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31 December

Report & accounts 2000

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ALLCHURCHES TRUST
LIMITED

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Directors

Directors	Sir Alan McLintock CA (Chairman) The Rt. Hon. the Viscount Churchill OBE, MA M. R. Cornwall-Jones MA, ACIS B. V. Day OBE, BA, LLB, FCII Mrs S. Homersham The Rt. Revd. D. G. Snelgrove TD, MA, DD W. H. Yates FRICS
Registered and Head Office	Beaufort House, Brunswick Road, Gloucester GL1 1JZ Tel : 01452 528533
Company Registration Number	1043742
Charity Registration Number	263960
Auditors	Deloitte & Touche, Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR

Directors' Report

The directors present their report and review together with the audited financial statements for the year ended 31 December 2000.

Allchurches Trust Limited is a company limited by guarantee not having a share capital and is a registered charity formed to promote the Christian Religion and contribute to the funds of charitable institutions.

Principal activities

The principal activities of the trading subsidiaries throughout and at the end of the year remain the transaction of most forms of general and long term insurance in the United Kingdom and overseas and the provision of other financial services. A list of the company's subsidiary and associated undertakings is given on page 30.

Results and review

The income and charitable distributions of the Trust are shown in its statement of financial activities on page 7. The Trust's principal operating subsidiary, Ecclesiastical Insurance Office plc, was able to maintain its grants at the previous year's level despite the difficult trading conditions in 2000. This enabled the Trust to continue its support to the Church and other charitable institutions with distributions exceeding £4 million.

In terms of balance sheet strength, the group has successfully weathered the financial and elemental storms of 2000. Though reduced by 5% on 1999, net assets of £143 million are above their 1998 level and the group is well placed to take full advantage of the more favourable conditions now prevailing in many of its markets.

Recent years have seen a significant level of corporate activity as we have restructured our business through acquisition of new subsidiaries in the UK and Australia and through the disposal of our US interests in Chatham Reinsurance Corporation. We have also entered agreements with the Baptist and Methodist insurance companies in the UK to manage and reinsure their businesses. In contrast, the year 2000 has been one of consolidation although we are very pleased to have reached agreement to purchase, at the end of December, the URC Insurance Company Limited, having managed its business over some thirty years for the benefit of the United Reformed Church Trust.

Strenuous efforts were made to sustain the improvement in the general insurance results we began to see in 1999. However, the beneficial effect of wide-ranging action in the year to increase premium rates was regrettably overtaken by the exceptional combination of flood, storm and freeze that caused widespread damage across the country during the fourth quarter. Our retail businesses in the UK bore the brunt of the estimated gross cost of £14 million.

The cost and number of large losses caused by fire and natural perils also rose materially. Amongst the several major fires that occur in churches every year was the most expensive in Ecclesiastical's long history, at All Saints, West Dulwich. In Canada, the most expensive church fire in Ecclesiastical's Canadian history also occurred in 2000.

The three companies acquired from the Ansvar Group in 1998 continued to make good progress. Ansvar Insurance Company in the UK recorded a profitable result for the second successive year and its "very good" secure financial strength rating was re-affirmed by the A M Best Company. The EIG-Ansvar companies in Australia and New Zealand also grew strongly and both made positive contributions to pre-tax profits. Opportunities were taken to expand into established niche areas of operation in both countries.

Our strategy of adding value to the insurance services provided for churches was further developed. Following on from the free supply of the Alpha Dot security marking system in the previous year, we were very pleased to have extended our crime prevention activities by sponsoring the National Churchwatch Scheme which operates on an ecumenical basis in the UK. We hope that this will raise awareness of the serious problems being faced by churches and help to reduce the annual high cost of theft and malicious damage.

In a year of high activity levels on many fronts in our Financial Services Division, new business sales in life, pension and collective investments slipped back by 1% on the industry standard measure. Excluding the effect of the boost given to sales of OEIC funds in 1999 following the re-organisation of St Andrew Trust, the underlying growth was 11%. Growth in regular income ISAs was particularly strong, mortgage completions rose by 18% and our specialist IFA in the equity release market, Hinton & Wild, also had a very strong year with a 91% growth in commission income.

Several major initiatives were taken in the year to ensure that our Financial Services Division is properly equipped to meet the demanding challenges being imposed by the consumer and regulatory environments. These initiatives have involved some internal restructuring, investment in new computer systems, modernisation of the product range and measures to improve productivity. Good progress is being made towards their successful implementation.

During another turbulent year for stock markets world-wide, a cautious strategy towards investing in technology and new economy companies helped us to avoid the excessive volatility that affected those fashionable stock sectors. Unrealised losses of £14.7 million were nevertheless taken through the non-technical account as a result of the worst performance experienced by global equity markets for a decade. Following careful review of investment distribution by asset class, divestment from equities realised gains at a significantly higher level than 1999 to lock-in profits from the substantial surplus successfully generated over past years.

Results and review - cont.

Total investment gains of £12.7 million were realised. Other investment income reduced by 7% to £17.6 million, after excluding gains realised in 1999 following the reconstruction of St Andrew Trust. Despite challenging market conditions, our investment performance made a significant positive contribution to our overall financial results. Returns from both general and life funds compare favourably with their benchmark comparators.

Distributions

During the course of the year charitable distributions amounting to £4,069,000 (1999: £4,014,000) were paid by the company as follows:

	Distributions £000	Donations No.
Dioceses	3,517	63
Cathedrals	241	56
Parishes and other charities	311	713
	4,069	832

Due to its extensive nature, an analysis of these distributions is included in a separate publication, a copy of which can be obtained by writing to the company secretary at the address of the registered office shown on page 2. During the last five years a total of £20.7 million has been provided by group companies for church and charitable purposes.

It is the company's policy not to make political donations.

Reserving policy

The source of the Trust's income is derived from a cyclical industry. The directors nevertheless believe that it is desirable so far as possible to maintain stability of charitable distributions. In order to provide this stability it is their policy to retain, in reserve, funds at a level equivalent to the amount actually distributed in the previous financial year.

The total amount available for charitable distribution at the end of the year was £4,710,000.

Directors

The names of the directors of the company at the date of this report are stated on page 2. All directors served throughout the year.

In accordance with the articles of association Mr M. R. Cornwall-Jones and Mrs S. Homersham retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

The interests of the directors, all of which are beneficial, in the 2.8% First Cumulative Preference shares of Ecclesiastical Insurance Office plc are as follows:

	Interest at 31.12.2000	*Interest at 1.1.2000*
Sir Alan McLintock	**500**	*500*
The Rt. Hon. the Viscount Churchill	-	-
M. R. Cornwall-Jones	**500**	*500*
B. V. Day	**3220**	*3,220*
Mrs S. Homersham	-	-
The Rt. Revd. D. G. Snelgrove	**700**	*700*
W. H. Yates	**500**	*500*

No director had an interest in any other shares or debentures of the group. There has been no change in these interests since the end of the financial year to the date of this report. No contract of significance subsisted during or at the end of the financial year in which a director was or is materially interested.

Statement of directors' responsibilities

United Kingdom company law requires the directors of a charity (namely the trustees) to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group and of the incoming resources and application of resources for that period.

Statement of directors' responsibilities - cont.

In preparing those financial statements, the directors are required to select suitable accounting policies and apply them consistently and make reasonable and prudent judgements and estimates. The directors are also required to state whether applicable United Kingdom accounting standards have been followed and whether the financial statements have been prepared on the going concern basis.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose with reasonable accuracy, at all times, the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 1995. They are also responsible for the group's systems of internal controls, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employees

The group recognises the importance of employee communication and aims to keep employees informed about its affairs through the use of briefing groups, newsletters and the annual publication of financial reports. Regular meetings are held between management and employees and discussion encouraged. It is the group's policy to give full consideration to applications for employment by disabled persons. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Allchurches Trust Limited itself has no direct employees.

Policy on payment of creditors

It is group policy to pay creditors promptly and fully, in accordance with the terms of their contracts. The group has not adopted any particular external code.
Allchurches Trust Limited holds the investments in the group companies, does not trade and does not have suppliers within the meaning of the Companies Act 1985. The number of days' purchases represented by the amounts due to trade creditors of the main operating companies in the United Kingdom at 31 December 2000, calculated in accordance with Schedule 7 of the Companies Act 1985, was 22.4 days (1999: 22.9 days).

Introduction of the euro

The group conducts a small amount of business in the euro zone and has established an EMU project to address the issues arising from the introduction of the euro. The cost of internal resources used has not been separately identified, but is not considered to be material.

Going concern

The board has satisfied itself that the group has adequate resources to continue in operation for the foreseeable future. The group accounts have, therefore, been prepared on the going concern basis.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Deloitte & Touche be re-appointed as auditors of the company will be put to the annual general meeting.

By order of the board

R. W. Clayton
Secretary

28 June 2001

To the members of Allchurches Trust Limited

We have audited the financial statements on pages 7 to 30 which have been prepared under the accounting policies set out on pages 15 to 17.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. 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 United Kingdom 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 circumstances of the company and the group, 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 mis-statement, 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.

Equalisation reserves

Our evaluation of the presentation of information in the financial statements has had regard to the statutory requirement for insurance companies to maintain equalisation reserves. The nature of equalisation reserves, the amounts set aside at 31 December 2000, and the effect of the movement in those reserves during the year on the balance on the general business technical account and loss on ordinary activities before taxation, are disclosed in note 18.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs and the incoming resources and application of resources of the company and the group as at 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985, the Charities Act 1993 and Regulation 3 of the Charities (Accounts and Reports) Regulations 1995.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors

31 July 2001.

Stonecutter Court,
1 Stonecutter Street,
London
EC4A 4TR

Statement of Financial Activities

for the year ended 31 December 2000

		Company		Group	
		2000	*1999*	**2000**	*1999*
		£000	*£000*	**£000**	*£000*
Incoming resources					
Gift aid from a subsidiary undertaking		**4,000**	*4,000*	**-**	*-*
Deposit interest		**250**	*225*	**250**	*225*
(Loss)/profit from trading subsidiaries	- continuing operations	**-**	*-*	**(5,142)**	*25,825*
	- discontinued operations	**-**	*-*	**740**	*(6,130)*
Total incoming resources		**4,250**	*4,225*	**(4,152)**	*19,920*
Resources expended					
Direct charitable expenditure: charitable grants		**4,069**	*4,013*	**4,104**	*4,048*
Other expenditure: management and administration		**3**	*3*	**-**	*-*
		4,072	*4,016*	**4,104**	*4,048*
Net incoming/(outgoing) resources for the year		**178**	*209*	**(8,256)**	*15,872*
Other recognised gains and losses					
Movement in revaluation reserve		**(8,448)**	*17,898*	**-**	*-*
Currency translation differences		**-**	*-*	**(14)**	*2,198*
Other movements		**-**	*-*	**-**	*37*
Net movement in funds		**(8,270)**	*18,107*	**(8,270)**	*18,107*
Total funds brought forward		**150,884**	*132,777*	**150,884**	*132,777*
Total funds carried forward		**142,614**	*150,884*	**142,614**	*150,884*

Total incoming resources for the group represent the (loss)/profit before charitable grants for the financial year presented in the consolidated profit and loss non-technical account.

Total funds carried forward represents the reserves as held by the group at the year end as presented in the consolidated balance sheet.

All funds are unrestricted.

Consolidated Profit and Loss Account

for the year ended 31 December 2000

		Notes	2000 £000	*1999 £000*
TECHNICAL ACCOUNT - GENERAL BUSINESS				
Gross premiums written	- continuing operations	2(a)	250,286	*216,934*
	- discontinued operations	25	1,339	*18,713*
			251,625	*235,647*
Outward reinsurance premiums			73,231	*68,718*
Net premiums written			178,394	*166,929*
Change in the gross provision for unearned premiums			11,964	*4,170*
Change in the provision for unearned premiums, reinsurers' share			2,797	*(849)*
Change in the net provision for unearned premiums			(9,167)	*(5,019)*
Earned premiums, net of reinsurance			169,227	*161,910*
Claims paid	*- gross amount*		154,824	*164,360*
	- reinsurers' share		45,839	*42,316*
			108,985	*122,044*
Change in provision for claims	- gross amount		39,892	*6,450*
	- reinsurers' share		12,015	*(264)*
			27,877	*6,714*
Claims incurred, net of reinsurance			136,862	*128,758*
Net operating expenses		4(a)	55,279	*54,329*
Total technical charges			192,141	*183,087*
Balance on the technical account before equalisation provisions			(22,914)	*(21,177)*
Change in the equalisation provision		18	(436)	*1,724*
Balance on the technical account for general business			(23,350)	*(19,453)*

Parent Company Balance Sheet

at 31 December 2000

	Notes	2000 £000	*1999 £000*
Fixed assets : investments			
Shares in group undertakings		**137,954**	*146,402*
Current assets			
Prepayments and accrued income		-	*10*
Taxation		-	*460*
Cash at bank		**4,693**	*4,034*
		4,693	*4,504*
Creditors			
Amounts falling due within one year :			
Other creditors		**30**	*20*
Accruals		**3**	*2*
Net current assets		**4,660**	*4,482*
Net assets		**142,614**	*150,884*
Reserves	14		
Revaluation reserve		**137,904**	*146,352*
Retained profits		**4,710**	*4,532*
		142,614	*150,884*

The financial statements on pages 7 to 30 were approved by the board of directors on 28 June 2001 and signed on their behalf by

SIR ALAN McLINTOCK *Chairman*

M. R. CORNWALL-JONES *Director*

Consolidated Balance Sheet

at 31 December 2000

	Notes	2000	*1999*
ASSETS		**£000**	*£000*
Goodwill	9	**3,469**	*3,832*
Investments	10		
Land and buildings		**20,548**	*19,841*
Investments in participating interests		**31**	*45*
Other financial investments		**633,637**	*635,676*
Value of long term insurance business		**6,000**	*6,000*
		660,216	*661,562*
Assets held to cover linked liabilities	11	**31,937**	*29,322*
Reinsurers' share of technical provisions			
Provision for unearned premiums		**22,925**	*19,972*
Long term business provision	17	**1,413**	*1,975*
Claims outstanding		**84,741**	*72,684*
		109,079	*94,631*
Debtors			
Debtors arising out of direct insurance operations	12	**48,880**	*38,489*
Debtors arising out of reinsurance operations		**30,129**	*36,260*
Other debtors		**3,329**	*11,625*
		82,338	*86,374*
Other assets			
Tangible assets	13	**13,684**	*10,103*
Cash at bank and in hand		**64,353**	*50,803*
		78,037	*60,906*
Prepayments and accrued income			
Accrued interest and rent		**5,265**	*4,801*
Deferred acquisition costs		**15,992**	*14,671*
Other prepayments and accrued income		**2,913**	*4,112*
		24,170	*23,584*
Total assets		**989,246**	*960,211*

Consolidated Balance Sheet

at 31 December 2000

LIABILITIES	Notes	2000 £000	*1999 £000*
Reserves	14		
Long term business reserve		**6,000**	*6,000*
General reserve		**10,000**	*10,000*
Profit and loss account		**126,614**	*134,884*
		142,614	*150,884*
Minority interests	16	**26,586**	*26,596*
Fund for future appropriations		**86,339**	*94,254*
Technical provisions			
Provision for unearned premiums		**96,321**	*84,802*
Long term business provision	17	**225,915**	*226,795*
Claims outstanding		**290,082**	*249,633*
Equalisation provision		**3,734**	*3,298*
		616,052	*564,528*
Technical provisions for linked liabilities		**31,937**	*29,322*
Provisions for other risks and charges	19	**13,920**	*16,924*
Deposits received from reinsurers		**772**	*869*
Creditors			
Creditors arising out of direct insurance operations		**2,847**	*3,142*
Creditors arising out of reinsurance operations		**23,518**	*31,009*
Other creditors including taxation and social security	20	**38,694**	*38,439*
		65,059	*72,590*
Accruals and deferred income		**5,967**	*4,244*
Total liabilities		**989,246**	*960,211*

Consolidated Cash Flow Statement

for the year ended 31 December 2000
(excluding long term business)

	Notes	2000 £000	*1999 £000*
Net cash outflow from operating activities	21(a)	**30,739**	*(10,456)*
Servicing of finance			
Loan interest paid		**(2,192)**	*(2,331)*
Preference dividends paid		**(2,330)**	*(2,330)*
Other interest paid		**(152)**	*(230)*
Taxation paid		**(1,480)**	*(1,959)*
Capital expenditure		**(4,953)**	*(7,046)*
Acquisitions and disposals	21(c)	**-**	*4,268*
Charitable grants paid		**(4,104)**	*(4,048)*
Financing			
Capital element of lease purchase rental payments		**(350)**	*(317)*
		15,178	*(24,449)*
Cash flows were invested as follows:			
Decrease in cash holdings		**10,275**	*(3,085)*
Net portfolio investment			
Purchases of shares and other variable yield securities		**33,942**	*139,770*
Purchases of fixed income securities		**21,704**	*30,109*
Purchases of properties		**691**	*5,292*
Sales of shares and other variable yield securities		**(33,379)**	*(144,901)*
Sales of fixed income securities		**(16,768)**	*(51,634)*
Sales of properties		**(1,287)**	*-*
Net investment of cash flows		**15,178**	*(24,449)*
Movement arising from cash flows	21(b)	**15,178**	*(24,449)*
Movement in long term business		**(1,445)**	*28,930*
Acquired/(disposed of) with subsidiary		**288**	*(30,151)*
Conversion of St Andrew Trust plc		**-**	*(11,854)*
Changes in market values and exchange rate effects		**798**	*16,993*
Total movement in portfolio investments net of financing		**14,819**	*(20,531)*
Portfolio investments net of financing 1 January		**707,687**	*728,218*
Portfolio investments net of financing 31 December	21(b)	**722,506**	*707,687*

Accounting Policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with Section 255A of, and Schedule 9A to, the Companies Act 1985 and in accordance with the Charities Act 1993 and Regulation 3 of the Charities (Accounts and Reports) Regulations 1995. The financial statements of the parent company have been prepared in accordance with Section 226 and Schedule 4 of the Companies Act 1985 and in accordance with the Charities Act 1993 and Regulation 3 of the Charities (Accounts and Reports) Regulations 1995. The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

The principal activities of the trading subsidiaries of the charity remain the transaction of insurance and the provision of financial services and all funds within the trading subsidiaries support their trade. As an insurance group, the consolidated financial statements are required to be prepared in accordance with Schedule 9A of the Companies Act 1985. For consistency with the requirements of Schedule 9A, the directors have followed the material recommendations of the Statement of Recommended Practice issued by the Association of British Insurers as giving a more appropriate presentation of financial statements than the recommendations of the Statement of Recommended Practice "Accounting by Charities".

Basis of consolidation

The assets, liabilities and results of subsidiary undertakings are included in the consolidated financial statements using audited accounts made up to 31 December. The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Foreign exchange

Foreign currency revenue transactions and assets, liabilities and reserves are translated at rates of exchange ruling at the balance sheet date except for certain revenue transactions which are translated at the actual rate obtained on exchanging each currency for sterling. Surpluses and deficits arising from the translation at those rates of exchange of the branch current accounts are taken directly to reserves as being outside the company's normal trading activities. Exchange profits and losses which arise from normal trading activities are taken to the non-technical account.

Premium levies

Provision is made for the potential liability to the Policyholders' Protection Board in respect of premiums recognised in these accounts to the extent that it is probable that a levy will be raised and a reasonable estimate of its amount can be made. The charge for any such provision is included within administrative expenses.

General business technical account

Premiums

The annual basis of accounting has been adopted except for London market and certain inwards reinsurance business. Under the annual basis of accounting, written premiums, gross of commission payable to intermediaries, comprise the premiums on contracts entered into during a financial year, regardless of whether such amounts may relate in whole or in part to a later financial year.

The fund basis of accounting has been applied to London market and certain inwards reinsurance business because the nature of the business is such that an underwriting result cannot be established with sufficient accuracy using the annual basis. Under the fund basis of accounting, written premiums, gross of commission payable to intermediaries, comprise premiums receivable in respect of contracts commencing in the financial year. The excess of premiums written over claims and expenses paid in respect of business commenced in an underwriting year is carried forward as a technical provision as part of outstanding claims. A profit is not recognised until the end of the second year following the underwriting year of account to which that business relates. Any anticipated underwriting losses are recognised as soon as they are foreseen.

Premiums written include adjustments to premiums written in prior periods and estimates for pipeline premiums and are shown net of insurance premium taxes. Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Unearned premiums

For business accounted for on the annual basis, the provision for unearned premiums comprises the amount representing that part of gross premiums written which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro rata method and taking into account the risk profile of the contracts.

Unexpired risks

Provision for unexpired risks is made where it is anticipated, on the basis of information available at the balance sheet date, that claims and administrative expenses are expected to exceed unearned premiums, after taking account of future investment income. Unexpired risks are assessed separately for each class of business. Surpluses and deficits are offset where business classes are considered to be managed together.

Claims incurred
Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for outstanding claims and settlement expenses, including claims incurred but not reported. Outward reinsurance recoveries are accounted for in the same period as the claims for the related direct or inwards reinsurance business being reinsured.

Claims outstanding
Full provision for outstanding claims is made on an individual basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs, salvage and other recoveries and settlement trends. A provision for claims incurred but not reported is established on statistical methods by the general business actuary. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Deferred acquisition costs
Commission and management costs which vary with, and are primarily related to, the acquisition of new insurance contracts and the renewal of existing insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Equalisation provision
Provision is made in the group accounts for the equalisation provision required by the Insurance Companies (Reserves) Act 1995. It is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions in the balance sheet even though no actual liability exists at the balance sheet date.

Long term business technical account
Premiums
Premiums are credited when they become due. Reinsurance premiums are charged when they become payable.

Claims
Maturity claims and annuities are charged against revenue when they become payable. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision or the technical provision for linked liabilities. Death claims and all other claims are accounted for when notified. Claims payable include related internal and external claims handling costs. Reinsurance recoveries are accounted for in the same period as the related claim.

Deferred acquisition costs
The costs of acquiring new insurance contracts and the renewal of existing contracts which are incurred during a financial year but which relate to a subsequent financial year are deferred to the extent that they are recoverable out of future revenue margins.

Bonuses
Reversionary bonuses are recognised in the long term business technical account when declared and terminal bonuses when paid.

Long term business provision
The long term business provision is determined by the company's Appointed Actuary following his annual investigation of the long term business. Initially it is calculated to comply with the reporting requirements under the Insurance Companies Act 1982. This statutory solvency basis of valuation is then adjusted by eliminating the undistributed surplus determined by that valuation together with certain reserves advised under insurance companies regulations and general contingency reserves. It is then further reduced to reflect the impact of acquisition costs incurred which will be recovered out of future premium margins. This has been determined by means of the Zillmer adjustment applied to the net premium valuation basis. This adjusted basis is referred to as the modified statutory solvency basis. The consequent long term business provision is grossed up for the impact of reinsurance.

Allocation of surpluses and fund for future appropriations
Surpluses arising on with-profits funds and funds which include participating business are determined by actuarial valuation of the assets and liabilities relating to these funds. These surpluses are appropriated by the directors to participating policyholders by way of bonuses and to shareholders' interests by way of transfers to the non-technical account from the long term business technical account. The balance of these funds, the allocation of which between policyholders and shareholders has not been determined at the end of the financial year, is carried forward in the fund for future appropriations. The transfer of shareholders' profit included in the non-technical account is grossed up at the effective rate of corporation tax applicable for the year.

Investments
Listed equity investments are included in the balance sheet at mid-market value. Redeemable debt and other fixed income securities are carried at amortised cost. Unlisted equity investments, mortgages and loans are included at directors' valuation. Land and buildings are stated at open market value as determined by independent qualified surveyors.

In accordance with SSAP 19, which requires a departure from the Companies Act 1985, no depreciation is provided in respect of freehold investment properties not occupied by the group. The directors consider that depreciation of these investment properties would not give a true and fair view. If this departure from the Act had not been made, the profit for the year would have been reduced by that depreciation. However, the amount of depreciation cannot reasonably be quantified, because depreciation is only one of many factors reflected in the periodic valuation and the amount that might otherwise have been shown cannot be separately identified or quantified.

In the parent company balance sheet investments in subsidiary undertakings are stated at the lower of net asset value or directors' valuation. The surplus or deficit over cost arising from that valuation is taken to revaluation reserve.

Investment income and expenses
Investment income includes dividends, interest, rents, amortisation, gains and losses on the realisation of investments and related expenses. Dividends are included on the date that shares become quoted ex-dividend. Interest, rents and expenses are accounted for on an accruals basis. Realised gains and losses on investments represent net sales proceeds less cost or amortised cost as applicable.

Unrealised gains and losses on investments are calculated as the difference between market value and original cost. The movement in unrealised gains or losses includes an adjustment for previously recognised unrealised gains or losses on investments disposed of in the accounting period.

Investment return on investments attributable to the long term business and associated shareholders' fund is reported in the technical account for long term business. Other investment return is reported in the non-technical account. The return on the associated shareholders' fund is then transferred to the non-technical account.

Deferred taxation
Deferred taxation is provided at appropriate rates of corporation tax in respect of timing differences and unrealised gains on investments where there is a reasonable probability that such taxation will become payable in the foreseeable future. Allowance is made in the long term business provision and technical provision for linked liabilities for deferred taxation at appropriate discounted rates in respect of the unrealised gains on investments, unrelieved management expenses and other timing differences.

Tangible assets
Tangible assets are capitalised and depreciated on a straight line basis over their estimated useful lives. The periods used are as follows:

Computer equipment	5 years
Motor vehicles	Length of lease
Fixtures, fittings and office equipment	5 years
Owner occupied buildings	50 years

Value of long term insurance business
This item represents the amount which the directors consider to be a prudent valuation of the group's long term insurance business. The same amount is credited to the long term insurance business reserve.

Pensions
Pension costs are charged so as to spread the long term cost over the expected service lives of employees.

Leasing commitments
Assets obtained under lease purchase cortracts are capitalised as tangible fixed assets and are depreciated over the period of the lease. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The interest element of the lease payments is charged to the profit and loss account over the period of the lease.

Goodwill
Goodwill arising on an acquisition, being the difference between the cost and the fair value of assets and liabilities acquired, is capitalised in the balance sheet and amortised through the profit and loss account over its useful economic life on a straight-line basis. The gain or loss on any subsequent disposal of subsidiary or associated undertaking will include any attributable unamortised goodwill.

Direct charitable expenditure
Due to its extensive nature, an analysis of these distributions is included in a separate publication, a copy of which can be obtained from the company secretary at the address of the registered office shown on page 2.

1 Exchange rates

The principal rates of exchange used for translation are:

	2000	*1999*
United States of America	**US$1.49**	*US$1.61*
Canada	**C$2.24**	*C$2.34*
Republic of Ireland	**IR£1.25**	*IR£1.27*
Australia	**AUS$2.69**	*AUS$2.46*

2 Segmental analysis

(a) General business premiums

	2000		*1999*	
	Gross £000	**Net £000**	*Gross £000*	*Net £000*
Direct:				
Accident	**5,680**	**5,494**	*5,202*	*5,038*
Motor	**35,756**	**33,592**	*32,650*	*30,749*
Property	**134,962**	**85,039**	*118,725*	*75,594*
Liability	**30,429**	**25,828**	*24,072*	*20,457*
	206,827	**149,953**	*180,649*	*131,838*
Reinsurance accepted and London market	**43,459**	**27,102**	*36,285*	*21,027*
Continuing operations	**250,286**	**177,055**	*216,934*	*152,865*
Discontinued operations - United States of America	**1,339**	**1,339**	*18,713*	*14,064*
Total	**251,625**	**178,394**	*235,647*	*166,929*

Geographical analysis - on the basis of location of office

United Kingdom	**199,211**	**144,301**	*175,604*	*126,299*
Australia and New Zealand	**20,378**	**14,546**	*17,070*	*12,795*
Canada	**23,003**	**12,439**	*19,285*	*10,099*
Other overseas	**7,694**	**5,769**	*4,975*	*3,672*
Continuing operations	**250,286**	**177,055**	*216,934*	*152,865*
Discontinued operations - United States of America	**1,339**	**1,339**	*18,713*	*14,064*
Total	**251,625**	**178,394**	*235,647*	*166,929*

(b) Long term business premiums

Geographical analysis - on the basis of location of office

United Kingdom	**20,012**	**19,702**	*19,894*	*19,624*
New Zealand	**77**	**46**	*73*	*42*
Total	**20,089**	**19,748**	*19,967*	*19,666*

2 Segmental analysis (continued)

The analysis of long term business premiums written before reinsurance is :	2000 £000	1999 £000
Life insurance business		
- Single premiums	3,034	361
- Regular premiums	7,497	7,411
Annuity business		
- Single premiums	3,304	5,485
Pension business		
Non-linked contracts		
- Single premiums	558	759
- Regular premiums	1,743	2,195
Linked contracts		
- Single premiums	425	494
- Regular premiums	3,154	3,013
PHI business	374	249
	20,089	19,967
Gross new annualised regular premiums		
Life insurance	613	815
Pensions	531	594
	1,144	1,409

Pensions vesting as annuities during the year are not included as new business.

(c) (Loss)/profit before taxation		
United Kingdom	(8,768)	46,690
Australia and New Zealand	572	802
Canada	1,351	1,222
Other overseas	(336)	(470)
Long term business	3,435	2,093
Continuing operations	(3,746)	50,337
Discontinued operations - United States of America	740	(6,130)
	(3,006)	44,207

(d) Net assets		
United Kingdom	109,091	120,943
Australia and New Zealand	5,262	5,261
Canada	14,951	13,409
Other overseas	(694)	(328)
Long term business	14,004	11,599
Continuing operations	142,614	150,884

(d) Of the total assets shown on page 12, £357,125,000 (£359,530,000) are attributable to the long term business fund.

3 Investment income and unrealised gains

	2000 General business £000	2000 Long term business £000	1999 General business £000	1999 Long term business £000
Investment income:				
- land and buildings	701	930	646	760
- other investments	16,882	15,290	18,264	14,756
- group undertakings	-	-	-	324
Realised investment gains	12,696	11,770	5,670	6,552
Realised investment gains of investment trust subsidiary	-	-	21,853	-
	30,279	27,990	46,433	22,392

4 Expenses

	2000 General business £000	2000 Long term business £000	1999 General business £000	1999 Long term business £000
(a) Net operating expenses				
Commission paid on direct business	41,048	32	38,171	17
Other acquisition costs	17,377	1,943	20,293	1,637
Change in deferred acquisition costs	(1,335)	30	(883)	34
Administrative expenses	20,720	3,436	18,430	3,008
Reinsurance commissions and profit participation	(22,531)	(43)	(21,682)	(22)
	55,279	5,398	54,329	4,674

The group has incurred the following amounts in respect of:

		2000 General business	2000 Long term business	1999 General business	1999 Long term business
Depreciation :	- property	20	-	26	-
	- owned assets	1,386	154	52	136
	- leased assets	199	56	318	(11)
Auditors' remuneration :	- parent	2	-	2	-
	- group UK	153	45	203	29
	- group overseas	68	-	179	-
	- group fees for non-audit services	279	8	302	11
Interest payments under lease purchase contracts		113	35	111	35

Depreciation on leased assets is net of surpluses and deficits arising on the surrender of leases.

	2000 General business	2000 Long term business	1999 General business	1999 Long term business
(b) Other charges				
Debenture interest	780	-	780	-
Corporate business loan interest	682	-	865	-
Amortisation of goodwill	438	-	436	-
	1,900	-	2,081	-

(c) Depreciation on land and buildings

Accumulated depreciation on land and buildings occupied by the group was £606,000 (£610,000).

5 Employee information

The average weekly number of employees, including executive directors, during the year by geographical location was :	**2000** General business No.	**2000** Long term business No.	*1999* *General business No.*	*1999* *Long term business No.*
United Kingdom	**855**	**68**	*834*	*67*
Australia and New Zealand	**75**	**-**	*70*	*-*
North America	**54**	**-**	*68*	*-*
Republic of Ireland	**17**	**-**	*17*	*-*
	1,001	**68**	*989*	*67*
	£000	**£000**	*£000*	*£000*
Wages and salaries	**19,631**	**1,606**	*19,072*	*1,424*
Social security costs	**1,594**	**133**	*1,276*	*129*
Other pension costs	**2,519**	**310**	*2,465*	*193*
	23,744	**2,049**	*22,813*	*1,746*

6 Directors' emoluments

	2000 £	*1999* *£*
No director received emoluments from Allchurches Trust Limited during the year.		
The aggregate emoluments of the directors in respect of services as non-executive directors of subsidiary undertakings were:	**98,250**	*91,890*
Highest paid director's fees	**40,000**	*40,890*
The chairman received no emoluments.		

7 Pensions

The group's main scheme is a defined benefit scheme for UK employees. The assets of the scheme are held separately from those of the group by the trustees of Ecclesiastical Insurance Office plc Staff Retirement Benefit Fund. Pension costs for this scheme are determined, on the basis of triennial valuations, by an independent qualified actuary using the projected unit method. The most recent valuation was at 31 December 1998. The assumptions which have the greatest effect on the valuation results are those related to the rate of return on investments and the rate of increase in salaries. It is assumed that there will be a margin of 2% between investment return and salary growth. Other than in respect of statutory pension increases, no allowance was made for pension increases as these are separately funded by the company.

The most recent actuarial valuation showed that the market value of the scheme's assets was £68,581,000 and that the actuarial value of the assets was in excess of 120% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contribution of the group to the fund is and will remain at 16% of pensionable salary, plus additional amounts in accordance with recommendations by the Scheme Actuary. The scheme is registered with the Registrar of Pension Schemes. Pension liabilities of the Canadian branch are dealt with by payment to a Canadian Trustee Fund, and pension liabilities for the Republic of Ireland branch are dealt with by payment to an Irish life office. The total funding cost for the year was £2,452,000 (£2,363,000). Of this £2,357,000 (£2,228,000) related to the UK scheme.

The Ansvar subsidiaries operate separate schemes to the main group scheme. In the Republic of Ireland the non-contributory defined contribution scheme is now paid up. In the UK, the company operates a non-contributory defined benefit scheme, the contributions to which are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the attained age method. Contributions remain at 20.2% of pensionable salary. It is assumed that there will be a 1% margin between investment return and salary growth. The latest valuation of the scheme was as at 31 December 1999, when the market value of the assets, at £3,446,000, represented 106% of the benefits that had accrued to members. In Australia, Ansvar operate a defined contribution plan that complies with the Occupational Superannuation Standards Act. Employees contribute at a rate of 5% of basic salary, and the company at a rate of 9%.

8 Taxation

	Long term business technical account 2000 £000	Long term business technical account *1999 £000*	Non-technical account 2000 £000	Non-technical account *1999 £000*
UK Corporation tax at 30% (30.25%)	**1,812**	*939*	**476**	*(70)*
Overseas tax	**36**	*47*	**313**	*148*
Deferred tax on unrealised investment gains	-	-	**(3,004)**	*10,784*
Share of associated undertaking's tax	-	-	**1**	*1*
Tax attributable to shareholders' long term business profits	-	-	**1,030**	*633*
	1,848	*986*	**(1,184)**	*11,496*

9 Goodwill

Goodwill is amortised on a straight-line basis over its estimated useful economic life. Useful economic lives have been determined in respect of each acquisition to match the period over which the value of the underlying businesses will exceed their identifiable net assets. No useful economic lives are in excess of 20 years.

The carrying value of goodwill is as follows:	2000 £000	*1999 £000*
Balance 1 January	**3,832**	*4,143*
Additions	**75**	*125*
Amortisation during the year	**(438)**	*(436)*
Balance carried forward 31 December	**3,469**	*3,832*

10 Group investments

Current value	2000 General business £000	2000 Long term business £000	2000 Total £000	*1999 General business £000*	*1999 Long term business £000*	*1999 Total £000*
Freehold land and buildings						
- occupied by the group	**2,381**	-	**2,381**	*2,382*	-	*2,382*
- other	**7,865**	**10,302**	**18,167**	*7,857*	*9,602*	*17,459*
	10,246	**10,302**	**20,548**	*10,239*	*9,602*	*19,841*
Other financial investments						
Shares and other variable yield securities and units in unit trusts:						
- listed	**193,585**	**184,895**	**378,480**	*194,709*	*192,193*	*386,902*
- unlisted	**1,300**	**1,574**	**2,874**	*1,512*	*1,806*	*3,318*
	194,885	**186,469**	**381,354**	*196,221*	*193,999*	*390,220*
Debt and other fixed income securities:						
- listed	**122,272**	**57,255**	**179,527**	*117,032*	*55,605*	*172,637*
- unlisted	**351**	**590**	**941**	*720*	*652*	*1,372*
Loans secured by mortgages	**12,954**	**55,664**	**68,618**	*14,255*	*56,692*	*70,947*
Other loans	**2,853**	**344**	**3,197**	*47*	*453*	*500*
	138,430	**113,853**	**252,283**	*132,054*	*113,402*	*245,456*
Total	**138,430**	**113,853**	**252,283**	*132,054*	*113,402*	*245,456*

15 Reconciliation of movements in group shareholders' funds

	2000 £000	*1999* *£000*
(Loss)/profit for the financial year	**(4,152)**	*19,920*
Other recognised gains and losses	**(14)**	*2,235*
	(4,166)	*22,155*
Charitable grants net of tax relief	**(4,104)**	*(4,048)*
Net movement in shareholders' funds	**(8,270)**	*18,107*
Opening shareholders' funds	**150,884**	*132,777*
Closing shareholders' funds	**142,614**	*150,884*

16 Minority interests

Minority interests comprise preference and ordinary share capital and attributable profits in subsidiary undertakings.

	Profit and Loss Account		Balance Sheet	
	2000 £000	*1999* *£000*	2000 £000	*1999* *£000*
Equity interests				
St Andrew Trust plc				
Ordinary shares of £1 each	-	*10,450*	-	-
Non-equity interests				
Ecclesiastical Insurance Office plc				
2.8% First Cumulative Preference shares of £1 each	**2**	*2*	**77**	*87*
10% Redeemable Second Cumulative Preference shares of £1 each	**300**	*300*	**3,000**	*3,000*
8.625% Non-Cumulative Irredeemable Preference shares of £1 each	**2,028**	*2,028*	**23,509**	*23,509*
St Andrew Trust plc				
5.25% Cumulative Preference stock (now 3.675% plus tax credit)	-	*11*	-	-
	2,330	*12,791*	**26,586**	*26,596*

Ecclesiastical Insurance Office plc has the right to redeem all or any of the 10% Redeemable Second Cumulative Preference shares at par together with a premium as follows.

Year of Redemption	Premium
2001 to 2002	5 per cent
2003 to 2007	2 1/2 per cent
2008 to 2012	Nil

Any of these Preference shares not previously redeemed will be redeemed at par on 31 December 2012.

17 Long term business provision

The long term business provision has been calculated, by the Appointed Actuary of the company, using the following underlying principal assumptions.

(a) Rates of interest		**2000**	*1999*
		%	*%*
Assurances:			
Life		**2.5 - 3.0**	*2.5 - 3.0*
Pensions		**2.5 - 3.0**	*2.5 - 3.0*
Annuities:			
With profit	- deferred	**1.5 - 2.5**	*2.0 - 3.0*
Without profit	- deferred	**1.5 - 2.5**	*2.0 - 3.0*
	- vested	**4.5**	*4.5 - 5.5*
(b) Mortality tables			
Assurances		**AM92**	*A67 - 70*
Deferred annuities	- pensions	**PMA92/PFA92(c=2010)**	*PA (90)*
	- school fees	**no mortality**	*no mortality*
Vested annuities	- pensions	**PMA92/PFA92(c=2010)**	*PA (90)*
	- other	**IMA92/IFA92(c=2010)**	*a (90)*

The mortality tables used have various deductions from age depending upon the type of business being valued. Further allowances were made for additional mortality resulting from AIDS where appropriate.

18 Equalisation provision

The equalisation reserve, established in accordance with the Insurance Companies (Reserves) Act 1995, is required by Schedule 9A to the Companies Act 1985 to be included within technical provisions, notwithstanding that it does not represent a liability at the balance sheet date. It is in addition to the provisions required to meet the anticipated ultimate cost of settling outstanding claims at the balance sheet date. The provision has reduced shareholders' funds by £3,734,000 (£3,298,000) and decreased both the balance on the general business technical account and the profit before taxation for the year by £436,000 (£1,724,000 increase).

19 Provisions for other risks and charges

The provision shown in the accounts relates to deferred tax in respect of short term timing differences and on unrealised investment gains that are expected to crystallise in the foreseeable future.

Deferred tax on unrealised investment gains not provided for in the accounts amounted to £13,643,000 (£15,431,000).

	2000	*1999*
	£000	*£000*
Deferred tax provided at 1 January	**16,924**	*6,140*
(Decrease)/increase in provision	**(3,004)**	*10,784*
Deferred tax provided at 31 December	**13,920**	*16,924*

20 Other creditors including taxation and social security	2000 £000	*1999 £000*
Amounts falling due within one year:		
Other creditors	7,244	*6,493*
Taxation	2,408	*2,906*
	9,652	*9,399*
Amounts falling due after more than one year:		
Debenture stock	6,000	*6,000*
Corporate business loans	22,000	*22,000*
Other creditors	1,042	*1,040*
	29,042	*29,040*
Total	38,694	*38,439*
Included in other creditors are obligations under lease purchase contracts due:		
In 1 year or less	505	*453*
Between 2 and 5 years	1,041	*1,027*
Over 5 years	1	*13*
	1,547	*1,493*

The £6,000,000 13% Debenture stock 2018 is secured on the assets of Ecclesiastical Insurance Group plc. Except insofar as previously repaid, or purchased by the company or any of its subsidiaries and cancelled, the stock will be repaid at par on 31 August 2018.

A corporate business loan of £12,000,000 *(£12,000,000)* is secured against the assets of Allchurches Mortgage Company Limited. Interest is payable at periodic London Interbank Offered Rates plus an appropriate margin. The final maturity date for the loan facility, totalling £16,000,000, is 23 December 2009.

The group is required under the Policyholders' Protection Act to contribute towards any levies raised by the Policyholders' Protection Board on UK general insurance business. The amount of the levy may vary from nil to a maximum levy of 1% of the UK written premium net of reinsurance. No levy was raised by the Policyholders' Protection Board during the year *(nil)*.

21 Notes to the cash flow statement

(a) Reconciliation of (loss)/profit on ordinary activities before tax to net cash inflow from operating activities.	2000 £000	*1999 £000*
(Loss)/profit on ordinary activities before tax	(3,006)	*44,207*
Depreciation charges	1,605	*396*
Amortisation of fixed interest securities	283	*185*
Amortisation of goodwill	438	*436*
Unrealised losses/(gains) on investments	14,707	*(15,886)*
Increase/(decrease) in net general insurance provisions	37,105	*(13,987)*
Profit relating to long term business	(3,435)	*(2,093)*
Share of profits of associates	(6)	*(3)*
Loan interest payable	2,192	*2,331*
Other interest payable	152	*230*
Realised investment gains	(12,696)	*(27,523)*
Loss on sales of tangible fixed assets	16	*28*
Movements in debtors less creditors	(4,738)	*2,226*
Profit on sale of subsidiary undertaking	(1,878)	*(1,003)*
	30,739	*(10,456)*

21 Notes to the cash flow statement (continued)

(b) Movements in cash, portfolio investments and financing

	At 1 January 2000 £000	Cash flow £000	Acquired with subsidiary £000	Changes in long term business £000	Changes in market value exchange and others £000	At 31 December 2000 £000
Cash at bank and in hand	50,803	10,275	51	2,319	905	64,353
Shares and other variable yield securities	390,265	563	169	(7,530)	(2,082)	381,385
Fixed income securities	245,456	4,936	68	450	1,373	252,283
Land and buildings	19,841	(596)	-	701	602	20,548
Assets held to cover linked liabilities	29,322	-	-	2,615	-	31,937
Loans due after 1 year	(28,000)	-	-	-	-	(28,000)
	707,687	15,178	288	(1,445)	798	722,506

(c) Analysis of net cash outflow on acquisition of subsidiary

On 31 December 2000, Ecclesiastical Insurance Office plc acquired the entire equity share capital of URC Insurance Company Limited, incorporated in Great Britain. The acquisition was accounted for by the acquisition method.
Due to the timing of the acquisition the consideration, which comprised cash, was not provided during the financial year and is included in other creditors in the consolidated balance sheet. The company made no contribution to the group's net operating cash flow during the financial year.

22 Operating Leases

Annual commitments and payments under non-cancellable operating leases were as follows:

	2000 Premises £000	2000 Equipment £000	*1999 Premises £000*	*1999 Equipment £000*
Commitments				
Expiring:				
Within 1 year	248	457	*333*	*3*
Between 2 and 5 years	531	924	*197*	*785*
Over 5 years	1,423	-	*1,203*	*58*
	2,202	1,381	*1,733*	*846*
Payments included in operating expenses	1,770	943	*1,471*	*659*

23 Capital commitments

At 31 December 2000 there were no outstanding contracts for capital expenditure (Nil).

24 Related party transactions

In accordance with the exemption available under Financial Reporting Standard 8 'Related Party Disclosures', no disclosure is given of transactions with group companies.

During the year related party transactions consisting of £908,000 (£796,000) school fee annuities were accounted for by the group to Beaufort House Trust Limited, a charity under common control and registered at the same address. Of this £215,000 (£249,000) was prepaid at the balance sheet date. This has been accounted for in the long term business technical account.

25 Discontinued operations

Conditional upon the sale of Chatham Holdings Inc. to Mapfre Re, the company joined a reinsurance arrangement to minimise Mapfre Re's exposure to losses occurring on business in force at the date of sale. Under the reinsurance arrangement the company's own exposure to future losses was limited and, as a result of notifications of further deterioration in the account, the maximum loss to the company has been fully provided for in the financial statements. The impact on the results for the financial year is disclosed below as discontinued operations.

	2000			1999		
	Continuing operations £000	Discontinued operations £000	Total £000	Continuing operations £000	Discontinued operations £000	Total £000
Gross premiums written	250,286	1,339	251,625	216,934	18,713	235,647
Outwards reinsurance premiums	73,231	-	73,231	64,069	4,649	68,718
Net written premiums	177,055	1,339	178,394	152,865	14,064	166,929
Net change in provision for unearned premiums	9,167	-	9,167	6,492	(1,473)	5,019
Earned premiums, net of reinsurance	167,888	1,339	169,227	146,373	15,537	161,910
Net incurred claims	133,849	3,013	136,862	110,803	17,955	128,758
Net operating expenses	55,279	-	55,279	47,726	6,603	54,329
Total technical charges	189,128	3,013	192,141	158,529	24,558	183,087
Balance on the technical account before equalisation provisions	(21,240)	(1,674)	(22,914)	(12,156)	(9,021)	(21,177)
Change in equalisation provision	(436)	-	(436)	1,724	-	1,724
Balance on the technical account for general business	(21,676)	(1,674)	(23,350)	(10,432)	(9,021)	(19,453)
Balance on the technical account for long term busines	2,405	-	2,405	1,460	-	1,460
Tax attributable to the shareholders' long term business profits	1,030	-	1,030	633	-	633
	(18,241)	(1,674)	(19,915)	(8,339)	(9,021)	(17,360)
Investment income	29,743	536	30,279	44,446	1,987	46,433
Unrealised (losses)/gains on investments	(14,707)	-	(14,707)	15,885	-	15,885
Allocated investment return transferred from the long term business technical account	1,801	-	1,801	1,799	-	1,799
Investment expenses and charges	(1,006)	-	(1,006)	(1,598)	(99)	(1,697)
Other operations	564	-	564	225	-	225
Other charges	(1,900)	-	(1,900)	(2,081)	-	(2,081)
Profit on sale of subsidiary undertaking	-	1,878	1,878	-	1,003	1,003
Operating (loss)/profit	(3,746)	740	(3,006)	50,337	(6,130)	44,207

26 Subsidiary and associated undertakings

Subsidiaries	Share capital	Holdings of shares by: Parent	Subsidiaries
Incorporated and operating in Great Britain, engaged in investment, insurance and financial services or other insurance related business:			
Ecclesiastical Insurance Group plc	Ordinary shares	100%	
Allchurches Mortgage Company Limited	Ordinary shares	100%	
	6% Non-Cumulative Redeemable Preference shares		100%
Allchurches Investment Management Services Limited	Ordinary shares		100%
Allchurches Life Assurance Limited	Ordinary shares		100%
Ansvar Insurance Company Limited	Ordinary shares		100%
Ansvar Pensions Limited	Ordinary shares		100%
Blaisdon Properties Limited	Ordinary shares		100%
Eccint Limited	Ordinary shares		100%
Ecclesiastical Insurance Office plc	Ordinary shares		100%
	2.8% First Cumulative Preference shares		70.7%
	9.5% Redeemable Third Non-Cumulative Preference shares		100%
	8.625% Non-Cumulative Irredeemable Preference shares		6%
Ecclesiastical Group Asset Management Limited	Ordinary shares		100%
Ecclesiastical Underwriting Management Limited	Ordinary shares		100%
Hinton & Wild (Home Plans) Limited	Ordinary shares		100%
The Churches Purchasing Scheme Limited	Ordinary shares		100%
URC Insurance Company Limited	Ordinary shares		100%
Incorporated and operating in Australia, engaged in insurance business:			
EIG - Ansvar Limited	Ordinary shares		100%
Incorporated and operating in New Zealand, engaged in insurance business:			
EIG - Ansvar Insurance (New Zealand) Limited	Ordinary shares		100%
EIG - Ansvar Life Limited	Ordinary shares		100%
Responsible Nominees Propriety Limited	Ordinary shares		100%
Associated undertaking			
Incorporated and operating in Great Britain, engaged in insurance business:			
Gerling Global London Market Limited	Ordinary shares		30%

In addition, there are five other wholly owned subsidiary undertakings whose assets and contributions to group income are not significant.

All the subsidiaries listed are included within the consolidated financial statements. Voting rights are in line with the holdings of ordinary shares.