 and 1996

	Authorised £	Issued £
18,750 shares of £6 each fully paid	<u>112,500</u>	<u>112,500</u>

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.

13 Provisions for Other Risks and Charges

Deferred taxation

	£
At beginning of year	769,747
Charge for the year in the profit and loss account	<u>141,708</u>
At end of year	<u>911,455</u>

The amounts provided for deferred taxation and the amounts not provided are as follows:

	1997 Provided £	1997 Unprovided £	1996 Provided £	1996 Unprovided £
Difference between accumulated depreciation and capital allowances	(504)	-	-	874
On revaluation of investments	1,044,304	-	819,472	-
Other timing differences	<u>(132,345)</u>	<u>-</u>	<u>(49,725)</u>	<u>-</u>
	<u>911,455</u>	<u>-</u>	<u>769,747</u>	<u>874</u>

14 Other Creditors including Taxation and Social Security

	1997 £	1996 £
Corporation tax payable	-	148,552
Social security	26,802	24,514
Other	<u>143,308</u>	<u>182,950</u>
	<u>170,110</u>	<u>356,016</u>

15 Staff Numbers and Costs

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

	1997	1996
Underwriting	20	20
Claims	7	7
Accounting	6	6
Administration	9	8
	<u>42</u>	<u>41</u>

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

	1997 £	1996 £
Wages and salaries	704,398	637,342
Social security costs	57,365	51,252
Other pension costs	91,104	79,913
	<u>852,867</u>	<u>768,507</u>

Notes on the Accounts (continued)

16 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 Projected Unit Credit method. The most recent valuation was as at 1 January 1996. 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 8 1/2 % per annum, that salary increases would average 6 1/2 % 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 £1,571,700 and that the actuarial value of those assets represented 108% of the benefits that had accrued to members, based on salaries projected to normal retirement date or the date of earlier withdrawal.

The pension charge for the period was £91,104 (1996 £79,913)

17 Transactions with Officers

At 30 June 1997 the amounts outstanding in respect of transactions, arrangements and agreements with officers of the Company (other than directors) were:

		1997	1996
	Number of officers	£	£
House purchase loans	2	47,000	(2) 56,000
Other loans	3	<u>12,189</u>	(3) <u>16,633</u>

18 Currency Exchange

The rate of exchange used for converting Eire Punts was IR£1.0998.

19 Financial Commitments

	1997	1996
	£	£
Capital expenditure	146,000	327,000
Computer software	<u>106,000</u>	<u>90,000</u>

Authorised by the directors and contracted for:

20 Significant Shareholding

At 30 June 1997 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. 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 first accounts for the period ended 31 August 1996 show capital and reserves of £70,924 following a loss for the period of £29,076. According to the company's management initial losses were due to start-up costs and it has traded profitably since, leading them to believe that net assets will be quickly restored to the value of the called-up share capital. There is no market in the company's shares which have been valued at cost in the accounts.

Report of the Auditors

To the members of the Methodist Insurance P.L.C.

We have audited the financial statements on pages 7 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 1997, 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 1997 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
15th September 1997